

# **The Bellin Health Foundation, Inc.**

Green Bay, Wisconsin

## **Financial Statements**

Years Ended September 30, 2016 and 2015

# The Bellin Health Foundation, Inc.

## Financial Statements

Years Ended September 30, 2016 and 2015

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## **Independent Auditor's Report**

Board of Directors  
The Bellin Health Foundation, Inc.  
Green Bay, Wisconsin

We have audited the accompanying financial statements of The Bellin Health Foundation, Inc., which comprise the statements of financial position as of September 30, 2016 and 2015, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 financial statements referred to above present fairly, in all material respects, the financial position of The Bellin Health Foundation, Inc. as of September 30, 2016 and 2015, 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.

*Wipfli LLP*

Wipfli LLP

January 23, 2017  
Green Bay, Wisconsin

# The Bellin Health Foundation, Inc.

## Statements of Financial Position

September 30, 2016 and 2015

<i>Assets</i>	<b>2016</b>	<b>2015</b>
Cash	\$ 212,398	\$ 292,888
Investments	604,961	728,814
Interest in charitable lead trust	195,343	203,561
Unconditional promises to give - Net	2,038,358	1,564,433
Assets limited as to use	2,754,342	2,377,494
<b>TOTAL ASSETS</b>	<b>\$ 5,805,402</b>	<b>\$ 5,167,190</b>
<i>Liabilities and Net Assets</i>		
Liabilities:		
Accounts payable - Related party	\$ 482,317	\$ 659,132
Due to third parties	49,731	53,633
Accrued expenses	23,819	25,182
<b>Total liabilities</b>	<b>555,867</b>	<b>737,947</b>
Net assets:		
Unrestricted	390,210	593,375
Temporarily restricted	2,766,530	2,091,865
Permanently restricted	2,092,795	1,744,003
<b>Total net assets</b>	<b>5,249,535</b>	<b>4,429,243</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,805,402</b>	<b>\$ 5,167,190</b>

See accompanying notes to financial statements.

# The Bellin Health Foundation, Inc.

## Statements of Activities

Years Ended September 30, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, gains, and other support:				
Contributions	\$ 249,072	\$ 915,924	\$ 286,792	\$ 1,451,788
Special events	60,123	111,290	-	171,413
Investment income (loss)	187,817	65,401	-	253,218
Gift shop revenue	137,432	-	-	137,432
Change in present value of unconditional promises to give - Net	-	8,100	62,000	70,100
Net assets released from restrictions	426,050	(426,050)	-	-
<b>Total revenue, gains, and other support</b>	<b>1,060,494</b>	<b>674,665</b>	<b>348,792</b>	<b>2,083,951</b>
Expenses:				
Grants	607,890	-	-	607,890
Salaries and wages	338,781	-	-	338,781
Employee benefits	84,089	-	-	84,089
Special events	60,123	-	-	60,123
Gift shop supplies	80,506	-	-	80,506
Office	45,359	-	-	45,359
Contract services	10,425	-	-	10,425
Repairs and maintenance	1,485	-	-	1,485
Leases and rents	891	-	-	891
Engagement and travel	15,969	-	-	15,969
Provision for bad debts	1,770	-	-	1,770
Other	16,371	-	-	16,371
<b>Total expenses</b>	<b>1,263,659</b>	<b>-</b>	<b>-</b>	<b>1,263,659</b>
Change in net assets	(203,165)	674,665	348,792	820,292
Net assets at beginning	593,375	2,091,865	1,744,003	4,429,243
<b>Net assets at end</b>	<b>\$ 390,210</b>	<b>\$ 2,766,530</b>	<b>\$ 2,092,795</b>	<b>\$ 5,249,535</b>

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 313,530	\$ 790,215	\$ 33,686	\$ 1,137,431
61,450	100,602	-	162,052
(48,902)	(13,314)	-	(62,216)
141,365	-	-	141,365
-	(2,450)	101,050	98,600
552,463	(552,463)	-	-
<u>1,019,906</u>	<u>322,590</u>	<u>134,736</u>	<u>1,477,232</u>
772,432	-	-	772,432
324,634	-	-	324,634
70,988	-	-	70,988
61,450	-	-	61,450
79,801	-	-	79,801
38,334	-	-	38,334
12,000	-	-	12,000
1,783	-	-	1,783
891	-	-	891
18,669	-	-	18,669
2,556	-	-	2,556
10,319	-	-	10,319
<u>1,393,857</u>	<u>-</u>	<u>-</u>	<u>1,393,857</u>
(373,951)	322,590	134,736	83,375
967,326	1,769,275	1,609,267	4,345,868
<u>\$ 593,375</u>	<u>\$ 2,091,865</u>	<u>\$ 1,744,003</u>	<u>\$ 4,429,243</u>

See accompanying notes to financial statements.

# The Bellin Health Foundation, Inc.

## Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	2016	2015
Increase (decrease) in cash:		
Cash flows from operating activities:		
Cash received from public support	\$ 1,079,365	\$ 1,153,198
Cash paid to suppliers	(837,849)	(338,964)
Grants paid	(607,890)	(772,432)
Interest and dividends received	63,714	78,297
Net cash provided by (used in) operating activities	(302,660)	120,099
Cash flows from investing activities:		
Purchase of investments and assets limited as to use	(1,097,338)	(1,681,384)
Proceeds from sale of investments and assets limited as to use	1,033,847	1,603,224
Net cash used in investing activities	(63,491)	(78,160)
Net cash provided by financing activities - Contributions restricted for long-term investment	285,661	33,377
Net increase (decrease) in cash	(80,490)	75,316
Cash at beginning	292,888	217,572
Cash at end	\$ 212,398	\$ 292,888



# The Bellin Health Foundation, Inc.

## Statements of Cash Flows (Continued)

Years Ended September 30, 2016 and 2015

	2016	2015
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 820,292	\$ 83,375
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in unamortized discount on unconditional promises to give and allowance for uncollectible promises to give	(73,400)	(104,100)
Provision for bad debts	1,770	2,556
Change in net unrealized gains and losses on investments	(85,455)	238,315
Net realized gain on sale of investments	(104,049)	(97,802)
Change in interest of charitable lead trust	8,218	(203,561)
Contributions restricted for long-term investment	(286,792)	(33,686)
Changes in operating assets and liabilities:		
Unconditional promises to give	(401,164)	(47,459)
Accounts payable - Related party	(176,815)	281,554
Due (to) from third parties and accrued expenses	(5,265)	907
Total adjustments	(1,122,952)	36,724
Net cash provided by (used in) operating activities	\$ (302,660)	\$ 120,099

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Principal Business Activity

The Bellin Health Foundation, Inc. (the “Foundation”) is a nonstock, nonprofit corporation that receives gifts and bequests, raises funds for specific projects or needs, administers and invests funds, and disburses payments to and for the benefit of tax-exempt organizations at the discretion of its Board of Directors. The Foundation also operates coffee and gift shops at Bellin Memorial Hospital, Inc.

Bellin Health Systems, Inc. has the ability to influence the actions of the Foundation since Bellin Health Systems, Inc.’s Board of Directors approves the nominations for the Foundation’s Board of Directors. The Foundation is included as a consolidating entity in Bellin Health Systems, Inc.’s consolidated financial statements. The following entities comprise Bellin Health Systems, Inc.:

- Bellin Memorial Hospital, Inc.
- Bellin Psychiatric Center, Inc.
- The Bellin Health Foundation, Inc.
- Bellin College, Inc.
- Lake Michigan Health Care Services, Inc.

A significant portion of funds raised by the Foundation are transferred to affiliates for use as directed by donors.

#### Basis of Presentation

The Foundation follows accounting standards contained in the Financial Accounting Standards Board Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) for nongovernmental entities.

#### Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Classification of Net Assets

Net assets and revenue, expenses, gains, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* of the Foundation are neither temporarily nor permanently restricted by donor-imposed stipulations.
- *Temporarily restricted net assets* are those whose use by the Foundation has been limited by donors to a specific time period or restriction. As the restrictions are met, the temporarily restricted net assets are released and are recognized as unrestricted support. In addition, investment earnings on permanently restricted endowment funds are classified as temporarily restricted net assets until appropriated for expenditure.
- *Permanently restricted net assets* are those amounts contributed by donors with the express intent that the principal be maintained by the Foundation in perpetuity.

#### Investments, Assets Limited as to Use, and Investment Income

Investments, including assets limited as to use, are measured at fair value in the accompanying statements of financial position. Donated investments are reported at fair value at the date of receipt, which is then treated as cost.

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in unrestricted revenue, gains, and other support unless the income or loss is restricted by donor or law. Realized gains or losses are determined by specific identification.

Assets limited as to use include assets set aside to fund restricted donations and amounts designated by the Board to function as endowments.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Beneficial Interest in Charitable Lead Trust

The Foundation is an income beneficiary of an irrevocable charitable lead trust. The charitable lead trust agreement requires a distribution of 7% of the fair market value of the assets as of the beginning of the year to designated beneficiaries for a period of 15 years beginning December 31, 2014. Revenue and a related asset were recognized at the date the trust was established at an amount equal to the present value of the Foundation's interest in the future cash flows. The asset is adjusted during the term of the trust for changes in the estimate of future benefits based on a discount rate of 4%, and such changes are included as revenue and temporarily restricted net assets, as applicable.

#### Fair Value Measurements

The Foundation measures fair value of its financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Contributions and Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation reports contributions as restricted support in temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions. Promises to give funds for property and equipment are released from restrictions when the funds are received and the property and/or equipment is purchased or built.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contribution revenue over the duration of the promise. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Management individually reviews all past due unconditional promises to give balances and estimates the portion, if any, of the balance that will not be collected. The carrying amount of the unconditional promises to give is reduced by allowances that reflect management's estimate of uncollectible accounts.

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions whose restrictions have been met in the same reporting period as received are reported as unrestricted contributions in the accompanying financial statements.

#### **Income Taxes**

The Foundation is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation is also exempt from state income taxes on related income.

#### **Subsequent Events**

Subsequent events have been evaluated through January 23, 2017, which is the date the financial statements were available to be issued.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

### Note 2: Investments, Assets Limited as to Use, and Investment Income (Loss)

#### *Investments*

The composition of investments at September 30 is as follows:

	2016	2015
Cash equivalents	\$ 21,137	\$ 18,184
Fixed income securities	108,433	142,328
Mutual funds	262,829	318,134
Equity securities	212,562	250,168
<b>Total investments</b>	<b>\$ 604,961</b>	<b>\$ 728,814</b>

#### *Assets Limited as to Use*

The composition of assets limited as to use at September 30 is as follows:

	2016	2015
Assets set aside to fund restricted donations:		
Cash equivalents	\$ 91,621	\$ 56,789
Fixed income securities	471,051	444,471
Mutual funds	1,141,770	993,494
Equity securities	923,403	781,243
<b>Total assets set aside to fund restricted donations</b>	<b>2,627,845</b>	<b>2,275,997</b>
Board designated:		
Cash equivalents	4,412	2,533
Fixed income securities	22,675	19,821
Mutual funds	54,961	44,304
Equity securities	44,449	34,839
<b>Total board designated</b>	<b>126,497</b>	<b>101,497</b>
<b>Total assets limited as to use</b>	<b>\$ 2,754,342</b>	<b>\$ 2,377,494</b>

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 2: Investments, Assets Limited as to Use, and Investment Income (Loss)

(Continued)

Most long-term investments are held in an investment pool. Investment income (loss) is allocated among the various unrestricted, designated, and restricted groups monthly based on the weighted-average balance in each group.

Investments, in general, including those reflected in assets limited as to use, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of certain investments will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

#### *Investment Income (Loss)*

Investment income (loss) was comprised of the following for the years ended September 30:

<b>2016</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Interest and dividend income - Net	\$ 47,258	\$ 16,456	\$ 63,714
Net realized gain on sale of investments	77,175	26,874	104,049
Change in net unrealized gains and losses on investments	63,384	22,071	85,455
<b>Total investment income</b>	<b>\$ 187,817</b>	<b>\$ 65,401</b>	<b>\$ 253,218</b>
<b>2015</b>			
Interest and dividend income - Net	\$ 61,543	\$ 16,754	\$ 78,297
Net realized gain on sale of investments	76,874	20,928	97,802
Change in net unrealized gains and losses on investments	(187,319)	(50,996)	(238,315)
<b>Total investment loss</b>	<b>\$ (48,902)</b>	<b>\$ (13,314)</b>	<b>\$ (62,216)</b>

Interest and dividend income includes investment fees of \$15,587 and \$15,977 as of September 30, 2016 and 2015, respectively.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 3: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash equivalents, consisting of money market funds, are valued using \$1 as the net asset value (NAV). Fixed income securities are valued using quotes from pricing vendors based on recent trading activity and other observable market data. Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded. Equity securities are valued based on quoted market prices. The charitable lead trust is measured at the present value of future cash flows considering estimated future cash flows over the term of the trust agreement and a discount rate based on the risks involved.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of September 30 is as follows:

	2016			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Money market funds	\$ -	\$ 117,170	\$ -	\$ 117,170
Fixed income securities:				
Corporate bonds	-	303,249	-	303,249
Government bonds	-	95,208	-	95,208
Agency bonds	-	85,562	-	85,562
Municipal bonds	-	118,140	-	118,140
Mutual funds:				
Equity funds	889,971	-	-	889,971
Balanced funds	85,693	-	-	85,693
Fixed income funds	483,896	-	-	483,896
Equity securities:				
Consumer discretionary	173,253	-	-	173,253
Consumer staples	222,523	-	-	222,523
Energy	72,339	-	-	72,339
Financials	208,167	-	-	208,167
Industrials	172,752	-	-	172,752
Information technology	138,344	-	-	138,344
Materials	28,119	-	-	28,119
Utilities	18,307	-	-	18,307
Telecommunication services	146,610	-	-	146,610
Interest in charitable lead trust	-	-	195,343	195,343
<b>Total</b>	<b>\$ 2,639,974</b>	<b>\$ 719,329</b>	<b>\$ 195,343</b>	<b>\$ 3,554,646</b>

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

	2015			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Money market funds	\$ -	\$ 77,506	\$ -	\$ 77,506
Fixed income securities:				
Corporate bonds	-	323,329	-	323,329
Government bonds	-	104,322	-	104,322
Agency bonds	-	65,374	-	65,374
Municipal bonds	-	113,595	-	113,595
Mutual funds:				
Equity funds	717,430	-	-	717,430
Balanced funds	177,239	-	-	177,239
Fixed income funds	461,263	-	-	461,263
Equity securities:				
Consumer discretionary	156,737	-	-	156,737
Consumer staples	243,722	-	-	243,722
Energy	51,617	-	-	51,617
Financials	191,729	-	-	191,729
Industrials	140,289	-	-	140,289
Information technology	129,077	-	-	129,077
Materials	24,587	-	-	24,587
Utilities	23,167	-	-	23,167
Telecommunication services	105,325	-	-	105,325
Interest in charitable lead trust	-	-	203,561	203,561
<b>Total</b>	<b>\$ 2,422,182</b>	<b>\$ 684,126</b>	<b>\$ 203,561</b>	<b>\$ 3,309,869</b>

The change in the fair value of the Foundation's assets using significant unobservable inputs (Level 3) represents the change in the calculation of fair market value of the charitable lead trust.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

### Note 4: Unconditional Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using discount rates ranging from 1.14% to 1.37%.

Unconditional promises to give are summarized as follows at September 30:

<b>2016</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Unconditional promises to give	\$ 937,085	\$ 1,383,173	\$ 2,320,258
Less:			
Unamortized discount	5,200	273,000	278,200
Allowance for uncollectible promises to give	3,700	-	3,700
<b>Unconditional promises to give - Net</b>	<b>\$ 928,185</b>	<b>\$ 1,110,173</b>	<b>\$ 2,038,358</b>
Amounts due in:			
Less than one year	\$ 778,095	\$ 8,173	\$ 786,268
One to five years	133,090	-	133,090
Greater than five years	17,000	1,102,000	1,119,000
<b>Total</b>	<b>\$ 928,185</b>	<b>\$ 1,110,173</b>	<b>\$ 2,038,358</b>
<b>2015</b>			
Unconditional promises to give	\$ 537,653	\$ 1,382,080	\$ 1,919,733
Less:			
Unamortized discount	13,300	335,000	348,300
Allowance for uncollectible promises to give	7,000	-	7,000
<b>Unconditional promises to give - Net</b>	<b>\$ 517,353</b>	<b>\$ 1,047,080</b>	<b>\$ 1,564,433</b>
Amounts due in:			
Less than one year	\$ 209,514	\$ 7,080	\$ 216,594
One to five years	291,539	-	291,539
Greater than five years	16,300	1,040,000	1,056,300
<b>Total</b>	<b>\$ 517,353</b>	<b>\$ 1,047,080</b>	<b>\$ 1,564,433</b>

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 5: Net Assets

Unrestricted net assets consisted of the following at September 30:

	<b>2016</b>	<b>2015</b>
Undesignated net assets	\$ 263,713	\$ 491,878
Board-designated net assets	126,497	101,497
<b>Total unrestricted net assets</b>	<b>\$ 390,210</b>	<b>\$ 593,375</b>

The Board has designated a portion of unrestricted net assets as an endowment fund.

Temporarily restricted net assets at September 30 were restricted for the following purposes:

	<b>2016</b>	<b>2015</b>
Bellin Memorial Hospital, Inc. capital projects	\$ 861,554	\$ 438,949
Bellin Memorial Hospital, Inc. services	1,302,584	1,195,653
Scholarships	201,490	131,825
Patient assistance	328,789	276,354
Employee assistance	72,113	49,084
<b>Total temporarily restricted net assets</b>	<b>\$ 2,766,530</b>	<b>\$ 2,091,865</b>

In 2016 and 2015, temporarily restricted net assets of \$426,050 and \$552,463, respectively, were used for the purpose as intended by donors. Accordingly, these amounts were released from the temporarily restricted fund to the unrestricted fund in the accompanying statements of activities.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 5: Net Assets (Continued)

Permanently restricted net assets at September 30 were restricted to:

	2016	2015
Investments in perpetuity, the income from which is expendable to support:		
Scholarships	\$ 252,887	\$ 223,595
Health care services	1,000	1,000
Employee training and development	204,408	204,408
Endowment fund	1,634,500	1,315,000
<b>Total permanently restricted net assets</b>	<b>\$ 2,092,795</b>	<b>\$ 1,744,003</b>

### Note 6: Endowments

The Foundation's endowments consist of different funds established to benefit the Foundation for a variety of purposes. The Foundation's endowments include both donor-restricted endowments and funds designated by the Board of Directors to function as endowments or quasi-endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Donor-Restricted Endowments

The Foundation's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Foundation to preserve the fair value of the donor's original gift, as of the date of the gift, absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the donor's gifts to the permanently restricted endowment, (b) the original value of a donor's subsequent gifts to the permanently restricted endowment, and (c) accumulations to the permanently restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment income of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### **Note 6: Endowments** (Continued)

#### **Donor-Restricted Endowments** (Continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

#### **Board-Designated Endowment**

The Board of Directors has set aside certain unrestricted net assets for endowment purposes. Since these amounts are not restricted by the donor but are restricted only by Board policy, the amounts have been classified as unrestricted net assets. The Board may designate additional amounts from time to time to be added to the board-designated endowment fund.

#### **Investment Return Objectives, Risk Parameters, and Strategies**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to preserve the fair value of the endowment assets. Under the Foundation's investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation, achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and ensure any risk assumed is commensurate with the given investment vehicle and the Foundation's objectives.

To achieve its investment goals, the Foundation targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal, while exercising risk control. The Foundation's asset allocations include a blend of equity and debt securities and cash equivalents.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 6: Endowments (Continued)

Endowment net assets consisted of the following at September 30:

<b>2016</b>	<b>Board Designated</b>	<b>Donor Restricted</b>	<b>Total</b>
Net assets:			
Unrestricted	\$ 126,497	\$ -	\$ 126,497
Temporarily restricted	-	175,256	175,256
Permanently restricted	-	2,092,795	2,092,795
<b>Total</b>	<b>\$ 126,497</b>	<b>\$ 2,268,051</b>	<b>\$ 2,394,548</b>

<b>2015</b>	<b>Board Designated</b>	<b>Donor Restricted</b>	<b>Total</b>
Net assets:			
Unrestricted	\$ 101,497	\$ -	\$ 101,497
Temporarily restricted	-	127,182	127,182
Permanently restricted	-	1,744,003	1,744,003
<b>Total</b>	<b>\$ 101,497</b>	<b>\$ 1,871,185</b>	<b>\$ 1,972,682</b>

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

### Note 6: Endowments (Continued)

Changes in endowment funds were as follows for the years ended September 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 30, 2014	\$ 101,497	\$ 177,680	\$ 1,609,267	\$ 1,888,444
Investment return:				
Investment income	-	37,573	-	37,573
Unrealized loss	-	(50,885)	-	(50,885)
Total investment return	-	(13,312)	-	(13,312)
Appropriation of endowment assets for expenditures	-	(37,186)	-	(37,186)
Contributions	-	-	134,736	134,736
Endowment net assets at September 30, 2015	101,497	127,182	1,744,003	1,972,682
Investment return:				
Investment income	-	43,310	-	43,310
Unrealized gain	-	22,091	-	22,091
Total investment return	-	65,401	-	65,401
Appropriation of endowment assets for expenditures	-	(17,327)	-	(17,327)
Contributions	25,000	-	348,792	373,792
Endowment net assets at September 30, 2016	\$ 126,497	\$ 175,256	\$ 2,092,795	\$ 2,394,548



# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 7: Retirement Plan

Bellin Memorial Hospital, Inc. has a defined contribution retirement plan (the “Plan”) covering all eligible employees. The Foundation’s employees are covered under the Plan. The Plan provides for a discretionary matching contribution that is determined by the Board of Directors. The Foundation expensed \$17,929 and \$17,006 in 2016 and 2015, respectively, related to the Plan.

### Note 8: Concentration of Credit Risk

The Foundation maintains depository relationships with area financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Depository accounts at these institutions are insured by the FDIC up to \$250,000. At September 30, 2016, there were no amounts in excess of the FDIC-insured limits. In addition, other investments held by financial institutions are uninsured. Management believes these financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

### Note 9: Related-Party Transactions

The Foundation made the following grants to related parties during the years ended September 30:

	2016	2015
Bellin Memorial Hospital, Inc.	\$ 554,562	\$ 622,793
Oconto Hospital & Medical Center, Inc.	-	40,000
Bellin Psychiatric Center, Inc.	-	42,651
Bellin College, Inc.	11,000	29,000
<b>Total grants to related parties</b>	<b>\$ 565,562</b>	<b>\$ 734,444</b>

The Foundation reimburses Bellin Memorial Hospital, Inc. for various management, general, and fund-raising expenses. These expenses totaled \$654,000 and \$618,870 for the years ended September 30, 2016 and 2015, respectively, included in operating expenses in the accompanying statements of activities. At September 30, 2016 and 2015, \$482,317 and \$659,132, respectively, was payable to Bellin Memorial Hospital, Inc. for payment of such services.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 10: Functional Expenses

The Foundation's expenses by functional categories are as follows for the years ended September 30:

	<b>2016</b>	<b>2015</b>
Program services - Grants	\$ 607,890	\$ 772,432
Coffee and gift shop activities	141,324	135,128
Management and general	213,068	193,359
Fund-raising	301,377	292,938
Total expenses	<u>\$ 1,263,659</u>	<u>\$ 1,393,857</u>