

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

Green Bay, Wisconsin

## **Financial Statements**

Years Ended September 30, 2019 and 2018

**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants



## 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, 2019 and 2018, 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, which 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

January 22, 2020  
Green Bay, Wisconsin

# The Bellin Health Foundation, Inc.

## Statements of Financial Position

September 30, 2019 and 2018

<i>Assets</i>	<b>2019</b>	<b>2018</b>
Cash	\$ 344,615	\$ 218,855
Investments	335,730	884,716
Interest in charitable lead trust	149,341	165,788
Unconditional promises to give - Net	1,956,355	1,979,205
Assets limited as to use	3,697,914	3,012,442
<b>TOTAL ASSETS</b>	<b>\$ 6,483,955</b>	<b>\$ 6,261,006</b>
<i>Liabilities and Net Assets</i>		
Liabilities:		
Accounts payable - Related party	\$ 850,810	\$ 1,065,868
Due to third parties	95,866	94,765
Accrued expenses	15,143	17,285
<b>Total liabilities</b>	<b>961,819</b>	<b>1,177,918</b>
Net assets:		
Without donor restrictions	(154,978)	52,266
With donor restrictions	5,677,114	5,030,822
<b>Total net assets</b>	<b>5,522,136</b>	<b>5,083,088</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,483,955</b>	<b>\$ 6,261,006</b>

See accompanying notes to financial statements.

# The Bellin Health Foundation, Inc.

## Statement of Activities

Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Contributions	\$ 333,752	\$ 1,096,089	\$ 1,429,841
Special events	60,198	133,807	194,005
Investment income	94,224	42,779	137,003
Gift shop revenue	132,068	-	132,068
Change in present value of unconditional promises to give - Net	-	63,625	63,625
Net assets released from restrictions	690,008	(690,008)	-
<b>Total revenue, gains, and other support</b>	<b>1,310,250</b>	<b>646,292</b>	<b>1,956,542</b>
Expenses:			
Grants	897,070	-	897,070
Salaries and wages	330,922	-	330,922
Employee benefits	87,136	-	87,136
Special events	60,198	-	60,198
Gift shop supplies	76,873	-	76,873
Office	43,313	-	43,313
Repairs and maintenance	191	-	191
Leases and rents	684	-	684
Engagement and travel	3,142	-	3,142
Provision for bad debts	476	-	476
Other	17,489	-	17,489
<b>Total expenses</b>	<b>1,517,494</b>	<b>-</b>	<b>1,517,494</b>
Change in net assets	(207,244)	646,292	439,048
Net assets at beginning	52,266	5,030,822	5,083,088
<b>Net assets at end</b>	<b>\$ (154,978)</b>	<b>\$ 5,677,114</b>	<b>\$ 5,522,136</b>

See accompanying notes to financial statements.

# The Bellin Health Foundation, Inc.

## Statement of Activities

Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Contributions	\$ 350,200	\$ 1,120,759	\$ 1,470,959
Special events	59,080	103,561	162,641
Investment income	155,950	50,307	206,257
Gift shop revenue	131,438	-	131,438
Change in present value of unconditional promises to give - Net	-	(98,375)	(98,375)
Net assets released from restrictions	788,257	(788,257)	-
<b>Total revenue, gains, and other support</b>	<b>1,484,925</b>	<b>387,995</b>	<b>1,872,920</b>
Expenses:			
Grants	997,626	-	997,626
Salaries and wages	341,128	-	341,128
Employee benefits	90,691	-	90,691
Special events	70,332	-	70,332
Gift shop supplies	72,281	-	72,281
Office	65,767	-	65,767
Contract services	5,700	-	5,700
Repairs and maintenance	187	-	187
Leases and rents	624	-	624
Engagement and travel	11,814	-	11,814
Provision for bad debts	5,800	-	5,800
Other	26,370	-	26,370
<b>Total expenses</b>	<b>1,688,320</b>	<b>-</b>	<b>1,688,320</b>
Change in net assets	(203,395)	387,995	184,600
Net assets at beginning	255,661	4,642,827	4,898,488
<b>Net assets at end</b>	<b>\$ 52,266</b>	<b>\$ 5,030,822</b>	<b>\$ 5,083,088</b>

See accompanying notes to financial statements.

# The Bellin Health Foundation, Inc.

## Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	2019	2018
Change in cash:		
Cash flows from operating activities:		
Cash received from public support	\$ 1,638,355	\$ 1,448,023
Cash paid to suppliers	(836,523)	(442,616)
Grants paid	(897,070)	(997,626)
Interest and dividends received	81,871	80,970
Net cash flows from operating activities	(13,367)	88,751
Cash flows from investing activities:		
Purchase of investments and assets limited as to use	(1,366,030)	(1,052,375)
Proceeds from sale of investments and assets limited as to use	1,284,675	971,819
Net cash flows from investing activities	(81,355)	(80,556)
Net cash flows from financing activities - Contributions restricted for long-term investment	220,482	47,253
Net change in cash	125,760	55,448
Cash at beginning	218,855	163,407
Cash at end	\$ 344,615	\$ 218,855

# The Bellin Health Foundation, Inc.

## Statements of Cash Flows (Continued)

Years Ended September 30, 2019 and 2018

	2019	2018
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 439,048	\$ 184,600
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in unamortized discount on unconditional promises to give and allowance for uncollectible promises to give	(63,625)	97,575
Provision for bad debts	476	5,800
Change in net unrealized gains and losses on investments	4,632	2,849
Net realized gain on sale of investments	(59,764)	(128,136)
Change in interest of charitable lead trust	16,447	15,423
Contributions restricted for long-term investment	(95,800)	(44,552)
Changes in operating assets and liabilities:		
Unconditional promises to give	(38,682)	(292,886)
Accounts payable - Related party	(215,058)	322,974
Due to third parties and accrued expenses	(1,041)	(74,896)
Total adjustments	(452,415)	(95,849)
Net cash flows from operating activities	\$ (13,367)	\$ 88,751

See accompanying notes to financial statements.

# 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 Bellin Health Systems, Inc. and affiliates and other tax-exempt organizations at the discretion of its Board of Directors (the “Board”). 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. 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 (FASB) 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.

#### 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:

- *Net assets without donor restrictions* are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets to function as a board-designated endowment.



# 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 (Continued)

- *Net assets with donor restrictions* are subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### 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 net assets without donor-restrictions 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.

#### 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 net assets with donor restrictions, as applicable.

#### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists; therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

# 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 net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 general 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 without donor restriction 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.

#### **Change in Accounting Policy**

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the Foundation's year ended September 30, 2019, and was applied retrospectively to these comparative financial statements. Net assets as of September 30, 2018, were restated by combining the temporarily restricted net assets of \$2,800,537 and permanently restricted net assets of \$2,230,285 into net assets with donor restrictions of \$5,030,822. The Foundation has elected under the standard's adoption guidance to omit the liquidity and statement of functional expenses disclosures for the year ended September 30, 2018.

#### **Subsequent Events**

Subsequent events have been evaluated through January 22, 2020, 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

#### *Investments*

The composition of investments at September 30 is as follows:

	2019	2018
Cash equivalents	\$ 9,587	\$ 20,367
Fixed income securities	59,851	139,858
Mutual funds	152,138	402,163
Equity securities	107,064	304,877
Alternative Investments	7,090	17,451
<b>Total investments</b>	<b>\$ 335,730</b>	<b>\$ 884,716</b>

#### *Assets Limited as to Use*

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

	2019	2018
Assets set aside to fund restricted donations:		
Cash equivalents	\$ 105,597	\$ 68,153
Fixed income securities	659,232	467,950
Mutual funds	1,675,737	1,345,595
Equity securities	1,179,255	1,020,090
Alternative investments	78,093	58,388
<b>Total assets set aside to fund restricted donations</b>	<b>3,697,914</b>	<b>2,960,176</b>
Board designated:		
Cash equivalents	-	1,204
Fixed income securities	-	8,262
Mutual funds	-	23,758
Equity securities	-	18,011
Alternative investments	-	1,031
<b>Total Board designated</b>	<b>-</b>	<b>52,266</b>
<b>Total assets limited as to use</b>	<b>\$ 3,697,914</b>	<b>\$ 3,012,442</b>

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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

Most long-term investments are held in an investment pool. Investment income is allocated among the various investments 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

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>2019</b>			
Interest and dividend income - Net	\$ 56,307	\$ 25,564	\$ 81,871
Net realized gain on sale of investments	41,103	18,661	59,764
Change in net unrealized gains and losses on investments	(3,186)	(1,446)	(4,632)
Total investment income	\$ 94,224	\$ 42,779	\$ 137,003
<b>2018</b>			
Interest and dividend income - Net	\$ 61,220	\$ 19,750	\$ 80,970
Net realized gain on sale of investments	96,884	31,252	128,136
Change in net unrealized gains and losses on investments	(2,154)	(695)	(2,849)
Total investment income	\$ 155,950	\$ 50,307	\$ 206,257

### 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 Bellin Health Foundation, Inc.

## Notes to Financial Statements

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

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.

Information regarding assets measured at fair value on a recurring basis as of September 30, 2019, is as follows:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ -	\$ 115,183	\$ -	\$ 115,183
Fixed income securities:				
Corporate bonds	-	419,122	-	419,122
Government bonds	-	131,494	-	131,494
Agency bonds	-	60,419	-	60,419
Municipal bonds	-	108,048	-	108,048
Mutual funds:				
Equity funds	778,247	-	-	778,247
Balanced funds	457,604	-	-	457,604
Fixed income funds	592,023	-	-	592,023
Equity securities:				
Consumer discretionary	276,018	-	-	276,018
Consumer staples	230,795	-	-	230,795
Energy	41,053	-	-	41,053
Financials	223,744	-	-	223,744
Industrials	183,218	-	-	183,218
Information technology	159,860	-	-	159,860
Materials	38,343	-	-	38,343
Utilities	23,537	-	-	23,537
Telecommunication services	109,753	-	-	109,753
Interest in charitable lead trust	-	-	149,341	149,341
Total investment assets in the fair value hierarchy	\$ 3,114,195	\$ 834,266	\$ 149,341	\$ 4,097,802
Alternative investments measured at net asset value (a)				\$ 85,183
Total investment assets at fair value				\$ 4,182,985
Investments				\$ 335,730
Interest in charitable lead trust				149,341
Assets limited as to use				3,697,914
Total				\$ 4,182,985

# 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, 2018, is as follows:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ -	\$ 89,724	\$ -	\$ 89,724
Fixed income securities:				
Corporate bonds	-	347,429	-	347,429
Government bonds	-	94,444	-	94,444
Agency bonds	-	62,253	-	62,253
Municipal bonds	-	111,945	-	111,945
Mutual funds:				
Equity funds	815,908	-	-	815,908
Balanced funds	166,545	-	-	166,545
Fixed income funds	515,947	-	-	515,947
Other	273,116	-	-	273,116
Equity securities:				
Consumer discretionary	196,293	-	-	196,293
Consumer staples	283,825	-	-	283,825
Energy	60,399	-	-	60,399
Financials	225,262	-	-	225,262
Industrials	180,636	-	-	180,636
Information technology	182,084	-	-	182,084
Materials	29,043	-	-	29,043
Utilities	39,695	-	-	39,695
Telecommunication services	144,311	-	-	144,311
Other	1,429	-	-	1,429
Interest in charitable lead trust	-	-	165,788	165,788
Total investment assets in the fair value hierarchy	\$ 3,114,493	\$ 705,795	\$ 165,788	\$ 3,986,076
Alternative investments measured at net asset value (a)				\$ 76,870
Total investment assets at fair value				\$ 4,062,946
Investments				\$ 884,716
Interest in charitable lead trust				165,788
Assets limited as to use				3,012,442
Total				\$ 4,062,946

(a) In accordance with GAAP, certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of fair value hierarchy to the line items presented on the statements of financial position.

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 3: Fair Value Measurements (Continued)

	2019	2018	Unfunded Commitments	Redemption		
				Frequency	Restrictions	Notice Period
Blackstone Real Estate Investment Trust	\$ 85,183	\$ 76,870	\$ -	A	None	B

- A. Blackstone Real Estate Investment Trust (REIT) is a nonexchanged traded, perpetual life real estate investment trust. The investment strategy is to generate attractive risk-adjusted returns across cycles and over the long term. Blackstone REIT makes monthly distributions (not guaranteed, subject to Board approval) that may be taken as cash or used to purchase additional shares of the fund. Distributions to date total \$1,110, which have been reinvested into the fund.
- B. Redemptions are allowed on a monthly basis through the share repurchase plan. Shares held less than one year will be repurchased at 95% of that month's transaction price. Overall limit of 2% of NAV per month and 5% of NAV per calendar quarter. Repurchase requests must be received in good order by the second to last business day of the applicable month. Blackstone REIT is not obligated to repurchase any shares and may choose to repurchase, at its discretion, only some or none, of the shares that have been requested to be repurchased in any particular month.

### 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 1.92% to 2.95%.

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

	2019	2018
Unconditional promises to give	\$ 2,477,155	\$ 2,563,630
Less:		
Unamortized discount	518,575	582,200
Allowance for uncollectible promises to give	2,225	2,225
<b>Unconditional promises to give - Net</b>	<b>\$ 1,956,355</b>	<b>\$ 1,979,205</b>
Amounts due in:		
Less than one year	\$ 711,256	\$ 644,980
One to five years	42,483	58,940
Greater than five years	1,202,616	1,275,285
<b>Totals</b>	<b>\$ 1,956,355</b>	<b>\$ 1,979,205</b>

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

### Note 5: Net Assets

Net assets without donor restrictions consisted of the following at September 30:

	2019	2018
Undesignated net assets	\$ (154,978)	\$ -
Board-designated net assets for endowment	-	52,266
<b>Total net assets without donor restrictions</b>	<b>\$ (154,978)</b>	<b>\$ 52,266</b>

Net assets with donor restrictions consist of the following as of September 30:

	2019	2018
Subject to expenditure for specified purpose:		
Bellin Memorial Hospital, Inc. capital projects	\$ 585,125	\$ 924,150
Bellin Memorial Hospital, Inc. services	2,116,504	1,290,820
Scholarships	240,274	246,703
Patient assistance	357,597	283,784
Employee assistance	51,528	55,080
Investments in perpetuity, the income from which is expendable to support:		
Scholarships	440,353	382,932
Health care services	38,067	1,000
Employee training and development	720,666	719,353
Support of Bellin Memorial Hospital, Inc.	1,127,000	1,127,000
<b>Total net assets with donor restrictions</b>	<b>\$ 5,677,114</b>	<b>\$ 5,030,822</b>

In 2019 and 2018, net assets with restrictions of \$690,008 and \$788,257, respectively, were used for the purpose as intended by donors. Accordingly, these amounts were released from the with restrictions fund to the without restrictions fund in the accompanying statements of activities.

### Note 6: Contribution Revenue

The Foundation raised the following amounts during the years ended September 30:

	2019	2018
Total amounts raised	\$ 1,480,791	\$ 1,578,921
Amounts designated by donors for other organizations	(50,950)	(107,962)
<b>Total contribution revenue</b>	<b>\$ 1,429,841</b>	<b>\$ 1,470,959</b>

The Foundation received approximately 28% of its total contributions from one contributor in 2019 and approximately 34% from one contributor in 2018.



# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### **Note 7: 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 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 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 net assets with donor restrictions (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 remaining portion of the donor-restricted endowment funds in excess of the original fair value that is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 has set aside certain net assets without donor restrictions 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 net assets without donor restrictions. 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, 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

### Note 7: Endowments (Continued)

Endowment net assets consisted of the following at September 30:

2019	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,326,086	\$ 2,326,086
Accumulated investment gains	-	244,418	244,418
<b>Total endowment funds</b>	<b>\$ -</b>	<b>\$ 2,570,504</b>	<b>\$ 2,570,504</b>

2018	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 52,266	\$ -	\$ 52,266
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,230,285	2,230,285
Accumulated investment gains	-	234,026	234,026
<b>Total endowment funds</b>	<b>\$ 52,266</b>	<b>\$ 2,464,311</b>	<b>\$ 2,516,577</b>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at September 30, 2017	\$ 126,497	\$ 2,414,835	\$ 2,541,332
Investment return:			
Investment income	-	51,002	51,002
Unrealized gain	-	(696)	(696)
Total investment return	-	50,306	50,306
Appropriation of endowment assets for expenditures	(74,231)	(45,382)	(119,613)
Contributions and net asset reclassification	-	44,552	44,552
Endowment net assets at September 30, 2018	52,266	2,464,311	2,516,577
Investment return:			
Investment income	-	44,194	44,194
Unrealized gain	-	(1,413)	(1,413)
Total investment return	-	42,781	42,781
Appropriation of endowment assets for expenditures	(52,266)	(32,388)	(84,654)
Contributions and net asset reclassification	-	95,800	95,800
Endowment net assets at September 30, 2019	\$ -	\$ 2,570,504	\$ 2,570,504

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

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### Note 8: 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 Bellin Memorial Hospital, Inc.'s Board of Directors. The Foundation expensed \$19,172 and \$19,409 in 2019 and 2018, respectively, related to the Plan.

### Note 9: Concentration of Credit Risk

The Foundation maintains depository relationships with area financial institutions insured by the FDIC. Depository accounts at these institutions are insured by the FDIC up to \$250,000. At September 30, 2019, the Foundation exceeded FDIC-insured limits by approximately \$76,000. 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 10: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within 12 months of the statement of financial position date, comprise of the following as of September 30, 2019:

Cash	\$	344,615
Investments - Without donor restrictions or designations		335,730
Unconditional promises to give		417,969
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Total	\$	1,098,314

### Note 11: Related-Party Transactions

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

	2019		2018	
Bellin Memorial Hospital, Inc.	\$	792,420	\$	886,699
Bellin College, Inc.		21,000		19,000
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Total grants to related parties	\$	813,420	\$	905,699

The Foundation reimburses Bellin Memorial Hospital, Inc. for various management, general, and fund-raising expenses. These expenses totaled \$619,949 and \$684,895 for the years ended September 30, 2019 and 2018, respectively, included in expenses in the accompanying statements of activities. At September 30, 2019 and 2018, \$850,810 and \$1,065,868, respectively, was payable to Bellin Memorial Hospital, Inc. for payment of such services.

# The Bellin Health Foundation, Inc.

## Notes to Financial Statements

### Note 12: Functional Expenses

The Foundation's expenses by functional categories are as follows for the years ended September 30, 2019:

	Program Services	Management and General	Fund-Raising	Total
Grants	\$ 897,070	\$ -	\$ -	\$ 897,070
Salaries and wages	18,994	126,765	185,163	330,922
Employee benefits	13,463	34,564	39,109	87,136
Special events	-	-	60,198	60,198
Gift shop supplies	76,873	-	-	76,873
Office	4,495	23,010	15,808	43,313
Repairs and maintenance	-	191	-	191
Leases and rents	80	604	-	684
Engagement and travel	648	2,003	491	3,142
Provision for bad debts	-	-	476	476
Other	849	16,204	436	17,489
<b>Total expenses</b>	<b>\$ 1,012,472</b>	<b>\$ 203,341</b>	<b>\$ 301,681</b>	<b>\$ 1,517,494</b>

The expenses are directly assigned to departments of the Foundation.