

FOUNDATION FOR COMMUNITY HEALTH, INC.
Audited Financial Statements
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For the Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Foundation for Community Health, Inc.

We have audited the accompanying financial statements of the Foundation for Community Health, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Foundation for Community Health, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation for Community Health, Inc.'s 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated July 23, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

King, King & Associates

King, King & Associates, CPAs
Winsted, CT
August 4, 2015

Foundation for Community Health, Inc.

Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 34,117	\$ 38,123
Prepaid Expenses	6,813	7,180
Total Current Assets	40,930	45,303
Fixed Assets, Net	24,204	32,411
Other Assets:		
Cash Held in Escrow	33,597	33,581
Investments	25,177,590	26,562,225
Contribution Receivable - CRT	14,132	14,173
Security Deposit	5,000	7,600
Total Other Assets	25,230,319	26,617,579
Total Assets	\$ 25,295,453	\$ 26,695,293
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Grants Payable	\$ 35,475	\$ 207,354
Accounts Payable & Accrued Expenses	58,611	74,019
Total Current Liabilities	94,086	281,373
Total Liabilities	94,086	281,373
Net Assets:		
Unrestricted-Undesignated	21,273,494	22,863,769
Unrestricted-Designated	333,597	33,581
Temporarily Restricted	1,308,377	1,230,671
Permanently Restricted	2,285,899	2,285,899
Total Net Assets	25,201,367	26,413,920
Total Liabilities and Net Assets	\$ 25,295,453	\$ 26,695,293

The accompanying notes are an integral part of this financial statement.

Foundation for Community Health, Inc.

Statement of Activities

For the Year Ended December 31, 2014

With Comparative Totals for 2013

	2014		2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions	\$ 595,627	\$ -	\$ -	\$ 595,627
Investment Income	1,263,421	206,536	-	1,469,957
Change in Value of CRT	-	(41)	-	(41)
Other Revenues	310	-	-	310
Net Assets Released From Restrictions:				
Satisfaction of Donor Restrictions	128,789	(128,789)	-	-
Total Support and Revenue	<u>1,988,147</u>	<u>77,706</u>	<u>-</u>	<u>2,065,853</u>
Expenses:				
Grants and Disbursements	2,588,293	-	-	2,588,293
Program Expenses	460,857	-	-	460,857
Management and General	211,451	-	-	211,451
Total Expenses	<u>3,260,601</u>	<u>-</u>	<u>-</u>	<u>3,260,601</u>
Change in Net Assets Before Other Changes	(1,272,454)	77,706	-	(1,194,748)
Other Changes in Net Assets:				
Loss on Disposal of Fixed Assets	(17,805)	-	-	(17,805)
Total Other Changes in Net Assets	(17,805)	-	-	(17,805)
Change in Net Assets	<u>(1,290,259)</u>	<u>77,706</u>	<u>-</u>	<u>(1,212,553)</u>
Net Assets, Beginning	<u>22,897,350</u>	<u>1,230,671</u>	<u>2,285,899</u>	<u>26,413,920</u>
Net Assets, Ending	<u>\$ 21,607,091</u>	<u>\$ 1,308,377</u>	<u>\$ 2,285,899</u>	<u>\$ 25,201,367</u>
				<u>\$ 26,413,920</u>

The accompanying notes are an integral part of this financial statement.

Foundation for Community Health, Inc.

Statements of Cash Flows
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (1,194,748)	\$ 2,425,340
Adjustments:		
Depreciation	6,415	6,908
Realized and Unrealized (Gain) Loss on Investments	(1,122,909)	(3,227,902)
Decreases/(Increases) in Assets:		
Prepaid Expenses	367	1,450
Contribution Receivable - CRTs	41	(2,062)
Security Deposit	2,600	(5,000)
Increases/(Decreases) in Liabilities		
Grants Payable	(171,879)	(65,819)
Accounts Payable and Accrued Expenses	<u>(15,408)</u>	<u>10,237</u>
Total Adjustments	(1,300,773)	(3,282,188)
Net Cash Used by Operating Activities	<u>(2,495,521)</u>	<u>(856,848)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	3,336,216	1,446,891
Purchase of Investments	(828,672)	(568,221)
Payments for Property and Equipment	<u>(16,013)</u>	<u>(5,050)</u>
Net Cash Provided by Investing Activities	<u>2,491,531</u>	<u>873,620</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,990)	16,772
Cash and Cash Equivalents at Beginning of Year	<u>71,704</u>	<u>54,932</u>
Cash and Cash Equivalents at End of Year	<u>\$ 67,714</u>	<u>\$ 71,704</u>
 Supplemental Information:		
Interest Paid	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

Foundation for Community Health, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2014
With Comparative Totals for 2013

	Management		Totals	
	and General	Programs	2014	2013
Grants and Disbursements	\$ -	\$ 588,293	\$ 588,293	\$ 783,594
Grants to Supported Organizations (Note 10)	-	2,000,000	2,000,000	-
Salaries	66,374	154,872	221,246	224,162
Employee Benefits	12,937	30,185	43,122	44,815
Payroll Taxes	5,048	11,779	16,827	16,534
Unemployment	309	723	1,032	763
Legal Services	13,028	-	13,028	37,046
Administrative Services	8,100	18,900	27,000	39,667
Investment Management Fees	61,440	143,359	204,799	215,730
Program Bank Fees	-	500	500	-
Contract Services	-	16,799	16,799	4,509
Insurance	1,840	4,292	6,132	6,407
Rent	11,379	26,550	37,929	31,200
Utilities and Fuel	3,080	7,185	10,265	7,800
Telephone	2,050	3,494	5,544	3,869
Postage and Shipping	232	796	1,028	762
Office and Computer Supplies	4,025	9,390	13,415	1,943
Dues & Subscriptions	904	-	904	734
Meetings, Luncheons, Dinners	1,074	6,174	7,248	6,080
Staff Development	2,218	5,174	7,392	7,067
Seminars	-	-	-	315
Travel	1,277	2,980	4,257	3,562
Depreciation	1,925	4,490	6,415	6,908
Accounting	9,000	-	9,000	8,750
Computer Maintenance Contract	693	1,616	2,309	2,576
Software Support	720	1,680	2,400	2,145
Payroll Service Fees	384	895	1,279	1,181
Equipment Rental and Maintenance	922	2,152	3,074	3,227
Marketing	2,492	6,872	9,364	12,506
Repairs and Office Maintenance	-	-	-	80
Totals	<u>\$ 211,451</u>	<u>\$ 3,049,150</u>	<u>\$ 3,260,601</u>	<u>\$ 1,473,932</u>

The accompanying notes are an integral part of this financial statement.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Foundation

The Foundation for Community Health, Inc. (FCH) was formed to maintain and improve the physical and mental health of all residents of the area historically served by Sharon Hospital, Inc. FCH was created under mandate of the Attorney General and the Superior Court of the State of Connecticut. During 2014, FCH changed its status as a Type III Supporting Organization of BTCF to a Type I Supporting Organization to three local community foundations: Berkshire Taconic Community Foundation, Inc., Community Foundation of Northwest Connecticut, Inc. and The Community Foundations of the Hudson Valley, Inc. As required by its by-laws, this change was pre-approved by the State of Connecticut's Attorney General. While FCH has decided to keep the balance of its funds in the BTCF Managed Pool, as a good-will measure it funded two \$1,000,000 grants to donor-advised funds at each of the other two community foundations. While FCH has surrendered ownership of the money deposited into the funds, it has maintained an advisory control over how grants are distributed to charities. FCH is a separate, independent corporation governed by its own board of directors.

FCH was created as a result of the sale of Sharon Hospital, Inc. (a not-for-profit corporation) to Essent Healthcare, Inc. (a for-profit corporation) based on a lengthy approval process governed by the Attorney General and the Litchfield County Superior Court.

Basis of Accounting

The financial statements of FCH have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

FCH is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, FCH is required to present a statement of cash flows. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by FCH is subject to donor-imposed restrictions that can be fulfilled by actions of the FCH pursuant to those restrictions or that expire by the passage of time. Charitable Remainder Trusts are included in Temporarily Restricted Net Assets.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by FCH.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with FCH's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates by management. The actual results of operations may differ from management's estimates.

Income Taxes

FCH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, there is no provision for income taxes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, FCH considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents maintained in investment accounts for re-investment are excluded from cash and are reported as investments.

Endowment

The Financial Accounting Standards Board (FASB) issued staff position No. FAS 117-1: *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds* (FAS 117-1). FAS 117-1 provides accounting standards on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FAS 117-1 also provides for other disclosures concerning an organization's endowment funds and whether or not the organization is subject to UPMIFA. The State of Connecticut adopted its version of UPMIFA, which became effective October 1, 2007 (CTPMIFA). The State of New York has also adopted its version (NYPMIFA) in September, 2010. Prior to the issuance of FAS 117-1, accumulated gains and income on donor restricted endowment assets were classified as unrestricted net assets in accordance with the Uniform Management of Institutional Funds Act (UMIFA). Under SP No. 117-1, accumulated gains and income on donor-restricted endowment assets of perpetual duration are classified as temporarily restricted net assets until appropriated for expenditure.

Investments

Investments consist of FCH's share of the Berkshire Taconic Community Foundation's "Managed Pool," which consists of various types of investments. The Managed Pool has significant investments in equity and debt securities and is therefore subject to concentrations of credit and market risk. Investments are managed by investment advisors who are selected and engaged by the Investment Committee of the Board of Directors of the Berkshire Taconic Community Foundation (BTCF). The policies regarding investment composition, valuation, and spending are those of BTCF, reviewed and adopted by FCH. BTCF engages its own auditors who issued an unqualified opinion on their financial statements for the year ended December 31, 2014.

FOUNDATION FOR COMMUNITY HEALTH, INC.
Notes to the Financial Statements

Marketable investments in equities and debt securities are carried at fair value based upon quoted market prices. For limited marketability investments, including alternative investments which are principally absolute return strategies, private equity and real estate, the carrying value is the estimated fair value. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. FCH's alternative investments accessed through limited partnerships are determined by the general partner to be at fair value pursuant to FASB ASC 820-10, as further discussed below, after it considers certain pertinent factors, including, but not limited to, the partner's share of the underlying limited partnership's net assets, liquidity features of the partnership, the underlying portfolio of holdings, the current market conditions for observable, corroborated or correlated transactions, comparable or similar products' fair valuations, external assessments of the limited partnerships' holdings, and the audit opinion from the independent auditor of the limited partnership.

Fair Value of Financial Instruments

In accordance with FASB ASC 820-10, FCH is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Values are based on quoted prices in active markets for identical assets.

Level 2: Values are based on significant observable market inputs, such as:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for similar assets or liabilities in market that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Values are based on significant unobservable inputs for the asset or liability should be used to the extent that observable inputs are not available. Fair value inputs used for absolute return investment, private equity investments, and nonearning assets have been estimated using the estimated net asset value per share of the investments.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment.

In accordance with FASB ASC 820-10, FCH's carrying amount of cash and cash equivalents and grants payable approximate fair value under Level 1. Investments are carried at fair value and are presented in Note 9. Split-interest agreements are reported at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using a discount rate, which are Level 3 unobservable inputs. Agency funds are carried at fair value based on the underlying investments. Derivatives instruments held in the managed pool are measured at fair value based on Level 2 input. FCH does not directly pursue derivatives or speculative investments; however, in the ordinary course of investing activities, BTCF, pursuant to their investment policies, may hold these investments in the managed pool, of which FCH is a participant.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

Spending Policy

The Board adopted spending cap is presently at 4% on the average asset base over the past 20 quarters, plus any income received from two permanent trusts and any other unrestricted income received during the year. A schedule calculating the spending policy will be reviewed and approved by the Board of Directors annually.

Investment Policy

Through BTCF, FCH has adopted investment and spending policies for endowment assets in an effort to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce on average, over long-term horizons, returns that will offset spending plus inflation plus administrative fees.

To satisfy its long-term rate-of-return objectives, BTCF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). BTCF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Property and Equipment

All acquisitions of property and equipment and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

Website	3 years
Furniture and Fixtures	7 years
Computer Equipment and Software	5 years
Leasehold Improvements	15 years

Contributions and Classification of Net Assets

Gifts of cash and other assets received are reported as unrestricted revenue and net assets, unless subject to time restrictions. When a donor-stipulated time restriction ends, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as restrictions satisfied by payment. Restricted contributions are reported as increases to unrestricted net assets when restrictions expire (that is, when a stipulated restriction of time ends or purpose is accomplished) in the reporting period that the contributions are reported as revenues.

Investment Income

Investment income includes interest and dividends earned on savings accounts, as well as any other form of investment income, such as realized and unrealized gains. Restricted gains and investment income whose restrictions are met in the same reporting period are reported as unrestricted support.

Grant Awards

Grant awards are recorded as expenses when approved by FCH and when grant terms do not include material conditions.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

Expense Allocation

Unless expenses can be specifically identified, most expenses are allocated 30% to Management and General and 70% to Programs based on management's estimate and historical experience.

Advertising Expense

All advertising and marketing costs are expensed in the period incurred as any future economic benefit cannot be quantified.

Review for Subsequent Events

In connection with the preparation of the financial statements of FCH, as of and for the year ended December 31, 2014, events and transactions subsequent to December 31, 2014 through August 4, 2015, the date the financial statements were available to be issued, have been evaluated by FCH management for possible adjustment and/or disclosure.

NOTE 2 – DETAIL NOTES ON ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

At December 31, 2014, the carrying amounts of FCH's deposits were \$67,714, and the bank balance was \$291,710 of which \$283,599 is FDIC insured and \$8,111 is uninsured. Included in this amount is \$33,597 held in escrow to support the Dial-A-Ride Transportation Service, as further described in this note under Board Designated Net Assets.

Investments

Investment return on the investment pool and its classification in the statement of activities consisted of the following:

	<u>2014</u>	<u>2013</u>
Dividends and Interest	\$ 347,048	\$ 355,419
Unrealized Gains (Losses)	(36,046)	2,756,523
Realized Gains (Losses)	<u>1,158,955</u>	<u>471,379</u>
	<u>\$ 1,469,957</u>	<u>\$ 3,583,321</u>

Fixed Assets

Fixed Assets consist of the following

	<u>2014</u>	<u>2013</u>
Equipment	\$ 65,276	\$ 52,860
Website	5,228	5,228
Leasehold Improvements	<u>-</u>	<u>24,045</u>
	70,504	82,133
Accumulated Depreciation	<u>(46,300)</u>	<u>(49,722)</u>
	<u>\$ 24,204</u>	<u>\$ 32,411</u>

Depreciation Expense was \$6,415 and \$6,908 for the years ended December 31, 2014 and 2013.

FOUNDATION FOR COMMUNITY HEALTH, INC.
Notes to the Financial Statements

Grants Payable

As of December 31, grants payable are committed as follows:

	<u>2014</u>	<u>2013</u>
Due in one year or less	\$ 33,475	\$ 177,037
Due in one to five years	<u>2,000</u>	<u>30,317</u>
	<u>\$ 35,475</u>	<u>\$ 207,354</u>

Board Designated Net Assets

Board Designated Net Assets consist of a cash account, currently \$33,597, held to guarantee a Line of Credit between a Town and a grantee to support the Dial-a-Ride Transportation Program. In the event the grantee is not able to make payments, the escrow account could be used for satisfaction of the debt. In addition, the Board guaranteed a \$300,000 construction loan for the Housatonic Services Bureau in anticipation of a grant from the State of Connecticut.

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consists of the following:

	<u>2014</u>	<u>2013</u>
Contribution Receivable - CRT's	\$ 14,132	\$ 14,173
Field of Interest Funds	81,425	80,164
Income on Permanently Restricted Funds:		
Per Adoption of UPMIFA	<u>1,212,820</u>	<u>1,136,334</u>
	<u>\$ 1,308,377</u>	<u>\$ 1,230,671</u>

Permanently Restricted Net Assets

Permanently Restricted Net Assets consist of the following:

	<u>2014</u>	<u>2013</u>
Field of Interest Funds	\$ 423,062	\$ 423,062
"Unrestricted Funds"	<u>1,862,837</u>	<u>1,862,837</u>
	<u>\$ 2,285,899</u>	<u>\$ 2,285,899</u>

NOTE 3 – BENEFICIARY INTEREST IN PERPETUAL TRUSTS

FCH is an income beneficiary of two irrevocable perpetual trusts, the assets of which are managed by and are in the possession of Bank of America. The assets held in these trusts were valued at \$7,339,024 and \$5,858,918 respectively as of December 31, 2014 and 2013. FCH has interests in the income only, and no provision to receive any principal. FCH received \$332,527 and \$302,148 in income distributions based on the fund's income after certain trust expenses for the years ending December 31, 2014 and 2013.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

NOTE 4 – CHARITABLE REMAINDER TRUSTS

FCH has a split-interest in a charitable remainder trust, administered by a trustee outside FCH. The charitable remainder trust provides for the payment of distributions to the designated beneficiaries over the trust's term (the beneficiaries' lifetime). At the end of the trust's term, FCH will receive 10% of remaining assets. An asset is reported in the Statement of Financial Position representing the present value of the expected future benefits using a 2.0% discount rate and the Joint and Last survivor table. On an annual basis, FCH revalues the asset. It is reported as Contribution Receivable – CRT.

There are Charitable Remainder trusts which name Sharon Hospital as the beneficiary. FCH is the logical successor; however, it has not yet been named as beneficiary. No contributions from these trusts have been recorded.

NOTE 5 – LEASE COMMITMENTS

FCH leases a copier that requires monthly payments of \$191 through March 2017. In addition, FCH leases a postage meter that requires quarterly payments of \$132 through June 2015. Total lease expense for 2014 and 2013 amounted to \$2,820 and \$2,820. Future minimum lease payments under these leases are as follows as of December 31, 2014:

2015	2,556
2016	2,292
2017	573
2018	-

During January 2014, FCH entered into a new office space lease requiring monthly payments of \$2,500 for 5 years through January 14, 2019. The prior lease requiring monthly payments of \$2,600 expired during April 2014. Rent expense for 2014 and 2013 totaled \$37,929 and \$31,200. Lease payments for the next five years are as follows:

2015	30,000
2016	30,000
2017	30,000
2018	30,000
2019	1,250

NOTE 6 – TAX DEFERRED ANNUITY

FCH has adopted a 403(b)(7) Tax Deferred Annuity Plan for its employees and has voluntarily contributed 7% of annual salaries for eligible employees. Investment companies maintain the invested assets. The employer contributions to the plan for the years ending December 31, 2014 and 2013 were \$15,419 and \$15,315.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

NOTE 7 – RELATED PARTY TRANSACTIONS

FCH received investment management and administrative services from BTCF. FCH is a type-one supporting organization of BTCF. The total fees paid for 2014 and 2013 were \$136,443 and \$152,565. The Investment fees of \$109,443 and \$112,898 were based on average assets in the BTCF Managed Pool Fund of \$ 25,314,367 and \$24,755,439 for the years 2014 and 2013 respectively. Administrative fees were \$27,000 and \$39,667 for 2014 and 2013. Administrative fees for 2014 were based on a negotiated rate. Fees for 2013 were primarily based on the average asset base of the BTCF Managed Pool Fund; however, this fee also includes an additional fee for recording income and reporting on assets held in trust for FCH by others as discussed in Note 3. Amounts owed to BTCF were \$33,895 and \$39,341 at December 31, 2014 and 2013.

NOTE 8 – ENDOWMENT FUNDS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Donor-Restricted Endowment Funds	\$ -	\$ 1,294,245	\$ 2,285,899	\$ 3,580,144
Board-Designated Endowment Funds	<u>21,503,358</u>	<u>-</u>	<u>-</u>	<u>21,503,358</u>
 Total Funds	 <u>\$ 21,503,358</u>	 <u>\$ 1,294,245</u>	 <u>\$ 2,285,899</u>	 <u>\$ 25,083,502</u>

Changes in Endowment Assets as of December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment Assets at 12/31/13	\$ 22,784,885	\$ 1,216,498	\$ 2,285,899	\$ 26,287,282
Contributions	595,937	-	-	595,937
Investment Income	1,292,576	213,427	-	1,506,003
Net Appreciation	(22,402)	(6,891)	-	(29,293)
Amounts Appropriated for Expenditure	<u>(3,147,638)</u>	<u>(128,789)</u>	<u>-</u>	<u>(3,276,427)</u>
 Endowment Assets at 12/31/14	 <u>\$ 21,503,358</u>	 <u>\$ 1,294,245</u>	 <u>\$ 2,285,899</u>	 <u>\$ 25,083,502</u>

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

BTCF regularly reports the liquidity of invested assets. Applying FCH's percentage ownership in the BTCF pool results in the following projected table of liquidity.

<u>Redemption Terms</u>	<u>Amount of Invested Pool</u>	<u>% of Invested Pool</u>
Daily	\$ 12,839,137	51%
Monthly	3,272,721	13%
Quarterly	6,041,947	24%
Annually	1,510,487	6%
Illiquid	1,510,487	6%
Total	\$ 25,174,779	100%

Requests of funds by FCH during each calendar year of up to 10% of the value of the FCH Fund will be disbursed within 10 days. FCH must provide BTCF with 120 days written notice for any request of funds in excess.

NOTE 9 – FAIR VALUE INFORMATION

<u>Description</u>	<u>December 31,</u> <u>2014</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices</u> <u>in Active</u> <u>Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Interest in Berkshire Taconic Community Foundation	\$ 25,174,779	\$ -	\$ 25,174,779	\$ -
Beneficial Interest in Remainder Trusts	14,132	-	-	14,132

The interest in Berkshire Taconic Community Foundation is reported as valued using Level 2 measurements because FCH owns an interest in an investment pool which is periodically measured by BTCF. The intermediation of BTCF results in some assets being classified as Level 2 assets in the table above when they would otherwise be deemed as Level 1 or Level 3 if held as direct investments by FCH. BTCF measures approximately 53.2% (\$13,384,125) of the \$25,177,590 using Level 1 measurements and 11.6% (\$2,922,444) using Level 3 measurements in its December 31, 2014 financial statements. The balance is reported as Level 2 measurements.

FOUNDATION FOR COMMUNITY HEALTH, INC.
Notes to the Financial Statements

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following is a summary of the changes in the balances of assets measured at fair value on a recurring basis using significant unobservable inputs:

		<u>Beneficial Interest in Remainder Trust</u>
Balance, beginning of year	\$	14,173
Total gains or losses (realized and unrealized) included in the change in net assets		(41)
Purchases and Sales		-
Transfers in and/or out of Level 3		<u>-</u>
Balance, end of year	\$	<u>14,132</u>
The amount of total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains related to assets still held at end of year		
	\$	-
The amount reported as Change in Value of Split-Interest Agreements Related to Assets Held at Year-end		
		(41)

NOTE 10 – SUPPORTED ORGANIZATIONS

In 2014, FCH established two \$1,000,000 donor-advised funds, one at Community Foundation of Northwest Connecticut and the other at Community Foundations of the Hudson Valley. No grant disbursements were made during the year. All remaining funds are held at its third supporting organization, the Berkshire Taconic Community Foundation.