

**Healthcare Foundation of  
Northern Lake County**

**Financial Statements  
and Independent Auditors' Report**

**May 31, 2018 and 2017**

## CONTENTS

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	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
FINANCIAL STATEMENTS	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 19

# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Healthcare Foundation of Northern Lake County  
Waukegan, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Healthcare Foundation of Northern Lake County, which comprise the statements of financial position as of May 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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**Auditors' Responsibility** (Continued)

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 Healthcare Foundation of Northern Lake County, as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MILLER, COOPER & CO., LTD.

*Miller, Cooper & Co., Ltd.*

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Certified Public Accountants

Deerfield, Illinois  
November 19, 2018

## **FINANCIAL STATEMENTS**

**Healthcare Foundation of Northern Lake County**  
**STATEMENTS OF FINANCIAL POSITION**  
May 31, 2018 and 2017

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<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 891,515	\$ 752,237
Contribution receivable	335,752	-
Investments	58,279,929	56,348,207
Prepaid expenses	14,839	5,729
Accrued investment income	14,766	11,911
	<hr/>	<hr/>
Total current assets	59,536,801	57,118,084
FURNITURE AND EQUIPMENT, net of accumulated depreciation of \$27,967 in 2018 and \$25,886 in 2017	2,807	3,766
ASSETS LIMITED AS TO USE, net of valuation allowance	331,744	324,475
	<hr/>	<hr/>
	\$ 59,871,352	\$ 57,446,325
	<hr/> <hr/>	<hr/> <hr/>
 <u>LIABILITIES AND NET ASSETS</u>  		
<b>LIABILITIES</b>		
Accrued expenses	\$ 18,476	\$ 11,130
Grants and awards payable	1,550,500	1,775,250
Federal excise tax payable	1,423	251
	<hr/>	<hr/>
Total liabilities	1,570,399	1,786,631
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Unrestricted	57,965,201	55,659,694
Permanently restricted	335,752	-
	<hr/>	<hr/>
Total net assets	58,300,953	55,659,694
	<hr/>	<hr/>
	\$ 59,871,352	\$ 57,446,325
	<hr/> <hr/>	<hr/> <hr/>

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The accompanying notes are an integral part of these statements.

**Healthcare Foundation of Northern Lake County**  
**STATEMENTS OF ACTIVITIES**  
Years ended May 31, 2018 and 2017

	2018	2017
Unrestricted net assets		
Support		
Contributions	\$ -	\$ 52,662
Grants returned	-	11,356
Investment gain	4,850,862	6,734,254
Total support	4,850,862	6,798,272
Expenses		
Grants and awards services		
Grants and awards approved	1,895,466	1,856,003
Grants and awards administration	466,972	490,817
Total grants and awards services	2,362,438	2,346,820
Supporting services		
General administration	65,439	56,730
Investment advisory fees	82,055	78,000
Provision for excise taxes	35,423	42,251
Total supporting services	182,917	176,981
Total expenses	2,545,355	2,523,801
Increase in unrestricted net assets	2,305,507	4,274,471
Permanently restricted net assets		
Contributions	335,752	-
Increase in permanently restricted net assets	335,752	-
CHANGE IN NET ASSETS	2,641,259	4,274,471
Net assets, beginning of year	55,659,694	51,385,223
Net assets, end of year	\$ 58,300,953	\$ 55,659,694

The accompanying notes are an integral part of these statements.

**Healthcare Foundation of Northern Lake County**  
**STATEMENTS OF CASH FLOWS**  
Years ended May 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 2,641,259	\$ 4,274,471
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	2,081	2,754
Unrealized gains on investments, net	(1,875,959)	(4,486,972)
Realized gains on investments, net	(1,304,049)	(1,067,732)
Accrued income on assets limited as to use	(7,269)	(3,915)
(Increase) decrease in assets		
Contribution receivable	(335,752)	-
Prepaid expenses	(9,110)	(4,003)
Federal excise tax deposit	-	41,725
Accrued investment income	(2,855)	(386)
Increase (decrease) in liabilities		
Accrued expenses	7,346	1,275
Grants and awards payable	(224,750)	(201,686)
Federal excise tax payable	1,172	251
	(1,107,886)	(1,444,218)
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of furniture and equipment	(1,122)	-
Purchases of investments	(1,631,714)	(1,154,704)
Proceeds from sales of investments	2,880,000	2,420,000
	1,247,164	1,265,296
Net cash provided by investing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	139,278	(178,922)
Cash and cash equivalents, beginning of year	752,237	931,159
Cash and cash equivalents, end of year	\$ 891,515	\$ 752,237
<u>Supplemental disclosure of cash flow information</u>		
Cash paid for excise taxes	\$ 34,251	\$ 20,000

The accompanying notes are an integral part of these statements.



# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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### NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

The Healthcare Foundation of Northern Lake County (the "Foundation") is an Illinois not-for-profit corporation located in Waukegan, Illinois, that is organized to support, benefit, promote, fund and arrange for access to health care services and health education focused primarily on residents who reside within the former Victory Memorial Hospital and St. Therese Medical Center's primary and secondary service areas, which are communities in Northern Lake County, Illinois. The primary purposes for which the Foundation's funds shall be used shall be: (1) provide funds for the delivery of health care services, medical supplies, pharmaceuticals and health care equipment to the Community, in order to promote the health status thereof, (2) provide funds for health education services to the residents of the Community, with a primary emphasis on meeting the needs of uninsured, underinsured and medically underserved residents thereof, and (3) provide funds for post-secondary educational costs through scholarships for residents of the Community in health career-related fields.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### 2. Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

#### 3. Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Investment income represents interest, dividends, and realized/unrealized gains and losses and is included in the statements of activities. Investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near-term would affect investment balances and the amounts reported in the financial statements.

# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4. Assets Limited as to Use

At May 31, 2018 and 2017, assets limited as to use is a restricted deposit held by a third party on behalf of the Foundation (see Note D).

The carrying amount of this asset is reduced by a valuation allowance that reflect management's best estimate of the amount that may not be collected due to the uncertainty that one or more future events occur or fail to occur.

#### 5. Revenue Recognition

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions with donor-imposed restrictions are reported as restricted support. Contributions without donor-imposed restrictions and contributions with donor-imposed restrictions for which the restriction is met in the same fiscal year as the gift is received are reported as unrestricted support. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are to be received.

Contributions of donated non-cash assets, if any, are recorded at their fair values in the year received.

#### 6. Grants and Awards Payable

Grants payable represent unconditional promises to give cash and are recorded as liabilities when they are authorized by the Board of Directors. Grants that are payable in two years or less are recorded at their net settlement value.

# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 7. Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is classified as an entity that is a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

U.S. GAAP requires management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities.

Management has analyzed the tax positions taken by the Foundation, and has concluded that as of May 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### 8. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 9. Fair Value of Financial Instruments

The accounting standard related to fair value measurements and disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 9. Fair Value of Financial Instruments (Continued)

Level 1            Inputs to the valuation methodology are unadjusted quoted market 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 the following:

- \* 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the Foundation's financial instruments measured at fair value. There have been no changes in the methodologies used at May 31, 2018 and 2017.

*Cash equivalents, accrued expenses, and grants and awards payable*: approximate fair value due to the short maturity of these instruments.

# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 9. Fair Value of Financial Instruments (Continued)

*Mutual funds:* 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 Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

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 that 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 following tables set forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of May 31, 2018 and 2017.

	Foundation Investments at Fair Value as of May 31, 2018			
	Level 1	Level 2	Level 3	Total
Equity mutual funds				
Mid cap	\$ 6,587,954	\$ -	\$ -	\$ 6,587,954
Large cap	17,374,076	-	-	17,374,076
International	14,905,950	-	-	14,905,950
Balanced	1,660,788	-	-	1,660,788
Fixed income mutual funds				
Intermediate-term bond	11,798,834	-	-	11,798,834
International	3,794,177	-	-	3,794,177
Short-term bond	2,158,150	-	-	2,158,150
Investments, at fair value	<u>\$ 58,279,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,279,929</u>

# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 9. Fair Value of Financial Instruments (Continued)

	Foundation Investments at Fair Value as of May 31, 2017			
	Level 1	Level 2	Level 3	Total
Equity mutual funds				
Mid cap	\$ 5,917,006	\$ -	\$ -	\$ 5,917,006
Large cap	16,146,185	-	-	16,146,185
International	15,012,649	-	-	15,012,649
Balanced	1,551,581	-	-	1,551,581
Fixed income mutual funds				
Intermediate-term bond	11,781,219	-	-	11,781,219
International	3,801,976	-	-	3,801,976
Short-term bond	2,137,591	-	-	2,137,591
Investments, at fair value	<u>\$ 56,348,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,348,207</u>

It is the Foundation's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to the financial statements.

#### 10. Upcoming Accounting Changes

##### *Presentation of Financial Statements*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 is intended to reduce complexity by changing the way all not-for-profits classify net assets and prepare financial statements, which will result in more consistent and transparent financial reporting and disclosures for not-for-profits. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. The amendments in ASU 2016-14 should be applied retrospectively in the year the ASU is first applied.

# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 10. Upcoming Accounting Changes (Continued)

##### *Presentation of Financial Statements (Continued)*

ASU 2016-14 is effective for the Foundation's May 31, 2019 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-14 will have on the Foundation's financial statements.

##### *Contributions Received and Contributions Made*

The FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) in June 2018. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and made. The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The amendments also provide more guidance on determining whether a contribution is conditional. ASU 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018 for transactions in which the organization serves as the resource recipient. ASU 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2019 for transactions in which the organization serves as the resource provider.

ASU 2018-08 is effective for the Foundation's May 31, 2020 financial statements and thereafter. Management is currently evaluating the effect that ASU 2018-08 will have on the Foundation's financial statements.

## Healthcare Foundation of Northern Lake County

### NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

#### NOTE C - INVESTMENTS

Investments consisted of the following as of May 31, 2018 and 2017:

	2018		2017	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity mutual funds	\$ 26,583,992	\$ 40,528,768	\$ 27,018,487	\$ 38,627,421
Fixed income mutual funds	<u>18,438,473</u>	<u>17,751,161</u>	<u>17,948,215</u>	<u>17,720,786</u>
	<u>\$ 45,022,465</u>	<u>\$ 58,279,929</u>	<u>\$ 44,966,702</u>	<u>\$ 56,348,207</u>

At May 31, 2018 and 2017, \$4,872 and \$634,551, respectively, of cash and cash equivalents included in the statements of financial position were included in the investment brokerage account.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ending May 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 1,670,854	\$ 1,179,550
Realized gains, net	1,304,049	1,067,732
Unrealized gains, net	<u>1,875,959</u>	<u>4,486,972</u>
	<u>\$ 4,850,862</u>	<u>\$ 6,734,254</u>

#### NOTE D - ASSETS LIMITED AS TO USE

In accordance with an Assignment agreement dated October 10, 2012, Victory Wind-Down Company, which was formed to wind down the remaining assets and liabilities of the Victory Memorial Hospital and Vista Health/St Therese Medical Center, which ceased operations on June 30, 2006 (see Note I-2), assigned the following asset to the Foundation, which is subject to future claims related to the operations of the Hospitals:



## Healthcare Foundation of Northern Lake County

### NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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#### NOTE D - ASSETS LIMITED AS TO USE (Continued)

##### Illinois Workers' Compensation Commission (IWCC) Deposit

A \$625,000 cash deposit held by the IWCC, plus accrued interest, less any workers' compensation claims filed and found compensable. The Foundation will be granted access to these funds upon the later of the expiring of the statute of limitations for such claims to be filed (June 2031), or the date that the last open claim is closed. The balance of this deposit was \$645,744 and \$638,475 at May 31, 2018 and 2017, respectively, and due to the uncertain outcome of future events the Foundation has recorded a valuation allowance of \$314,000 against this asset.

In accordance with the Assignment agreement, the Foundation expressly does not assume or agree to pay, perform or discharge when due any liability or other obligation related to the asset or Victory Wind-Down, and Victory Wind-Down acknowledged and agreed that any such liability or obligation shall remain that of Victory Wind-Down.

#### NOTE E - NET ASSETS

##### Permanently Restricted Net Assets

During 2018, the Foundation received a contribution totaling \$335,752 from a charitable remainder trust ("trust"). The trust indicated the contribution was to be added to an endowment fund and only the income be expended for designated purposes.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are 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 gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give net of discounts) and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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### NOTE E - NET ASSETS (Continued)

#### Permanently Restricted Net Assets (Continued)

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

#### Investment and Spending Policies

The Foundation's investment and spending policy, approved by the Board of Directors, attempts to preserve real purchasing power after spending, to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of the investments.

Endowment assets are invested in a high yield bond fund that seeks high current income combined with the opportunity for capital appreciation to maximize total return.

Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to avoid exposing the fund to unacceptable levels of risk.

#### Endowment Net Asset Composition and Changes in Endowment Net Assets as of and for the Year Ended:

	May 31, 2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	335,752	335,752
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 335,752</u>	<u>\$ 335,752</u>

# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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### NOTE F - RETIREMENT PLAN

The Foundation has a defined contribution retirement plan qualified under Section 403(b) of the Internal Revenue Code for full time employees. The plan agreement provides for employer contributions based on a set percentage of salary which was 10% during fiscal years 2018 and 2017. Total employer contributions for this plan for the years ended May 31, 2018 and 2017, totaled \$31,328 and \$28,265, respectively.

### NOTE G - FEDERAL EXCISE TAXES

The Foundation is acting as a private foundation under Section 509(a) of the Internal Revenue Code. In accordance with the Tax Reform Act of 1969 (the Act), the Foundation is subject to an excise tax on net investment income, including realized gains, as defined by the Act.

The Act also requires that certain minimum distributions, including qualified set-asides, be made each year based on the level of assets during the preceding year. The amount of these qualified distributions is determined in accordance with a specified formula. If the required level of qualified distributions is not made within a year, an additional excise tax is imposed on the Foundation. The grants paid during the years ended May 31, 2018 and 2017 satisfied the required distributions as computed as of May 31, 2017 and 2016, respectively.

### NOTE H - OPERATING LEASE

The Foundation had a noncancelable lease for the office space in Waukegan, Illinois that was set to expire June 30, 2017. Effective November 1, 2016, the Foundation entered into a new noncancelable lease agreement through September 30, 2018. This lease agreement calls for monthly rent of \$1,089 plus monthly operating charges for maintenance and utilities, and provides a renewal option. Rent expense was \$13,070 and \$14,374 for the years ended May 31, 2018 and 2017, respectively.

As of May 31, 2018, future minimum lease payments required under the operating lease, that has initial or remaining noncancelable lease terms in excess of one year, are \$4,356 for the year ending May 31, 2019.

# Healthcare Foundation of Northern Lake County

## NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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### NOTE I - RISKS AND UNCERTAINTIES

#### 1. Uninsured Cash and Cash Equivalents

The Foundation maintains its cash and cash equivalent balances in financial institutions located in Illinois. These cash and cash equivalent balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Foundation may, from time to time, have balances in excess of FDIC insured deposit limits.

#### 2. Concentrations of Funding Source

The Foundation's primary source of funding is from the net proceeds remaining from the sale of the Vista Health System facilities, including Victory Memorial Hospital and St. Therese Medical Center, to Community Health Systems. Net sale proceeds received totaled \$335,752 and \$51,859 in 2018 and 2017, respectively. Cumulative net sale proceeds distributed to the Foundation were approximately \$52,594,000 and \$52,258,000 as of May 31, 2018 and 2017, respectively. The Foundation does not anticipate receiving any additional sale proceeds in future years.

### NOTE J - SUBSEQUENT EVENT

Management has evaluated subsequent events through November 19, 2018, the date that these financial statements were available to be issued. Effective September 10, 2018, the Foundation entered into a new noncancelable lease agreement through September 30, 2020. Management has determined that no other events or transactions, have occurred subsequent to May 31, 2018 that would require additional disclosure in the financial statements.