

Taylor Community Foundation

June 30, 2016

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Independent Auditor's Report

Board of Directors
Taylor Community Foundation

We have audited the accompanying financial statements of Taylor Community Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, 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 Taylor Community Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mervin Amon & Barsz LLC

Media, Pennsylvania
November 3, 2016

Taylor Community Foundation
Statement of Financial Position
June 30, 2016

<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 125,899
Accounts receivable, net:	
Estimated third-party settlements	477,218
Patient	931
Prepaid expenses and other assets	60,266
	664,314
<u>Other Assets</u>	
Investments at fair value	7,905,449
Pledge receivable	28,000
Property and equipments, net	1,849,212
	1,877,212
<u>Total Assets</u>	\$ 10,446,975
<u>Liabilities and Net Assets</u>	
<u>Current Liabilities</u>	
Accounts payable	\$ 112,961
Accrued expenses and patient deposits	218,912
Line of credit	130,000
Current maturities of scholarship commitments	91,000
	552,873
<u>Long-Term Liabilities</u>	
Scholarship commitments, less current maturities	149,497
	149,497
<u>Net Assets</u>	
Unrestricted	9,625,327
Temporarily restricted	119,278
	9,744,605
<u>Total Liabilities and Net Assets</u>	\$ 10,446,975

See accompanying notes to financial statements.

Taylor Community Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue, Gains and Other Support</u>			
Net patient service revenue	\$ 2,544,113	\$ -	\$ 2,544,113
Contributions (including in-kind contributions of \$19,455)	225,235	88,885	314,120
Interest and dividends	119,219	-	119,219
Capital gain distributions, net of investment fees	294,860	-	294,860
Realized investment gain	34,387	-	34,387
Unrealized investment loss	(442,581)	-	(442,581)
<u>Total Revenue and Gains</u>	<u>2,775,233</u>	<u>88,885</u>	<u>2,864,118</u>
Net assets released from restriction	28,158	(28,158)	-
<u>Total Revenue, Gains and Other Support</u>	<u>2,803,391</u>	<u>60,727</u>	<u>2,864,118</u>
<u>Expenses</u>			
Program services	2,849,820	-	2,849,820
Supporting services:			
Management and general	276,902	-	276,902
Fundraising expense	57,439	-	57,439
<u>Total Expenses</u>	<u>3,184,161</u>	<u>-</u>	<u>3,184,161</u>
<u>Change in Net Assets</u>	<u>(380,770)</u>	<u>60,727</u>	<u>(320,043)</u>
<u>Net Assets - Beginning of Year</u>	<u>10,006,097</u>	<u>58,551</u>	<u>10,064,648</u>
<u>Net Assets - End of Year</u>	<u>\$ 9,625,327</u>	<u>\$ 119,278</u>	<u>\$ 9,744,605</u>

See accompanying notes to financial statements.

Taylor Community Foundation
Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services	Support Services		Total
		Management and General	Fundraising	
<u>Personnel Costs</u>				
Salaries	\$ 1,574,509	\$ 135,266	\$ 32,623	\$ 1,742,398
Employee other benefits	165,467	14,215	3,429	183,111
Employee retirement benefits	20,902	1,796	433	23,131
Payroll taxes	114,249	9,816	2,366	126,431
<u>Total Personnel Costs</u>	<u>1,875,127</u>	<u>161,093</u>	<u>38,851</u>	<u>2,075,071</u>
<u>Other Expenses</u>				
Bad debt expense	36,936	-	-	36,936
Community relations and educatic	29,642	-	-	29,642
Computer and cable expense	42,416	9,599	-	52,015
Consultants	-	633	-	633
Contracted services	-	5,335	-	5,335
DME rental	102,278	-	-	102,278
Dues and subscriptions	4,885	265	-	5,150
Employee physicals	3,738	-	-	3,738
Equipment rentals	-	966	-	966
Fundraising expense	-	-	9,873	9,873
Insurance	87,423	37,467	-	124,890
Interest expense	1,861	1,861	-	3,722
Janitorial and linens	12,827	-	-	12,827
Legal and accounting	10,274	10,275	-	20,549
Maintenance and repairs	65,071	-	-	65,071
Medical supplies	217,006	-	-	217,006
Office supplies and expense	23,395	11,699	3,899	38,993
Outreach and recruitment	9,394	-	-	9,394
Payroll Services	-	7,043	-	7,043
Physician fees	75,000	-	-	75,000
Postage	1,273	636	1,273	3,182
Scholarships and grants	150,501	-	-	150,501
Telephone	24,782	7,081	3,543	35,406
Training and transportation	5,055	-	-	5,055
Travel	36,509	-	-	36,509
<u>Total Other Expenses</u>	<u>940,266</u>	<u>92,860</u>	<u>18,588</u>	<u>1,051,714</u>
<u>Total Expenses Before Depreciation</u>	<u>2,815,393</u>	<u>253,953</u>	<u>57,439</u>	<u>3,126,785</u>
Depreciation	34,427	22,949	-	57,376
<u>Total Expenses</u>	<u>\$ 2,849,820</u>	<u>\$ 276,902</u>	<u>\$ 57,439</u>	<u>\$ 3,184,161</u>

See accompanying notes to financial statements.

Taylor Community Foundation
Statement of Cash Flows
Year Ended June 30, 2016

<u>Cash Flows From Operating Activities</u>	
Change in net assets	\$ (320,043)
Non-cash items included in the change in net assets:	
Depreciation	57,376
Provision for Bad debts	16,515
Unrealized investment losses	442,581
Loss on disposal of property and equipment	1,129
(Increase) decrease in operating assets:	
Accounts receivable	(202,693)
Prepaid expenses and other assets	1,834
Pledge receivable	(17,500)
Increase (decrease) in operating liabilities:	
Accounts payable	39,939
Accrued expenses and patient deposits	44,343
Scholarship commitments	(9,738)
<u>Net Cash Flows Provided by Operating Activities</u>	<u>53,743</u>
 <u>Cash Flows From Investing Activities</u>	
Proceeds from sale of investments	2,950,547
Purchase of investments	(3,035,796)
<u>Cash Flows Used in Investing Activities</u>	<u>(85,249)</u>
 <u>Cash Flows From Financing Activities</u>	
Increase in line of credit	<u>35,000</u>
 <u>Net Increase In Cash and Cash Equivalents</u>	 3,494
 <u>Cash and Cash Equivalents - Beginning</u>	 <u>122,405</u>
 <u>Cash and Cash Equivalents - Ending</u>	 <u>\$ 125,899</u>

See accompanying notes to financial statements.

Taylor Community Foundation
Notes to Financial Statements
June 30, 2016

Note 1 The Organization

The Taylor Community Foundation (the “Foundation” or “TCF”), is a nonprofit corporation. The Foundation’s mission is to provide support, education and funding to other nonprofit organizations, institutions, and individuals to promote health and wellness in the Foundation’s service area (“TCF Service Area”). The overriding objective of any TCF scholarship or grant is to enhance the quality of life for community members of the TCF Service Area.

Taylor Hospice (the “Hospice”) and Taylor Hospice Residence (the “Residence”) are operated as divisions of the Foundation, providing direct services to the community.

The mission of the Hospice and the Residence is to provide a quality program of physical, spiritual, and emotional care for patients with a terminal illness and their family members.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized as earned and expenses are recorded at the time liabilities are incurred.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board regarding financial statements for not-for-profit organizations. Accordingly, the Foundation 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.

Cash and Cash Equivalents

The Foundation considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recognized based on a gross market-based fee for services reduced by a contractual allowance to reflect reduced expected payments from major third-party providers. The contractual allowance at June 30, 2016 was \$217,241.

Bad debts are provided on the allowance method based on historical experience and management’s evaluation of outstanding accounts receivable. At June 30, 2016, the allowance for doubtful accounts was \$65,728.

Taylor Community Foundation
Notes to Financial Statements
June 30, 2016

Note 2 Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost with depreciation being provided by use of the straight-line method over the estimated useful lives of the assets, which ranges from 3 to 40 years. Additions and betterments are capitalized, as are repairs and maintenance with a cost of \$1,000 or more. All other expenditures for repairs and maintenance are charged to expense as incurred.

Investment Valuation and Income Recognition

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that are used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

The Foundation recognizes donated services that creates or enhances nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Taylor Community Foundation
Notes to Financial Statements
June 30, 2016

Note 2 Summary of Significant Accounting Policies (Continued)

Unconditional/Conditional Promises to Give

Unconditional promises to give are recognized as assets and revenue or gains in the period received. An allowance for estimated uncollectible accounts is established based on an analysis of the collectability of the individual pledges. As of June 30, 2016, the Foundation has recognized an unconditional promise of \$28,000 included as a pledge receivable on the statement of financial position.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. At June 30, 2016, the Foundation had no conditional promises to give.

Contributions

Contributions are considered available for unrestricted use, unless specifically restricted by the donor. Bequests are recorded as support at the time the Foundation has an established right to the bequest and the proceeds are measurable.

Expense Allocation

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are included in the statements of functional expenses.

Tax Status

Taylor Community Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Foundation follows professional standards which clarify the accounting for uncertainty in income taxes recognized in the Foundation's financial statements and prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. The standards also provide guidance on derecognition and measurement of a tax position taken or expected to be taken on a tax return.

None of the Foundation's federal tax returns are currently under examination by the Internal Revenue Service (the "IRS"). However, fiscal years 2013 and later remain subject to examination by the IRS.

Taylor Community Foundation
Notes to Financial Statements
June 30, 2016

Note 2 Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 3 Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash deposits. The Foundation maintains cash balances with high credit quality institutions with FDIC insurance coverage of \$250,000. There were no deposits in excess of the FDIC limits as of June 30, 2016.

Note 4 Net Patient Revenue

The Hospice and Residence have agreements with Medicare and Medicaid that provide for reimbursement of items according to a fixed rate schedule. The Medicare agreement requires submission of an annual cost report by the Hospice and Residence to the Medicare fiscal intermediary. Medicare third party reimbursement represented 75% of net patient service revenue for the year ended June 30, 2016.

Note 5 Investments

The Plan's investments were held by PNC Bank. The following table summarizes the Foundation's investments by type at June 30, 2016:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 83,354	\$ 83,354
Mutual funds	<u>6,961,232</u>	<u>7,822,095</u>
	<u>\$ 7,044,586</u>	<u>\$ 7,905,449</u>

Taylor Community Foundation
Notes to Financial Statements
June 30, 2016

Note 5 Investments (Continued)

The schedule summarizes investment return and its classification in the statement of activities for the year ended June 30, 2016:

Interest and dividend income	\$ 119,219
Capital gain distributions	328,960
Realized investment gain	34,387
Unrealized investment loss	(442,581)
Investment fees	<u>(34,100)</u>
 Total Investment Return	 <u>\$ 5,885</u>

Note 6 Property and Equipment

Major classes of property and equipment and accumulated depreciation are as follows:

<u>Description</u>	
Land	\$ 1,169,094
Land Improvements	127,706
Building and improvements	1,314,814
Furniture and equipment	281,938
Computer software	<u>23,938</u>
	2,917,490
Accumulated depreciation	<u>(1,068,278)</u>
 Total	 <u>\$ 1,849,212</u>

For the year ended June 30, 2016, depreciation expense amounted to \$57,376.

Note 7 Restrictions on Net Assets

At June 30, 2016, temporarily restricted net assets are available for the following purposes:

<u>Description</u>	
Appliance Upgrade	\$ 576
Renovations	3,184
Personal Care Grants	6,084
Scholarships and Grants	79,040
Vest-A-Cop	<u>30,394</u>
 Total temporarily restricted net assets	 <u>\$ 119,278</u>

Taylor Community Foundation
Notes to Financial Statements
June 30, 2016

Note 7 Restrictions on Net Assets (Continued)

Net assets were released from the following restrictions for the year ended June 30, 2016:

<u>Description</u>	
Hospice Grants	\$ 13,501
Scholarships and Grants	10,500
Vest-A-Cop	<u>4,157</u>
Net assets released from restriction	<u>\$ 28,158</u>

Note 8 Pension Plan

The Foundation has a defined contribution 401(k) plan that covers substantially all employees who qualify as to length of service. The Foundation makes a matching contribution of 2% for those employees who contribute 4% or more to the plan. In addition, the Board of Directors may authorize discretionary contributions. Total pension expense amounted to \$23,131 for the year ended June 30, 2016.

Note 10 Commitments

In the normal course of business, there are outstanding various commitments and contingencies in addition to the normal purchases of goods and services. The Foundation does not anticipate losses as a result of these commitments and contingencies.

Line of Credit

The Foundation has available a \$200,000 secured revolving line of credit, due on demand, bearing interest at prime (3.5% at June 30, 2016) or at a minimum rate of interest. Effective May 18, 2010, a minimum interest rate of 4.25% is assessed against amounts drawn on the line of credit. There was \$130,000 outstanding on the line of credit as of June 30, 2016.

Scholarship Awards Program

The Foundation sponsors an academic scholarship awards program for college students enrolled in an allied health profession major. In years prior to 2012, the scholarship provided up to \$2,500 per year for college expenses for up to four consecutive academic years.

Effective in 2012, the scholarship provides up to \$3,500 for the student's first year and up to \$3,500 for the final year of undergraduate education. The renewal of the scholarship is dependent upon submission of evidence of continued matriculation in an allied health profession major and suitable academic performance and progress.

Taylor Community Foundation
Notes to Financial Statements
June 30, 2016

Note 10 Commitments (continued)

The Foundation reserves the sole discretion in establishing the conditions by which suitable academic performance and progress are defined. The Foundation is able to effectively measure suitable academic performance related to scheduled scholarship payments and accrues for those anticipated disbursements. Due to the history of recipients achieving the renewal conditions, the Foundation has accrued the remaining potential commitment as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 91,000
2018	51,497
2019	49,000
2020	<u>49,000</u>
Total	<u>\$ 240,497</u>

For the year ended June 30, 2016, the total scholarship award expense was \$150,501.

Note 11 Subsequent Events

In October 2016, the Foundation entered into an agreement to lease parking space to another entity. Future minimum rental income related to this lease is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 52,080
2018	52,080
2019	<u>4,340</u>
Total	<u>\$ 108,500</u>

Management has evaluated subsequent events through November 3, 2016, the date which the financial statements were available to be issued.