

**Healthcare Foundation
Northern Sonoma County
(A Nonprofit Corporation)**

Financial Statements

Years Ended December 31, 2015 and 2014

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Independent Auditors' Report

To the Board of Directors
Healthcare Foundation Northern Sonoma County
Healdsburg, California

We have audited the accompanying financial statements of **Healthcare Foundation Northern Sonoma County** (a nonprofit corporation) (the "Foundation") which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, 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.

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 of America. Those standards require that we plan and perform the audits 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 **Healthcare Foundation Northern Sonoma County** as of December 31, 2015 and 2014, 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.



Petaluma, California
August 16, 2016

Healthcare Foundation Northern Sonoma County
(A Nonprofit Corporation)

Statement of Financial Position

December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 514,737	\$ -	\$ 514,737
Restricted cash	-	1,147,481	1,147,481
Promises to give, net of allowance for uncollectible promises to give	98,030	410,971	509,001
Total current assets	612,767	1,558,452	2,171,219
Furniture and equipment	9,683	-	9,683
Accumulated depreciation	(7,502)	-	(7,502)
Net fixed assets	2,181	-	2,181
Promises to give, net of current portion	97,059	-	97,059
Deposits	979	-	979
Total assets	\$ 712,986	\$ 1,558,452	\$ 2,271,438
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 7,227	\$ -	\$ 7,227
Total current liabilities	7,227	-	7,227
Net assets			
Unrestricted	705,759	-	705,759
Temporarily restricted	-	1,558,452	1,558,452
Total net assets	705,759	1,558,452	2,264,211
Total liabilities and net assets	\$ 712,986	\$ 1,558,452	\$ 2,271,438

See accompanying Notes to Financial Statements

**Healthcare Foundation Northern Sonoma County
(A Nonprofit Corporation)**

Statement of Financial Position

December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 511,218	\$ -	\$ 511,218
Restricted cash	-	1,345,850	1,345,850
Promises to give, net of allowance for uncollectible promises to give	99,010	130,227	229,237
Total current assets	610,228	1,476,077	2,086,305
Furniture and equipment	9,683	-	9,683
Accumulated depreciation	(6,042)	-	(6,042)
Net fixed assets	3,641	-	3,641
Promises to give, net of current portion	195,089	99,010	294,099
Deposits	979	-	979
Total assets	\$ 809,937	\$ 1,575,087	\$ 2,385,024
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 14,338	\$ -	\$ 14,338
Total current liabilities	14,338	-	14,338
Net assets			
Unrestricted	795,599	-	795,599
Temporarily restricted	-	1,575,087	1,575,087
Total net assets	795,599	1,575,087	2,370,686
Total liabilities and net assets	\$ 809,937	\$ 1,575,087	\$ 2,385,024

See accompanying Notes to Financial Statements

**Healthcare Foundation Northern Sonoma County
(A Nonprofit Corporation)**

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
<i>Support and revenue</i>			
Contributions	\$ 214,401	\$ 505,949	\$ 720,350
Special events	488,415	-	488,415
Interest income	120	-	120
Total support and revenue	702,936	505,949	1,208,885
Net assets released from restriction	522,584	(522,584)	-
Total support, revenue and reclassifications	1,225,520	(16,635)	1,208,885
<i>Expenses</i>			
Program	784,441	-	784,441
Management and general	247,423	-	247,423
Costs of direct benefits to donors	129,117	-	129,117
Fundraising	154,379	-	154,379
Total expenses	1,315,360	-	1,315,360
Change in net assets	(89,840)	(16,635)	(106,475)
Net assets, beginning of year	795,599	1,575,087	2,370,686
Net assets, end of year	\$ 705,759	\$ 1,558,452	\$ 2,264,211

See accompanying Notes to Financial Statements

**Healthcare Foundation Northern Sonoma County
(A Nonprofit Corporation)**

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
<i>Support and revenue</i>			
Contributions	\$ 57,713	\$ 701,025	\$ 758,738
Special events	549,664	-	549,664
Interest income	396	-	396
Total support and revenue	607,773	701,025	1,308,798
Net assets released from restriction	959,175	(959,175)	-
Total support, revenue and reclassifications	1,566,948	(258,150)	1,308,798
<i>Expenses</i>			
Program	1,000,821	-	1,000,821
Management and general	323,209	-	323,209
Costs of direct benefits to donors	119,660	-	119,660
Fundraising	112,418	-	112,418
Total expenses	1,556,108	-	1,556,108
Change in net assets	10,840	(258,150)	(247,310)
Net assets, beginning of year	784,759	1,833,237	2,617,996
Net assets, end of year	\$ 795,599	\$ 1,575,087	\$ 2,370,686

See accompanying Notes to Financial Statements

**Healthcare Foundation Northern Sonoma County
(A Nonprofit Corporation)**

Statement of Functional Expenses

Year Ended December 31, 2015

	Program	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Grants given	\$ 735,330	\$ -	\$ -	\$ -	\$ 735,330
Salaries and wages	24,595	123,988	-	39,300	187,883
Event expenses	-	-	129,117	62,906	192,023
Consultants	4,434	22,350	-	22,248	49,032
Accounting and bookkeeping	4,017	20,251	-	4,017	28,285
Occupancy	3,687	18,585	-	3,687	25,959
Employee benefits	3,387	17,078	-	3,387	23,852
Other expenses	3,142	15,686	-	3,142	21,970
Payroll tax expenses	2,294	11,563	-	2,294	16,151
Equipment and supplies	1,434	7,227	-	1,434	10,095
Printing and postage	95	479	-	6,862	7,436
Telephone	1,101	5,550	-	1,101	7,752
Insurance	718	3,620	-	718	5,056
Donor recognition	-	-	-	3,076	3,076
Depreciation	207	1,046	-	207	1,460
Total expenses	\$ 784,441	\$ 247,423	\$ 129,117	\$ 154,379	\$ 1,315,360

See accompanying Notes to Financial Statements

Healthcare Foundation Northern Sonoma County
(A Nonprofit Corporation)

Statement of Functional Expenses

Year Ended December 31, 2014

	Program	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Grants given	\$ 940,494	\$ -	\$ -	\$ -	\$ 940,494
Salaries and wages	32,054	169,603	-	22,489	224,146
Event expenses	-	-	119,660	55,234	174,894
Consultants	7,207	42,131	-	5,056	54,394
Accounting and bookkeeping	4,263	22,556	-	2,991	29,810
Occupancy	3,587	18,980	-	2,517	25,084
Employee benefits	3,523	18,639	-	2,472	24,634
Other expenses	3,215	17,025	-	3,380	23,620
Payroll tax expenses	2,766	14,633	-	1,940	19,339
Equipment and supplies	1,654	8,752	-	1,160	11,566
Printing and postage	119	627	-	9,490	10,236
Telephone	1,034	5,472	-	726	7,232
Insurance	765	4,050	-	537	5,352
Donor recognition	-	-	-	4,328	4,328
Depreciation	140	741	-	98	979
Total expenses	\$ 1,000,821	\$ 323,209	\$ 119,660	\$ 112,418	\$ 1,556,108

See accompanying Notes to Financial Statements

Healthcare Foundation Northern Sonoma County
(A Nonprofit Corporation)

Statements of Cash Flows

Years Ended December 31,	2015	2014
Cash flows from operating activities		
Decrease in net assets	\$ (106,475)	\$ (247,310)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	1,460	979
Net donations restricted for equipment grants	198,369	21,549
Decrease (increase) in assets:		
Promises to give	(82,724)	336,601
Prepaid expenses	-	5,000
Increase (decrease) in liabilities:		
Accounts payable	(7,111)	4,229
Accrued expenses	-	(248)
Net cash provided by operating activities	3,519	120,800
Cash flows from investing activities		
Purchases of equipment	-	(2,969)
Net increase in cash and cash equivalents	3,519	117,831
Cash and cash equivalents, beginning of year	511,218	393,387
Cash and cash equivalents, end of year	\$ 514,737	\$ 511,218

See accompanying Notes to Financial Statements

Note A. Summary of Activities and Significant Accounting Policies

Healthcare Foundation Northern Sonoma County (the “Foundation”) is a non-profit corporation established in May 2001 to raise capital funds to support quality healthcare services for all residents of Northern Sonoma County. In 2008, the mission of the Foundation was broadened to focus beyond supporting only capital projects to fundraising in support of healthcare. The Foundation receives its support and revenue primarily from the public.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to make a gift to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets represent assets that must be permanently maintained in accordance with the stated wishes of the donor. As of December 31, 2015 and 2014, the Foundation had no permanently restricted net assets.

Cash and cash equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purpose of determining cash flows.

Investments

The Foundation sometimes receives donations of marketable securities. Generally, the securities are sold within 7 days of receipt. Investments in marketable securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period the promise is received. An allowance for uncollectible promises is provided based on management’s judgment, including such factors as prior collection history, type of contribution and nature of fund-raising activity. Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.0% for 2015 and 2014. The discount will be recognized as contributions in the year in which the contribution is collected. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Note A. Summary of Activities and Significant Accounting Policies (continued)

Donated Services

A substantial number of volunteers have donated significant amounts of time to the Foundation's program services and to its fundraising campaigns. No amounts have been recognized in the statement of activities since the work done by the volunteers does not fall into the criteria established by the Financial Accounting Standards Board (FASB).

Financial instruments

The carrying amount of financial instruments approximate fair value based on quoted market prices or discounted cash flow analysis for cash, restricted cash and time deposits and other financial instruments. Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, restricted cash and time deposits, and promises to give. The Foundation places its temporary cash investments with high quality financial institutions. At times, cash investments may exceed insured limits. As of December 31, 2015, the Foundation had approximately \$460,000 on deposit in excess of insured limits.

Fixed Assets

The Foundation's fixed assets consist primarily of office equipment and computer software. Fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the useful life of the assets which range from three to seven years. Donated property is recorded at its estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless otherwise stated by the donor, the restriction expires when the asset is purchased.

Income Taxes

The Foundation is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. These exemptions are subject to periodic review by the taxing authorities. Accordingly, a provision for federal or state income taxes is not recorded. In the opinion of management, there is no unrelated business income subject to income taxes.

The Foundation files IRS Form 990 and California Form 199 annually. These forms are still open to examination by taxing authorities for the years ended December 31, 2012 and 2011, respectively, and later.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenue and expenses. Due to their prospective nature, actual results could differ from those estimates.

Healthcare Foundation Northern Sonoma County
(A Nonprofit Corporation)

Notes to Financial Statements

Years Ended December 31, 2015 and 2014

Note A. Summary of Activities and Significant Accounting Policies (continued)

Functional expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services based upon management estimates. Expenses that are specifically identifiable are charged directly to the appropriate functional category.

Note B. Restricted Cash and Time Deposits

As of December 31, restricted cash and time deposits, at fair value, consisted of the following:

	2015	2014
Cash restricted for healthcare capital grants and programs	\$ 1,130,193	\$ 1,318,592
Cash restricted for hospital volunteer program	17,288	27,258
	\$ 1,147,481	\$ 1,345,850

Note C. Promises to Give

As of December 31, promises to give consisted of the following:

	2015	2014
Pledges receivable	\$ 614,300	\$ 629,540
Less: unamortized discount	(7,240)	(16,204)
allowance for uncollectible pledges	(1,000)	(90,000)
Pledges receivable, net	\$ 606,060	\$ 523,336

As of December 31, 2015, amounts due in:

Less than one year		\$ 509,001
One to five years		97,059
Longer than five years		-
		\$ 606,060

Note D. Fair Value

The following methods and assumptions were used by the Foundation in estimating the fair value of other financial instruments, which consist of restricted cash and time deposits. As defined in FASB ASC Topic 820, 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 (exit price). The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Foundation primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information.

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1 Inputs: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 Inputs: Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

All restricted cash and time deposits qualified as Level 1 investments under the FASB ASC Topic 820 hierarchy.

The fair market value of a financial instrument is defined in FASB ASC Topic 825, *Financial Instruments* as “the amount at which the instrument could be exchanged in a current transaction between willing parties.” The carrying amounts reported in the accompanying statements of financial position for promises to give approximate fair value given the short-term nature of the financial instruments.

Note E. Accrued Vacation

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Foundation when earned by the employees. There were no accrued vacation benefits at December 31, 2015 and 2014.

Note F. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of funds raised to make grants to the health care agencies in Northern Sonoma County. Substantially all of the temporarily restricted net assets at December 31, 2015 and 2014, must be used to fund capital equipment and healthcare program grant requests made by the healthcare agencies.

Note G. Retirement Plan

The Foundation has a 403(b) retirement plan which covers all employees after they have attained age 21 and completed 3 months of service. The Foundation contributes a discretionary match on employee elective deferrals up to a maximum of 3% of employee compensation. The Foundation incurred \$2,456 and \$1,109 of expense for 2015 and 2014, respectively.

Note H. Grants Given

Grants were given for the following during the years ended December 31:

	2015	2014
Hospital imaging/technology services	\$ 389,377	\$ 322,286
Hospital revitalization	15,272	345,022
Alliance project/physician recruitment	100,000	155,000
Alexander Valley regional medical services	112,500	55,500
Pediatric dental initiative	90,000	30,000
Community health projects	28,181	32,685
	\$ 735,330	\$ 940,493

Note I. Commitments Under Operating Leases

The Foundation leases office equipment under a long-term operating lease which expires in 2019. The lease requires monthly payments of \$105. The Foundation also leases administrative offices which requires monthly payments of approximately \$1,800 through June 2019. Future lease commitments are as follows for the years ending December 31:

Year ending December 31,	
2015	\$ 22,236
2016	22,236
2017	22,548
2018	11,010
	\$ 78,030

Rent expense for 2015 and 2014 amounted to \$23,928 and \$24,852, respectively.

Note J. Concentrations

The Foundation received approximately 42% of its contribution revenue from one donor in 2015. As of December 31, gross promises to give include the following donor concentrations:

	2015	2014
Donor A	\$ 200,000	\$ 125,000
Donor B	300,000	350,007
Donor C	100,000	-

Donor A and Donor B above have also made conditional promises to give to the Foundation. Both of the conditional promises to give are for raising matching gifts from other donors. Donor A has agreed to give an additional \$200,000 over the next two years and Donor B has agreed to give approximately an additional \$729,859 through February 2017. These gifts have not been recognized as contribution revenue in the accompanying financial statements.

Note K. Subsequent Events

In accordance with FASB ASC 855, the Foundation evaluated all events subsequent to the statement of financial position date of December 31, 2015, through the date these financial statements were available to be issued, August 16, 2016. There were no subsequent events that required recognition or additional disclosure in these financial statements.