

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Livingston Healthcare Foundation

June 30, 2015 and 2014

Livingston Healthcare Foundation

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Livingston Healthcare Foundation
Livingston Montana, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Livingston Healthcare Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 Livingston Healthcare Foundation as of June 30, 2015 and 2014, and the results of their operations and changes in net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

Helena, Montana
February 11, 2016

Livingston Healthcare Foundation
STATEMENTS OF FINANCIAL POSITION
as of June 30,

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,390,477	\$ 696,284
Current portion of pledges receivable, net	1,432,215	1,017,278
Total current assets	<u>3,822,692</u>	<u>1,713,562</u>
OTHER ASSETS		
Restricted cash	10,438	10,433
Long-term portion of pledges receivable, net	889,209	818,161
TOTAL ASSETS	<u>\$ 4,722,339</u>	<u>\$ 2,542,156</u>
NET ASSETS		
Unrestricted	\$ 248,626	\$ 75,178
Temporarily restricted	4,473,713	2,466,978
TOTAL NET ASSETS	<u>\$ 4,722,339</u>	<u>\$ 2,542,156</u>

The accompanying notes are an integral part of these financial statements.

Livingston Healthcare Foundation
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
for the years ended June 30,

	2015	2014
UNRESTRICTED NET ASSETS:		
REVENUE, GAINS AND OTHER SUPPORT:		
Contributions	\$ 346,976	\$ 440,448
Related party contribution	152,803	-
In-kind contribution from the Hospital	111,463	102,160
Investment Income	1,729	762
Total unrestricted revenues and gains	612,971	543,370
Net assets released from restrictions	1,569,111	261,787
Total unrestricted revenue, gains and other support	2,182,082	805,157
 FUNCTIONAL EXPENSES:		
Program expenses	1,571,267	705,045
General and administrative	96,649	75,509
Fundraising expenses	340,718	460,759
Total functional expenses	2,008,634	1,241,313
Change in unrestricted net assets	173,448	(436,156)
 TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants	78,899	67,409
Contributions - building fund	3,496,947	2,052,842
Net assets released from restrictions	(1,569,111)	(261,787)
Change in temporarily restricted net assets	2,006,735	1,858,464
 Change in net assets	2,180,183	1,422,308
 NET ASSETS, BEGINNING OF YEAR	2,542,156	1,119,848
NET ASSETS, END OF YEAR	\$ 4,722,339	\$ 2,542,156

The accompanying notes are an integral part of these financial statements.

Livingston Healthcare Foundation
STATEMENTS OF CASH FLOWS
for the years ended June 30,

	2015	2014
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,180,183	\$ 1,422,308
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Provision for estimated uncollectible pledges	63,198	164,781
Present value discount of pledges	19,759	148,621
(Increase) decrease in assets:		
Pledges receivable	<u>(568,942)</u>	<u>(1,941,725)</u>
Net cash from operating activities	1,694,198	(206,015)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted cash	<u>(5)</u>	<u>(5)</u>
Net cash from investing activities	(5)	(5)
 Change in cash and cash equivalents	1,694,193	(206,020)
 Cash and cash equivalents, beginning of year	<u>696,284</u>	<u>902,304</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,390,477</u></u>	<u><u>\$ 696,284</u></u>

The accompanying notes are an integral part of these financial statements.

Livingston Healthcare Foundation
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2015

	Program Expenses	General and Administrative	Fundraising	Total
Salaries and wages	\$ -	\$ 82,559	\$ -	\$ 82,559
Advertising	-	-	1,744	1,744
Audit fees	-	12,552	0	12,552
Bank fees	-	401	-	401
Dues and subscriptions	-	-	713	713
Education and travel	-	-	3,773	3,773
Employee expenses	-	-	158	158
Equipment	-	-	12	12
Office and postage	-	1,137	-	1,137
Public relations	-	-	825	825
Purchased services	-	-	332,633	332,633
Other expenses	-	-	860	860
Transfers to the Hospital	1,571,267	-	-	1,571,267
Total expenses	<u>\$ 1,571,267</u>	<u>\$ 96,649</u>	<u>\$ 340,718</u>	<u>\$ 2,008,634</u>

The accompanying notes are an integral part of these financial statements.

Livingston Healthcare Foundation
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2014

	Program Expenses	General and Administrative	Fundraising	Total
Salaries and wages	\$ -	\$ 74,285	\$ -	\$ 74,285
Advertising	-	-	1,009	1,009
Bank fees	-	103	-	103
Computer technology	-	-	193	193
Dues and subscriptions	-	-	215	215
Education and travel	-	-	705	705
Employee expenses	-	-	683	683
Equipment	-	-	190	190
Office and postage	-	1,121	-	1,121
Public relations	-	-	902	902
Purchased services	-	-	439,755	439,755
Other expenses	-	-	17,107	17,107
Transfers to the Hospital	705,045	-	-	705,045
Total expenses	\$ 705,045	\$ 75,509	\$ 460,759	\$ 1,241,313

The accompanying notes are an integral part of these financial statements.

Livingston Healthcare Foundation

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Livingston Healthcare Foundation (the Foundation) is a not-for-profit organization with the purpose of soliciting and receiving gifts and distributing them to Livingston Memorial Hospital, Inc., DBA Livingston Healthcare (the Hospital).
2. Basis of Accounting - The financial statements of the Foundation are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other liabilities.
3. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
4. Basis of Presentation - Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) "Not-for-Profit Entities - Presentation of Financial Statements." Under this ASC, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.
 - Unrestricted net assets are assets that have no donor restrictions on their use and are available to be used by the Foundation as necessary. Donor-restricted contributions whose restrictions are met within the same year they are received are reflected as unrestricted contributions in the accompanying financial statements.
 - Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
 - Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity. There were no permanently restricted net assets of June 30, 2015 and 2014.
5. Cash and Cash Equivalents - For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Continued

Livingston Healthcare Foundation

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

6. Public Support and Revenue - Public support and revenue is generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded when the written promise to give is received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates (applicable to the years in which the promises are received) to discount the amounts. The majority of the promises to give are received from a broad base of contributors. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at the end of each fiscal year.

Revenue and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received and are recognized consistent with the policies stated above. Contributions of donated services that create or enhance non-financial 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, are recorded at their fair values in the period received.

7. Contributions - The Foundation accounts for contributions in accordance with FASB ASC 958-605-15, *Revenue Recognition for Contributions Received*.
8. Pledges Receivable - The Foundation carries its pledges receivable at net realizable value. On a periodic basis, the Foundation evaluates its pledges receivable and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions. A receivable is considered past due if payment has not been received within stated terms. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and written off to bad debt expense or against the allowance for doubtful accounts.
9. Income Tax Status - The Foundation was granted tax-exempt status under Section 501(c)3 of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. The Foundation did not incur unrelated business income tax for the year ended June 30, 2015. Accordingly, no provision has been made for federal income tax in the accompanying financial statements. The Foundation's federal Form 990 for the 2013 through 2015 tax years is subject to examination by the IRS, generally, for three years after they were filed.

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Livingston Healthcare Foundation

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

10. Functional Expenses - Expenses are charged directly to program, fundraising, or general and administrative categories based on specific identification.
11. Advertising - The costs of advertising are expensed as incurred. During the year ended June 30, 2015 and 2014, advertising costs totaled \$1,744 and \$1,009, respectively.
12. Subsequent Events - Management has performed an analysis of the activities and transactions subsequent to June 30, 2015 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2015. Management has performed this analysis through February 11, 2016, the date the financial statements were available to be issued. There were no subsequent events that required recognition.

NOTE B - PLEDGES RECEIVABLE

The Foundation entered into a capital campaign for the purpose of raising funds for a new facility to be constructed in Livingston, Montana. The Foundation has pledges receivable as follows:

	<u>2015</u>	<u>2014</u>
Gross pledges receivable - less than one year	\$ 1,432,215	\$ 1,017,278
Gross pledges receivable - one year to five years	1,470,739	1,316,734
Less - allowance for uncollectible amounts	(413,150)	(349,952)
Less - discount to present value	(168,380)	(148,621)
	<u>\$ 2,321,424</u>	<u>\$ 1,835,439</u>

The Foundation has discounted the pledges receivable to recognize the long-term nature of anticipated collections. The discount rate used for collections was 3.8%.

NOTE C - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at banks located in Livingston, Montana. Accounts at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash accounts in investments are not insured. At times throughout the year, the Foundation's bank balances may exceed the FDIC limit. At June 30, 2015, there was \$2,150,915 of uninsured cash in bank accounts.

Continued

Livingston Healthcare Foundation

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows:

	<u>2015</u>	<u>2014</u>
Time	\$ -	\$ 55,839
Purpose - Building and Hospice	<u>4,473,713</u>	<u>2,411,139</u>
	<u>\$ 4,473,713</u>	<u>\$ 2,466,978</u>

NOTE E - RELATED PARTY TRANSACTIONS

The Board of Directors of the Foundation is comprised of members of the Board of Directors from the Hospital.

During the years ended June 30, 2015 and 2014 the Foundation recorded in-kind contributions and related expenses from the Hospital in the amount of \$111,463 and \$102,160, respectively.

Concluded