



Financial Statements (and Supplementary Information)

***The Medical Center Foundation, Inc.
(A Subsidiary of Northeast Georgia Health System, Inc.)***

Years Ended September 30, 2019 and 2018

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Financial Statements (and Supplementary Information)

Years Ended September 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Medical Center Foundation, Inc.:

We have audited the accompanying financial statements of The Medical Center Foundation, Inc. (the Foundation), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and changes in net assets 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Medical Center Foundation, Inc. as of September 30, 2019 and 2018, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2019, the Foundation adopted new accounting guidance required by Accounting Standards Updates No. 2016-01, No. 2014-09 and No. 2016-14. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PYA, P.C.

Atlanta, Georgia
January 20, 2020

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Statements of Financial Position

September 30, 2019

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>2019 Total</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,568,085	\$ -	\$ 1,568,085
Investments and assets limited as to use	-	233,090	233,090
Pledges receivable	-	287,957	287,957
Other current receivables	28,600	-	28,600
TOTAL CURRENT ASSETS	1,596,685	521,047	2,117,732
Property held for future investment	-	3,304,750	3,304,750
Property and equipment, less accumulated depreciation of \$279,833	148,679	-	148,679
Investments and assets limited as to use	11,442,985	16,200,518	27,643,503
Pledges receivable (less current portion), net	-	1,630,526	1,630,526
Other non-current receivables	108,586	-	108,586
TOTAL ASSETS	<u>\$ 13,296,935</u>	<u>\$ 21,656,841</u>	<u>\$ 34,953,776</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Due to affiliates - Note E	\$ 46,899	\$ -	\$ 46,899
Accrued payroll	94,624	-	94,624
TOTAL LIABILITIES	141,523	-	141,523
COMMITMENTS AND CONTINGENCIES - Note I			
NET ASSETS	<u>13,155,412</u>	<u>21,656,841</u>	<u>34,812,253</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,296,935</u>	<u>\$ 21,656,841</u>	<u>\$ 34,953,776</u>

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Statements of Financial Position - Continued

September 30, 2018

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>2018 Total</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,939,247	\$ -	\$ 3,939,247
Investments and assets limited as to use	-	2,500,428	2,500,428
Pledges receivable	-	1,767,781	1,767,781
Other current receivables	25,500	-	25,500
TOTAL CURRENT ASSETS	3,964,747	4,268,209	8,232,956
Property held for future investment	-	3,304,750	3,304,750
Property and equipment, less accumulated depreciation of \$259,072	183,681	-	183,681
Investments and assets limited as to use	12,893,481	11,542,370	24,435,851
Pledges receivable (less current portion), net	-	1,669,250	1,669,250
Other non-current receivables	73,565	-	73,565
TOTAL ASSETS	\$ 17,115,474	\$ 20,784,579	\$ 37,900,053
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Due to affiliates - Note E	\$ 2,953,569	\$ -	\$ 2,953,569
Accrued payroll	77,528	-	77,528
TOTAL LIABILITIES	3,031,097	-	3,031,097
COMMITMENTS AND CONTINGENCIES - Note I			
NET ASSETS	14,084,377	20,784,579	34,868,956
TOTAL LIABILITIES AND NET ASSETS	\$ 17,115,474	\$ 20,784,579	\$ 37,900,053

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Statements of Activities and Changes in Net Assets

Year Ended September 30, 2019

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>2019 Total</i>
Revenue, gains and other support:			
Contributions and bequests	\$ -	\$ 3,238,108	\$ 3,238,108
Partnership earnings, net	710,036	83,939	793,975
Investment earnings, net	132,000	14,341	146,341
Net assets released from restrictions for operations - Note G	636,446	(636,446)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	1,478,482	2,699,942	4,178,424
Expenses:			
Operating expenses:			
Salaries and benefits	1,146,896	-	1,146,896
Utilities	2,851	-	2,851
Supplies	121,515	-	121,515
Legal, consulting and professional fees	81,657	-	81,657
Contracted outside services	35,774	-	35,774
Other	196,665	-	196,665
Depreciation	32,104	-	32,104
TOTAL OPERATING EXPENSES	1,617,462	-	1,617,462
Program expenses:			
Support provided to affiliates - Note E	2,636,446	1,996,461	4,632,907
TOTAL EXPENSES	4,253,908	1,996,461	6,250,369
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	(2,775,426)	703,481	(2,071,945)
Other changes in net assets:			
Support from affiliates - Note E	1,952,138	-	1,952,138
Change in expected losses and discounts on pledges	-	201,359	201,359
Other	(105,677)	(32,578)	(138,255)
INCREASE (DECREASE) IN NET ASSETS	(928,965)	872,262	(56,703)
NET ASSETS, BEGINNING OF YEAR	14,084,377	20,784,579	34,868,956
NET ASSETS, END OF YEAR	\$ 13,155,412	\$ 21,656,841	\$ 34,812,253

THE MEDICAL CENTER FOUNDATION, INC.
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Statements of Activities and Changes in Net Assets - Continued

Year Ended September 30, 2018

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>2018 Total</i>
Revenue, gains and other support:			
Contributions and bequests	\$ -	\$ 4,000,666	\$ 4,000,666
Partnership earnings, net	1,082,595	113,216	1,195,811
Investment earnings, net	884	92	976
Net assets released from restrictions for operations - Note G	777,399	(777,399)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	1,860,878	3,336,575	5,197,453
Expenses:			
Operating expenses:			
Salaries and benefits	1,121,214	-	1,121,214
Utilities	14,218	-	14,218
Supplies	149,935	-	149,935
Legal, consulting and professional fees	120,225	-	120,225
Contracted outside services	37,476	-	37,476
Other	204,308	-	204,308
Depreciation	35,218	-	35,218
TOTAL OPERATING EXPENSES	1,682,594	-	1,682,594
Program expenses:			
Support provided to affiliates - Note E	777,399	2,908,838	3,686,237
TOTAL EXPENSES	2,459,993	2,908,838	5,368,831
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES			
	(599,115)	427,737	(171,378)
Other changes in net assets:			
Support from affiliates - Note E	1,976,063	-	1,976,063
Change in expected losses and discounts on pledges	-	643,177	643,177
Other	(72,406)	(51,735)	(124,141)
INCREASE IN NET ASSETS	1,304,542	1,019,179	2,323,721
NET ASSETS, BEGINNING OF YEAR	12,779,835	19,765,400	32,545,235
NET ASSETS, END OF YEAR	\$ 14,084,377	\$ 20,784,579	\$ 34,868,956

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Statements of Cash Flows

	<i>Year Ended September 30,</i>	
	<i>2019</i>	<i>2018</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (56,703)	\$ 2,323,721
Adjustment to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	32,104	35,218
Loss on disposal of property and equipment	2,898	-
Change in expected losses and discounts on pledges	(201,359)	(643,177)
Changes in other assets and liabilities:		
Pledges and other receivables	1,681,786	1,844,455
Due to affiliates, net	(2,906,670)	(784,855)
Accrued payroll	17,096	(78,995)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,430,848)	2,696,367
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in investments and assets limited as to use	(940,314)	(1,196,726)
Purchases of property and equipment	-	(3,050)
NET CASH USED IN INVESTING ACTIVITIES	(940,314)	(1,199,776)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,371,162)	1,496,591
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,939,247	2,442,656
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,568,085	\$ 3,939,247

**THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)**

Notes to Financial Statements

Years Ended September 30, 2019 and 2018

NOTE A--ORGANIZATION

The Medical Center Foundation, Inc. (the Foundation), located in Gainesville, Georgia, was formed to develop and maintain quality volunteer services and manage fundraising activities for Northeast Georgia Health System, Inc. (NGHS) and its affiliated entities. NGHS is the parent corporation to the Foundation and, as such, the Foundation is included in the consolidated financial statements of NGHS and affiliates.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: Cash and cash equivalents include cash and short-term deposits with original maturities of less than three months when purchased.

Investments and Assets Limited as to Use: The majority of investments and assets limited as to use at September 30, 2019 and 2018 consist of the Foundation's sole ownership in a limited partnership investment fund (the Fund). The primary objective of the Fund is to generate a higher than average cash flow yield through investment in publicly traded equity securities. The Foundation accounts for its investment in the Fund under the equity method of accounting with the Foundation's share of the Fund's gains and losses, both realized and unrealized, recognized as partnership earnings in the Statements of Activities and Changes in Net Assets.

All other investments and assets limited as to use which are not invested in the Fund are stated at fair value based on quoted market prices. The portion of these investments and assets limited as to use relating to financial instruments with remaining maturities of less than one year are classified as current assets.

Contributions/Pledges Receivable: Unconditional promises to give to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are recognized as revenue at fair value when the conditions on which they depend are substantially met or otherwise become unconditional. The gifts are reported as either net assets with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

An estimated allowance for uncollectible pledges is recorded based on management's evaluation of pledges receivable. The Foundation's policies do not require collateral for pledges receivable.

Contributions are primarily from contributors in the Northeast Georgia area.

THE MEDICAL CENTER FOUNDATION, INC.
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Notes to Financial Statements - Continued

Years Ended September 30, 2019 and 2018

Property and Equipment: Property and equipment consists of building improvements and minor equipment and is stated at cost or, if donated, at fair market value on the date of gift, net of accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets using the half-year method. The depreciable lives for building improvements range from 20 to 30 years and from 3 to 15 years for equipment.

Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. The Foundation did not capitalize any material expenditures relating to building improvements and minor equipment during 2019 or 2018.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the financial statements. Any resulting gain or loss is included in the Statements of Activities and Changes in Net Assets.

Gifts of long-lived assets are reported as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as net assets with donor restrictions. Absent explicit donor restrictions about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Foundation periodically reviews property and equipment for indicators of potential impairment of long-lived assets, and if such review indicates carrying amounts may not be recoverable, adjusts the carrying value and recognizes a loss. Management does not believe that any unrecognized impairment exists at September 30, 2019 and 2018.

Net Assets: The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net Assets Without Donor Restrictions:* These net assets are not subject to donor-imposed stipulations. The only limits on net assets without donor restrictions are the broad limits resulting from the nature of the Foundation and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.
- *Net Assets With Donor Restrictions:* These are net assets resulting from contributions whose use by the Foundation is limited by donor-imposed stipulations.

THE MEDICAL CENTER FOUNDATION, INC.
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Notes to Financial Statements - Continued

Years Ended September 30, 2019 and 2018

Income Taxes: The Foundation is organized as a Georgia not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying financial statements. At September 30, 2019, management does not believe the Foundation holds any uncertain tax positions that would require financial statement recognition or disclosure under generally accepted accounting principles.

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 as of the date of the financial statements. Estimates also affect the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from these estimates.

Recently Adopted Accounting Principles: During the year ended September 30, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which requires not-for-profit entities to present two classes of net assets in the financial statements, rather than the three classes previously required, and adds enhanced disclosures. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and temporarily or permanently restricted net assets are now reported as net assets with donor restrictions. Other than changes in presentation and additional disclosures, adoption of ASU 2016-14 did not have a significant impact on the financial statements. ASU 2016-14 has been applied retrospectively to the year ended September 30, 2018.

During the year ended September 30, 2019, the Foundation adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09) which supersedes previous revenue recognition guidance under accounting principles generally accepted in the United States (GAAP). ASU 2014-09 requires the recognition of revenue when services are performed at an amount equal to what the entity expects to receive for those services. This update also requires expanded disclosure related to revenue recognition policies. Other than changes in presentation and additional disclosures, adoption of this standard did not have a significant impact on the financial statements. ASU 2014-09 has been applied retrospectively to the year ended September 30, 2018.

In February 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall*, which, among other items, requires reporting the change in fair value of equity investments as a component of net income rather than as a change in net assets. ASU 2016-01 is effective for not-for-profit entities for fiscal years beginning after December 15, 2018 and can be early implemented only for fiscal years beginning after December 15, 2017. As provided in this standard, management has elected to eliminate the disclosure of the fair value of financial instruments measured at

THE MEDICAL CENTER FOUNDATION, INC.
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Notes to Financial Statements - Continued

Years Ended September 30, 2019 and 2018

amortized cost. Other than changes in presentation and additional disclosures, adoption of this standard did not have a significant impact on the financial statements. ASU 2016-01 has been applied retrospectively to the year ended September 30, 2018.

Recently Issued Accounting Principles: The following upcoming changes to accounting standards may impact the Foundation's financial statements when they become effective.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires balance sheet recognition of a liability and right-to-use asset for substantially all leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and requires a modified retrospective transition approach for leases existing at the date of adoption. Management is currently evaluating the impact of the adoption of this standard on the financial statements.

In August 2016, the FASB issued ASU No. 2016-15 *Statement of Cash Flows (Topic 320)* (ASU 2016-15), which clarifies classification of certain cash receipts and payments within the statement of cash flows. ASU 2016-15 provides guidance on eight specific cash flow issues, including treatment of distributions received from equity method investees. ASU 2016-15 states that investors will make an accounting policy election to classify distributions received from equity method investees using either the "cumulative earnings approach" or the "nature of the distribution approach." These approaches determine the classification of distributions from equity method investees between operating and investing activities. In November 2016, the FASB issued ASU No. 2016-18 *Statement of Cash Flows (Topic 320) Restricted Cash* (ASU 2016-18), which clarifies classification and presentation of changes in cash whose use is restricted by donors. ASU 2016-15 and ASU 2016-18 are effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. Management adopted these ASUs effective October 1, 2019.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables-Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities* (ASU 2017-08), which shortens the amortization period for any premium to the earliest call date. Bonds purchased with a discount are not impacted by this ASU. ASU 2017-08 will be effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this standard on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides clarity in distinguishing grants or similar contracts between exchange transactions or contributions and guidance on classifying whether or not a transaction is conditional. ASU 2018-08 is effective for contributions received during fiscal years beginning after December 15, 2018, and early adoption is permitted. Management adopted this ASU effective October 1, 2019.

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued

Years Ended September 30, 2019 and 2018

NOTE C--INVESTMENTS AND ASSETS LIMITED AS TO USE

The Foundation maintains the majority of its investments and assets limited as to use in the form of a limited partnership investment fund (the Fund). The Foundation accounts for the Fund under the equity method of accounting. In addition to the Fund, the Foundation maintains an investment portfolio with various asset allocations. The composition of investments and assets limited as to use at September 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 233,090	\$ 2,500,428
Corporate bonds	2,721,813	100,486
Equity securities	1,767,771	-
Accrued income	24,583	-
Limited partnership investments	23,129,336	24,335,365
	<u>\$ 27,876,593</u>	<u>\$ 26,936,279</u>

Income and losses from the Fund for the years ended September 30, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Partnership earnings	\$ 793,975	\$ 1,195,811

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk factors in the near term could materially affect the amounts reported in the financial statements.

NOTE D--PLEDGES RECEIVABLE

Pledges receivable are due as follows at September 30:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 287,957	\$ 1,767,781
Due in one to five years	941,164	1,134,251
Due in greater than five years	1,114,703	1,161,700
	<u>\$ 2,343,824</u>	<u>\$ 4,063,732</u>

THE MEDICAL CENTER FOUNDATION, INC.
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Notes to Financial Statements - Continued

Years Ended September 30, 2019 and 2018

Estimated allowances and discounts on pledges receivable are summarized as follows at September 30:

	<i>2019</i>	<i>2018</i>
Gross pledges receivable	\$ 2,343,824	\$ 4,063,732
Allowance for doubtful pledges	(234,382)	(406,373)
Discount on multi-year pledges at 5.5%	(190,959)	(220,328)
	<u>\$ 1,918,483</u>	<u>\$ 3,437,031</u>

Pledges receivable at September 30, 2018 includes \$1,500,000 from two grantors under terms of one charitable remainder unitrust, whereby the Foundation received the remainder of the trust assets upon the death of the last two grantors. During 2019, because the assets of the trust were less than \$4,000,000 at the time of death of the last two grantors, the remaining \$1,500,000 balance was paid to the Foundation from the estate.

NOTE E--RELATED PARTY TRANSACTIONS

NGHS provides substantial operating support for the Foundation. During 2019 and 2018, NGHS and affiliates provided operating support of \$1,952,138 and \$1,976,063, respectively.

Contributions to affiliates for program support represent specific expenses paid by the Foundation on behalf of various NGHS affiliates for both capital and non-capital purposes.

During the years ended September 30, 2019 and 2018, contributions to affiliates for program support totaled \$4,632,907 and \$3,686,237, respectively.

Due to affiliates at September 30, 2019 and 2018 represent amounts due to NGHS and its affiliates for certain operating expenses paid by NGHS and for support of NGHS. Such amounts are generally settled within one year.

NOTE F--OPERATING EXPENSE BY FUNCTIONAL CLASSIFICATION

The Foundation provides healthcare and support services to residents within its geographical location. Expenses are allocated by function based on estimates of employees' time incurred, usage of resources, and other methods. Expenses based on functional classification related to providing these services during the year ended September 30, 2019 are as follows:

THE MEDICAL CENTER FOUNDATION, INC.
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Notes to Financial Statements - Continued

Years Ended September 30, 2019 and 2018

	<i>Healthcare Services</i>	<i>Support Services</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 3,326	\$ 100,124	\$ 1,043,446	\$ 1,146,896
Utilities	8	249	2,594	2,851
Supplies	352	10,608	110,555	121,515
Legal, consulting and professional fees	237	7,129	74,291	81,657
Contracted outside services	104	3,123	32,547	35,774
Other	570	17,169	178,926	196,665
Depreciation	93	2,803	29,208	32,104
	<u>\$ 4,690</u>	<u>\$ 141,205</u>	<u>\$ 1,471,567</u>	<u>\$ 1,617,462</u>

NOTE G--NET ASSETS RELEASED FROM RESTRICTIONS

For the years ended September 30, 2019 and 2018, net assets released from donor restrictions when expenses were incurred to satisfy the restricted purposes, by the passage of time, or by occurrence of events as specified by donors are as follows:

	<i>2019</i>	<i>2018</i>
Restrictions accomplished:		
Cardiology initiatives	\$ 1,544,666	\$ 2,529,091
Community benefit	690,331	680,251
Children's initiatives	167,417	109,764
Education	8,497	13,616
Equipment	78,108	152,386
Grants	21,498	61,822
Indigent patients	25,238	25,464
Oncology initiatives	76,711	91,799
Scholarships	20,440	22,044
Total net assets released from restrictions	<u>\$ 2,632,906</u>	<u>\$ 3,686,237</u>

During 2019 and 2018, total assets released from restrictions for capital purposes was \$1,996,460 and \$2,908,838, respectively, while total assets released from restrictions for operations was \$636,446 and \$777,399, respectively.

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued

Years Ended September 30, 2019 and 2018

NOTE H--NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the purposes as detailed below:

	<i>2019</i>	<i>2018</i>
Cardiology funds	\$ 421,598	\$ 1,741,802
Community benefits funds	7,942,867	7,260,947
Oncology funds	1,929,973	1,756,474
Children's initiatives funds	1,015,623	855,486
Education funds	470,302	55,109
Equipment funds	2,964,146	2,498,785
Grants	571,433	278,628
Indigent patient funds	27,203	44,975
Scholarship funds	765,559	777,133
Nephrology fund	50,070	50,000
Held in perpetuity:		
Wilheit-Keys Peace Garden Maintenance	155,100	155,100
The Henry S Jennings Jr MD Visiting Lectureship	100,000	100,000
Nell's Prayer Garden Maintenance	55,000	55,000
David Pet Park Maintenance	80,000	80,000
Jack & Janice Frost Water Garden Maintenance	100,000	100,000
Braselton Flag Plaza Maintenance	30,000	30,000
Hospice fund	50,629	50,629
Nursing & Allied Health Continuing Education fund	521,242	501,828
Nursing & Allied Health Scholarships fund	218,111	207,489
Chaplain fund	206,415	206,424
MCF endowment fund	2,868,665	2,868,665
Honorary Gift - Woody Stewart & Nancy Colston fund	474,238	474,238
Pope Family Garden Maintenance	100,000	100,000
Evelyn Waugh scholarship fund	53,246	52,446
Ocie Pope scholarship fund	25,822	25,822
Destitute patient fund	186,344	186,344
Anne Thomas scholarship fund	57,346	57,346
John Ferguson scholarship fund	215,909	213,909
	<u>\$ 21,656,841</u>	<u>\$ 20,784,579</u>

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued

Years Ended September 30, 2019 and 2018

NOTE I--COMMITMENTS AND CONTINGENT LIABILITIES

General: The Foundation may be subject to legal proceedings and claims which arise in the ordinary course of its business. At September 30, 2019, management is not aware of any pending or threatened litigation, claims or assessments.

Concentrations of Credit Risk: The Foundation holds deposits at a banking institution that is insured by the Federal Deposit Insurance Corporation. At times, the Foundation has deposits in excess of these insurance limits. The Foundation is exposed to loss of uninsured amounts in the event of non-performance by the banking institution; however, management does not anticipate any such losses.

NOTE J--FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1:* Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, 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 following table presents assets reported at fair value and their respective classification under the valuation hierarchy as of September 30, 2019 and 2018, respectively:

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued

Years Ended September 30, 2019 and 2018

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
September 30, 2019				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	\$ 233,090	\$ 233,090	\$ -	\$ -
Corporate bonds	2,721,813	-	2,721,813	-
Equity securities	1,767,771	-	1,767,771	-
Accrued income	24,583	-	24,583	-
Total assets	<u>\$ 4,747,257</u>	<u>\$ 233,090</u>	<u>\$ 4,514,167</u>	<u>\$ -</u>
September 30, 2018				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	\$ 2,500,428	\$ 2,500,428	\$ -	\$ -
Corporate bonds	100,486	-	100,486	-
Total assets	<u>\$ 2,600,914</u>	<u>\$ 2,500,428</u>	<u>\$ 100,486</u>	<u>\$ -</u>

NOTE K--AVAILABILITY AND LIQUIDITY

The Foundation manages its cash and investments through a formalized investment process which includes evaluating cash needs for routine and nonroutine activities and adjusting the amount of cash held and the maturity of investments. The Foundation's financial assets reduced by amounts not available for general use are as follows at September 30, 2019:

Financial assets	\$ 31,500,347
Less those unavailable for expenditures within one year, due to:	
Amounts restricted by donors	<u>(21,656,841)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,843,506</u>

NOTE L--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the September 30, 2019 financial statements.

Supplementary Information

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Net Asset Report - Unaudited

September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
100 Unrestricted Fund	\$ 9,967,013	\$ 11,343,520
101 MCF Endowment Fund Interest	1,209,874	1,102,320
102 Scholarship Activity	87,884	82,571
103 Operating Expense	1,890,641	1,555,966
Total Net Assets Without Donor Restrictions	13,155,412	14,084,377
Net Assets With Donor Restrictions		
105 GME - Graduate Medical Education Fund	31,525	-
108 Auxiliary Holiday Décor	16,422	17,525
110 Mom 365 Newborn Photography	25,384	-
111 Downey Society Fund	150,148	-
112 PDO Donations to Employee Leave Fund	11,535	-
124 PDR-B Renovation Fund	10,000	10,000
132 Bob and Wanda Swoszowski Scholarship Fund	21,208	32,348
141 2020 Southern Market Golf Tournament	21,044	-
142 NGMC Window Show South Renovation	26,500	-
147 The Carol Healan Burrell Professorship in Medical Ed (E)	385,989	-
151 Verdis C. Puckett Pastoral Care Suite	250,668	-
155 ER Education Training Fund	21,696	21,696
180 Safety Grant	120,472	124,856
200 William T & Evie Langston Signature Gift Fund	289,945	274,367
205 Paul & Glenna Maney Signature Gift Fund	97,735	90,469
211 EPIC Implementation for Good News Clinic	375,913	173,500
212 HJ Therapeutic Music Program	399,432	30,742
213 HJ ECMO	54,730	29,370
218 Heart & Vascular Fund	148,281	148,130
250 Fraser Estate Cancer Center	203,178	203,178
255 Don Pirkle Estate Gift	217,448	209,897
270 Resource Center Fund	1,873,333	1,873,333
295 The David Pet Park	24,654	24,654
325 Nell Wiegand Chapel Garden Maintenance	23,813	32,226
328 NGHS Employee Walking Trail	540,477	540,477
335 Smoot Family Courtyard Waterfall-Braselton	812,056	827,865
349 Jack & Janice Frost Water Garden	54,994	51,214
367 WOC Nurse Education Program	12,328	13,379
383 Healthy Journey General Fund 2014	981,548	906,530
384 Healthy Journey General - Employee Gifts 2014	1,523,614	1,443,756
386 Community Gifts to Oncology Initiatives 2014	38,356	28,888
388 Women's & Children's Initiatives - Employee Outreach 201:	549,616	509,925
389 Oncology - Employee Outreach 2014	341,952	283,289

THE MEDICAL CENTER FOUNDATION, INC.
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Net Asset Report – Unaudited - Continued

September 30, 2019 and 2018

	<i>2019</i>	<i>2018</i>
390 Cardiology - Employee Community Outreach 2014	88,855	89,793
391 Hospice Gifts 2014	927,450	818,089
392 Ronnie Green Heart Center Gifts 2014	60,421	58,899
393 Safe Kids 2014	396,018	310,832
395 Hospice Barrow County	10,000	10,000
406 Braselton Contractors	14,042	14,042
415 Coalition Funds	12,207	11,924
417 Telford Braselton Signature Gift	100,000	97,886
420 Jackson EMC Braselton Signature Gift	87,480	84,480
422 Billy Jones Signature Gift - Braselton ED Services	100,000	100,000
458 daVinci Surgical System	4,659	904,659
463 Hospice Bereavement Counseling 2015	75,351	81,290
465 Indigent Patient Fund 2015	13,226	37,983
466 Continuing Education Fund 2015	15,237	33,239
467 Mobile Simulation Unit	177,279	262,047
468 Getting Older and Better Workshop 2015	4,596	16,644
470 Nursing Continuing Education	-	171,769
476 Nursing & Allied Health Continuing Education Scholarship	212,551	184,599
478 Nursing & Allied Health Scholarship (E)	252,831	88,713
526 Healthy Journey General Fund - Phase II	204,462	207,815
530 Georgia Health Information Network Capacity Building Gra	250,000	-
540 Phillip & Mary Wilheit - Signature Gifts	51,501	63,201
551 Pediatric Rooftop Playground - Jim Syfan	28,339	28,339
552 David Merritt - Nephrology Fund	50,070	50,000
568 Hospice School Based Bereavement Program	-	-
575 Cancer Research	32,793	32,793
579 Enhancement of Cancer Services - Nell Wiegand Celebratio	157,977	157,977
597 Women's Imaging Fund	19,517	19,517
600 Ronnie Green Heart Center	4,940	454,940
604 Chapel Fund	429,200	429,200
605 Lillian Fraser Estate Gift	266,267	278,867
606 Braselton Chapel	267,456	267,456
612 EMS Trauma Equipment Grant	15,772	15,772
623 GHA - RCA Core Grant	160,254	105,181
643 Chaplain Endowment Fund (E)	49,875	49,628
656 the Estate of Joan Louise Kosmala	25,000	25,000
660 Love Light Garden	-	10,000
702 Employee Emergency Fund	51,934	-
706 Honorary Gift-Woody Stewart & Nancy Colston Endowmer	43,500	25,608
717 Evelyn Waugh Scholarship (E)	27,427	25,422

THE MEDICAL CENTER FOUNDATION, INC.
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Net Asset Report – Unaudited - Continued

September 30, 2019 and 2018

	<i>2019</i>	<i>2018</i>
721 Ocie Pope Scholarship (E)	24,396	23,428
727 Richard & Lona Pope Signature Gift	52,392	59,179
730 Cancer Treatment Fund	250,225	250,225
750 LeTrell Simpson Scholarship Fund	22,779	22,679
754 Anne Thomas Scholarship Fund (E)	42,827	49,477
758 John Ferguson Scholarship Fund (E)	146,054	142,344
761 Johnson & Johnson Accusym	11,005	11,005
765 Heart Failure Unit	27,960	27,698
805 Read, Learn, Succeed Program - Women and Children's	16,125	-
806 2018 Medical Center Open	840	309,164
807 2019 Medical Center Open	312,776	3,072
858 Hospice Patient Assistance Expenses	29,645	25,348
871 HJIII General Donations - Braselton	681,581	690,775
969 North Patient Tower Elevator Lobby Art Gallery	11,502	11,503
Other Funds	184,186	168,224
128 Wilheit-Keys Peace Garden Maintenance ©	155,100	155,100
136 The Henry S Jennings Jr MD Visiting Lectureship ©	100,000	100,000
324 Nell's Prayer Garden Maintenance ©	55,000	55,000
344 David Pet Part Maint. ©	80,000	80,000
350 Jack & Janice Frost Water Garden Maintenance ©	100,000	100,000
412 Braselton Flag Plaza Maintenance ©	30,000	30,000
451 Hospice Endowment Fund	50,629	50,629
475 Nursing & Allied Health Continuing Education Endowment	521,242	501,837
477 Nursing & Allied Health Scholarships Endowment	172,768	163,693
479 Nursing & Allied Health Scholarships - Ocie Pope ©	45,343	43,796
642 Chaplain Endowment ©	206,415	206,415
703 MCF Endowment Fund	2,868,665	2,868,665
707 Honorary Gift - Woody Stewart & Nancy Colston Endowm	474,238	474,238
712 Pope Family Garden Maintenance ©	100,000	100,000
718 Evelyn Waugh Scholarship Fund	53,246	52,446
720 Ocie Pope Scholarship Fund	25,822	25,822
722 Destitute Patient Fund	186,344	186,344
753 Anne Thomas Scholarship Fund	57,346	57,346
757 John Ferguson Scholarship Fund	215,909	213,909
Total Net Assets With Donor Restrictions	21,656,841	20,784,579
Total Net Assets	\$ 34,812,253	\$ 34,868,956