

COMMUNITY HEALTH CHARITIES

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

***As of and for the Years Ended June 30, 2016
and 2015***

And Report of Independent Auditor

COMMUNITY HEALTH CHARITIES

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Report of Independent Auditor

The Board of Directors
Community Health Charities
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Community Health Charities (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 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 the Organization as of June 30, 2016 and 2015, 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.



Bethesda, Maryland
May 19, 2017

COMMUNITY HEALTH CHARITIES
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 10,114,638	\$ 15,704,758
Investments	1,740,751	1,716,828
Due from state affiliates and other receivables	314,326	574,436
Pledges receivable, net of allowance for uncollectible pledges of \$5,176,052 (\$7,785,572 in 2015)	26,736,819	26,315,380
Prepaid expenses	193,632	92,605
Property and equipment, net of accumulated depreciation of \$454,307 (\$393,668 in 2015)	39,575	59,271
Deposits	42,159	23,505
Total Assets	<u>\$ 39,181,900</u>	<u>\$ 44,486,783</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	\$ -	\$ 301,891
Accounts payable and accrued expenses	3,271,063	2,074,908
Campaign funds payable	26,663,800	32,800,424
Total Liabilities	<u>29,934,863</u>	<u>35,177,223</u>
Net Assets:		
Unrestricted	9,247,037	9,309,560
Total Net Assets	<u>9,247,037</u>	<u>9,309,560</u>
Total Liabilities and Net Assets	<u>\$ 39,181,900</u>	<u>\$ 44,486,783</u>

COMMUNITY HEALTH CHARITIES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Amounts Raised in Campaigns:		
Combined Federal campaign	\$ 20,324,420	\$ 18,380,288
Private sector campaign	19,224,108	7,848,905
Total Amounts Raised in Campaigns	<u>39,548,528</u>	<u>26,229,193</u>
Less shrinkage reserve	(4,947,417)	(4,187,170)
Less amounts designated by donor to specific member agencies	<u>(27,728,776)</u>	<u>(18,663,192)</u>
Total Public Support Designated to Community Health Charities	<u>6,872,335</u>	<u>3,378,831</u>
Other Public Support and Revenue:		
Affiliation fees	21,848	408,291
Application fees	442,177	436,875
Contributions	879,842	286,390
Investment income	34,309	33,811
Other revenue	<u>123,084</u>	<u>148,300</u>
Total Public Support and Revenue	<u>8,373,595</u>	<u>4,692,498</u>
Expenses:		
Program services	<u>8,123,565</u>	<u>6,514,930</u>
Supporting Services:		
Management and general	1,598,018	1,325,050
Fundraising	<u>437,672</u>	<u>333,286</u>
Total Supporting Services	<u>2,035,690</u>	<u>1,658,336</u>
Total Expenses	<u>10,159,255</u>	<u>8,173,266</u>
Change in net assets before changes related to acquisition of local affiliates	(1,785,660)	(3,480,768)
Excess of assets over liabilities acquired in acquisition of local affiliates	<u>1,723,137</u>	<u>9,940,837</u>
Change in net assets	(62,523)	6,460,069
Net assets, beginning of year	<u>9,309,560</u>	<u>2,849,491</u>
Net assets, end of year	<u>\$ 9,247,037</u>	<u>\$ 9,309,560</u>

COMMUNITY HEALTH CHARITIES
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (62,523)	\$ 6,460,069
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Excess of assets over liabilities acquired in acquisition of local affiliates	(1,723,137)	(9,940,837)
Loss on disposal of property and equipment	1,793	-
Depreciation	18,735	43,912
Allowance for uncollectible pledges	(494,202)	(1,220,214)
Decrease (increase) in operating assets:		
Due from state affiliates and other receivables	445,948	(357,061)
Pledges receivable	1,833,839	12,950,474
Prepaid expenses	(95,146)	2,309
Deposits	(18,654)	8,941
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(401,903)	1,159,728
Campaign funds payable	(8,748,546)	(10,123,558)
Net cash flows from operating activities	<u>(9,243,796)</u>	<u>(1,016,237)</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(20,662)
Purchases of investments	(23,923)	(1,716,828)
Cash acquired in acquisition of affiliates	3,979,490	12,850,970
Net cash flows from investing activities	<u>3,955,567</u>	<u>11,113,480</u>
Cash flows from financing activities:		
Borrowings under line of credit	-	301,891
Repayments on lines of credit	(301,891)	(219,689)
Net cash flows from financing activities	<u>(301,891)</u>	<u>82,202</u>
Net (decrease) increase in cash and cash equivalents	(5,590,120)	10,179,445
Cash and cash equivalents, beginning of year	15,704,758	5,525,313
Cash and cash equivalents, end of year	<u>\$ 10,114,638</u>	<u>\$ 15,704,758</u>

COMMUNITY HEALTH CHARITIES

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—Summary of significant accounting policies

Nature of Operations – Community Health Charities (the “Organization”), through its participation in the Combined Federal Campaign and certain corporate campaigns, serves as a vehicle through which Federal (domestic and overseas) employees and employees in the private sector may make contributions to the Organization’s member charities and their local chapters, which are not-for-profit charitable organizations performing medical research, providing community and patient services, and materials and programs for public and professional education in the health field. The Organization conducts business nationwide through a network of affiliated Community Health Charities’ local affiliates. Amounts raised in unaffiliated states are distributed directly to designated charitable organizations based on campaign designation reports. As described in Note 9 to the financial statements, the Organization acquired three of these local affiliates during the year ended June 30, 2016.

Basis of Presentation – The Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Organization presents information regarding its financial position and activities according to three classes of net assets described as follows:

Unrestricted Net Assets – All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the board’s discretion.

Temporarily Restricted Net Assets – Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted Net Assets – Resources accumulated through donations or grants that are subject to a restriction. These net assets include the original value of the gift, plus any subsequent additions.

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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowances for uncollectible pledges and shrinkage.

Cash and Cash Equivalents – Cash and cash equivalents consist of operating, payroll, and money market accounts and certificates of deposit with a maturity of three months or less. Included in cash is a Trust Account established to clearly separate national campaign funds processed for affiliates and designated charities from all other funds of the Organization. The funds in the Trust Account can only be distributed (i) to the designated charities, (ii) as to their respective allocations of shared revenue, to the Affiliates, and (iii) as to its allocation of shared revenue, to the Organization. Except with respect to the portion of the Trust Account which is distributed to the Organization as its allocation of shared revenues, these funds do not belong to, and cannot be used by, the Organization.

COMMUNITY HEALTH CHARITIES

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—Summary of significant accounting policies (continued)

Total cash at June 30, 2016 and 2015 included in the statements of financial position includes the following:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 4,108,083	\$ 13,081,427
Cash held for affiliates	6,006,555	2,623,331
Total cash	<u>\$ 10,114,638</u>	<u>\$ 15,704,758</u>

Pledges Receivable – Pledges are recorded in the financial statements upon receiving pledge information from the campaign. The Organization honors designations made to each member organization. As all pledges are expected to be collected within one year, they are recorded at their net realizable value, which approximates fair value. This is achieved by creating an allowance for estimated uncollectible pledges and for estimated campaign expenses (shrinkage).

Due from State Affiliates – Due from state affiliates consists of affiliation fee revenues earned and not yet received. The Organization holds an affiliation agreement with each state affiliate. A board-approved affiliation fee is earned on pledge amounts raised in workplace giving campaigns by each state affiliate.

Property and Equipment – Furniture and equipment with unit values in excess of \$1,000 are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Cost and related accumulated depreciation are removed from the accounts when the assets are disposed of, with any gain or loss recognized currently. Repairs and maintenance are charged to expense when incurred.

Campaign Funds Payable – Campaign funds payable include funds not distributed as of year-end for donor pledges that are undesignated or designated to either the Organization or a participating affiliate or member charity. When pledges are received from campaigns, the cash is allocated using the ratio of donor designated funds combined with the pro rata share of undesignated funds to the total cash received.

Distribution Policy – The Policy of the Organization is to distribute, as of the Organization's scheduled distribution dates, all of the receipts from all contributing campaigns, less an agreed upon fee, in accordance with gross designation reports provided by administrators of the various campaigns, to include the Combined Federal Campaign.

Classifications of Net Assets – The Organization's net assets and activities that increase or decrease net assets are classified as unrestricted, temporarily restricted, or permanently restricted. As of June 30, 2016, unrestricted net assets were \$9,247,037 (\$9,309,560 as of June 30, 2015) and there were no permanently restricted or temporarily restricted net assets (none as of June 30, 2015).

Revenue Recognition – Amounts raised in campaigns primarily represent estimated pledges to be collected from the fall 2015 campaign that have been passed through to specific member charities based on donor designations for the year ended June 30, 2016 (2014 campaign for the year ended June 30, 2015). Administrative fees, included in public support designated to Community Health Charities, represent board-approved costs of raising funds on behalf of others. These fees are recognized when the pledges are made. The campaign percentages vary based on individual agreements. Affiliation fees are based on audited results of amounts raised in workplace campaigns by affiliates using a board approved rate and are recognized annually.

COMMUNITY HEALTH CHARITIES

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—Summary of significant accounting policies (continued)

The Organization, on behalf of and as agent for the affiliates, will make the appropriate distributions on funds generated from all national campaigns directly to the designated charities.

Although the funds are comingled in the Trust Account, each affiliate is entitled to an accounting of the amounts in the Trust Account allocated to the affiliate based upon the amounts as reported by the various vendors as having been designated to agencies for distribution to charities in the affiliate's area of responsibility. The Organization provides an accounting to each affiliate, no less than quarterly, of: (a) the amount of the Trust Account allocated to the affiliate as of the beginning of the reporting period; (b) additional amounts allocated to the affiliate during the reporting period; (c) the amounts distributed during the reporting period by the Organization for the Trust Account to designated charities on behalf of the affiliate; (d) all shared revenue distributed to the affiliate; and (e) the amount of the Trust Account allocated to the affiliate as of the end of the reporting period.

Affiliates must be in compliance with the current Affiliation Agreement and have executed an agreement to participate in the Trust Account in order to receive revenue credit and revenue share from national campaigns.

Expenses – Expenses are recognized by the Organization during the period in which they are incurred. Expenses which are paid in advance and not yet incurred are deferred to the applicable period.

Program services consist of costs associated with managing, maintaining, and increasing revenue sources for the Organization's affiliates and member charities from existing workplace fundraising campaigns; increasing overall recognition and representation of member agencies; and costs that benefit the overall campaign. Management and general expenses consist of costs directly related to the overall operations of the Organization and maintenance of its corporate existence, including general office management, reception, and financial reporting. Fundraising includes those costs associated with accessing new workplace fundraising campaigns.

Functional Allocation of Expenses – The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). In addition, the Organization is classified by the Internal Revenue Service ("IRS") under Section 509(a)(1) as an organization that is not a private foundation and is required to report unrelated business income to the IRS and the State of Virginia taxing authorities. For the year ended June 30, 2016, there was no unrelated business income earned.

Accounting for Uncertainty in Income Taxes – The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's federal and state tax returns are generally open for examination for three years following the date filed.

Subsequent Events – The Organization has evaluated subsequent events through May 19, 2017, which is the date the financial statements were available to be issued.

COMMUNITY HEALTH CHARITIES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 2—Property and equipment

Property and equipment consisted of the following as of June 30, 2016 and 2015:

	June 30,	
	2016	2015
Cost:		
Office/computer equipment	\$ 359,184	\$ 318,241
Software	97,520	97,520
Furniture	8,800	8,800
Leasehold improvements	28,378	28,378
	<u>493,882</u>	<u>452,939</u>
Accumulated depreciation	454,307	393,668
Net property and equipment	<u>\$ 39,575</u>	<u>\$ 59,271</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$18,735 and \$43,912, respectively.

Note 3—Commitments

The Organization had commitments under operating leases for its headquarters office as well as leases still in effect for several of their acquired local affiliates. These leases have monthly rent payments totaling \$16,278, and expire at various dates through October 2018. The Organization also leases equipment under various operating leases. These leases have monthly rent payments totaling \$2,701, and expire at various dates through January 2017.

Subsequent to June 30, 2016, but prior to the issuance of these financial statements, the Organization entered into a new lease agreement for another facility and began subleasing their old facility. Under the new lease agreement, the monthly rent payment will be approximately \$21,000 commencing November 2017 through October 2027, with scheduled increases each year. Under the sublease agreement for their old facility, the Organization will receive \$3,164 per month commencing January 2017 through October 2018, with an increase of 4% in the second year.

Future minimum rental payments, by fiscal year and in the aggregate, under the operating leases are as follows:

Years Ending June 30,	Facilities	Equipment	Totals
2017	\$ 333,038	\$ 17,172	\$ 350,210
2018	393,940	-	393,940
2019	285,648	-	285,648
2020	261,026	-	261,026
2021	268,212	-	268,212
Later Years	1,877,765	-	1,877,765
	<u>3,419,629</u>	<u>17,172</u>	<u>3,436,801</u>
Less noncancellable subleases	(96,937)	-	(96,937)
	<u>\$ 3,322,692</u>	<u>\$ 17,172</u>	<u>\$ 3,339,864</u>

Rent expense for the years ended June 30, 2016 and 2015 totaled \$359,171 and \$296,977, respectively.

COMMUNITY HEALTH CHARITIES

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 4—Pension plan

The Organization has a defined contribution plan under Section 403(b) of the IRC covering all employees who have completed at least one year of service. Under the plan, the Organization made discretionary contributions to the plan equal to 6.5% of each eligible employee's salary. Contributions of \$234,707 and \$155,042 were made during the years ended June 30, 2016 and 2015, respectively.

Note 5—Concentration of credit risk and financial instruments

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of short-term investments maintained at creditworthy financial institutions. These account balances, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. Credit risk with respect to pledges receivable is limited because the Organization deals with a significant number of campaigns whose participants are spread over a wide geographical area.

For the years ended June 30, 2016 and 2015, approximately 9% and 17%, respectively, of the Organization's pledges, and approximately 9% and 19%, respectively, of the Organization's pledges receivable were from the District of Columbia.

Note 6—Investments and fair value measurements

The Organization established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. At this time, the Organization does not hold any investments which would be included in this category.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

COMMUNITY HEALTH CHARITIES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 6—Investments and fair value measurements (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	<u>Fair Value</u>	<u>Cost</u>
Corporate bonds	\$ 352,346	\$ 351,683
Mutual funds	683,374	710,060
Equities	201,028	187,495
Certificates of deposit	352,834	349,899
Money market funds	151,169	151,169
	<u>\$ 1,740,751</u>	<u>\$ 1,750,306</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 352,346	\$ -	\$ 352,346
Mutual funds	683,374	-	-	683,374
Equities	201,028	-	-	201,028
Certificates of deposit	352,834	-	-	352,834
Money market funds	151,169	-	-	151,169
	<u>\$ 1,388,405</u>	<u>\$ 352,346</u>	<u>\$ -</u>	<u>\$ 1,740,751</u>

The following table summarizes investment returns as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 58,658	\$ 3,773
Realized gains	3,423	5,660
Unrealized gains	(27,772)	24,378
	<u>\$ 34,309</u>	<u>\$ 33,811</u>

COMMUNITY HEALTH CHARITIES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 7—Lines of credit

The Organization had two lines of credit during the year ended June 30, 2015. The first allowed for borrowings of up to \$1,300,000 and had an outstanding balance of \$301,891 as of June 30, 2015. The line was secured by the Organization’s investments, and expired in May 2016 after the Organization paid the entire outstanding balance.

Note 8—Supplemental cash flow information

As described in Note 9, the Organization acquired three of its local affiliates during the year ended June 30, 2016 (23 affiliates in 2015). In conjunction with the acquisition, all assets and liabilities of the local affiliates were acquired, and a contribution was received as follows:

	<u>2016</u>	<u>2015</u>
Fair value of assets acquired	\$ 5,933,117	\$ 35,692,954
Liabilities assumed	(4,209,980)	(25,752,117)
Contribution received in acquisition of local affiliates	<u>\$ 1,723,137</u>	<u>\$ 9,940,837</u>

Note 9—Acquisition of local affiliates

During fiscal year 2011 the Organization began the process of centralizing the accounting and finance functions of its local affiliate organizations through the creation of the National Service Center. The National Service Center standardized local accounting policies and processes.

Consistent with this change and with the goal of building greater efficiencies and increasing member charity support, the Board of Directors of the Organization voted on May 20, 2014 to proceed with acquisition negotiations with the local affiliate organizations. During the year ended June 30, 2016, the Organization acquired three of its local affiliate organizations (23 affiliates in 2015). As part of these acquisitions, the Organization assumed all assets and liabilities of the acquired local affiliate organizations, resulting in a one-time increase in net assets in the amount of \$1,723,137 (\$9,940,837 in 2015), which is shown as a separate line item on the statement of activities. All other local affiliates have entered into merger negotiations and their ultimate consolidation into the Organization is expected in future fiscal years.

Below is the list of local affiliates acquired:

<u>Name of Affiliate</u>	<u>Date of Acquisition</u>
Community Health Charities of California, Inc.	September 2015
Community Health Charities of Kansas and Missouri, Inc.	September 2015
Community Health Charities of Tennessee, Inc.	October 2015

COMMUNITY HEALTH CHARITIES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 9—Acquisition of local affiliates (continued)

The Organization did not transfer any consideration to any of the local affiliates as part of the acquisition, and accordingly, no goodwill has been recognized. The Organization acquired the following assets and assumed the following liabilities of the local affiliates as part of the acquisition:

	June 30,	
	2016	2015
Cash	\$ 3,979,490	\$ 12,850,970
Receivables	1,761,077	22,717,810
Other assets	192,551	124,172
Debt	-	(219,689)
Accounts payable	(1,689,684)	(561,792)
Campaign funds payable	(2,520,297)	(24,970,634)
Excess of assets over liabilities acquired in acquisition of local affiliates	<u>\$ 1,723,137</u>	<u>\$ 9,940,837</u>

Any unencumbered cash received through acquisition of the local affiliates was received without restriction. The Organization may, at its discretion, choose to make a final distribution of a portion of those assets which could include member charity grants. A three-person affiliate committee was tasked to work with the Organization one year post-consolidation to determine if such distributions will be made.

SUPPLEMENTARY INFORMATION

Report of Independent Auditor on Supplementary Information

To the Board of Directors
Community Health Charities
Alexandria, Virginia

We have audited the financial statements of Community Health Charities (the "Organization") as of and for the years ended June 30, 2016 and 2015, and our report thereon dated May 19, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended June 30, 2016 and comparative totals for 2015, which follow, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Organization's 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other accounting 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.



Bethesda, Maryland
May 19, 2017

COMMUNITY HEALTH CHARITIES
SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2016</u>	<u>Total 2015</u>
Personnel Expenses:					
Salaries	\$ 4,712,125	\$ 865,764	\$ 214,031	\$ 5,791,920	\$ 4,795,392
Payroll taxes	330,320	60,690	15,004	406,014	345,660
Employee benefits	639,278	117,455	29,037	785,770	560,511
Total Personnel Expenses	<u>5,681,723</u>	<u>1,043,909</u>	<u>258,072</u>	<u>6,983,704</u>	<u>5,701,563</u>
Other Expenses:					
Service center fees	-	-	-	-	19,624
Professional fees	810,198	142,976	-	953,174	981,015
Professional fees - graphic design	2,577	474	117	3,168	
Temporary services	95,006	16,766	-	111,772	51,203
Training	2,366	418	-	2,784	7,123
Training - Education	4,403	809	200	5,412	
Occupancy	269,378	57,467	32,325	359,170	296,977
Software	111,065	19,600	-	130,665	93,343
Furniture and equipment	216,634	39,802	9,840	266,276	113,650
Telephone and internet	143,474	26,361	6,517	176,352	119,132
Printing and postage	37,858	6,956	1,720	46,534	28,510
Supplies	200,137	36,771	9,090	245,998	154,957
Dues and fees	280,383	51,515	12,735	344,633	251,951
Insurance	39,004	7,166	1,772	47,942	35,156
Travel	107,763	104,592	104,592	316,947	198,337
Meetings	92,483	39,636	-	132,119	67,468
Advertising	13,870	-	-	13,870	9,345
Depreciation	15,243	2,800	692	18,735	43,912
Total Other Expenses	<u>2,441,842</u>	<u>554,109</u>	<u>179,600</u>	<u>3,175,551</u>	<u>2,471,703</u>
Total Expenses	<u>\$ 8,123,565</u>	<u>\$ 1,598,018</u>	<u>\$ 437,672</u>	<u>\$ 10,159,255</u>	<u>\$ 8,173,266</u>