

**Palmetto Health Foundation  
and Subsidiary**

***Report on Consolidated Financial Statements***

***For the years ended September 30, 2017 and 2016***

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# Palmetto Health Foundation and Subsidiary

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## **Independent Auditor's Report**

The Board of Directors  
Palmetto Health Foundation  
Columbia, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Palmetto Health Foundation and Subsidiary (the "Foundation") which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Palmetto Health Foundation and Subsidiary as of September 30, 2017 and 2016, 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.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
January 25, 2018

**Palmetto Health Foundation and Subsidiary****Consolidated Statements of Financial Position****September 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,366,009	\$ 2,184,436
Investments	26,801,720	24,083,425
Unconditional promises to give, net		
Restricted	1,047,550	1,274,019
Accrued interest receivable	155,034	146,585
Prepaid expenses and other	261,263	277,630
Total current assets	<u>30,631,576</u>	<u>27,966,095</u>
<b>Long-term unconditional promises to give, net</b>		
Restricted	<u>1,741,564</u>	<u>2,125,683</u>
<b>Property and equipment, net</b>	<u>3,040,113</u>	<u>3,080,025</u>
<b>Other assets</b>		
Investment in Hospital Services, Inc.	1,413,000	1,413,000
Contributions receivable from remainder unitrusts	434,593	135,629
Investment in The Trelys Funds, LP	66,089	61,935
	<u>1,913,682</u>	<u>1,610,564</u>
Total assets	<u><u>\$ 37,326,935</u></u>	<u><u>\$ 34,782,367</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Current portion of bond payable	\$ 188,091	\$ 196,408
Accounts payable	98,846	122,917
Accrued expenses and other	134,856	220,708
Deferred revenue	893,071	1,037,621
Total current liabilities	<u>1,314,864</u>	<u>1,577,654</u>
<b>Long-term liabilities</b>		
Note payable	1,413,000	1,413,000
Bond payable	2,037,852	2,225,391
Unrealized loss on interest rate swap instrument	86,257	183,438
Total long term liabilities	<u>3,537,109</u>	<u>3,821,829</u>
Total liabilities	<u>4,851,973</u>	<u>5,399,483</u>
<b>Net assets</b>		
Unrestricted	5,663,879	3,514,702
Temporarily restricted	17,253,528	16,516,027
Permanently restricted	9,557,555	9,352,155
Total net assets	<u>32,474,962</u>	<u>29,382,884</u>
Total liabilities and net assets	<u><u>\$ 37,326,935</u></u>	<u><u>\$ 34,782,367</u></u>

**See Notes to Consolidated Financial Statements**

# Palmetto Health Foundation and Subsidiary

## Consolidated Statements of Activities

For the years ended September 30, 2017 and 2016

	2017	2016
<b>Changes in unrestricted net assets</b>		
Revenues		
Contributions	\$ 179,936	\$ 532,264
Palmetto Health contract services	1,550,000	1,550,000
Rental income	351,916	297,905
Interest and dividends	180,392	202,922
Net realized and unrealized gains on investments	1,352,432	948,059
Total unrestricted revenues	3,614,676	3,531,150
Net assets released from restrictions	5,697,370	8,120,171
Transfers	1,494,608	(186,994)
	10,806,654	11,464,327
Expenses		
Program services	6,442,831	7,786,431
Costs of direct benefits to donors	176,682	185,100
Management and general	489,834	562,346
Fundraising	1,645,311	1,707,511
Total expenses	8,754,658	10,241,388
Change in unrestricted net assets		
before unrealized gain (loss) on interest rate swap instrument	2,051,996	1,222,939
Unrealized gain (loss) on interest rate swap instrument	97,181	(23,944)
Change in unrestricted net assets	2,149,177	1,198,995
<b>Changes in temporarily restricted net assets</b>		
Revenues		
Contributions	3,045,559	2,821,396
Special event revenue	2,411,123	2,302,769
Interest and dividends	235,527	327,483
Net realized and unrealized gains on investments	1,938,307	1,277,409
Change in value of split-interest agreements	298,963	21,289
Total temporarily restricted revenues	7,929,479	6,750,346
Net assets released from restrictions	(5,697,370)	(8,120,171)
Transfers	(1,494,608)	186,994
Change in temporarily restricted net assets	737,501	(1,182,831)
<b>Changes in permanently restricted net assets</b>		
Revenues		
Contributions	205,400	26,073
Total permanently restricted revenues	205,400	26,073
Change in permanently restricted net assets	205,400	26,073
Change in net assets	3,092,078	42,237
<b>Net assets, beginning of year</b>	29,382,884	29,340,647
<b>Net assets, end of year</b>	\$ 32,474,962	\$ 29,382,884

See Notes to Consolidated Financial Statements

# Palmetto Health Foundation and Subsidiary

## Consolidated Statements of Cash Flows

For the years ended September 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,092,078	\$ 42,237
Adjustments to reconcile the change in net assets to net cash used for operating activities		
Depreciation and amortization	82,330	79,459
Net realized and unrealized gains on investments	(3,290,739)	(2,225,468)
Dividends reinvested	(445,320)	(712,642)
Amortization of bond discounts and premiums	-	74,086
Contribution of unitrust	(289,579)	-
Change in value of remainder unitrusts	(9,385)	159,676
Unrealized loss (gain) on interest rate swap instrument	(97,181)	23,944
Changes in deferred and accrued amounts		
Unconditional promises to give	610,588	548,224
Accrued interest receivable	(8,449)	160,263
Prepaid expenses and other	16,367	(6,854)
Accounts payable	(24,071)	54,550
Accrued expenses and other	(85,852)	124,684
Deferred revenue	(144,550)	172,343
Net cash used for operating activities	<u>(593,763)</u>	<u>(1,505,498)</u>
<b>Investing activities</b>		
Purchases of property and equipment	(36,678)	(60,364)
Purchases of other investments	(12,224,326)	(24,432,324)
Sales and redemptions of investments	13,237,936	26,277,256
Net cash provided by investing activities	<u>976,932</u>	<u>1,784,568</u>
<b>Financing activities</b>		
Bond payments	(201,596)	(165,601)
Loan costs	-	(51,663)
Net cash used for financing activities	<u>(201,596)</u>	<u>(217,264)</u>
Net increase in cash and cash equivalents	181,573	61,806
<b>Cash and cash equivalents, beginning of year</b>	2,184,436	2,122,630
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,366,009</u>	<u>\$ 2,184,436</u>
<b>Supplemental cash flow information</b>		
Cash paid during the year for interest	<u>\$ 79,235</u>	<u>\$ 86,542</u>

See Notes to Consolidated Financial Statements

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## Palmetto Health Foundation and Subsidiary

### *Notes to Consolidated Financial Statements*

*September 30, 2017 and 2016*

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#### **Note 1. Summary of Significant Accounting Policies**

The consolidated financial statements of Palmetto Health Foundation (the Foundation) and its wholly-owned subsidiary, Taylor-Marion PHF, LLC (Taylor-Marion), have been prepared on the accrual basis of accounting.

##### Background:

The Foundation's sole purpose is to support the mission, purposes and activities of Palmetto Health and its related organizations (Palmetto Health). The Foundation supports and promotes Palmetto Health in its delivery of patient care services as a health care center for the community and in all health and humanitarian endeavors.

During the year ended September 30, 2006, the Foundation formed Taylor-Marion. The Foundation is the sole member of Taylor-Marion. The purpose and activities of Taylor-Marion are to own the property to be used as the operating facility for the Foundation and certain administrative offices of Palmetto Health.

##### Consolidation:

The consolidated financial statements include the accounts of the Foundation and Taylor-Marion. Significant intercompany accounts and transactions have been eliminated in consolidation.

##### Financial statement presentation:

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Temporarily restricted net assets represent amounts received with donor imposed restrictions on the purposes for which the amounts may be used. These amounts may be expended in their entirety for the purposes specified by the donor.

Endowment funds represent funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be used. Endowments are presented as permanently restricted if the donor designates the gift as an endowment. If the endowment is Board designated, it is shown as temporarily restricted if given for a particular purpose, or as unrestricted.

##### Endowment funds:

The Board of Directors of Palmetto Health Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Palmetto Health Foundation classifies as permanently restricted net assets (a) the original gifts donated to the permanent endowment, (b) subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.



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## Palmetto Health Foundation and Subsidiary

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

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#### Note 1. Summary of Significant Accounting Policies, Continued

##### Investments in securities:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Foundation has an investment account with a brokerage firm which contains both donor restricted funds and Board designated funds. The Foundation investment policy's objective is a balanced approach of long-term growth in capital and a growing stream of current income over a full market cycle. The Foundation utilizes a stable asset allocation strategy and does not engage in tactical or market-timing asset allocation decisions. Investment earnings for endowment spending are dictated by the donor.

##### Other investments:

The Foundation's investment in Hospital Services, Inc. is accounted for on the cost basis.

The Foundation's investment in The Trelys Funds, LP is valued based on the Foundation's capital account as listed in the unaudited September 30, 2017 Trelys financial statements, which has been adjusted to the Fund management's estimate of fair value of its underlying investments.

These investments are evaluated annually for impairment and adjusted accordingly.

##### Property and equipment:

Property and equipment are stated at cost. The Foundation follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

Buildings and building improvements	39 years
Computer equipment	5 years
Furniture and equipment	5 - 10 years

Additions and improvements are capitalized and repairs and maintenance costs are charged to expense as incurred. Gains and losses on assets disposed of or retired are recognized in the consolidated statements of activities in the year of disposition.

##### Loan Costs:

The Foundation accounts for loan costs by amortizing the costs over the life of the loan using the straight line method. Loan costs have been netted against the related note payable for statement of financial position purposes. For the years ended September 30, 2017 and 2016, amortization of loan costs was \$5,740.

##### Compensated absences:

The Foundation accounts for compensated absences (vacation pay and sick pay) by recording a liability for leased employees' vested rights to receive compensation for future absences attributable to services already performed.

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## Palmetto Health Foundation and Subsidiary

### *Notes to Consolidated Financial Statements*

*September 30, 2017 and 2016*

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#### **Note 1. Summary of Significant Accounting Policies, Continued**

##### Transfers:

The Foundation implemented a management fee designed to support the cost of administering restricted funds. The management fee charged for the years ended September 30, 2017 and 2016 was 5% and totaled \$1,256,984 and \$1,125,758, respectively.

##### Revenue recognition:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Deferred revenue results from collections of event revenues in advance of when the event takes place.

Grant revenues typically require that certain conditions be met before they are earned. Accordingly, grant revenues are deferred until the related conditions are met which typically is when the grant funds are expended for their intended purpose.

The Foundation's management reviews and analyzes unconditional promises to give on an annual basis. Amounts deemed uncollectible are written off during the period in which such a determination is made.

##### Agency transactions:

The Foundation often assists Palmetto Health with federal grant applications and, at times, receives grant contributions on behalf of Palmetto Health. These funds are recorded as a liability in the period received and are generally disbursed to Palmetto Health immediately.

##### In-kind contributions:

The Foundation receives certain services and items for use in special events at no charge. The estimated fair value of the services and items is recorded as revenue and expense in the accompanying consolidated statements of activities.

##### Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate of the time spent by the individuals in each functional category as well as each department's allocation of expenses.

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## Palmetto Health Foundation and Subsidiary

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

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#### Note 1. Summary of Significant Accounting Policies, Continued

##### Interest rate swap instrument:

The Foundation entered into an interest rate swap agreement with a financial institution regarding interest rates on its bond payable. The swap effectively limits the Foundation's exposure to possible increases in its floating interest rate. The swap is accounted for as a cash flow hedge. Accordingly, the gain or loss associated with the fair market value of the swap is included in the change in unrestricted net assets. Interest rate swap settlements are recognized as adjustments to interest expense in the consolidated statements of activities when paid or received.

##### Income taxes:

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and is exempt from federal and state taxes on related income pursuant to Section 509(a)(3) of the IRC.

Taylor-Marion is a single member LLC and is included in the information tax returns of the Foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be substantiated upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of September 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

##### Statement of cash flows:

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less, other than amounts invested with professional investment advisors, to be cash equivalents.

##### Estimates:

The preparation of the consolidated financial statements in accordance 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 consolidated financial statements and the reported amounts of results of operations during the reporting period. Actual results could differ from those estimates.

##### Recently issued accounting pronouncements:

In February 2016, Financial Accounting Standards Board ("FASB") amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Foundation is currently evaluating the effect that implementation of the new standard will have on its consolidated statements of financial position.

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## Palmetto Health Foundation and Subsidiary

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

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#### Note 1. Summary of Significant Accounting Policies, Continued

##### Recently issued accounting pronouncements, continued:

In August 2016, the FASB issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments will be effective for fiscal years beginning after December 15, 2017. The Foundation is currently evaluating the effect that implementation of the new standard will have on its consolidated financial statements.

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance in ASU 2014-09 will be effective for the Foundation for reporting periods beginning after December 15, 2017. The Foundation is currently evaluating the impact of this new guidance on its consolidated financial statements.

##### Adoption of new accounting principle:

In April 2015, the FASB issued Accounting Standards Update ("ASU") 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of this ASU, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. This ASU does not change the recognition and measurement requirements for debt issuance costs. The Foundation adopted this ASU as of the year ended September 30, 2017.

##### Reclassifications:

Certain reclassifications of 2016 amounts were made on the consolidated statement of financial position and the consolidated statement of activities for comparability to 2017 with no effect on the change in net assets.

##### Subsequent events:

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 25, 2018, the date the consolidated financial statements were available to be issued.

#### Note 2. Endowments

The Foundation's endowments consist of 28 individual funds established for a variety of purposes. Its endowments include permanent endowments, term endowments, and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds are invested in accordance with sound investment practices that emphasize long-term growth investment fundamentals and minimize the risk of large investment losses. The performance objectives of the endowment funds are:

# Palmetto Health Foundation and Subsidiary

## Notes to Consolidated Financial Statements

September 30, 2017 and 2016

### Note 2. Endowments, Continued

1. To grow over the long run and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in excess of the custom policy index appropriate for the asset allocation strategy risk-adjusted basis benchmarks established for the medium term (3 years) and long term (5 years).
2. To diversify the portfolio in order to reduce the risk of wide swings in market value from year to year, or of incurring large losses that could occur from concentrated positions.
3. To achieve investment results over the long-term that compare favorably with those of other professionally managed portfolios (managed peer groups) and appropriate market indexes.

Endowment funds generally distribute an amount equal to 5% of the fund's average value. The distributions are made quarterly in an amount equal to 1.25% of the calculated distribution value. The distribution value is the average of the fair market value of the fund as of the close of each of the preceding 36 calendar quarters. The fund's market value is based on all endowment assets including principal and retained income, adjusted for all gains and losses, whether realized or unrealized, and determined as of the last business day of the quarter.

### Endowment Net Asset Composition by Type of Fund

	September 30, 2017		
	Temporarily Restricted	Permanently Restricted	Total
<b>Donor-restricted endowment funds</b>	<u>\$ 3,302,450</u>	<u>\$ 9,557,555</u>	<u>\$ 12,860,005</u>
<b>Changes in Endowment Net Assets,</b>			
Endowment net assets, beginning of year	\$ 2,629,385	\$ 9,352,155	\$ 11,981,540
Investment return:			
Investment gain	1,539,788	5,400	1,545,188
New gifts	450	200,000	200,450
Transfers	(520,067)	-	(520,067)
Released from restrictions	(347,106)	-	(347,106)
<b>Endowment net assets, end of year</b>	<u>\$ 3,302,450</u>	<u>\$ 9,557,555</u>	<u>\$ 12,860,005</u>

### Endowment Net Asset Composition by Type of Fund

	September 30, 2016		
	Temporarily Restricted	Permanently Restricted	Total
<b>Donor-restricted endowment funds</b>	<u>\$ 2,629,385</u>	<u>\$ 9,352,155</u>	<u>\$ 11,981,540</u>
<b>Changes in Endowment Net Assets,</b>			
Endowment net assets, beginning of year	\$ 2,065,249	\$ 9,326,082	\$ 11,391,331
Investment return:			
Investment gain	855,656	11,350	867,006
New gifts	205,765	14,723	220,488
Transfers	(15,907)	-	(15,907)
Released from restrictions	(481,378)	-	(481,378)
<b>Endowment net assets, end of year</b>	<u>\$ 2,629,385</u>	<u>\$ 9,352,155</u>	<u>\$ 11,981,540</u>

# Palmetto Health Foundation and Subsidiary

## Notes to Consolidated Financial Statements

September 30, 2017 and 2016

### Note 2. Endowments, Continued

#### Endowment Net Assets by Class

	September 30, 2017		
	Temporarily Restricted	Permanently Restricted	Total
<b>Donor restricted endowments</b>			
Annie Pitts Endowment	\$ 122,435	\$ 220,067	\$ 342,502
Bonner Family Breast Cancer Endowment	70,017	330,000	400,017
Cardiology - Zemp Endowment	176,888	138,596	315,484
Caroline & Kester Freeman Endowment	9,416	79,208	88,624
F.S. Smith, Jr. Endowment	56,801	106,846	163,647
Gemale Endowment	533,313	-	533,313
H. Franklin & Mildred P. Weed Endowment	-	134,449	134,449
Montgomery Cancer Research Center	52,932	104,289	157,221
SC Endowment	256,995	785,280	1,042,275
Thomas Pitts Endowment	877,715	3,668,482	4,546,197
W. L. Ivey Fellowship Endowment	146,964	80,171	227,135
Eleanor Clark Endowment	2,448	300,000	302,448
Aflac Hematology/Oncology Chair	105,054	1,269,627	1,374,681
Aflac Foundation Hematology/Oncology	-	400,000	400,000
Arnold Family	376,589	-	376,589
Kondurous Fisherman Endowment	174,827	273,109	447,936
Curing Kids Cancer Research Endowment	238,632	1,200,000	1,438,632
DJ Gibson Endowment	12,377	-	12,377
Other donor restricted endowments	89,047	467,431	556,478
<b>Total donor restricted endowments</b>	<b>\$ 3,302,450</b>	<b>\$ 9,557,555</b>	<b>\$ 12,860,005</b>

#### Endowment Net Assets by Class

	September 30, 2016		
	Temporarily Restricted	Permanently Restricted	Total
<b>Donor restricted endowments</b>			
Annie Pitts Endowment	\$ 122,151	\$ 220,067	\$ 342,218
Bonner Family Breast Cancer Endowment	51,954	330,000	381,954
Cardiology - Zemp Endowment	151,193	138,596	289,789
Caroline & Kester Freeman Endowment	4,586	79,208	83,794
F.S. Smith, Jr. Endowment	62,829	106,846	169,675
Gemale Endowment	606,636	-	606,636
H. Franklin & Mildred P. Weed Endowment	8,963	179,621	188,584
Montgomery Cancer Research Center	43,320	104,289	147,609
SC Endowment	190,514	785,280	975,794
Thomas Pitts Endowment	507,449	3,668,482	4,175,931
W. L. Ivey Fellowship Endowment	128,465	80,171	208,636
Eleanor Clark Endowment	-	150,000	150,000
Aflac Hematology/Oncology Chair	116,645	1,269,627	1,386,272
Aflac Foundation Hematology/Oncology	17,971	400,000	417,971
Arnold Family	364,563	-	364,563
Kondurous Fisherman Endowment	174,137	273,109	447,246
Curing Kids Cancer Research Endowment	-	1,200,000	1,200,000
Other donor restricted endowments	78,009	366,859	444,868
<b>Total donor restricted endowments</b>	<b>\$ 2,629,385</b>	<b>\$ 9,352,155</b>	<b>\$ 11,981,540</b>

# Palmetto Health Foundation and Subsidiary

## Notes to Consolidated Financial Statements

September 30, 2017 and 2016

### Note 3. Concentrations of Credit Risk

The Foundation and Taylor-Marion place their cash and cash equivalents with high quality financial institutions. At September 30, 2017, deposits with financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) insurance limits.

### Note 4. Investments

Investments are presented in the financial statements in the aggregate, at fair market value. Investments consist of the following at September 30, 2017:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation</u>
Equity securities	\$ 3,830	\$ 8,000	\$ 4,170
Mutual funds	22,624,137	25,946,484	3,322,347
Money funds	847,236	847,236	-
	<u>\$ 23,475,203</u>	<u>\$ 26,801,720</u>	<u>\$ 3,326,517</u>

Investments consist of the following at September 30, 2016:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation</u>
Mutual funds	\$ 20,960,619	\$ 21,820,011	\$ 859,392
Money funds	2,263,414	2,263,414	-
	<u>\$ 23,224,033</u>	<u>\$ 24,083,425</u>	<u>\$ 859,392</u>

Investment revenues are reported net of related expenses of \$43,024 and \$51,797 for the years ended September 30, 2017 and 2016, respectively. Total investment fees paid to the investment manager for the years ended September 30, 2017 and 2016 were \$65,966 and \$70,713, respectively.

The Foundation may invest in securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations and commercial mortgage backed securities, including securities backed by subprime mortgage loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

The following table shows gross unrealized losses and fair value of investments in an unrealized loss position at September 30, 2017. The Foundation had one investment that was in a loss position at September 30, 2017. The information below is aggregated by investment category and length of time that individual investments have been in a continuous unrealized loss position at September 30, 2017:

	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Fair value</u>	<u>Unrealized loss</u>	<u>Fair value</u>	<u>Unrealized losses</u>	<u>Fair value</u>	<u>Unrealized loss</u>
Mutual funds	\$ 674,763	\$ (1,555)	\$ -	\$ -	\$ 674,763	\$ (1,555)
	<u>\$ 674,763</u>	<u>\$ (1,555)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 674,763</u>	<u>\$ (1,555)</u>

The Foundation has the ability and intent to hold these securities until such time as the value recovers. Management believes that the deterioration in value is attributable to a decline in the particular securities market, which is considered a temporary impairment.

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## Palmetto Health Foundation and Subsidiary

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

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#### Note 5. Fair Value Measurements

The Foundation determines fair value measurements in accordance with 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 Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted 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 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.

The following is a description of the valuation methodologies used for the Foundation assets and liabilities measured at fair value at September 30, 2017 and 2016:

*Equity securities and mutual funds*- Valued at the closing price reported on the active market on which the individual securities or funds are traded.

*Money funds* - The carrying amounts of such instruments approximate fair value.

*Alternative investment - Trelys* - Valued based on the Foundation's capital account as listed in the unaudited September 30, 2017 and September 30, 2016 Trelys financial statements which has been adjusted to the Fund's management estimate of fair value of its underlying investments.

*Unconditional promises to give* - Valued based on discounted future cash flows.

*Interest rate swap* - Valued based on the unrealized loss position as confirmed by the financial institution at September 30, 2017 and 2016.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation 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.



# Palmetto Health Foundation and Subsidiary

## Notes to Consolidated Financial Statements

September 30, 2017 and 2016

### Note 5. Fair Value Measurements, Continued

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities:

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Financial services	\$ 8,000	\$ -	\$ -	\$ 8,000
Total equity securities	8,000	-	-	8,000
Mutual funds:				
Intermediate term bond	4,989,991	-	-	4,989,991
Short term bond	758,222	-	-	758,222
Large blend	10,877,759	-	-	10,877,759
Large growth	4,315,352	-	-	4,315,352
Mid blend	1,371,163	-	-	1,371,163
Mid growth	1,671,199	-	-	1,671,199
Small growth	1,041,729	-	-	1,041,729
Small value	921,069	-	-	921,069
Total mutual funds	25,946,484	-	-	25,946,484
Money funds	-	847,236	-	847,236
Alternative Investment - Trelys	-	-	66,089	66,089
Unconditional promises to give	-	2,789,114	-	2,789,114
Interest rate swap	-	(86,257)	-	(86,257)
Total assets and liabilities at fair value	\$ 25,954,484	\$ 3,550,093	\$ 66,089	\$ 29,570,666

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities:

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Intermediate term bond	\$ 4,747,474	\$ -	\$ -	\$ 4,747,474
Short term bond	391,543	-	-	391,543
Large blend	11,539,015	-	-	11,539,015
Large growth	1,941,453	-	-	1,941,453
Mid blend	843,858	-	-	843,858
Mid growth	842,280	-	-	842,280
Small growth	790,626	-	-	790,626
Small value	723,762	-	-	723,862
Total mutual funds	21,820,011	-	-	21,820,011
Money funds	-	2,263,414	-	2,263,414
Alternative Investment - Trelys	-	-	61,935	61,935
Unconditional promises to give	-	3,399,702	-	3,399,702
Interest rate swap	-	(183,438)	-	(183,438)
Total assets and liabilities at fair value	\$ 21,820,011	\$ 5,479,678	\$ 61,935	\$ 27,361,624

## Palmetto Health Foundation and Subsidiary

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

#### Note 5. Fair Value Measurements, Continued

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 asset for the year ended September 30, 2017:

	<u>Investment in Trelys Funds</u>	
	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 61,935	\$ 75,516
Unrealized gain (loss)	4,154	(13,581)
Balance, end of year	<u>\$ 66,089</u>	<u>61,935</u>

#### Note 6. Unconditional Promises To Give

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using the applicable federal rates for determining the present value of an annuity. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Included in contributions receivable are the following unconditional promises to give at September 30:

	<u>2017</u>	<u>2016</u>
Children's Miracle Network	\$ -	\$ 83,142
PRMH Auxiliary	260,000	325,000
Children's Hospital	250,000	-
Curing Kids Cancer - restricted	1,100,000	1,150,000
Other	<u>1,349,903</u>	<u>1,978,755</u>
	2,959,903	3,536,897
Less: Unamortized discount	<u>170,789</u>	<u>137,195</u>
Net unconditional promises to give	<u>\$ 2,789,114</u>	<u>\$ 3,399,702</u>
Amounts due in:		
Less than one year	\$ 1,047,550	\$ 1,274,019
One to five years	<u>1,741,564</u>	<u>2,125,683</u>
Total	<u>\$ 2,789,114</u>	<u>\$ 3,399,702</u>

## Palmetto Health Foundation and Subsidiary

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

#### Note 6. Unconditional Promises To Give, Continued

The discount rate used to determine the present value of the estimated future cash flows was 2.4% and 1.4% at September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016, there was no allowance for unconditional promises to give.

#### Note 7. Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,274,500	\$ 1,274,500
Buildings and building improvements	2,336,934	2,327,705
Computer equipment	597,716	570,265
Furniture and equipment	<u>291,971</u>	<u>291,971</u>
	4,501,121	4,464,441
Less accumulated depreciation	<u>1,461,008</u>	<u>1,384,416</u>
Property and equipment, net	<u>\$ 3,040,113</u>	<u>\$ 3,080,025</u>

Depreciation expense for the years ended September 30, 2017 and 2016 was \$76,590 and \$73,719, respectively.

#### Note 8. Charitable Remainder Unitrusts

As of September 30, 2017, the Foundation has been named the beneficiary of four donors' charitable remainder unitrusts (the Trusts). Two of the Trusts provide that the Trustee will pay 5% and 6%, respectively, of the net fair market value of the assets of the Trusts valued on the first day of each taxable year of the Trusts to the donor. Upon the death of each donor, the designated portion of the remaining principal and income will be distributed to the Foundation. As of September 30, 2017, the Foundation is the beneficiary of another trust that is anticipated to distribute assets within one year. As of September 30, 2017, the fair market value of the assets in this trust totaled \$289,579. Another Trust provides for a lump sum payment of \$50,000 upon the death of the donor.

The Foundation is not the trustee of the Trusts. Accordingly, the Foundation has recognized as temporarily restricted contribution revenue and as a receivable, the present value of the estimated future benefits to be received when the Trusts' assets are distributed. The present value was based on the fair market value of the assets. For the year ended September 30, 2017, discount rates of 1.29% and 1.94% were assumed in calculating the present values. For the year ended September 30, 2016, discount rates of 1.22% and 1.90% were assumed in calculating the present values. The present values of the estimated future benefits to be received when the Trusts' assets are distributed are \$434,593 and \$135,629 at September 30, 2017 and 2016, respectively.

#### Note 9. Other Investments

In April 1989, the Foundation purchased a 45.38% interest in Hospital Services, Inc. (HSI) for \$1,413,000 in exchange for a note payable to Palmetto Health, which is collateralized by HSI common stock. As a result of restrictions in the loan agreement, the Foundation's influence over the operations of HSI and the Foundation's risk of gain or loss are significantly limited. Accordingly, the investment is recorded on the cost basis.

## Palmetto Health Foundation and Subsidiary

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

#### Note 9. Other Investments, Continued

Summarized unaudited financial information of HSI as of and for the years ended September 30 is as follows:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 3,021,262	\$ 2,408,950
Net fixed assets and other	<u>2,442,863</u>	<u>2,493,006</u>
Total assets	<u>\$ 5,464,125</u>	<u>\$ 4,901,956</u>
Current liabilities	\$ 755,512	\$ 352,118
Long-term liabilities	534,996	750,838
Stockholders' equity	<u>4,173,617</u>	<u>3,799,000</u>
Total liabilities and equity	<u>\$ 5,464,125</u>	<u>\$ 4,901,956</u>
Revenue	\$ 7,762,037	\$ 7,243,705
Expenses	<u>7,053,796</u>	<u>6,594,060</u>
Net income	<u>\$ 708,241</u>	<u>\$ 649,645</u>

In April 2003, the Foundation began investing in The Trelys Funds, LP (Trelys). As of September 30, 2017 and 2016, the investment was valued at \$66,089 and \$61,935, respectively.

#### Note 10. Note Payable

In connection with the 1989 acquisition of its interest in HSI, the Foundation issued an interest bearing demand note to Palmetto Health. During 1992, the terms of the note were revised and accrued interest was forgiven. The revised terms make payment of principal and interest contingent upon (1) receipt of dividends from HSI (in the case of principal) or (2) proceeds from the sale of HSI stock, and in no event shall the amount due to Palmetto Health exceed the proceeds received from the sale of stock. In accordance with the terms of the note, the Foundation shall pay Palmetto Health, upon sale, an amount equal to \$85,000 for each year the note remains outstanding from its original inception in 1989. The \$85,000 annual amount is in addition to the \$1,413,000 principal outstanding and will be payable only from proceeds received by the Foundation from the disposition of the stock in excess of \$1,413,000. No accrual of the annual fees (totaling approximately \$2,359,000 and \$2,274,000 at September 30, 2017 and 2016, respectively), or interest has been recorded at September 30, 2017 or 2016.

#### Note 11. Bond Payable

In August 2006, the Foundation authorized issuance of \$4,160,000 in revenue bonds in the name of Taylor-Marion for the purpose of financing the purchase of an office building and funding the renovation and furnishing of this new facility, which is collateralized by the building, fixtures, and land. The bond was refinanced in September 2015 with a maturity date of September 1, 2025 and bears interest at 68% of the London Interbank Offered Rate (LIBOR) (1.23% at September 30, 2017) plus 1.2725%.

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## Palmetto Health Foundation and Subsidiary

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

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#### Note 11. Bond Payable, Continued

Principal maturities for the years following September 30, 2017, are as follows:

2018	\$	193,830
2019		200,153
2020		207,272
2021		214,644
2022		222,278
Thereafter		<u>1,227,949</u>
		2,266,126
Less debt issuance costs		<u>40,183</u>
	\$	<u><u>2,225,943</u></u>

In August 2006, the Foundation also entered into an interest rate swap agreement with a financial institution, which effectively hedged its variable interest rate exposure on its outstanding debt. In connection with the refinancing noted above, this swap agreement was terminated.

The Foundation entered into a new swap agreement in September 2015 in connection with the financing. Under the new agreement, the swap has an original notional principal amount of \$2,632,444 at a fixed rate of 3.37% per annum, which reduces as debt principal payments are made.

The fair value of the swap was a liability of \$86,257 and \$183,438 as of September 30, 2017 and 2016, respectively, which would be payable to the financial institution if the agreement was terminated prior to its maturity.

#### Note 12. In-Kind Contributions

The Foundation recognizes contribution revenue and expense for certain services and items received at the fair value of those services or items. The following in-kind contributions are recorded in the accompanying statements of activities as revenue and expense for the year ended September 30:

	<u>2017</u>	<u>2016</u>
Advertising	\$ 108,300	\$ 26,400
Food, beverages	12,990	31,984
Program miscellaneous	216,434	310,470
Miscellaneous	<u>36,500</u>	<u>268,786</u>
	<u>\$ 374,224</u>	<u>\$ 637,640</u>

#### Note 13. Employee Leasing/Retirement Plans

The Foundation has an employee leasing agreement under which all Foundation personnel are leased from an outside agency. The agency handles all payroll administration, employee benefits and related matters in exchange for a monthly fee. All leased employees who work full time and are at least twenty-one years of age are covered under a defined contribution 401(k) plan maintained by the leasing agency. Eligible participants may contribute up to fifteen percent of their annual compensation up to federally mandated maximums. During the years ended September 30, 2017 and 2016, the Foundation made matching contributions of 4% and 6.75%, respectively, of the participants' eligible compensation. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Foundation's contributions to the plan totaled \$66,288 and \$59,707 during the years ended September 30, 2017 and 2016, respectively.

## Palmetto Health Foundation and Subsidiary

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

#### Note 14. Leases

The Foundation leases office and storage space from Taylor-Marion for approximately \$24,825 per month. This month-to-month rental began in November 2006 and continued through the 2017 fiscal year. This rent is eliminated in consolidation. Management anticipates continuing this rental agreement for the foreseeable future.

#### Note 15. Allocated Joint Costs

In 2017, the costs of conducting fundraising events included a total of \$1,232,386 of joint costs that are not directly attributable to the program service component or the fundraising component of the activities. Those joint costs were allocated \$689,328 to program services and \$543,058 to awareness.

In 2016, the costs of conducting fundraising events included a total of \$1,393,263 of joint costs that are not directly attributable to the program service component or the fundraising component of the activities. Those joint costs were allocated \$765,526 to program services and \$627,737 to awareness.

#### Note 16. Related Parties

The Foundation has an agreement with Palmetto Health to provide fundraising activities in support of Palmetto Health's programs and services, specifically to provide the present level of fundraising support and event management to Children's Hospital of Palmetto Health Richland, the Palmetto Health Cancer Centers, and other hospital programs. In fiscal year 2017 and 2016, these commitments totaled \$1,550,000 for each fiscal year. In exchange for these services, Palmetto Health made payments to the Foundation for these fiscal years. The agreement renews annually with the amount being negotiated each year. Future commitments due from Palmetto Health under this agreement are as follows:

October 1, 2017 - September 30, 2018 \$ 1,550,000

Significant related party transactions for the years ended September 30 are as follows:

	<u>2017</u>	<u>2016</u>
Contract services with Palmetto Health	\$ 1,550,000	\$ 1,550,000
Rent for equipment leased from Palmetto Health	1,847	2,791
Program services provided by Palmetto Health	45,971	265,249
Equipment provided by Palmetto Health	197	197
Rent for office and storage space leased to Palmetto Health	330,975	330,975

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## **Palmetto Health Foundation and Subsidiary**

### ***Notes to Consolidated Financial Statements***

***September 30, 2017 and 2016***

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#### **Note 16. Related Parties, Continued**

Effective November 1, 2006, Palmetto Health signed a lease agreement with Taylor-Marion to occupy approximately 12,500 square feet of space within Taylor-Marion's office facility. This twenty year lease which expires October 31, 2026 requires that Palmetto Health, as tenant, pay Taylor-Marion an annual minimum rent of approximately \$297,900 in equal monthly installments of \$24,825 through October 2016. Thereafter, annual minimum rent will increase on November 1, 2016, 2019, 2022 and 2025, based on a calculation using average and current consumer price index.

The Foundation staff also assists Palmetto Health with fund-raising by preparing federal grant applications for specific programs, and, at times, the grant program funding is transmitted directly to the Foundation in an agency capacity. During the year ended September 30, 2014, the Foundation obtained grant funds totaling \$587,232 over three years on behalf of Palmetto Health. All funds will be disbursed to Palmetto Health during those years. During the year ended September 30, 2016, the Foundation obtained grant funds totaling \$268,949. All funds will be disbursed to Palmetto Health over the next three years.

#### **Note 17. Subsequent Events**

The Foundation committed to fund Palmetto Health with minimum annual contributions equal to two times the annual payment Palmetto Health provides to the Foundation for services directly provided. In fiscal year 2018, the Foundation has committed to distributing a total of \$3,462,680 to Palmetto Health, to support the Children's Hospital AMC, Camp Kemo programs, and other medical service support programs of Palmetto Health.

**Palmetto Health Foundation and Subsidiary**  
**Consolidating Statement of Financial Position**  
**September 30, 2017**

	Palmetto Health Foundation	Taylor-Marion PHF, LLC	Eliminations	Consolidated
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 779,120	\$ 1,586,889	\$ -	\$ 2,366,009
Investments	26,801,720	-	-	26,801,720
Unconditional promises to give, net				
Restricted	1,047,550	-	-	1,047,550
Accounts receivable	3,031	-	(3,031)	-
Accrued interest receivable	155,034	-	-	155,034
Prepaid expenses and other	259,403	1,860	-	261,263
Total current assets	29,045,858	1,588,749	(3,031)	30,631,576
<b>Long-term unconditional promises to give, net</b>				
Restricted	1,741,564	-	-	1,741,564
<b>Property and equipment, net</b>	48,609	2,991,504	-	3,040,113
<b>Other assets</b>				
Investment in Hospital Services, Inc.	1,413,000	-	-	1,413,000
Investment in Taylor-Marion PHF, LLC	2,254,696	-	(2,254,696)	-
Contributions receivable from remainder unitrusts	434,593	-	-	434,593
Investment in The Trelys Funds, LP	66,089	-	-	66,089
	4,168,378	-	(2,254,696)	1,913,682
Total assets	\$ 35,004,409	\$ 4,580,253	\$ (2,257,727)	\$ 37,326,935
<b>Liabilities and Net Assets/Member's Equity</b>				
<b>Current liabilities</b>				
Current portion of bond payable	\$ -	\$ 188,091	\$ -	\$ 188,091
Accounts payable	85,489	13,357	-	98,846
Accrued expenses and other	137,887	-	(3,031)	134,856
Deferred revenue	893,071	-	-	893,071
Total current liabilities	1,116,447	201,448	(3,031)	1,314,864
<b>Long-term liabilities</b>				
Note payable	1,413,000	-	-	1,413,000
Bond payable	-	2,037,852	-	2,037,852
Unrealized loss on interest rate swap instrument	-	86,257	-	86,257
Total long term liabilities	1,413,000	2,124,109	-	3,537,109
Total liabilities	2,529,447	2,325,557	(3,031)	4,851,973
<b>Net assets/member's equity</b>				
Unrestricted	5,663,879	-	-	5,663,879
Temporarily restricted	17,253,528	-	-	17,253,528
Permanently restricted	9,557,555	-	-	9,557,555
Total net assets	32,474,962	-	-	32,474,962
Member's equity	-	2,254,696	(2,254,696)	-
Total member's equity	-	2,254,696	(2,254,696)	-
Total net assets/member's equity	32,474,962	2,254,696	(2,254,696)	32,474,962
Total liabilities and net assets/member's equity	\$ 35,004,409	\$ 4,580,253	\$ (2,257,727)	\$ 37,326,935



**Palmetto Health Foundation and Subsidiary**
**Consolidating Statement of Activities**
**For the year ended September 30, 2017**

	Palmetto Health Foundation	Taylor-Marion PHF, LLC	Eliminations	Consolidated
<b>Changes in unrestricted net assets/net gain (loss)</b>				
Revenues				
Contributions	\$ 179,936	\$ -	\$ -	\$ 179,936
Palmetto Health contract services	1,550,000	-	-	1,550,000
Rental income	-	682,891	(330,975)	351,916
Interest and dividends	178,663	1,729	-	180,392
Net realized and unrealized gains on investments	1,352,432	-	-	1,352,432
Equity in net income of affiliates	481,308	-	(481,308)	-
Total unrestricted revenues	3,742,339	684,620	(812,283)	3,614,676
Net assets released from restrictions	5,697,370	-	-	5,697,370
Transfers	1,494,608	-	-	1,494,608
	10,934,317	684,620	(812,283)	10,806,654
Expenses				
Program services	6,442,831	-	-	6,442,831
Costs of direct benefits to donors	176,682	-	-	176,682
Management and general	520,316	300,493	(330,975)	489,834
Fundraising	1,645,311	-	-	1,645,311
Total expenses	8,785,140	300,493	(330,975)	8,754,658
Change in unrestricted net assets/net gain				
before unrealized gain on interest rate swap instrument	2,149,177	384,127	(481,308)	2,051,996
Unrealized gain on interest rate swap instrument	-	97,181	-	97,181
Change in unrestricted net assets/net gain (loss)	2,149,177	481,308	(481,308)	2,149,177
<b>Changes in temporarily restricted net assets</b>				
Revenues				
Contributions	3,045,559	-	-	3,045,559
Special event revenue	2,411,123	-	-	2,411,123
Interest and dividends	235,527	-	-	235,527
Net unrealized and realized gains on investments	1,938,307	-	-	1,938,307
Change in value of split-interest agreement	298,963	-	-	298,963
Total temporarily restricted revenues	7,929,479	-	-	7,929,479
Net assets released from restrictions	(5,697,370)	-	-	(5,697,370)
Transfers	(1,494,608)	-	-	(1,494,608)
Change in temporarily restricted net assets	737,501	-	-	737,501
<b>Changes in permanently restricted net assets</b>				
Revenues				
Contributions	205,400	-	-	205,400
Total permanently restricted revenues	205,400	-	-	205,400
Change in permanently restricted net assets	205,400	-	-	205,400
Change in net assets/net gain (loss)	3,092,078	481,308	(481,308)	3,092,078
<b>Net assets/member's equity, beginning of year</b>	29,382,884	1,773,388	(1,773,388)	29,382,884
<b>Net assets/member's equity, end of year</b>	\$ 32,474,962	\$ 2,254,696	\$ (2,254,696)	\$ 32,474,962

## Palmetto Health Foundation and Subsidiary

## Statement of Changes in Net Assets

For the year ended September 30, 2017

	September 30, 2016	Revenues, gains (losses) and other support	Expenses	Transfers In (Out)	September 30, 2017
Unrestricted Fund	\$ 3,514,702	\$ 3,711,857	\$ 3,057,288	\$ 1,494,608	\$ 5,663,879
Adult Acute Care Services	119	15,000	-	-	15,119
Adolescent Chemically Dependent Outpatient					
Program Quasi Endowment	30,332	21,316	-	(1,517)	50,131
Adolescent Psychiatry	53,779	17,145	65,110	(2,689)	3,125
Adolescent Substance Abuse Prevention Endowment	293	1,427	-	(516)	1,204
Annie Pitts Endowment	122,151	44,223	10,000	(33,939)	122,435
Arnold Family Quasi Endowment	364,563	49,521	19,269	(18,226)	376,589
B. Smith Cancer Fund	50,191	1,540	6,000	(2,510)	43,221
Baptist Project	-	16,260	(180,712)	(187,478)	9,494
Bayler Teal Fund	54,285	102,506	125	(33,666)	123,000
Behavioral Care	354,920	21,200	4,786	24,750	396,084
Beverly Zeigler Endowment	8,644	4,836	-	(1,735)	11,745
Bonner Family Breast Cancer Endowment	51,954	52,161	15,000	(19,098)	70,017
Breast Health	423,799	12,440	270,510	429,382	595,111
Camp Kemo Quasi Endowment	917,321	127,202	-	(45,866)	998,657
Camp Kemo Programs	528,191	279,354	283,892	40,873	564,526
Camp Wonderhands	6,765	60,232	34,076	(338)	32,583
Cardiology	330,485	31,979	152,765	(16,524)	193,175
Cardiology - Zemp Endowment	151,193	40,184	-	(14,489)	176,888
Caroline & Kester Freeman Endowment	4,586	11,288	(15,000)	(21,458)	9,416
Champions	37,027	50,238	28,657	(1,851)	56,757
Child Abuse	377,385	8,112	200,000	132,638	318,135
Child Life	34,922	42,682	62,675	(1,746)	13,183
Children's Hospital	1,415,304	97,628	984,161	1,452,527	1,981,298
Children's Hospital Capital Campaign	39,250	6,264	-	(30,043)	15,471
Children's Hospital Pediatric Surgery	351,027	285	-	(351,312)	-
Children's Hospital Quasi Endowment	234,685	45,487	-	69,056	349,228
Children's Hospital Seizure Disorder Program	1,703	-	-	(85)	1,618
Children's Miracle Network	-	447,668	174,471	(273,197)	-
Children's Services - Baptist	92,527	9,150	23,035	(4,626)	74,016
Community Initiative Fund	32,280	1,000	-	(1,614)	31,666
Community Services	101,908	98,541	103,866	(5,096)	91,487
Crisis Assistance Fund	55,747	10	50	(2,787)	52,920
Curing Kids Cancer Research Quasi Endowment	169,414	169,250	-	(100,032)	238,632
Dance Marathon	-	710,945	13,833	(697,112)	-
Dental Residency Quasi Endowment	30,555	22,758	1,102	(1,528)	50,683
Derrick/Lynch Champion of Children	9,135	-	500	(957)	7,678
DJ Gibson Fund	7,081	-	(4,274)	(11,355)	-
Double E Quasi Endowment	262,376	139,449	16,310	(13,119)	372,396
Down Syndrome Clinic	1,938	-	1,873	(65)	-
Duby Thomson Quasi Endowment	102,227	13,774	7,500	(5,111)	103,390
E.J. Dennis Endowment	6,354	15,639	-	(12,919)	9,074
Educational Scholarships	14,484	129	340	(724)	13,549
Eleanor Clark Endowment	8,726	16,877	13,932	(9,223)	2,448
Emergency Services	46,478	168,900	74,702	(2,325)	138,351
Employee Benevolence	102,329	30,719	7,119	(5,116)	120,813
ER Medicine	155,423	-	120,226	(7,771)	27,426
F.S. Smith, Jr. Endowment	62,829	22,457	20,000	(8,485)	56,801
Family Practice Fund	13,531	575	-	(677)	13,429
Festival of Trees	-	249,498	75,740	(173,758)	-
Frederick Blair Bauknight Endowment	11,656	3,078	-	(2,404)	12,330
Fuller Charitable Remainder Trust	7,225	321	-	-	7,546
Gemale Quasi Endowment	606,636	77,907	123,700	(27,530)	533,313
Geriatrics	236,865	90,998	75,690	(1,365)	250,808
Greyson Draughon Carlisle Endowment	35,380	10,573	-	(3,344)	42,609
Golf Auction	-	23,286	25,794	2,508	-
Golf Classic	-	199,792	54,510	(145,282)	-
H. Franklin & Mildred P. Weed Blood Disorder Endowment	8,963	16,607	-	(25,570)	-
Harper Scholarship Quasi Endowment	20,137	2,792	-	(1,007)	21,922
Helman Endowment	66	4,177	-	(4,243)	-
Hematology/Oncology (Aflac) Endowment	118,747	176,533	58,493	(131,733)	105,054
HRSA-HCOP Grant - Nursing Education	-	202,981	162,141	(106)	40,734
Hospice - General Midlands Fund	439,299	42,958	55,385	(19,852)	407,020

**Palmetto Health Foundation and Subsidiary**
**Statement of Changes in Net Assets**
**For the year ended September 30, 2017**

	September 30, 2016	Revenues, gains (losses) and other support	Expenses	Transfers In (Out)	September 30, 2017
Hospice Designated Quasi Endowment	448,191	61,516	47,126	(25,255)	437,326
Kemopalooza	-	120,360	59,624	(60,736)	-
Kondurous Fisherman Quasi Endowment	174,137	23,263	13,916	(8,657)	174,827
Lee Hinton Pediatric Transport Endowment	9,663	5,873	15	(1,784)	13,737
Linda Wells Camp Kemo Endowment	981	2,682	-	(2,209)	1,454
Mildred P. & H. Franklin Weed, Jr. Scholarship Endowment	93	5,558	-	(5,651)	-
Montgomery Cancer Research Endowment	43,320	20,292	3,300	(7,380)	52,932
Neonatal Intensive Care Unit	289	85	-	(14)	360
Neurosurgery	12,632	45,625	2,675	(632)	54,950
NICU Quasi Endowment	3,712	227,850	810	314	231,066
Nurse Anesthesia	35,777	2,325	-	(1,789)	36,313
Nursing Education	9,432	4,125	370	(1,497)	11,690
Ostomy Endowment	18,490	3,799	2,156	(925)	19,208
Palmetto Senior Care	8,148	3,310	4,105	2,959	10,312
Parrish Nurse Program	14,521	-	-	(14,521)	-
Pastoral Counseling Quasi Endowment	190,834	26,678	-	(9,542)	207,970
Pastoral Services	49,350	33,436	22,173	11,386	71,999
Patient Assistance	1,167	-	-	(1,167)	-
Patient Assistance Quasi Endowment	22,334	2,868	4,273	(8)	20,921
Pediatric Aids Clinic	114	250	125	(6)	233
Pediatric Emergency Room	48,563	4,200	42,360	(2,428)	7,975
Pediatric Intensive Care Unit	61,521	6,023	30,630	(3,076)	33,838
Pediatric Oncology	231,367	273,148	100,215	22,874	427,174
Pediatric Palliative Care	20,880	5,084	5,543	252	20,673
Personal Touches Volunteer	315,829	203,009	443,770	-	75,068
PH Parkridge	958,949	1,704	417,334	(53,129)	490,190
PH President's Quasi Endowment	327,406	39,799	-	(166,370)	200,835
PH Richland Auxiliary Quasi Endowment	335,880	177,324	125,000	-	388,204
PHCC	2,156,157	42,345	337,308	95,554	1,956,748
PHCC - Designated	204,101	81,635	150,286	(10,231)	125,219
PHCC Dr. Butler Quasi Endowment	5,997	832	-	(300)	6,529
PHCC Quasi Endowment	98,866	13,710	-	(4,943)	107,633
PHCC Tissue Bank	36,591	-	-	(36,591)	-
Radiothon	-	109,113	11,215	(97,898)	-
Ralph Bivona Endowment	119	1,220	-	(1,339)	-
Reach Out & Read	108,706	90,572	63,000	(11,304)	124,974
Rehab Services	109	-	125	16	-
Roach Pediatric Palliative Care and Hospice Endowment	22,171	13,235	6,767	(4,147)	24,492
SAFE Kids	96,899	4,275	31,771	(4,846)	64,557
SC Endowment	190,514	132,309	56,070	(9,758)	256,995
Schaadt Charitable Remainder Trust	81,625	10,591	-	(2)	92,214
Sickle Cell Program	58,918	3,810	25,056	(2,946)	34,726
Simulation Center	11,841	198,000	184,249	(592)	25,000
Support Services	576	-	-	(29)	547
Surgery Endowment	136,900	19,116	-	(6,845)	149,171
Surgical Services	5,490	25	-	(275)	5,240
Tate Scholarship Endowment	55	2,171	-	(2,226)	-
Thomas Pitts Endowment	507,449	579,063	-	(208,797)	877,715
Trauma Services	159,127	32,278	22,087	(7,956)	161,362
Volunteers in Action	537	-	1,553	1,016	-
Walk for Life	-	697,866	250,185	(447,681)	-
W.L. Ivey Fellowship Endowment	128,465	28,931	-	(10,432)	146,964
Women's Board Fund	202,826	10,297	1,597	(10,141)	201,385
Women's Leadership Circle	12,139	18,750	3,152	(12,392)	15,345
Women's Services	46,765	38,810	44,485	(2,338)	38,752
Wyman Boozer Quasi Endowment	178,444	24,616	-	(12,116)	190,944
CN Nursing Education	-	1,500	-	-	1,500
Cinda Rae Anderson Trust	-	289,579	-	-	289,579
The Aflac Foundation Pediatric Hematology/Oncology Endowment	15,870	53,416	35,592	(33,694)	-
DJ Gibson Quasi Endowment	-	1,376	-	11,001	12,377
Total temporarily restricted	16,516,027	7,929,479	5,697,370	(1,494,608)	17,253,528

**Palmetto Health Foundation and Subsidiary**
**Statement of Changes in Net Assets**
**For the year ended September 30, 2017**

	September 30, 2016	Revenues, gains (losses) and other support	Expenses	Transfers In (Out)	September 30, 2017
Adolescent Substance Abuse Prevention Endowment	10,000	-	-	-	10,000
Aflac Pediatric Oncology/Hematology Endowed Chair	1,269,627	-	-	-	1,269,627
Annie Pitts Endowment	220,067	-	-	-	220,067
Kondurous Fisherman Endowment	273,109	-	-	-	273,109
Beverly Zeigler Endowment	26,060	-	-	-	26,060
Bonner Family Breast Cancer Endowment	330,000	-	-	-	330,000
Cardiology - Zemp Endowment	138,596	-	-	-	138,596
Caroline & Kester Freeman Endowment	79,208	-	-	-	79,208
Curing Kids Cancer Research Endowment	1,200,000	-	-	-	1,200,000
E.J. Dennis Endowment	113,707	-	-	-	113,707
Eleanor Clark Endowment	150,000	150,000	-	-	300,000
F. S. Smith, Jr. Endowment	106,846	-	-	-	106,846
Frederick Blair Bauknight Endowment	10,500	2,000	-	-	12,500
Greyson Draughon Carlisle Endowment	26,067	300	-	-	26,367
H. Franklin & Mildred P. Weed Endowment	134,449	-	-	-	134,449
Helman Endowment	34,475	-	-	-	34,475
Hematology/Oncology (Aflac)	400,000	-	-	-	400,000
Hospice Endowment	14,723	-	-	-	14,723
Lee Hinton Pediatric Transport Endowment	26,030	1,500	-	-	27,530
Linda Wells Camp Kemo Endowment	16,525	1,600	-	-	18,125
Mildred P. & H. Franklin Weed, Jr. Scholarship Endowment	45,172	-	-	-	45,172
Montgomery Cancer Research Endowment	104,289	-	-	-	104,289
Ralph Bivona Endowment	10,000	-	-	-	10,000
Roach Pediatric Palliative Care and Hospice Endowment	60,771	50,000	-	-	110,771
SC Endowment	785,280	-	-	-	785,280
Tate Scholarship Endowment	18,001	-	-	-	18,001
Thomas Pitts Endowment	3,668,482	-	-	-	3,668,482
W.L. Ivey Fellowship Endowment	80,171	-	-	-	80,171
Total permanently restricted	9,352,155	205,400	-	-	9,557,555
Totals	<u>\$ 29,382,884</u>	<u>\$ 11,846,736</u>	<u>\$ 8,754,658</u>	<u>\$ -</u>	<u>\$ 32,474,962</u>