

Prisma Health Midlands Foundation and Subsidiary

Report on Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Prisma Health Midlands Foundation and Subsidiary

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Independent Auditor's Report

The Board of Directors
Prisma Health Midlands Foundation
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Prisma Health Midlands Foundation and Subsidiary (the "Foundation") which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended September 30, 2019, 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 Prisma Health Midlands Foundation and Subsidiary as of September 30, 2019 and 2018, 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.

Adoption of a New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses presentation of net asset classifications for consistency and understandability, provides information about liquidity and availability of resources, and allows consistency in information provided about expenses and investment return. The Foundation adopted ASU 2016-14 during the year ended September 30, 2019, and it was applied retrospectively. The adoption of this standard did not have any impact on the Foundation's net assets or changes in net assets. Our opinion is not modified with respect to this matter.

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.



Columbia, South Carolina
January 31, 2020

Prisma Health Midlands Foundation and Subsidiary

Consolidated Statements of Financial Position

As of September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,984,665	\$ 2,580,383
Investments	28,057,415	29,616,559
Unconditional promises to give, net		
Restricted	1,636,952	1,995,881
Accounts receivable	1,696	29,736
Accrued interest receivable	13,759	222,612
Prepaid expenses and other	333,840	333,824
Total current assets	<u>33,028,327</u>	<u>34,778,995</u>
Long-term unconditional promises to give, net		
Restricted	<u>173,496</u>	<u>269,469</u>
Property and equipment, net	<u>2,931,558</u>	<u>2,981,034</u>
Other assets		
Investment in Hospital Services, Inc.	1,413,000	1,413,000
Contributions receivable from remainder unitrusts	150,211	291,284
Investment in The Trelys Funds, LP	30,618	31,139
	<u>1,593,829</u>	<u>1,735,423</u>
Total assets	<u>\$ 37,727,210</u>	<u>\$ 39,764,921</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of bond payable	\$ 200,919	\$ 210,511
Accounts payable	107,964	81,056
Accrued expenses and other	175,350	192,135
Deferred revenue	357,634	637,880
Total current liabilities	<u>841,867</u>	<u>1,121,582</u>
Long-term liabilities		
Note payable	1,413,000	1,413,000
Bond payable	1,644,236	1,828,465
Unrealized loss on interest rate swap instrument	82,779	12,103
Total long-term liabilities	<u>3,140,015</u>	<u>3,253,568</u>
Total liabilities	<u>3,981,882</u>	<u>4,375,150</u>
Net assets		
Without donor restrictions	7,229,287	6,933,827
With donor restrictions	26,516,041	28,455,944
Total net assets	<u>33,745,328</u>	<u>35,389,771</u>
Total liabilities and net assets	<u>\$ 37,727,210</u>	<u>\$ 39,764,921</u>

See Notes to Consolidated Financial Statements

Prisma Health Midlands Foundation and Subsidiary

Consolidated Statements of Activities

For the years ended September 30, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions		
Revenues		
Contributions	\$ 124,696	\$ 86,183
Prisma Health contract services	1,550,000	1,550,000
Rental income	386,828	356,828
Interest and dividends	136,503	202,121
Net realized and unrealized gains on investments	418,574	970,701
Total revenues without donor restrictions	<u>2,616,601</u>	<u>3,165,833</u>
Net assets released from donor restrictions	7,919,671	6,735,707
Transfers	894,381	1,119,687
	<u>11,430,653</u>	<u>11,021,227</u>
Expenses		
Program services	8,690,422	7,355,996
Costs of direct benefits to donors	184,733	177,103
Management and general	426,615	533,848
Fundraising	1,762,745	1,758,485
Total expenses	<u>11,064,515</u>	<u>9,825,432</u>
Change in net assets without donor restrictions		
before unrealized gain (loss) on interest rate swap instrument	366,138	1,195,795
Unrealized gain (loss) on interest rate swap instrument	<u>(70,678)</u>	<u>74,153</u>
Change in net assets without donor restrictions	<u>295,460</u>	<u>1,269,948</u>
Changes in net assets with donor restrictions		
Revenues		
Contributions	4,242,313	5,136,079
Special event revenue	2,484,854	2,800,005
Interest and dividends	166,232	272,615
Net realized and unrealized gains (losses) on investments	(14,788)	1,306,392
Change in value of split-interest agreements	(4,462)	(14,836)
Total revenues with donor restrictions	<u>6,874,149</u>	<u>9,500,255</u>
Net assets released from donor restrictions	(7,919,671)	(6,735,707)
Transfers	(894,381)	(1,119,687)
Change in net assets with donor restrictions	<u>(1,939,903)</u>	<u>1,644,861</u>
Change in net assets	(1,644,443)	2,914,809
Net assets, beginning of year	<u>35,389,771</u>	<u>32,474,962</u>
Net assets, end of year	<u>\$ 33,745,328</u>	<u>\$ 35,389,771</u>

See Notes to Consolidated Financial Statements

Prisma Health Midlands Foundation and Subsidiary

Consolidated Statement of Functional Expenses

For the year ended September 30, 2019

	Program services			Total
	Hospital	Management and General	Fundraising	
Grants and other assistance	\$ 7,100,745	\$ -	\$ -	\$ 7,100,745
Salaries and wages	992,333	254,225	752,554	1,999,112
Payroll taxes	63,247	21,104	47,964	132,315
Legal	33,420	11,152	25,345	69,917
Accounting	36,802	12,280	27,909	76,991
Supplies	7,200	2,403	5,460	15,063
Telephone	2,313	772	1,754	4,839
Postage and shipping	1,494	499	1,133	3,126
Printing and publishing	20,754	6,925	15,739	43,418
Travel	589	197	447	1,233
Office expense	21,447	7,156	16,265	44,868
Dues	14,746	4,920	11,183	30,849
Insurance	4,314	1,440	3,272	9,026
Investment fees	21,292	7,105	16,147	44,544
Recognition expense	13,027	4,347	9,879	27,253
Computer expense	56,350	18,803	42,734	117,887
Catering	859	287	652	1,798
Leasing	160,517	53,560	121,731	335,808
Gas and maintenance	3,442	1,148	2,610	7,200
Employee recruitment	39	13	29	81
Board development	40,093	13,378	30,405	83,876
Promotional expense	4,916	1,641	3,728	10,285
Special event expense	17,676	-	755,569	773,245
Bad debt	35,876	848	1,928	38,652
Depreciation and amortization	36,931	2,412	53,041	92,384
	<u>\$ 8,690,422</u>	<u>\$ 426,615</u>	<u>\$ 1,947,478</u>	<u>\$ 11,064,515</u>

See Notes to Consolidated Financial Statements

Prisma Health Midlands Foundation and Subsidiary

Consolidated Statements of Cash Flows

For the years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<i>Cash flows from operating activities</i>		
Change in net assets	\$ (1,644,443)	\$ 2,914,809
Adjustments to reconcile the change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	92,384	87,780
Loss on disposal of property and equipment	-	989
Net realized and unrealized gains on investments	(403,786)	(2,277,093)
Dividends reinvested	(549,716)	(449,190)
Amortization of bond discounts and premiums	4,663	1,670
Change in value of remainder unitrusts	141,073	143,309
Unrealized loss (gain) on interest rate swap instrument	70,678	(74,153)
Changes in deferred and accrued amounts		
Unconditional promises to give, net	454,902	523,763
Accrued interest receivable	208,853	(67,578)
Prepaid expenses and other	(16)	(72,561)
Accounts payable	26,908	(17,790)
Accrued expenses and other	11,255	27,543
Deferred revenue	(280,246)	(255,191)
Net cash provided by (used for) operating activities	<u>(1,867,491)</u>	<u>486,307</u>
<i>Investing activities</i>		
Purchases of property and equipment	(37,168)	(23,950)
Purchases of investments	(6,912,172)	(10,276,950)
Sales and redemptions of investments	9,420,674	10,221,674
Net cash provided by (used for) investing activities	<u>2,471,334</u>	<u>(79,226)</u>
<i>Financing activities</i>		
Bond payments	(199,561)	(192,707)
Net cash used for financing activities	<u>(199,561)</u>	<u>(192,707)</u>
Net increase in cash and cash equivalents	404,282	214,374
<i>Cash and cash equivalents, beginning of year</i>	<u>2,580,383</u>	<u>2,366,009</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 2,984,665</u>	<u>\$ 2,580,383</u>
Supplemental cash flow information		
Cash paid during the year for interest	<u>\$ 67,704</u>	<u>\$ 73,345</u>

See Notes to Consolidated Financial Statements

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies

Effective January 30, 2019, in connection with the conversion of Palmetto Health to Prisma Health, Palmetto Health Foundation's name changed to Prisma Health Midlands Foundation and Taylor-Marion PHF, LLC's name changed to Taylor-Marion PHMF, LLC. The consolidated financial statements of Prisma Health Midlands Foundation (the Foundation) and its wholly-owned subsidiary, Taylor-Marion PHMF, 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 Prisma Health - Midlands and its related organizations (Prisma Health - Midlands). The Foundation supports and promotes Prisma Health - Midlands 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 Prisma Health - Midlands.

Consolidation:

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

Net assets:

The Foundation's net assets are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

Endowment funds:

The Board of Directors of Prisma Health Midlands 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, Prisma Health Midlands Foundation classifies as net assets with donor restrictions (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 net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 statements 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 December 31, 2018 and September 30, 2018 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.

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 bond payable for consolidated statements of financial position purposes. For the years ended September 30, 2019 and 2018, 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.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

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.

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, 2019 and 2018 was 5% and totaled \$1,153,154 and \$1,127,932, respectively, and is included within transfers on the consolidated statements of activities.

Revenue recognition:

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from donor 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 Prisma Health - Midlands with federal grant applications and, at times, receives grant contributions on behalf of Prisma Health - Midlands. These funds are recorded as a liability in the period received and are generally disbursed to Prisma Health - Midlands immediately.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

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.

Availability of funds for general expenditures:

The Foundation has certain net assets that are available for general expenditures within one year of September 30, 2019 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

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 (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, 2019, 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.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

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.

Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of the Foundation include:

Program services expenses - Program services expenses include the costs associated with specific Foundation programs.

Management and general expenses - Management and general expenses include the general, administrative, and operating costs of the Foundation.

Fundraising expenses - These expenses include direct and indirect activities undertaken to solicit contributions from donors.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Overhead is allocated based on management's estimate of time and effort, and all other expenses are allocated based on direct costs.

Adoption of new accounting standard:

The Financial Accounting Standards Board ("FASB"), on August 18, 2016, published ASU ("Accounting Standards Update") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about a Foundation's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not-for-profit groups better convey how they spend and manage their resources. The Foundation has adopted this standard for the year ended September 30, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. As allowed under the standard, a consolidated statement of functional expenses and the liquidity footnote disclosure (see Note 2) have not been presented for the year ended September 30, 2018.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

New accounting pronouncements:

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. In August 2015, the FASB deferred the effective date of ASU 2014-09, *Revenue from Contracts with Customers*. As a result of the deferral, the guidance in ASU 2014-09 will be effective for the Foundation for reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of this new guidance on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The clarifying guidance will be effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Foundation is currently evaluating the impact of adoption of this guidance on the consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Foundation's net assets or changes in net assets.

Subsequent events:

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 31, 2020, the date the consolidated financial statements were available to be issued.

Note 2. Availability and Liquidity

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date of September 30, 2019, are comprised of the following:

Assets at year end	\$ 37,727,210
Less amounts not available to be used within one year due to illiquidity:	
Prepaid expenses and other	333,840
Unconditional promises to give, net	173,496
Property and equipment, net	2,931,558
Investment in Hospital Services, Inc.	1,413,000
Contributions receivable from remainder unitrusts	150,211
Investment in The Trelys Funds, LP	<u>30,618</u>
	32,694,487
Less amounts not available to be used within one year due to:	
Board/donor designations:	
Endowed funds, net of spendable amounts and administrative fees	12,499,062
Restricted amounts that may not be used within one year, net of spendable amounts and administrative fees	<u>14,016,979</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,178,446</u>

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 2. Availability and Liquidity, Continued

As part of its liquidity plan, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Foundation invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.

Note 3. 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:

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 percent of the fund's average value. The distributions are made quarterly in an amount equal to 1.25 percent 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 investments consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds	\$ 12,499,062	\$ 13,198,488

Changes in endowment investments for the year ended September 30, 2019 are as follows:

Endowment net assets, October 1, 2018	\$ 13,198,488
Investment income	134,057
Management fees	(501,102)
Released from restrictions	<u>(332,381)</u>
Endowment net assets, September 30, 2019	<u>\$ 12,499,062</u>

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 3. Endowments, Continued

Changes in endowment investments for the year ended September 30, 2018 are as follows:

Endowment net assets, October 1, 2017	\$ 12,860,005
Investment loss	(928,000)
New gifts	1,998,478
Management fees	(515,766)
Released from restrictions	<u>(216,229)</u>
Endowment net assets, September 30, 2018	<u>\$ 13,198,488</u>

Note 4. Net Assets with Donor Restrictions

Net assets with donor restrictions comprised the following as of September 30, 2019:

Subject to expenditures for specific purposes:	
Prisma Health – Midlands programs	\$ 16,952,451
Subject to perpetual restrictions:	
Prisma Health – Midlands programs	<u>9,563,590</u>
Total net assets with donor restrictions	<u>\$ 26,516,041</u>

Net assets with donor restrictions comprised the following as of September 30, 2018:

Subject to expenditures for specific purposes:	
Prisma Health – Midlands programs	\$ 18,895,689
Subject to perpetual restrictions:	
Prisma Health – Midlands programs	<u>9,560,255</u>
Total net assets with donor restrictions	<u>\$ 28,455,944</u>

Note 5. Concentrations of Credit Risk

The Foundation and Taylor-Marion place their cash and cash equivalents with high quality financial institutions. At September 30, 2019, deposits with financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) insurance limits.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 6. Investments

Investments are presented in the financial statements in the aggregate, at fair market value. Investments consist of the following at September 30, 2019:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation</u>
Equity securities	\$ 4,319,595	\$ 4,399,428	\$ 79,834
Mutual funds	19,392,932	20,782,044	1,389,111
Money funds	<u>2,875,943</u>	<u>2,875,943</u>	<u>-</u>
	<u>\$ 26,588,470</u>	<u>\$ 28,057,415</u>	<u>\$ 1,468,945</u>

Investments consist of the following at September 30, 2018:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation</u>
Equity securities	\$ 8,000	\$ 8,000	\$ -
Mutual funds	25,144,043	27,607,329	2,463,287
Money funds	<u>2,001,230</u>	<u>2,001,230</u>	<u>-</u>
	<u>\$ 27,153,273</u>	<u>\$ 29,616,559</u>	<u>\$ 2,463,287</u>

Investment revenues are reported net of related expenses of \$45,477 and \$45,768 for the years ended September 30, 2019 and 2018, respectively. Total investment fees paid to the investment manager for the years ended September 30, 2019 and 2018 were \$74,734 and \$74,278, 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, 2019. The Foundation had 4 mutual funds and 5 equities that were in a loss position at September 30, 2019. 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, 2019:

	<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 loss</u>	<u>Fair value</u>	<u>Unrealized loss</u>
Mutual funds \$	-	\$ -	\$ 2,228,548	\$ (201,151)	\$ 2,228,548	\$ (201,151)
Equities	<u>1,086,604</u>	<u>(36,042)</u>	<u>-</u>	<u>-</u>	<u>1,086,604</u>	<u>(36,042)</u>
	<u>\$ 1,086,604</u>	<u>\$ (36,042)</u>	<u>\$ 2,228,548</u>	<u>\$ (201,151)</u>	<u>\$ 3,315,152</u>	<u>\$ (237,193)</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.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 7. 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, 2019 and 2018:

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 December 31, 2018 and September 30, 2018 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 issuing financial institution at September 30, 2019 and 2018.

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.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 7. Fair Value Measurements, Continued

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

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Basic materials	\$ 285,033	\$ -	\$ -	\$ 285,033
Financial services	275,395	-	-	275,395
Healthcare	754,491	-	-	754,491
Industrial goods	810,355	-	-	810,355
Services	1,214,681	-	-	1,214,681
Technology	<u>1,059,473</u>	-	-	<u>1,059,473</u>
Total equity securities	<u>4,399,428</u>	-	-	<u>4,399,428</u>
Mutual funds:				
Intermediate term bond	6,101,633	-	-	6,101,633
Short term bond	2,038,380	-	-	2,038,380
Large blend	3,585,559	-	-	3,585,559
Large growth	3,033,301	-	-	3,033,301
Large value	1,347,736	-	-	1,347,736
Mid growth	1,427,262	-	-	1,427,262
Mid value	1,237,578	-	-	1,237,578
Small growth	1,068,788	-	-	1,068,788
Small value	<u>941,807</u>	-	-	<u>941,807</u>
Total mutual funds	<u>20,782,044</u>	-	-	<u>20,782,044</u>
Money funds	-	2,875,943	-	2,875,943
Alternative Investment - Trelys	-	-	30,618	30,618
Unconditional promises to give	-	1,810,448	-	1,810,448
Interest rate swap	-	(82,779)	-	(82,779)
Total assets and liabilities at fair value	<u>\$ 25,181,472</u>	<u>\$ 4,603,612</u>	<u>\$ 30,618</u>	<u>\$ 29,815,702</u>

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 7. Fair Value Measurements, Continued

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

	September 30, 2018			Total
	Level 1	Level 2	Level 3	
Equity securities:				
Financial services	\$ 8,000	\$ -	\$ -	\$ 8,000
Total equity securities	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>8,000</u>
Mutual funds:				
Intermediate term bond	6,028,882	-	-	6,028,882
Short term bond	2,462,034	-	-	2,462,034
Large blend	6,193,386	-	-	6,193,386
Large growth	4,974,564	-	-	4,974,564
Large value	1,901,764	-	-	1,901,764
Mid blend	1,559,666	-	-	1,559,666
Mid growth	1,596,963	-	-	1,596,963
Small growth	1,640,320	-	-	1,640,320
Small value	<u>1,249,750</u>	<u>-</u>	<u>-</u>	<u>1,249,750</u>
Total mutual funds	<u>27,607,329</u>	<u>-</u>	<u>-</u>	<u>27,607,329</u>
Money funds	-	2,001,230	-	2,001,230
Alternative Investment - Trelys	-	-	31,139	31,139
Unconditional promises to give	-	2,265,350	-	2,265,350
Interest rate swap	-	<u>(12,103)</u>	<u>-</u>	<u>(12,103)</u>
Total assets and liabilities at fair value	<u>\$ 27,615,329</u>	<u>\$ 4,254,477</u>	<u>\$ 31,139</u>	<u>\$ 31,900,945</u>

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:

	Investment in Trelys Funds	
	2019	2018
Balance, beginning of year	\$ 31,139	\$ 66,089
Unrealized gain (loss)	<u>(521)</u>	<u>(34,950)</u>
Balance, end of year	<u>\$ 30,618</u>	<u>\$ 31,139</u>

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 8. 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>2019</u>	<u>2018</u>
PRMH Auxiliary	\$ 130,000	\$ 195,000
Curing Kids Cancer - restricted	780,000	950,000
Other	<u>1,000,706</u>	<u>1,279,743</u>
Less: Unamortized discount	<u>100,258</u>	<u>159,393</u>
Net unconditional promises to give	<u>\$ 1,810,448</u>	<u>\$ 2,265,350</u>
Amounts due in:		
Less than one year	\$ 1,636,952	\$ 1,995,881
One to five years	<u>173,496</u>	<u>269,469</u>
Total	<u>\$ 1,810,448</u>	<u>\$ 2,265,350</u>

The discount rate used to determine the present value of the estimated future cash flows was 2.2% and 3.4% at September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, there was no allowance for unconditional promises to give.

Note 9. Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,274,500	\$ 1,274,500
Buildings and building improvements	2,386,512	2,353,291
Computer equipment	597,716	597,716
Furniture and equipment	<u>302,523</u>	<u>298,576</u>
Less accumulated depreciation	<u>1,629,693</u>	<u>1,543,049</u>
Property and equipment, net	<u>\$ 2,931,558</u>	<u>\$ 2,981,034</u>

Depreciation expense for the years ended September 30, 2019 and 2018 was \$86,644 and \$82,040, respectively.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 10. Charitable Remainder Unitrusts

As of September 30, 2019, 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 percent and 6 percent, 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, 2019, the Foundation is the beneficiary of another trust that is anticipated to distribute assets within one year. As of September 30, 2019, the fair market value of the assets in this trust totaled \$9,891. 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 contribution revenue with donor restrictions 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, 2019, a discount rate of 1.78 percent was assumed in calculating the present values. For the year ended September 30, 2018, discount rates of 2.51 percent and 2.86 percent 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 \$150,211 and \$291,284 at September 30, 2019 and 2018, respectively.

Note 11. 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 Prisma Health - Midlands, 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.

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

	<u>2019</u>	<u>2018</u>
Current assets	\$ 2,598,024	\$ 2,724,601
Net fixed assets and other	<u>2,361,003</u>	<u>2,340,862</u>
Total assets	<u>\$ 4,959,027</u>	<u>\$ 5,065,463</u>
Current liabilities	\$ 520,565	\$ 605,417
Long-term liabilities	336,432	550,908
Stockholders' equity	<u>4,102,030</u>	<u>3,909,138</u>
Total liabilities and equity	<u>\$ 4,959,027</u>	<u>\$ 5,065,463</u>
Revenue	\$ 6,854,403	\$ 7,870,206
Expenses	<u>6,802,053</u>	<u>7,752,996</u>
Net income	<u>\$ 52,350</u>	<u>\$ 117,210</u>

In April 2003, the Foundation began investing in The Trelys Funds, LP (Trelys). As of December 31, 2018 and September 30, 2018, the investment was valued at \$30,618 and \$31,139, respectively.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 12. Note Payable

In connection with the 1989 acquisition of its interest in HSI, the Foundation issued an interest bearing demand note to Prisma Health - Midlands. 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 Prisma Health – Midlands exceed the proceeds received from the sale of stock. In accordance with the terms of the note, the Foundation shall pay Prisma Health - Midlands, 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 \$2,529,000 and \$2,444,000 at September 30, 2019 and 2018, respectively), or interest has been recorded at September 30, 2019 or 2018.

Note 13. 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) (2.09 percent at September 30, 2019) plus 1.27 percent.

Principal maturities for the years following September 30, 2019, are as follows:

2020	\$	206,659
2021		214,009
2022		221,621
2023		229,503
2024		237,666
Thereafter		<u>764,399</u>
		1,873,857
Less debt issuance costs		<u>28,702</u>
	\$	<u>1,845,155</u>

In September 2015, 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. The swap has an original notional principal amount of \$2,632,444 at a fixed rate of 3.37 percent per annum, which reduces as debt principal payments are made.

The fair value of the swap was a liability of \$82,779 and \$12,103 as of September 30, 2019 and 2018, respectively, which would be payable to the financial institution if the agreement was terminated prior to its maturity.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 14. 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 consolidated statements of activities as revenue and expense for the year ended September 30:

	<u>2019</u>	<u>2018</u>
Advertising	\$ 155,635	\$ 193,715
Food, beverages	45,865	22,298
Program miscellaneous	365,443	239,392
Miscellaneous	<u>9,714</u>	<u>23,819</u>
	<u>\$ 567,657</u>	<u>\$ 479,224</u>

Note 15. 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, 2019 and 2018, the Foundation made matching contributions of 4 percent 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 \$43,123 and \$67,509 during the years ended September 30, 2019 and 2018, respectively.

Note 16. Leases

The Foundation leases office and storage space from Taylor-Marion for approximately \$29,800 per month. This month-to-month rental began in November 2006 and continued through the 2019 fiscal year. This rent is eliminated in consolidation. Management anticipates continuing this rental agreement for the foreseeable future.

Note 17. Allocated Joint Costs

In 2019, the costs of conducting fundraising events included a total of \$1,315,518 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 \$729,003 to program services and \$586,515 to awareness.

In 2018, the costs of conducting fundraising events included a total of \$1,307,823 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 \$725,541 to program services and \$582,282 to awareness.

Prisma Health Midlands Foundation and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 18. Related Parties

The Foundation has an agreement with Prisma Health - Midlands to provide fundraising activities in support of Prisma Health - Midlands's programs and services, specifically to provide the present level of fundraising support and event management to Children's Hospital of Prisma Health Richland, the Prisma Health Cancer Centers, and other hospital programs. In fiscal year 2019 and 2018, these commitments totaled \$1,550,000 for each fiscal year. In exchange for these services, Prisma Health - Midlands made payments to the Foundation for these fiscal years. The agreement renews annually with the amount being negotiated each year. Future commitments due from Prisma Health - Midlands under this agreement are as follows:

October 1, 2019 - September 30, 2020 \$ 1,550,000

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

	<u>2019</u>	<u>2018</u>
Contract services with Prisma Health - Midlands	\$ 1,550,000	\$ 1,550,000
Rent for equipment leased from Prisma Health - Midlands	2,307	2,016
Program services provided by Prisma Health - Midlands	-	44,125
Rent for office and storage space leased from Taylor-Marion, PHMF LLC	330,975	330,975
Rent for office and storage space leased from Prisma Health - Midlands	356,827	356,827

Effective November 1, 2006, Prisma Health - Midlands 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 Prisma Health - Midlands, 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 Prisma Health - Midlands 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, 2016, the Foundation obtained grant funds totaling \$268,949. The three year grant period ended on September 30, 2019, and all funds were disbursed to Prisma Health - Midlands.

Note 19. Subsequent Events

The Foundation committed to fund Prisma Health - Midlands with minimum annual contributions equal to two times the annual payment Prisma Health - Midlands provides to the Foundation for services directly provided. In fiscal year 2020, the Foundation has committed to distributing a total of \$4,097,315 to Prisma Health - Midlands, to support the Children's Hospital AMC, Camp Kemo programs, and other medical service support programs of Prisma Health - Midlands.

Prisma Health Midlands Foundation and Subsidiary

Consolidating Statement of Financial Position

As of September 30, 2019

	Prisma Health Midlands Foundation	Taylor-Marion PHMF, LLC	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 905,456	\$ 2,079,209	\$ -	\$ 2,984,665
Investments	28,057,415	-	-	28,057,415
Unconditional promises to give, net				
Restricted	1,636,952	-	-	1,636,952
Accounts receivable	1,348	1,696	(1,348)	1,696
Accrued interest receivable	13,759	-	-	13,759
Prepaid expenses and other	332,038	1,802	-	333,840
Total current assets	<u>30,946,968</u>	<u>2,082,707</u>	<u>(1,348)</u>	<u>33,028,327</u>
Long-term unconditional promises to give, net				
Restricted	173,496	-	-	173,496
Property and equipment, net	<u>17,255</u>	<u>2,914,303</u>	<u>-</u>	<u>2,931,558</u>
Other assets				
Investment in Hospital Services, Inc.	1,413,000	-	-	1,413,000
Investment in Taylor-Marion PHMF, LLC	3,061,155	-	(3,061,155)	-
Contributions receivable from remainder unitrusts	150,211	-	-	150,211
Investment in The Trelys Funds, LP	30,618	-	-	30,618
	<u>4,654,984</u>	<u>-</u>	<u>(3,061,155)</u>	<u>1,593,829</u>
Total assets	<u>\$ 35,792,703</u>	<u>\$ 4,997,010</u>	<u>\$ (3,062,503)</u>	<u>\$ 37,727,210</u>
Liabilities and Net Assets/Member's Equity				
Current liabilities				
Current portion of bond payable	\$ -	\$ 200,919	\$ -	\$ 200,919
Accounts payable	103,039	4,925	-	107,964
Accrued expenses and other	173,702	2,996	(1,348)	175,350
Deferred revenue	357,634	-	-	357,634
Total current liabilities	<u>634,375</u>	<u>208,840</u>	<u>(1,348)</u>	<u>841,867</u>
Long-term liabilities				
Note payable	1,413,000	-	-	1,413,000
Bond payable	-	1,644,236	-	1,644,236
Unrealized loss on interest rate swap instrument	-	82,779	-	82,779
Total long-term liabilities	<u>1,413,000</u>	<u>1,727,015</u>	<u>-</u>	<u>3,140,015</u>
Total liabilities	<u>2,047,375</u>	<u>1,935,855</u>	<u>(1,348)</u>	<u>3,981,882</u>
Net assets/member's equity				
Without donor restrictions	7,229,287	-	-	7,229,287
With donor restrictions	26,516,041	-	-	26,516,041
Total net assets	<u>33,745,328</u>	<u>-</u>	<u>-</u>	<u>33,745,328</u>
Member's equity	-	3,061,155	(3,061,155)	-
Total member's equity	<u>-</u>	<u>3,061,155</u>	<u>(3,061,155)</u>	<u>-</u>
Total net assets/member's equity	<u>33,745,328</u>	<u>3,061,155</u>	<u>(3,061,155)</u>	<u>33,745,328</u>
Total liabilities and net assets/member's equity	<u>\$ 35,792,703</u>	<u>\$ 4,997,010</u>	<u>\$ (3,062,503)</u>	<u>\$ 37,727,210</u>

Prisma Health Midlands Foundation and Subsidiary

Consolidating Statement of Activities

For the year ended September 30, 2019

	Prisma Health Midlands Foundation	Taylor-Marion PHMF, LLC	Eliminations	Consolidated
Changes in net assets without donor restrictions				
Revenues				
Contributions	\$ 124,696	\$ -	\$ -	\$ 124,696
Prisma Health contract services	1,550,000	-	-	1,550,000
Rental income	-	687,803	(300,975)	386,828
Interest and dividends	134,208	2,295	-	136,503
Net realized and unrealized gains on investments	418,574	-	-	418,574
Equity in net income of affiliates	329,957	-	(329,957)	-
Total revenues without donor restrictions	2,557,435	690,098	(630,932)	2,616,601
Net assets released from donor restrictions	7,919,671	-	-	7,919,671
Transfers	894,381	-	-	894,381
	<u>11,371,487</u>	<u>690,098</u>	<u>(630,932)</u>	<u>11,430,653</u>
Expenses				
Program services	8,690,422	-	-	8,690,422
Costs of direct benefits to donors	184,733	-	-	184,733
Management and general	438,127	289,463	(300,975)	426,615
Fundraising	1,762,745	-	-	1,762,745
Total expenses	11,076,027	289,463	(300,975)	11,064,515
Change in net assets without restrictions before unrealized loss on interest rate swap instrument	295,460	400,635	(329,957)	366,138
Unrealized loss on interest rate swap instrument	-	(70,678)	-	(70,678)
Change in net assets without donor restrictions	<u>295,460</u>	<u>329,957</u>	<u>(329,957)</u>	<u>295,460</u>
Changes in net assets with donor restrictions				
Revenues				
Contributions	4,242,313	-	-	4,242,313
Special event revenue	2,484,854	-	-	2,484,854
Interest and dividends	166,232	-	-	166,232
Net unrealized and realized losses on investments	(14,788)	-	-	(14,788)
Change in value of split-interest agreement	(4,462)	-	-	(4,462)
Total revenues with donor restrictions	6,874,149	-	-	6,874,149
Net assets released from donor restrictions	(7,919,671)	-	-	(7,919,671)
Transfers	(894,381)	-	-	(894,381)
Change in net assets with donor restrictions	<u>(1,939,903)</u>	<u>-</u>	<u>-</u>	<u>(1,939,903)</u>
Change in net assets	<u>(1,644,443)</u>	<u>329,957</u>	<u>(329,957)</u>	<u>(1,644,443)</u>
Net assets/member's equity, beginning of year	<u>35,389,771</u>	<u>2,731,198</u>	<u>(2,731,198)</u>	<u>35,389,771</u>
Net assets/member's equity, end of year	<u>\$ 33,745,328</u>	<u>\$ 3,061,155</u>	<u>\$ (3,061,155)</u>	<u>\$ 33,745,328</u>

Prisma Health Midlands Foundation and Subsidiary

Statement of Changes in Net Assets

For the year ended September 30, 2019

	September 30, 2018	Revenues, gains (losses) and other support	Expenses	Transfers In (Out)	September 30, 2019
Net assets without donor restrictions	\$ 6,933,827	\$ 2,557,435	\$ 3,156,356	\$ 894,381	\$ 7,229,287
Adult Acute Care Services	494	375	-	-	869
Adolescent Chemically Dependent Outpatient Program Quasi Endowment	36,561	260	-	(1,828)	34,993
Adolescent Psychiatry	3,687	15,795	15,000	(151)	4,331
Adolescent Substance Abuse Prevention Endowment	1,639	82	-	(582)	1,139
Annie Pitts Endowment	113,206	1,441	-	(30,392)	84,255
Arnold Family Quasi Endowment	371,866	1,946	18,591	(18,593)	336,628
B. Smith Cancer Fund	36,560	1,750	-	(1,828)	36,482
Baptist Project	10,036	1,475	87	(554)	10,870
Bayler Teal Fund	119,954	6,606	-	(38,228)	88,332
Behavioral Care	42,743	19,691	2,725	(331)	59,378
Beverly Zeigler Endowment	13,211	281	-	(1,964)	11,528
Bonner Family Breast Cancer Endowment	85,529	2,955	-	(20,776)	67,708
Breast Health	743,987	317,564	626,594	369,219	804,176
Camp Kemo Quasi Endowment	1,227,121	6,097	70,000	(61,356)	1,101,862
Camp Kemo Programs	556,554	292,408	275,940	25,209	598,231
Camp Wonderhands	29,453	58,163	52,253	(1,335)	34,028
Cardiology	192,179	11,959	600	(9,185)	194,353
Cardiology - Zemp Endowment	189,123	2,329	-	(16,386)	175,066
Caroline & Kester Freeman Endowment	12,853	654	-	(4,603)	8,904
Champions	85,642	84,685	57,155	(3,892)	109,280
Child Abuse	218,960	10,520	191,657	(10,192)	27,631
Child Life	24,208	68,225	58,159	(1,198)	33,076
Children's Hospital	2,397,962	139,160	2,177,577	1,306,255	1,665,800
Children's Hospital Capital Campaign	12,751	3,227	-	-	15,978
Children's Hospital Quasi Endowment	358,216	5,795	15,791	38,849	387,069
Children's Hospital Seizure Disorder Program	-	-	77	77	-
Children's Miracle Network	-	470,701	92,320	(378,381)	-
Children's Services - Baptist	57,256	16,909	25,064	(2,370)	46,731
Community Initiative Fund	27,208	125	-	(1,354)	25,979
Community Services	83,007	253,297	227,936	(3,742)	104,626
Crisis Assistance Fund	50,274	25	-	(50,299)	-
Curing Kids Cancer Research Quasi Endowment	313,699	41,963	25,791	(28,185)	301,686
Dance Marathon	-	1,005,147	189,124	(816,023)	-
Dental Residency Quasi Endowment	54,266	10,005	10,453	(2,573)	51,245
Derrick/Lynch Champion of Children	6,794	-	-	(340)	6,454
Double E Quasi Endowment	405,759	322,488	345,728	(6,038)	376,481
Duby Thomson Quasi Endowment	107,399	764	5,945	(5,370)	96,848
E.J. Dennis Endowment	13,836	907	-	(6,377)	8,366
Educational Scholarships	12,787	150	-	(639)	12,298
Eleanor Clark Endowment	12,685	7,578	-	(19,034)	1,229
Emergency Services	50,644	77,620	74,351	(2,251)	51,662
Employee Benevolence	125,250	21,255	876	42,093	187,722
ER Medicine	26,055	-	-	(1,303)	24,752
F.S. Smith, Jr. Endowment	63,148	1,209	-	(8,500)	55,857
Family Practice Fund	12,749	-	3,000	(637)	9,112
Festival of Trees	-	254,641	84,029	(170,612)	-
Frederick Blair Bauknight Endowment	12,111	95	-	(2,420)	9,786
Fuller Charitable Remainder Trust	7,348	431	-	-	7,779
Gemale Quasi Endowment	553,994	3,939	244,439	(27,700)	285,794
Geriatrics	13,254	6,247	687	288	19,102
Greyson Draughon Carlisle Endowment	45,836	963	4,837	(3,539)	38,423
Golf Classic	-	157,378	66,555	(90,823)	-
H. Franklin & Mildred P. Weed Blood Disorder Endowment	-	484	-	(484)	-
Harper Scholarship Quasi Endowment	22,772	163	-	(1,139)	21,796
Helman Endowment	-	121	-	(121)	-
Hematology/Oncology (Aflac) Endowment	119,807	22,783	-	(61,972)	80,618
Hospice - General Midlands Fund	418,780	20,517	28,540	(20,389)	390,368

Prisma Health Midlands Foundation and Subsidiary

Statement of Changes in Net Assets

For the year ended September 30, 2019

	September 30, 2018	Revenues, gains (losses) and other support	Expenses	Transfers In (Out)	September 30, 2019
Hospice Designated Quasi Endowment	429,669	2,322	22,312	(22,220)	387,459
Kemopalooza	-	108,387	62,939	(45,448)	-
Kondurous Fisherman Quasi Endowment	181,568	646	17,000	(9,028)	156,186
Lee Hinton Pediatric Transport Endowment	13,169	1,442	-	(2,064)	12,547
Linda Wells Camp Kemo Endowment	1,354	153	-	(1,507)	-
Mildred P. & H. Franklin Weed, Jr. Scholarship Endowment	-	161	-	(161)	-
Montgomery Cancer Research Endowment	10,025	812	-	(5,716)	5,121
Neonatal Intensive Care Unit	605	80	456	(30)	199
Neurosurgery	91,179	652,960	153,303	2,559	593,395
NICU Quasi Endowment	142,521	66,740	96,179	1,308	114,390
Nurse Anesthesia	36,359	1,685	-	(1,730)	36,314
Nursing Education	18,013	5,800	5,040	(554)	18,219
Ostomy Endowment	22,899	1,351	75	(1,114)	23,061
Palmetto Senior Care	12,868	3,130	11,500	(622)	3,876
Pastoral Counseling Quasi Endowment	216,673	1,688	34	(621)	217,706
Pastoral Services	70,995	8,166	246	(13,601)	65,314
Patient Assistance Quasi Endowment	21,732	154	966	(1,087)	19,833
Pediatric Emergency Room	11,417	2,150	-	(558)	13,009
Pediatric Intensive Care Unit	25,832	6,397	-	(682)	31,547
Pediatric Oncology	662,730	85,932	789,022	239,535	199,175
Pediatric Palliative Care	12,845	20,175	-	4,812	37,832
Personal Touches Volunteer	159,157	155,984	111,076	-	204,065
PH Parkridge	225,109	20,902	194,017	(9,744)	42,250
PH Richland Auxiliary Quasi Endowment	358,542	9,033	137,783	-	229,792
PHCC	1,655,388	40,470	223,536	24,027	1,496,349
PHCC - Designated	77,256	291,489	13,902	(3,547)	351,296
PHCC Dr. Butler Quasi Endowment	6,783	48	-	(339)	6,492
PHCC Quasi Endowment	111,807	794	-	(5,590)	107,011
Radiothon	-	14,011	10,618	(3,393)	-
Ralph Bivona Endowment	-	35	-	(35)	-
Reach Out & Read	129,836	14,040	28,000	(115,876)	-
Roach Pediatric Palliative Care and Hospice Endowment	28,306	1,079	-	(9,210)	20,175
SAFE Kids	6,464	4,650	6,022	(317)	4,775
SC Endowment	290,968	9,221	-	(10,762)	289,427
Schaadt Charitable Remainder Trust	94,283	(7,124)	-	-	87,159
Simulation Center	750	191,756	181,736	-	10,770
Surgery Endowment	154,962	1,101	-	(7,748)	148,315
Surgical Services	5,004	150	-	(249)	4,905
Tate Scholarship Endowment	-	69	-	(69)	-
Thomas Pitts Endowment	1,054,015	33,576	-	(236,125)	851,466
Trauma Services	290,028	177,263	168,435	(4,768)	294,088
Walk for Life	-	683,220	279,344	(403,876)	-
W.L. Ivey Fellowship Endowment	155,772	927	20,000	(11,797)	124,902
Women's Board Fund	196,635	8,805	143	(9,571)	195,726
Women's Leadership Circle	13,530	16,011	3,891	(8,084)	17,566
Women's Services	42,422	14,393	9,169	(1,822)	45,824
Wyman Boozer Quasi Endowment	195,404	1,388	-	(11,411)	185,381
CN Nursing Education	1,925	-	1,829	(96)	-
Cinda Rae Anderson Trust	147,308	-	806	(41,541)	104,961
The Aflac Foundation Pediatric Hematology/Oncology Endowment	-	2,786	13,011	10,225	-
DJ Gibson Quasi Endowment	12,910	92	-	(646)	12,356
Pediatric Diabetes & Obesity	375	-	-	-	375
Prospt M.D. Child Development/Behavioral	10,058	1,300	9,000	(503)	1,855
Ophthalmology	6,250	6,425	65	(250)	12,360
Parkridge Volunteer Auxiliary	5,296	129,232	10,335	-	124,193
BHS Board of Trustees Quasi Endowment	424,059	261,068	-	(2,120)	683,007
Pediatric Trauma Quasi Endowment	28,961	1,337	-	(1,411)	28,887
Neonatology Quasi Endowment	362,519	2,919	5,000	(3,625)	356,813
Graduate Medical Educ & Research Quasi Endowment	773,422	6,877	60,000	(7,734)	712,565
Continuing Medical Educ Quasi Endowment	385,244	53,768	281,000	(3,846)	154,166

Prisma Health Midlands Foundation and Subsidiary

Statement of Changes in Net Assets

For the year ended September 30, 2019

	September 30, 2018	Revenues, gains (losses) and other support	Expenses	Transfers In (Out)	September 30, 2019
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	250	-	-	1,200,250
E.J. Dennis Endowment	113,707	-	-	-	113,707
Eleanor Clark Endowment	300,000	-	-	-	300,000
F. S. Smith, Jr. Endowment	106,846	-	-	-	106,846
Frederick Blair Bauknight Endowment	12,500	-	-	-	12,500
Greyson Draughon Carlisle Endowment	26,592	125	-	-	26,717
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	28,530	1,000	-	-	29,530
Linda Wells Camp Kemo Endowment	19,875	2,000	-	-	21,875
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	110,771	-	-	-	110,771
SC Endowment	785,280	-	-	-	785,280
Tate Scholarship Endowment	19,001	-	-	-	19,001
Thomas Pitts Endowment	3,668,482	-	-	-	3,668,482
W.L. Ivey Fellowship Endowment	80,171	-	-	-	80,171
Net assets with donor restrictions	<u>28,455,944</u>	<u>6,874,149</u>	<u>7,919,671</u>	<u>(894,381)</u>	<u>26,516,041</u>
Totals	<u>\$ 35,389,771</u>	<u>\$ 9,431,584</u>	<u>\$ 11,076,027</u>	<u>\$ -</u>	<u>\$ 33,745,328</u>