

Obici Healthcare Foundation, Inc.

Financial Statements

Years Ended March 31, 2018 and 2017

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Independent Auditors' Report

Board of Directors
Obici Healthcare Foundation, Inc.
Suffolk, Virginia

We have audited the accompanying financial statements of Obici Healthcare Foundation, Inc., which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Obici Healthcare Foundation, Inc. as of March 31, 2018 and 2017, 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.

Dixon Hughes Goodman LLP

**Newport News, Virginia
September 5, 2018**

Obici Healthcare Foundation, Inc.
Statements of Financial Position
March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,000,680	\$ 2,725,176
Accrued interest and dividends receivable	11,085	1,369
Refundable unrelated business income and excise taxes	<u>49,000</u>	<u>167,266</u>
Total current assets	9,060,765	2,893,811
Investments (Note 3)	111,954,438	111,191,651
Property and equipment, net (Note 4)	1,585,015	1,676,789
Other assets (Note 6)	<u>698,206</u>	<u>720,672</u>
	<u>\$ 123,298,424</u>	<u>\$ 116,482,923</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 167,509	\$ 40,947
Grants payable	1,481,665	2,826,122
Current portion of long-term debt (Note 7)	<u>83,785</u>	<u>80,525</u>
Total current liabilities	1,732,959	2,947,594
Long-term debt, net of unamortized debt issuance costs - less current portion (Note 7)	1,202,185	1,283,499
Deferred federal excise taxes (Note 5)	<u>657,236</u>	<u>588,272</u>
Total liabilities	3,592,380	4,819,365
Unrestricted net assets	<u>119,706,044</u>	<u>111,663,558</u>
Total liabilities and net assets	<u>\$ 123,298,424</u>	<u>\$ 116,482,923</u>

See accompanying notes.

Obici Healthcare Foundation, Inc.
Statements of Activities
Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue, gains and other support:		
Investment income:		
Interest and dividends	\$ 95,286	\$ 54,582
Net realized and unrealized gains on investments	<u>13,040,977</u>	<u>16,417,043</u>
Investment income before investment fees	13,136,263	16,471,625
Investment fees	<u>(656,211)</u>	<u>(605,282)</u>
Investment income, net	12,480,052	15,866,343
Other gain (loss)	<u>599</u>	<u>(412)</u>
Total revenue, gains (losses) and other support	<u>12,480,651</u>	<u>15,865,931</u>
Expenses:		
Grants	2,678,681	5,852,233
Program and administrative	<u>1,444,475</u>	<u>1,172,558</u>
Total expenses	4,123,156	7,024,791
Provision for unrelated business income and excise taxes (Note 5)	<u>315,009</u>	<u>325,706</u>
Total expenses	<u>4,438,165</u>	<u>7,350,497</u>
Change in net assets	8,042,486	8,515,434
Net assets, beginning of year	<u>111,663,558</u>	<u>103,148,124</u>
Net assets, end of year	<u>\$ 119,706,044</u>	<u>\$ 111,663,558</u>

See accompanying notes.

Obici Healthcare Foundation, Inc.
Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 8,042,486	\$ 8,515,434
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Depreciation	101,048	102,833
Amortization of debt issuance costs	2,472	2,472
Loss on disposal of property and equipment	993	1,734
Net realized and unrealized gains on investments	(13,040,977)	(16,417,043)
Deferred federal excise taxes	68,964	240,550
Change in assets and liabilities:		
Accrued interest and dividends receivable	(9,716)	2,648
Refundable unrelated business income and excise taxes	118,266	(167,266)
Other assets	22,466	4,585
Accounts payable and accrued expenses	126,562	(310,372)
Grants payable	(1,344,457)	1,533,771
Net cash used by operating activities	<u>(5,911,893)</u>	<u>(6,490,654)</u>
Cash flows from investing activities:		
Purchase of investments	(12,379,848)	(13,262,328)
Proceeds from sale of investments	24,658,036	16,054,426
Purchase of property and equipment	(10,266)	(20,204)
Net cash provided by investing activities	<u>12,267,922</u>	<u>2,771,894</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(80,525)	(77,393)
Net increase (decrease) in cash and cash equivalents	6,275,504	(3,796,153)
Cash and cash equivalents, beginning of year	<u>2,725,176</u>	<u>6,521,329</u>
Cash and cash equivalents, end of year	<u>\$ 9,000,680</u>	<u>\$ 2,725,176</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 53,068</u>	<u>\$ 56,201</u>
Cash paid for excise taxes	<u>\$ 11,626</u>	<u>\$ 201,422</u>

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

Obici Healthcare Foundation, Inc. (the Foundation) is a not-for-profit, nonstock health foundation incorporated in the Commonwealth of Virginia and organized as a private foundation since April 1, 2006. The Foundation provides assistance to those organizations working to meet community health needs in Suffolk, Virginia and surrounding communities, giving attention first to meeting unmet healthcare needs of the indigent and uninsured, and also including the support of programs which have been the primary purpose of preventing and reducing illness and disease. These activities are supported by income from the Foundation's investment portfolio.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Class of net assets

The Foundation reports its financial position according to three classes of net assets as follows:

- **Unrestricted** amounts are net assets that are not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the Foundation's mission.
- **Temporarily restricted** amounts are those that are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- **Permanently restricted** amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

The Foundation has no temporarily or permanently restricted net assets.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash held in checking accounts, money market investments and highly liquid investments with original maturities of three months or less.

Obici Healthcare Foundation, Inc.
Notes to Financial Statements

Investments

Investments in equity securities with readily determinable fair values and all investments in exchange traded funds, equity and bond mutual funds are carried at fair value determined by quoted market prices in the accompanying statements of financial position. Nonreadily marketable investments, consisting primarily of investments in U.S. limited partnerships and corporations, foreign investment corporations and common collective trusts, are carried at net asset value (NAV) per share as the practical expedient estimate of fair value if a) the underlying investment manager's calculation of NAV is fair value based and b) the NAV has been calculated as of the Foundation's fiscal year end date. Accordingly, such carrying values could differ materially from the values that would have been used had a ready market for the investments existed. The net asset values provided by the managers are reviewed and evaluated by Foundation personnel for reasonableness.

Gains and losses on investments are recognized in the accompanying statements of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations. Investment transactions are recorded on a trade-date basis. Dividends are reported on the ex-dividend date. In computing the realized and unrealized gains or losses, cost has been determined on the specific identification method.

Dividend, interest and other investment income are reported in the period earned as increases in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

Investment fees shown in the accompanying statements of activities consists of fees from Level 1 investments only. All other fees are not readily determinable.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs are reported as a component of interest expense and is computed using the effective interest method.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets, which range from three to forty-five years. Routine maintenance and repairs are charged to expense when incurred.

Grant expenditures

Grant expenditures are recognized in the period the grant is approved, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. At March 31, 2018 and 2017, all grants payable were current liabilities.

Presentation of expenses

The cost of funding certain programs and other services of the Foundation are reported on a functional basis in the accompanying statements of activities. Accordingly, expenses have been classified among healthcare grants and program and administrative expenses. Program and administrative expenses relate to activities which support the grant making process as well as administrative operational costs.

Obici Healthcare Foundation, Inc.
Notes to Financial Statements

Income taxes

The Foundation has been recognized by the Internal Revenue Service as tax exempt under Section 501 (c)(3) of the Internal Revenue Code of 1986 (the Code) and as a private foundation under Section 509(a) of the Code. In accordance with the Tax Reform Act of 1969 (the Act), the Foundation is subject to an excise tax on net investment income, including realized gains, as defined by the Act. The Act also requires that certain minimum distributions be made each year. The amount of these distributions is determined in accordance with a specified formula. Based on this formula, qualifying distributions in excess of the minimum required were made during 2018 and 2017.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Concentrations of credit risk

Financial instruments which potentially subject the Foundation to concentrations of credit and/or market risk consist principally of cash and cash equivalents and investments. The Foundation places its temporary cash and money market accounts with creditworthy, high quality financial institutions. A significant portion of the funds are not insured by the Federal Deposit Insurance Corporation.

The Foundation has significant investments in equity securities and nonreadily marketable investments. Investments are made primarily by investment managers engaged by the Foundation, and the investments are monitored by management and the Investment Committee of the Board of Directors of the Foundation. As part of the fiduciary oversight of the investments, the Foundation's portfolio has been diversified in various investment categories in accordance with the Foundation's investment policy.

Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 5, 2018, the date the financial statements were available to be issued.

3. Investments

The Foundation's investments at March 31, 2018 and 2017, are as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Readily marketable investments:				
US equity securities	\$ 6,464,026	\$ 6,966,415	\$ 5,774,189	\$ 6,638,951
Exchange traded funds	2,499,976	1,840,562	2,499,976	1,956,577
Nonreadily marketable investments:				
Limited partnership and corporations	32,150,969	47,548,059	32,078,565	45,653,937
Foreign investment corporations	37,977,664	55,599,402	41,425,322	56,942,186
	<u>\$ 79,092,635</u>	<u>\$111,954,438</u>	<u>\$ 81,778,052</u>	<u>\$ 111,191,651</u>

Change in net unrealized gains included in change in net assets relating to assets held at March 31, 2018 and 2017 were \$3,448,204 and \$12,027,519, respectively.

Fair value measurements

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon a three-tier fair value hierarchy. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These tiers include the following:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• 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 for substantially the full term of the assets or liabilities. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement of the assets or liabilities. |

The following discussion describes the valuation methodologies used for financial assets measured at fair value. Care should be exercised in deriving conclusions about the Foundation's financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset and does not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values of equity securities and exchange traded funds have been determined by the Foundation from observable market quotations. The Foundation's interest in the shares of common collective trusts, total partnerships and corporations and foreign investment corporations is recorded at the net asset value per share, as provided by external investment managers as the practical expedient estimate of fair value.

Certain investment managers of nonreadily marketable investments use investment strategies and techniques designed to achieve higher investment returns with lower volatility and low correlation to major market indices. These strategies and techniques, which include the use of leverage, futures and forward contracts, option agreements and other derivative instruments, create special risks and could increase the impact of adverse security price movements on the Foundation's investment portfolio. At March 31, 2018 and 2017, the Foundation had unfunded commitments related to limited partnerships and corporations currently invested in of \$19,007,318 and \$4,274,725, respectively, and committed to, but not invested in of \$2,500,000 and \$7,100,000, respectively. Nonreadily marketable investments also contain liquidity restrictions, which are as follows at March 31, 2018 and 2017:

Obici Healthcare Foundation, Inc.
Notes to Financial Statements

Limited Partnerships and Corporations

At March 31, 2018, approximately 49% of these investments are eligible for redemption either on a daily, monthly or quarterly basis, subject to certain restrictions, which include a notice period of 48 hours to 60 days. Approximately 10% of these investments are subject up to a 3 year lock-up period. These redemption restrictions will lapse in December, 2019 but will automatically renew for another 3 year period unless the Foundation elects to withdraw interest. Approximately 41% of these investments cannot be redeemed during the life of the partnerships. Approximately 36% of these investments have remaining lives ranging from 1 to 7 years and the life is unknown for the remaining approximately 5% of these investments. When the underlying assets are sold, the proceeds, less any incentives due to the partnerships' general partner, are to be distributed to the investors.

At March 31, 2017, approximately 47% of these investments are eligible for redemption either on a daily, monthly or quarterly basis, subject to certain restrictions, which include a notice period of 48 hours to 60 days. Approximately 16% of these investments are subject to a 3 year lock-up period. These redemption restrictions will lapse in December, 2019 but will automatically renew for another 3 year period unless the Foundation elects to withdraw interest. Approximately 37% of these investments cannot be redeemed during the life of the partnerships which have remaining lives ranging from 1 to 8 years. When the underlying assets are sold, the proceeds, less any incentives due to the partnerships' general partner, are to be distributed to the investors.

Foreign Investment Corporations

At March 31, 2018, approximately 86% of these investments are eligible for redemption either on a monthly, quarterly, annual or bi-annual basis, subject to certain restrictions, which include a notice period of 30 to 120 days. Approximately 14% of these investments are subject to a 2 to 3 year lock-up period. One redemption restriction will lapse in March 2020 and the other will lapse in April, 2019 but will automatically renew for another 3 year period unless the Foundation elects to withdraw its interest or lapse in January 2019. Approximately 1% of these investments cannot be redeemed during the life of the partnership. The life of these investments is unknown at this time.

At March 31, 2017, approximately 83% of these investments are eligible for redemption either on a monthly, quarterly or bi-annual basis, subject to certain restrictions, which include a notice period of 30 to 90 days. Approximately 17% of these investments are subject to a 1 to 3 year lock-up period. These redemption restrictions will lapse in April, 2019 but will automatically renew for another 3 year period unless the Foundation elects to withdraw its interest or lapse in January 2019.

The following tables present the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of March 31, 2018 and 2017.

	2018			
	Fair Value Measurements at March 31 using			
	Level 1	Level 2	Level 3	Fair Value
US equity securities:				
Small cap equity securities	\$ 6,966,415	\$ -	\$ -	\$ 6,966,415
Total US equity securities	6,966,415	-	-	6,966,415
Exchange traded funds:				
Oil and gas exploration and production	1,840,562	-	-	1,840,562
Total exchange traded funds	1,840,562	-	-	1,840,562

Obici Healthcare Foundation, Inc.
Notes to Financial Statements

Partnerships and corporations measured
at net asset value: ^(a)

International closed end funds	-	-	-	3,131,280
Global equity securities	-	-	-	10,999,998
Global equity fund of hedge funds	-	-	-	4,451,078
US corporate credit	-	-	-	8,141,889
US micro-cap equity securities	-	-	-	3,919,244
US opportunistic value	-	-	-	4,957,095
US investment grade government and corporate	-	-	-	5,231,975
Private equity	-	-	-	328,756
Resources	-	-	-	926,808
Frontier markets equity	-	-	-	524,596
Real estate	-	-	-	4,935,340
	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,548,059</u>
Total partnerships and corporations	-	-	-	47,548,059

Foreign investment corporations measured
at net asset value: ^(a)

ASEAN long-only equity	-	-	-	3,498,881
Brazil public/private equity	-	-	-	1,428,805
China long/short equity	-	-	-	4,351,861
Global long-only equity	-	-	-	9,593,459
Global distressed credit hedge	-	-	-	4,217,826
Global long/short equity hedge	-	-	-	7,617,778
European long-only equity	-	-	-	11,297,217
Private equity	-	-	-	695,327
US long-only equity	-	-	-	1,344,542
US long/short opportunistic	-	-	-	6,683,455
US credit markets	-	-	-	4,870,251
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,870,251</u>
Total foreign investment corporations	-	-	-	55,599,402
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$111,954,438</u>

2017

Fair Value Measurements at March 31 using

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
US equity securities:				
Small cap equity securities	\$ 6,638,951	\$ -	\$ -	\$ 6,638,951
Total US equity securities	<u>6,638,951</u>	<u>-</u>	<u>-</u>	<u>6,638,951</u>
Exchange traded funds:				
Oil and gas exploration and production	<u>1,956,577</u>	<u>-</u>	<u>-</u>	<u>1,956,577</u>
Total exchange traded funds	<u>1,956,577</u>	<u>-</u>	<u>-</u>	<u>1,956,577</u>

Obici Healthcare Foundation, Inc.
Notes to Financial Statements

Partnerships and corporations measured
at net asset value: ^(a)

International closed end funds	-	-	-	2,604,542
Global equity securities	-	-	-	10,249,131
Global equity fund of hedge funds	-	-	-	7,335,677
US corporate credit	-	-	-	7,415,736
US micro-cap equity securities	-	-	-	3,848,603
US opportunistic value	-	-	-	4,715,990
US investment grade government and corporate	-	-	-	4,945,747
Real estate	-	-	-	<u>4,538,511</u>
Total partnerships and corporations	-	-	-	<u>45,653,937</u>

Foreign investment corporations measured
at net asset value: ^(a)

ASEAN long-only equity	-	-	-	2,936,619
Brazil public/private equity	-	-	-	1,671,242
China long/short equity	-	-	-	4,279,911
Global long-only equity	-	-	-	9,752,285
Global distressed credit hedge	-	-	-	5,823,566
Global long/short equity hedge	-	-	-	7,589,586
European long-only equity	-	-	-	11,913,013
US long/short opportunistic	-	-	-	5,639,417
US credit markets	-	-	-	<u>7,336,547</u>
Total foreign investment corporations	-	-	-	<u>56,942,186</u>
	<u>\$ 8,595,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$111,191,651</u>

(a) In accordance with the amendments to Subtopic 820-10 from ASU 2015-07, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

4. Property and Equipment

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Building	\$ 1,616,468	\$ 1,616,468
Land improvements	432,748	432,748
Furniture and fixtures	179,343	175,851
Equipment	74,283	73,304
Land	102,507	102,507
Building improvements	<u>5,150</u>	<u>5,150</u>
	2,410,499	2,406,028
Accumulated depreciation	<u>(825,484)</u>	<u>(729,239)</u>
Property and equipment, net	<u>\$ 1,585,015</u>	<u>\$ 1,676,789</u>

Depreciation expense was \$101,048 and \$102,833 for 2018 and 2017, respectively.

5. Federal Excise and Unrelated Business Income Taxes

The Foundation is subject to an excise tax of 1% or 2% on its net investment income. The applicable excise tax rate is dependent upon the amount of qualifying distributions made by the Foundation and additional excise tax penalties may be assessed if certain minimum distributions are not made. The Foundation was subject to an excise tax rate of 2% and 1%, respectively, for 2018 and 2017. A deferred federal excise tax liability is estimated based on cumulative net unrealized gains as of year-end.

The Foundation is also subject to unrelated business income tax (UBIT) on income from certain investments on both the federal and state level. The amount of UBIT incurred for 2018 and 2017 was approximately \$-0- and \$49,000, respectively.

6. Art Collection

On April 1, 2006, Obici Health System contributed a collection of artwork to the Foundation appraised at approximately \$660,000. This amount is included as other assets on the statements of financial position.

7. Long-Term Debt

In 2010, the Foundation issued Economic Development Authority of the City of Suffolk Revenue Bonds (Obici Healthcare Foundation Inc.) Series 2010 in the amount of \$1,850,000. In January 2016, the bonds were reissued. The revised repayment schedule consists of monthly installments of principal and interest of \$11,107 and a final payment of \$701,608 due July 1, 2024. The note contains a fixed interest rate of 3.92% for the term of the bond. The bond is unsecured, however, any assets of the Foundation not already encumbered must be maintained free and clear of all liens, encumbrances and pledges. The bond also contains several financial covenants with which management determined the Foundation was in compliance at March 31, 2018 and 2017.

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the long-term debt. Amortization of these costs of \$2,472 in both 2018 and 2017 are reported as a component of interest expense, which is included in program and administrative expenses on the statements of activities, over the term of the loan. Accumulated amortization was \$19,776 and \$17,304 at March 31, 2018 and 2017, respectively.

Future principal payments are as follows:

<u>Year Ending March 31,</u>	
2019	\$ 83,785
2020	86,815
2021	90,372
2022	94,030
2023	97,836
Thereafter	<u>838,140</u>
	1,290,978
Unamortized debt issuance costs	<u>(5,008)</u>
	<u>\$ 1,285,970</u>

8. Retirement Plan

The Foundation has a qualified employee benefit 403(b) retirement plan intended to comply with all applicable federal laws and regulations, including the Code, as amended, and the Employee Retirement Income Security Act of 1974. The Foundation makes both matching and nonmatching discretionary contributions to the individual accounts of eligible employees. Contributions are based on compensation during the calendar year. The Foundation contributed \$28,555 and \$20,275 during 2018 and 2017, respectively. These amounts are included in programs and administrative expenses on the statements of activities.

9. Related Party Relationships

During both 2018 and 2017, the Foundation had banking and investment relationships with a financial institution for which a Board Member also served on the regional advisory board. All of the Foundations cash and money market accounts are held with this financial institution. The financial institution also serves as the custodian for the Foundation's investment portfolio. Management fees paid to the financial institution during 2018 and 2017 approximated \$90,000 and \$72,000, respectively.