

THE EAST HAMPTON HEALTHCARE FOUNDATION

Financial Statements

for the years ended  
December 31, 2015 and 2014

THE EAST HAMPTON HEALTHCARE FOUNDATION

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# ***Sabel & Oplinger, CPA, PC***

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
The East Hampton Healthcare Foundation  
East Hampton, New York 11937

We have audited the accompanying financial statements of The East Hampton Healthcare Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2015 and 2014, 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.

### **Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The East Hampton Healthcare Foundation as of December 31, 2015 and 2014, 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.

*Sabel & Oplinger*

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Sabel & Oplinger, CPA, PC  
Southampton, New York

February 18, 2016

THE EAST HAMPTON HEALTHCARE FOUNDATION

Statements of Financial Position

Assets	December 31	
	2015	2014
Current Assets		
Cash and cash equivalents		
Unrestricted (Note 3)	\$ 1,257,667	\$ 780,862
Restricted cash	1,053,750	312,604
Investments	767,956	1,028,849
Accounts receivable	24,475	5,738
Prepaid expenses	22,589	23,317
Total Current Assets	<u>3,126,437</u>	<u>2,151,370</u>
Property and Equipment		
Land	718,562	718,562
Building and improvements	3,092,985	3,091,540
Leasehold improvements – Urgent Care	749,150	749,150
Equipment	124,822	117,336
Equipment – Urgent Care	204,647	204,647
Furnishings	52,758	52,758
Less: Accumulated depreciation	<u>(1,649,288)</u>	<u>(1,521,074)</u>
Net Property and Equipment	<u>3,293,636</u>	<u>3,412,919</u>
Other Assets		
Permanently restricted investments (Note 4)	895,463	1,620,990
Tenant security deposits	20,967	20,959
Rent security – Urgent Care	23,156	23,133
Total Other Assets	<u>939,586</u>	<u>1,665,082</u>
Total Assets	<u>\$ 7,359,659</u>	<u>\$ 7,229,371</u>
Liabilities and Net Assets		
Current Liabilities		
Accrued expenses payable	\$ 47,490	\$ 40,882
Total Current Liabilities	<u>47,490</u>	<u>40,882</u>
Other Liability		
Tenant security deposits payable	<u>20,967</u>	<u>20,960</u>
Total Liabilities	<u>68,457</u>	<u>61,842</u>
Net Assets		
Unrestricted	5,341,989	5,244,867
Temporarily restricted	26,892	15,197
Permanently restricted (Note 4)	<u>1,922,321</u>	<u>1,907,465</u>
Total Net Assets	<u>7,291,202</u>	<u>7,167,529</u>
Total Liabilities and Net Assets	<u>\$ 7,359,659</u>	<u>\$ 7,229,371</u>

See Independent Auditors' Report and  
Notes to Financial Statements

THE EAST HAMPTON HEALTHCARE FOUNDATION

Statements of Activities

for the years ended

				<u>December 31</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>					
Contributions	\$ 576,942	\$ 55,750	\$ -	\$ 632,692	\$ 417,654
Rental income	470,569	-	-	470,569	459,214
Investment income (losses), net of fees	(7,305)	-	(75,445)	(82,750)	64,285
Change in unrealized gains (losses) on investments	15,606	-	75,120	90,726	7,248
Released from restrictions	<u>28,874</u>	<u>(44,055)</u>	<u>15,181</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,084,686</u>	<u>11,695</u>	<u>14,856</u>	<u>1,111,237</u>	<u>948,401</u>
<b>Expenses</b>					
Rental expenses, net of reimbursements	269,237	-	-	269,237	266,560
Program expenses	582,614	-	-	582,614	617,169
<b>Supporting Services:</b>					
Fundraising expenses	5,138	-	-	5,138	3,228
General and administrative expenses	<u>130,575</u>	<u>-</u>	<u>-</u>	<u>130,575</u>	<u>128,250</u>
Total Expenses	<u>987,564</u>	<u>-</u>	<u>-</u>	<u>987,564</u>	<u>1,015,207</u>
Changes in Net Assets	97,122	11,695	14,856	123,673	(66,806)
Net assets, beginning of year	<u>5,244,867</u>	<u>15,197</u>	<u>1,907,465</u>	<u>7,167,529</u>	<u>7,234,335</u>
Net assets, end of year	<u>\$ 5,341,989</u>	<u>\$ 26,892</u>	<u>\$ 1,922,321</u>	<u>\$ 7,291,202</u>	<u>\$ 7,167,529</u>

See Independent Auditors' Report and  
Notes to Financial Statements

THE EAST HAMPTON HEALTHCARE FOUNDATION

Statements of Cash Flows

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in net assets	\$ 123,673	\$ (66,806)
Adjustments to reconcile the changes in net assets to net cash provided by operating activities:		
Depreciation	128,213	139,704
Change in unrealized (gain) loss on investments	(90,726)	(7,248)
(Increase) Decrease in:		
Accounts receivable	(18,737)	(2,818)
Prepaid expenses	728	1,102
Tenant security deposits	(8)	(9)
Rent security – Urgent Care	(23)	(67)
Increase (Decrease) in:		
Accrued expenses	6,608	3,731
Tenant security deposits payable	<u>7</u>	<u>10</u>
Net Cash Provided by Operating Activities	<u>149,735</u>	<u>67,599</u>
<u>Cash Flows from Investing Activities:</u>		
Net investment activity	1,077,146	2,886
Expenditures for property and equipment	<u>(8,930)</u>	<u>(39,587)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,068,216</u>	<u>(36,701)</u>
Net Increase in Cash	1,217,951	30,898
Cash and Cash Equivalents, beginning of year	<u>1,093,466</u>	<u>1,062,568</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,311,417</u>	<u>\$ 1,093,466</u>

See Independent Auditors' Report and  
Notes to Financial Statements

# THE EAST HAMPTON HEALTHCARE FOUNDATION

## Notes to Financial Statements

December 31, 2015

Note 1 - Purpose of the Foundation

The East Hampton Healthcare Foundation (the Foundation) is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Founded in 1998, the Foundation was established to improve the availability and quality of healthcare services in the Town of East Hampton, New York for the benefit of the general public, including residents of East Hampton, visitors, the indigent and underinsured. The Foundation will also conduct research regarding the availability and quality of healthcare services in the community, educate the general public regarding the same, stimulate community participation and encourage public interest in a system of healthcare that will promote prevention, treatment and wellness.

Note 2 - Date of Management's Review

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition of disclosure through February 18, 2016, the date that the financial statements were available to be issued.

Note 3 - Significant Accounting Policies

The summary of significant accounting policies of The East Hampton Healthcare Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who are responsible for their integrity and objectivity.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. For the year ended December 31, 2015, the Foundation had all three classes of net assets.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged.

See Independent Auditors' Report

THE EAST HAMPTON HEALTHCARE FOUNDATION

Notes to Financial Statements

December 31, 2015

Note 3 - Significant Accounting Policies - Continued

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management may make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the revenue and expenses during the reported periods. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with original maturity of three months or less to be cash equivalents. The cash accounts are as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted:		
Operating	\$ 797,617	\$ 495,297
Depreciation reserve	190,456	220,261
Program development	<u>176,711</u>	<u>16,121</u>
Subtotal	1,164,784	731,679
Board designated	<u>92,883</u>	<u>49,183</u>
Total Unrestricted	<u>\$ 1,257,667</u>	<u>\$ 780,862</u>
Restricted:		
Operating (temporarily restricted)	\$ 26,892	\$ 15,197
Restricted endowment	<u>1,026,858</u>	<u>297,407</u>
Total Restricted	<u>\$ 1,053,750</u>	<u>\$ 312,604</u>
Total Cash and Cash Equivalents	<u>\$ 2,311,417</u>	<u>\$ 1,093,466</u>

See Independent Auditors' Report

# THE EAST HAMPTON HEALTHCARE FOUNDATION

## Notes to Financial Statements

December 31, 2015

### Note 3 - Significant Accounting Policies – Continued

#### Concentration of Credit Risk

The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Foundation deposits its cash and cash equivalents with what it believes to be quality financial institutions, and at times during the year the balances have exceeded the federally insured limits. The Foundation believes no significant concentration of credit risk exists with respect to its cash and cash equivalents.

#### Investments

Investments in marketable securities, money markets and certificates of deposits are reported at their fair values in the statement of financial position. Investment income and any realized and unrealized gains and losses are included in the statement of activities. Investments received through donations are recorded at fair market value at the date of donation.

#### Property, Equipment and Depreciation

Expenditures for property and equipment are capitalized at cost. Donated assets are capitalized at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over estimated useful lives of the assets.

Depreciation expense for the years ending December 31, 2015 and 2014 are \$128,213 and \$139,704 respectively.

#### Contributed Services

A number of volunteers have donated significant amounts of their time to the Foundation's program services and its fundraising campaigns. The value of this contributed time is not reported in these statements as it does not meet the criteria for recognition. The Foundation also provides office space to other not-for-profit medical organizations at no cost.

Management estimates the non-revenue program cost to the Foundation to be approximately \$25,632.

#### Functional Allocation of Expenses

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

THE EAST HAMPTON HEALTHCARE FOUNDATION

Notes to Financial Statements

December 31, 2015

Note 4 - Permanently Restricted Investments

The permanently restricted investments consist of a gift from the Estate of Arthur Ross to establish the Arthur and Janet C. Ross Endowment Fund. The earnings from the fund are the greater of the funds net income or 4% of the fund which are valued annually. The principal is to remain in perpetuity and the earnings are to be used at the discretion of the Foundation's Board of Trustees to support the mission of the Foundation.

Note 5 - Investments – Fair Value

These investments consist of cash, certificates of deposit and marketable securities with readily determinable fair values. The investments in marketable securities are reported at their fair values in the statement of financial position. Investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Unrealized gains and losses are included in the statement of activities.

The relationship between carrying values (cost) and fair values of investments as of December 31, 2015 is as follows:

	Carrying Value	Fair Value	Unrealized Adjustment
Balance, beginning of year	\$ 2,775,505	\$ 2,649,839	\$ (125,666)
Balance, end of year	<u>\$ 1,698,359</u>	<u>\$ 1,663,419</u>	<u>\$ (34,940)</u>
Unrealized Adjustment			<u>\$ 90,726</u>

Fair value investments at the end of the year consist of the following:

	December 31	
	2015	2014
Permanently restricted investments	\$ 895,463	\$ 1,620,990
Unrestricted investments – marketable securities and certificate of deposits	<u>767,956</u>	<u>1,028,849</u>
Total Fair Value	<u>\$ 1,663,419</u>	<u>\$ 2,649,839</u>

See Independent Auditors' Report

THE EAST HAMPTON HEALTHCARE FOUNDATION

Notes to Financial Statements

December 31, 2015

Note 6 - Tax Exempt Status

The Foundation has been classified by the Internal Revenue Service as a publicly supported tax-exempt charity pursuant to IRC Section 501(c)(3) and as a not-for-profit corporation under the laws of New York State. Accordingly, no provision for Federal or State income taxes is required. The Organization's tax returns for the year 2012 and forward are subject to the usual review by the appropriate taxing authorities.

Note 7 - Lease - Tenant Rentals

The Foundation is renting office space to provide medical services to the community. The individual leases are for terms varying from one to five years, with annual escalations of rent and maintenance charges. The annual rental expenses include depreciation expense of \$91,931.

The projected future minimum tenant rentals are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 514,261
2017	529,689
2018	545,579
2019	561,947
2020	578,805

Note 8 - Lease - Urgent Care Facility

- The Foundation entered into a net lease for the urgent care facility on January 1, 2008. The lease is for ten (10) years with a five (5) year option to renew.

The future obligations for the next five (5) years are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 122,615
2017 (Final)	124,699

- The property was sublet commencing 2012 at the same terms and conditions.

THE EAST HAMPTON HEALTHCARE FOUNDATION

Notes to Financial Statements

December 31, 2015

Note 9 - Summarized Financial Information for 2014

The financial statements include prior year summarized comparative information in total but not by net asset class in the Statement of Activities. Such information does not include sufficient detail to constitute a presentation in conformity with United States generally accepted accounting principles. Accordingly, such information should only be read in conjunction with the Foundation's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

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To the Board of Trustees  
The East Hampton Healthcare Foundation  
East Hampton, New York 11937

In planning and performing our audit of the financial statements of The East Hampton Healthcare Foundation as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in the internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected, and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use by management of The East Hampton Healthcare Foundation and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Sabel & Oplinger*

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Sabel & Oplinger, CPA, PC  
Southampton, New York

February 18, 2016

***Sabel & Oplinger, CPA, PC***  
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To the Board of Trustees  
The East Hampton Healthcare Foundation  
East Hampton, New York 11937

In planning and performing our audit of the financial statements of The East Hampton Healthcare Foundation for the year ending December 31, 2015 we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

The overall controls and procedures for receipts and disbursements were tested and are in compliance with policies established by management.

The accompanying comments and recommendations are intended solely for the information and use by management of the South Fork Country Club and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to make the following comments and recommendations for the current audit:

- The permanently restricted funds are still below the two million dollar principal amount. As a result, we did not recommend transferring the earnings to the operating account. The board should discuss and approve a policy for the endowment fund which addresses the transfers of earnings in years that the value is below the state principal amount. Please feel free to call us to discuss further.
- Please be sure to continue to prepare the NYS Wage Notification forms upon salary increases for employees.
- The Board should sign its annual conflict of interest disclosure statements for 2016 as required by the NYS Charities Bureau.
- Please be sure to review the By Laws every few years and update them as necessary.
- Insurance policies should be reviewed every few years with the broker to ensure proper coverage and the related discussions should be documented in the board minutes.

We appreciate the opportunity to be of service to The East Hampton Healthcare Foundation and if you have any questions please give us a call.

*Sabel & Oplinger*

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Sabel & Oplinger, CPA, PC

February 18, 2016