

Consolidated Financial Statements

Clinton Memorial Hospital Foundation, Inc.

*Year ended December 31, 2001 with Report of Independent Auditors*





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Board of Trustees  
Clinton Memorial Hospital Foundation  
Wilmington, OH 45177-0600

We have reviewed the Independent Auditor's Report of the Clinton Memorial Hospital Foundation, Clinton County, prepared by Ernst & Young, for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Clinton Memorial Hospital Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

September 9, 2002

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Clinton Memorial Hospital Foundation, Inc.

Consolidated Financial Statements

Year ended December 31, 2001

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## Report of Independent Auditors

Board of Trustees  
Clinton Memorial Hospital Foundation, Inc.

We have audited the accompanying consolidated statement of financial position of Clinton Memorial Hospital Foundation, Inc. (the Foundation), as of December 31, 2001, and the related consolidated statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Clinton Memorial Hospital Foundation, Inc. at December 31, 2001, and the consolidated results of its activities and changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with the *Government Auditing Standards*, we have issued a report dated May 3, 2002 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.



May 3, 2002

Clinton Memorial Hospital Foundation, Inc.

Consolidated Statement of Financial Position

December 31, 2001

**Assets**

Cash and cash equivalents	\$ 2,013,097
Investments	39,496
Net pledges and accounts receivable	1,629,457
Inventory	36,610
Charitable remainder trust receivable	2,176,694
Property, building and equipment, net	838,834
Total assets	<u>\$ 6,734,188</u>

**Liabilities and net assets**

Accounts payable	\$ 6,596
Note payable	432,990
Interest payable	3,181
Split-interest agreement obligations	370,633
Donor annuity obligations	901,453
Total liabilities	<u>1,714,853</u>

Net assets:

Unrestricted	885,043
Temporarily restricted	2,669,413
Permanently restricted	1,464,879
Total net assets	<u>5,019,335</u>
Total liabilities and net assets	<u>\$ 6,734,188</u>

*See accompanying notes.*

Clinton Memorial Hospital Foundation, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year ended December 31, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Interest income	\$ 20,903	\$ 25,611	\$ 20,277	\$ 66,791
Contributions	710,032	1,866,903	118,895	2,695,830
Special events, net of direct costs of \$32,483	(5,656)	34,931	-	29,275
Auxiliary revenue	89,416	-	-	89,416
	<u>814,695</u>	<u>1,927,445</u>	<u>139,172</u>	<u>2,881,312</u>
Net assets released from restrictions	263,012	(263,012)	-	-
Total revenue and other support	<u>1,077,707</u>	<u>1,664,433</u>	<u>139,172</u>	<u>2,881,312</u>
Expenses:				
Grants and awards	81,867	-	-	81,867
Distribution to affiliate	117,487	-	-	117,487
Auxiliary expenses	68,833	-	-	68,833
Depreciation	3,708	-	-	3,708
Administrative expenses	107,720	-	-	107,720
Total expenses	<u>379,615</u>	<u>-</u>	<u>-</u>	<u>379,615</u>
Excess of revenue and other support over expenses	698,092	1,664,433	139,172	2,501,697
Other changes in net assets:				
Change in valuation of charitable remainder trust	-	-	(507,281)	(507,281)
Other	(49,677)	56,888	-	7,211
	<u>648,415</u>	<u>1,721,321</u>	<u>(368,109)</u>	<u>2,001,627</u>
Increase (decrease) in net assets	<u>648,415</u>	<u>1,721,321</u>	<u>(368,109)</u>	<u>2,001,627</u>
Net assets at beginning of year	<u>236,628</u>	<u>948,092</u>	<u>1,832,988</u>	<u>3,017,708</u>
Net assets at end of year	<u>\$ 885,043</u>	<u>\$ 2,669,413</u>	<u>\$ 1,464,879</u>	<u>\$ 5,019,335</u>

See accompanying notes.

Clinton Memorial Hospital Foundation, Inc.

Consolidated Statement of Cash Flows

December 31, 2001

<b>Operating activities</b>	
Increase in net assets	\$ 2,001,627
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	3,708
Change in valuation of charitable trust	507,281
Contributions of charitable trust	(97,905)
Donation of property, building and equipment	(185,000)
Net change in operating assets and liabilities:	
Pledges and accounts receivable	(1,163,801)
Inventory	4,678
Accounts payable	(1,472)
Interest payable	(53,888)
Other changes, net	50,731
Net cash provided by operating activities	<u>1,065,959</u>
<b>Investing activities:</b>	
Purchase of property, building and equipment	(148,913)
Change in investments	<u>(39,496)</u>
Net cash used in investing activities	<u>(188,409)</u>
<b>Financing activities:</b>	
Proceeds on note payable	<u>5,715</u>
Net cash provided by financing activities	<u>5,715</u>
Increase in cash and cash equivalents	883,265
Cash and cash equivalents at beginning of year	<u>1,129,832</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,013,097</u></u>

*See accompanying notes.*

Clinton Memorial Hospital Foundation, Inc.

Notes to Consolidated Financial Statements

December 31, 2001

**1. Summary of Significant Accounting Policies**

**Organization and Mission**

Clinton Memorial Hospital Foundation, Inc. (the Foundation) is a not-for-profit Ohio corporation organized for the charitable purpose of raising funds in support of Clinton Memorial Hospital's (the Hospital) quality healthcare and educational programs. These consolidated financial statements include the accounts of the Clinton Memorial Hospital Foundation, Inc., Comprehensive Health Management Services, and Priority Health, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

The mission of the Foundation is to communicate the vision of the Hospital's quality healthcare and educational programs to the community and friends who are willing to invest through dedicated charitable giving to support these programs and services. All entities, except Priority Health, Inc, included in these consolidated financial statements are exempt from federal income tax as defined under section 501(c)(3) of the Internal Revenue Code.

**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting wherein revenue and expenses are recognized in the period earned or incurred.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Clinton Memorial Hospital Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

For purposes of this statement, cash on deposit and other cash equivalents with a maturity of 90 days or less are included in the category of cash and equivalents. The carrying value of these assets approximates market value.

**Investments**

Investments are equity securities with readily determinable fair values, which are measured at fair value based on quoted market prices.

**Inventory**

Inventory consists of goods available for sale in the Hospital gift shop, and is stated at cost.

**Property, Buildings and Equipment**

Property, buildings and equipment are stated at cost or fair market value at date of donation. Depreciation is calculated on the straight-line basis over estimated service lives for individual assets.

**Net Assets**

Unrestricted net assets are those which have no external restrictions. Temporarily restricted net assets are those for which use is limited by donors to a specific time period or purpose. Permanently restricted net assets are those which have been permanently restricted by donors to be maintained by the Foundation, the income from which is expendable to support the Foundation's purpose and make payments to annuitants.

**Revenue and Other Support**

Contributions are recognized during the period in which they are received. Contributions are considered to be available for unrestricted use unless specifically restricted by donor.

Clinton Memorial Hospital Foundation, Inc.

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**Grants and Awards**

Grants and awards expense includes approved grants which will be distributed or have been distributed during the current fiscal year.

**2. Deferred Charitable Remainder Annuity Trusts**

Charitable remainder trusts are trust agreements established by donors whereby the Foundation is a beneficiary. The Foundation has several of these trusts. Under these agreements, the Foundation pays the donor an annuity. Under the terms of these trust agreements, these trusts are irrevocable and the assets are permanently restricted. Upon termination of these trust agreements, the trust funds will be distributed to the Hospital for an endowed fund with the earned income to be used for unrestricted purposes.

At the time of the gift, the assets are recorded at fair market value and an obligation is established for the present value of the annuity payments. The difference between the gift and the obligation is recognized as permanently restricted contributions. Changes in market value of the trust are recorded as an adjustment to permanently restricted net assets. As of December 31, 2001, the Foundation has estimated donor annuity obligations of \$901,453, of which \$144,741 is payable in 2002. Discount rates ranging from 3.5% to 4% were utilized to calculate the present value of the donor annuity obligations as of December 31, 2001.

Certain of the agreements are split-interest agreements. Split-interest agreements are trust agreements established by donors under which the Foundation receives benefits that are shared with other beneficiaries. As of December 31, 2001, the amount due to other beneficiaries under these agreements was \$370,633.

**3. Property, Buildings and Equipment**

Property, buildings and equipment consisted of the following at December 31, 2001:

Land and land improvements	<b>\$ 566,241</b>
Buildings and building improvements	<b>272,732</b>
Equipment	<b>4,975</b>
Total	<b>843,948</b>
Less accumulated depreciation	<b>5,114</b>
Property, buildings and equipment, net	<b><u>\$ 838,834</u></b>

Clinton Memorial Hospital Foundation, Inc.

Notes to Financial Statements (continued)

**4. Related Party Transactions**

During 2001, the Foundation transferred \$117,487, to the Hospital. This amount was recorded as expense. During 2001, the Hospital made a contribution to the Foundation of \$500,000. This amount was recorded as an unrestricted contribution.

**5. Pledges Receivable**

Pledges receivable consist of the following as of December 31, 2001:

Unconditional promises to be collected in:

Less than one year	<b>\$ 845,072</b>
One year to five years	<b>818,667</b>
Five years and thereafter	<b>10,000</b>
	<hr/>
	<b>1,673,739</b>
Less discount for present value	<b>62,527</b>
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	<b>\$ 1,611,212</b>

**6. Note Payable**

As of December 31, 2001, the Foundation has an unsecured note payable to a bank for \$432,990. This note bears an interest rate of 7.75%. In April 2002, the Foundation sold a piece of land with a book value of \$427,275 for approximately \$1,400,000 resulting in a gain of approximately \$972,000. A portion of the proceeds from this sale was used to repay the note payable.

Report on Compliance and on Internal Control Over Financial Reporting Based on  
an Audit of the Financial Statements  
in Accordance With *Government Auditing Standards*

Board Of Trustees  
Clinton Memorial Hospital Foundation, Inc.  
and  
Jim Petro, Auditor of State:

We have audited the financial statements of Clinton Memorial Hospital Foundation, Inc. (the Foundation) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 3, 2002. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Ernst + Young LLP*

May 3, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 24, 2002**