

**CLINTON MEMORIAL HOSPITAL
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
Clinton Memorial Hospital Foundation, Inc.
610 W. Main Street
PO Box 600
Wilmington, Ohio 45177-0600

We have reviewed the Independent Auditor's Report of the Clinton Memorial Hospital Foundation, Inc., Clinton County, prepared by Blue & Co., LLC, for the audit period January 1, 2002 to December 31, 2002. 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, Inc. is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 16, 2003

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CLINTON MEMORIAL HOSPITAL
FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.
Wilmington, Ohio

We have audited the accompanying consolidated statement of financial position of Clinton Memorial Hospital Foundation, Inc. (the Foundation) as of December 31, 2002, 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 of America 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, 2002, 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 of America.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, a report dated May 2, 2003, 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. This 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.

Blue & Co., LLC

May 2, 2003

CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2002

ASSETS

Cash and cash equivalents	\$ 3,605,786
Investments	111,336
Pledges receivable, net of allowance for uncollectible pledges of \$150,000	1,443,480
Other accounts receivable	14,234
Inventory	30,675
Assets held in charitable remainder trust	1,365,724
Property, buildings and equipment, net	<u>413,576</u>
Total assets	<u>\$ 6,984,811</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 4,189
Split-interest agreement obligations	302,142
Donor annuity obligations	<u>369,565</u>
Total liabilities	<u>675,896</u>
Net assets:	
Unrestricted	1,856,585
Temporarily restricted	3,100,457
Permanently restricted	<u>1,351,873</u>
Total net assets	<u>6,308,915</u>
Total liabilities and net assets	<u>\$ 6,984,811</u>

CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Interest income	\$ 24,526	\$ 24,407	\$ 11,620	\$ 60,553
Contributions	44,434	1,342,523	85,966	1,472,923
Special events, net of direct costs of \$31,785	7,227	40,925	-	48,152
Auxiliary revenue	74,520	-	-	74,520
	<u>150,707</u>	<u>1,407,855</u>	<u>97,586</u>	<u>1,656,148</u>
Net assets released from restrictions	976,811	(976,811)	-	-
Total revenue and other support	<u>1,127,518</u>	<u>431,044</u>	<u>97,586</u>	<u>1,656,148</u>
Expenses:				
Grants and awards	176,212	-	-	176,212
Distribution to affiliate	671,036	-	-	671,036
Auxiliary expenses	64,814	-	-	64,814
Depreciation	5,912	-	-	5,912
Administrative expenses	210,727	-	-	210,727
Total expenses	<u>1,128,701</u>	<u>-</u>	<u>-</u>	<u>1,128,701</u>
Excess of revenue and other support over expenses	(1,183)	431,044	97,586	527,447
Other changes in net assets:				
Change in valuation of charitable remainder trust	-	-	(210,592)	(210,592)
Gain on sale of property	972,725	-	-	972,725
Increase (decrease) in net assets	971,542	431,044	(113,006)	1,289,580
Net assets at beginning of year	885,043	2,669,413	1,464,879	5,019,335
Net assets at end of year	<u>\$ 1,856,585</u>	<u>\$ 3,100,457</u>	<u>\$ 1,351,873</u>	<u>\$ 6,308,915</u>

See accompanying notes to financial statements.

CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
DECEMBER 31, 2002

Cash flows from operating activities:	
Increase in net assets	\$ 1,289,580
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	5,912
Change in valuation of charitable remainder trust	210,592
Gain on sale of property	(972,725)
Net change in operating assets and liabilities:	
Pledges receivable	167,732
Other accounts receivable	4,011
Inventory	5,935
Accounts payable	(2,407)
Net cash from operating activities	<u>708,630</u>
Cash flows from investing activities:	
Purchases of property, building and equipment	(7,930)
Proceeds from sale of property	1,400,000
Change in investments	(71,840)
Net cash from investing activities	<u>1,320,230</u>
Cash flows from financing activities:	
Payments on note payable	(436,171)
Net cash from financing activities	<u>(436,171)</u>
Increase in cash and cash equivalents	1,592,689
Cash and cash equivalents at beginning of year	<u>2,013,097</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,605,786</u></u>

See accompanying notes to financial statements.

CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. 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. are 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 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 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers cash on deposit and other cash equivalents with a maturity of 90 days or less to be cash and cash equivalents. The carrying value of these assets approximates market value. The Foundation periodically maintains cash balances, which are in excess of FDIC limits. However, to date, no losses have been experienced.

CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist of equity securities and measured at fair value based upon 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, building and equipment are stated at cost or fair market value at date of donation. Depreciation is calculated on the straight-line method over estimated useful 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.

Grants and Awards

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

CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

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, 2002, the Foundation has estimated donor annuity obligations of \$369,565, of which \$129,596 is payable in 2003. Discount rates ranging from 3.5% to 5% were utilized to calculate the present value of the donor annuity obligations as of December 31, 2002.

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, 2002, the amount due to other beneficiaries under these agreements was \$302,142.

3. PROPERTY BUILDINGS AND EQUIPMENT

Property, buildings and equipment consisted of the following at December 31, 2002:

Land and land improvements	\$ 138,967
Buildings and building improvements	373,802
Equipment	<u>4,975</u>
Total	517,744
Less accumulated depreciation	<u>104,168</u>
Property, buildings and equipment, net	<u><u>\$ 413,576</u></u>

CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

4. RELATED PARTY TRANSACTIONS

During 2002, the Foundation transferred \$671,036, to the Hospital. This amount was recorded as distribution to affiliate.

5. PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31, 2002.

Unconditional promises to be collected in:	
Less than one year	\$ 763,241
One year to five years	887,333
Five years and thereafter	<u>5,000</u>
	1,655,574
Less allowance for doubtful promises	150,000
Less discount for present value	<u>62,094</u>
	<u><u>\$ 1,443,480</u></u>

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.

We have audited the financial statements of Clinton Memorial Hospital Foundation, Inc. (the Foundation) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 2, 2003. 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 operating that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management and the Board of Trustees of the Foundation in a separate letter dated May 2, 2003.

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

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.

Blue & Co., LLC

May 2, 2003



**Auditor of State
Betty Montgomery**

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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
AUGUST 5, 2003**