

**RIVERSIDE COMMUNITY HEALTH FOUNDATION
AND COMMUNITY SETTLEMENT ASSOCIATION**

**CONSOLIDATED AND COMBINED AUDITOR'S
REPORT AND FINANCIAL STATEMENTS**

DECEMBER 31, 2016

**RIVERSIDE COMMUNITY HEALTH FOUNDATION
AND COMMUNITY SETTLEMENT ASSOCIATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Riverside Community Health Foundation and Community Settlement Association
Riverside, California

We have audited the accompanying consolidated and combined financial statements of Riverside Community Health Foundation (a nonprofit organization) and affiliate, which comprise the consolidated and combined statement of financial position as of December 31, 2016, and the related consolidated and combined statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and combined 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.

Accountant's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and combined 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 and combined 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 and combined 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 and combined financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community Health Foundation and affiliate as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in Schedules I to IV is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have not audited or reviewed such information and, accordingly, we do not express an opinion, a conclusion, or provide any assurance on it.



Roorda, Piquet & Bessee, Inc.
Riverside, CA
July 31, 2017

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION
CONSOLIDATED AND COMBINED STATEMENT OF FINANCIAL POSITION**

**December 31,
2016**

Assets

Current assets:

Cash and cash equivalents	\$ 812,610
Accounts receivable	112,151
Prepaid expenses	62,975
Inventory	23,234
Investments (Notes 2 and 3)	<u>85,507,857</u>
Total current assets	<u>86,518,827</u>

Property and equipment:

Land	460,154
Buildings	9,619,807
Furniture and equipment	1,326,687
Transportation equipment	278,280
Construction in progress	<u>653,894</u>
	<u>12,338,822</u>
Accumulated depreciation	<u>(4,024,226)</u>
Total property and equipment, net	<u>8,314,596</u>
 Total assets	 <u>\$ 94,833,423</u>

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION
CONSOLIDATED AND COMBINED STATEMENT OF FINANCIAL POSITION**

**December 31,
2016**

Liabilities and net assets

Current liabilities:

Accounts payable	\$ 970,516
Accrued expenses	157,295
Current portion of term loans payable (Note 5)	235,704
Total current liabilities	1,363,516

Long-Term liabilities:

Line of credit (Note 5)	2,250,000
Term loans payable (Note 5)	1,261,475
Total long-term liabilities:	3,511,475

Other liabilities:

Estimated future liability for annuity payments (Note 6)	53,586
Deferred compensation (Note 4)	287,744
Total other liabilities	341,329
Total liabilities	5,216,320

Net Assets:

Unrestricted	10,138,788
Temporarily restricted	79,446,615
Permanently restricted	31,700
Total net assets	89,617,103

Total liabilities and net assets

\$ 94,833,423

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

	For the year ended December 31, 2016			
	Temporarily Unrestricted	Permanently Restricted	Restricted	Total
Revenue:				
Grants and contributions	\$ 250,734	\$ 803,770	\$ -	\$ 1,054,504
Service fees	435,904	-	-	435,904
Rent	442,852	-	-	442,852
Fundraising	191,280	-	-	191,280
Total revenues	1,320,770	803,770	-	2,124,540
Other gains and losses:				
Interest and dividends	33,004	1,641,961	30	1,674,995
Net unrealized and realized gain (loss) on investments	45,868	3,331,328	-	3,377,196
Net assets released from restrictions:				
Satisfaction of program restrictions	5,794,222	(5,794,222)	-	-
Total revenues and other gains and (losses)	7,193,864	(17,163)	30	7,176,731
Expenses:				
Grants/Program services	5,046,781	-	-	5,046,781
Management and general	1,059,990	-	-	1,059,990
Fundraising	164,254	-	-	164,254
Total expenses	6,271,025	-	-	6,271,025
Change in net assets	922,839	(17,163)	30	905,706
Net Assets at beginning of period:				
Riverside Community Health Foundation	8,988,926	79,454,778	31,670	88,475,374
Community Settlement Association (Note 8)	227,023	9,000	-	236,023
Net Assets at end of period	\$ 10,138,788	\$ 79,446,615	\$ 31,700	\$ 89,617,103

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the
year ended
December 31,
2016**

Cash flows from operating activities:	
Changes in net assets	\$ 905,706
Adjustments to reconcile changes in net assets to net cash (used in) by operations:	
Depreciation	201,473
Net realized and unrealized (gains) losses on securities	(3,377,196)
Changes in operating assets and liabilities:	
Accounts receivable	34,715
Prepaid expenses	(19,961)
Inventory	365
Accounts payable	325,265
Deferred compensation	32,021
Accrued expenses	68,293
Estimated future liability for annuity payments	(6,151)
Net cash (used in) operating activities	<u>(1,835,470)</u>
Cash flows from investing activities	
Proceeds from sale of investments	22,323,968
Purchases of investments	(21,351,290)
Construction in progress expenditures	(626,746)
Purchases of property and equipment	<u>(2,336,996)</u>
Net cash (used in) investing activities	<u>(1,991,064)</u>
Cash flows from financing activities	
Proceeds from line of credit	2,250,000
Payments on loan payable	(231,665)
Net cash provided by financing activities	<u>2,018,335</u>
Net decrease in cash and cash equivalents	(1,808,200)
Cash and cash equivalents at beginning of period	<u>2,620,810</u>
Cash and cash equivalents at end of period	<u>\$ 812,610</u>

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the
year ended
December 31,
2016**

Supplemental cash flow disclosures:

Cash paid for interest	\$ 69,116
Cash paid for income taxes	\$ 20,309

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION
CONSOLIDATED AND COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Conferences and meetings	\$ 68,630	\$ 17,732	\$ -	\$ 86,362
Depreciation	184,609	24,698	-	209,307
Bad debt expense	13,739	-	-	13,739
Community services and grants	2,101,928	-	-	2,101,928
Dues and subscriptions	-	5,590	-	5,590
Events	7,462	525	29,748	37,735
Insurance	199,949	66,999	699	267,647
Interest	286	68,830	-	69,116
Mailing and printing	6,286	3,054	7,769	17,109
Miscellaneous	17,652	13,414	3,528	34,594
Professional services	19,280	152,116	384	171,780
Public relations	33,419	25,260	1,365	60,044
Rent	47,808	-	20,751	68,559
Salaries and related benefits	2,139,368	494,830	90,718	2,724,916
Supplies	114,335	113,986	4,159	232,480
Local transportation	45,626	13,030	341	58,997
Taxes and Licenses	29,117	39,166	-	68,283
Utilities	17,288	20,760	4,792	42,840
Total	\$ 5,046,781	\$ 1,059,990	\$ 164,254	\$ 6,271,025

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 1 - DESCRIPTION OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES**

The Riverside Community Health Foundation (formerly known as Riverside Community Hospital Foundation) (The Foundation or RCHF) is a non-profit organization formed in May 1973 under the laws of the state of California. RCHF merged with Community Health Corporation, formerly a 25% owner with HCA in ownership of Riverside Community Hospital, in 2003 to consolidate their combined mission of providing grants for inpatient and outpatient services, community health education and providing a platform for delivery of medical and dental services to area low-income residents. RCHF is the successor organization.

Riverside Healthcare Plus, LLC (RHP LLC) was organized in 2014 under the laws of the State of California. RHP LLC was formed as a temporary subsidiary for the purpose of effecting the construction improvements of the new administrative and service facility.

The Community Settlement Association of Riverside (CSA) was incorporated in 1911 under the California Nonprofit Public Benefit Corporation Law. CSA provides programs and activities to meet the needs of low income residents in Riverside, California. CSA offers programs in social services, family counseling, after school programs, and substance abuse counseling. CSA is funded principally by program service fees, United Way allocations, and donations. The majority of service fees are derived from their DUI program.

Consolidation and combination

During 2016 the board of directors of RCHF and CSA (combined as "the Organizations") jointly resolved to affiliate the two companies providing financial and organizational support to CSA from RCHF. The President of RCHF also became the Executive Director of CSA, and both boards of directors have common membership. As such the two organizations financial statements have been combined for reporting purposes. Each individual organization files its required tax reporting independently.

The consolidated and combined financial statements include the accounts of The Foundation and RHP LLC (consolidation) and CSA (combined). All significant intercompany accounts and transactions have been eliminated in consolidation.

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION**
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

Pledges receivable and recognition of contributions revenue

Pledges receivable represent written promises of contributions to be collected in the future. Pursuant to ASC 605, all pledges which represent unconditional promises to pay are recognized as income and assets in the year secured.

The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Accounts receivable and recognition of program service revenue

CSA recognizes revenues when a client has been directed by the courts to the organization and the client has enrolled in a DUI program by completing and signing a contract for a term assigned by the court. The courts determine the specific program mandated to the client, and the client becomes obligated for the funds due to the program in order to have their drivers licenses reinstated. Enrolled clients expected dues are recorded in accounts receivable, and offset by an unearned revenue liability for the amount due throughout the program. As clients continue to pay for their programming and classwork, accounts receivable and unearned income are reduced and revenue recognized to the extent of the funds received. The accounts receivable and unearned revenue have been netted together within the accompanying statement of financial position. The anticipated future revenues to be recognized for clients currently enrolled in the program(s) as of December 31, 2016 amounts to \$273,061 which will be recognized in the period earned.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION**
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

Property and equipment

Property and equipment is stated on the basis of the Organizations' purchase cost or fair market value upon donation. Depreciation is computed by the straight-line method at rates calculated to amortize the costs of the assets over their estimated useful lives. The general range of useful lives is 5 to 45 years. Depreciation expense for 2016 was \$201,473.

During 2014, the Foundation acquired an existing property to become the future administrative office and to provide health services. Improvements to the property were completed in 2017 and RCHF operations were relocated to the completed offices.

Income taxes

RCHF and CSA are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and similar sections of the California Revenue and Taxation Code. Exempt organizations are subject to tax on income derived from activities that are not related to the organization's charitable purpose. The Foundation has some alternative investments that have caused Unrelated Business Income Tax. RHP LLC pays \$800 in tax and LLC fees to the State of California annually.

In accordance with accounting standards, which provides accounting and disclosure guidance about uncertain tax positions taken by an organization, management believes that all of the positions taken by the Organizations in their federal and state income tax returns are more likely than not to be sustained upon examination.

The Foundation files returns in the U.S. Federal jurisdiction and the State of California. With few exceptions, the Foundation is no longer subject to federal and California income tax examinations by tax authorities for the tax years before 2012. For tax years 2012 through 2016, the Foundation does not currently have an examination scheduled as of the date these financial statements were issued.

Cash equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Irrevocable trust interest

The Foundation has been granted irrevocable interests in certain charitable trusts. Such interests are evaluated each year and recorded as investments in the Foundation records.

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION**
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Fair value of financial instruments

The Organizations record their assets and liabilities at fair value. Cash and cash equivalents, short term financial instruments, accounts receivable, and accounts payable are reported at their carrying value which approximates fair value because of the short maturity of these instruments and related effective market rates. Investments in debt and equity securities and derivatives are classified as available-for-sale and recorded at fair value using the methodologies described in Note 3.

Alternative investments

The Foundation uses alternative investment strategies to enhance overall portfolio returns and/or reduce portfolio volatility through the use of investment vehicles that have a low correlation to traditional equity and fixed income asset classes.

Net Asset Classes

Under ASC 958, an explanation of net assets categories included in the accompanying financial statements follows:

Unrestricted Net Assets - These net assets consist of the accumulation of certain grants, contributions, gifts, bequests and related income thereon which are available for general operating purposes.

Temporarily Restricted Net Assets - These net assets consist of grants or contributions which are restricted by donors or governmental agencies for a particular program or time period and reported as temporarily restricted revenue when received. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are released from restrictions.

Permanently Restricted Net Assets - Consist of resources whose use is restricted by donor-imposed criteria; however, the income derived from the restricted assets is expendable to support operations.

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION**
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

Board-designated endowment funds

During the year ended December 31, 2016, the Organizations have reviewed all endowment funds and has determined all endowed funds remain classified as temporarily restricted.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organizations to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2016.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of Board designated funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets should be managed in a prudent manner to provide for preservation of capital.

Understanding that risk is present in all types of securities and investment styles, the Board and Investment Committee recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. However, the Investment Managers are instructed to make reasonable efforts to control risk which will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

In addition to the emphasis on capital preservation, it is of equal importance that the Fund be managed to provide a consistent and superior long-term total rate of return. The return on the Fund shall be composed of a flexible balance of income (interest and dividends) combined with net long-term growth of principal.

A portion of the return derived from the portfolio will be used to advance and support the mission of the Foundation. As such, it is expected that 5 percent of the average portfolio market value of the preceding three years will be withdrawn each year. This is known as the spending rate and is documented in a spending policy approved by the Board.

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION**
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

For the year ended December 31, 2016, the Foundation had the following endowment-related activities:

	Board - Designated Endowment Fund
Investment income	\$ 224,609
Net appreciation	<u>266,611</u>
Total investment return	491,220
Amounts appropriated for expenditure	<u>(456,130)</u>
Total change in endowment funds	<u><u>\$ 35,090</u></u>

NOTE 2 - INVESTMENTS

Available-for-sale investments at December 31, 2016 were as follows:

	Cost	Fair Market Value
Cash held for investment	\$ -	\$ 8,185,972
Corporate stocks	45,677,117	53,480,663
Corporate bonds	12,170,400	11,481,341
U.S. government	460,164	456,661
Alternative investments	11,017,213	11,897,816
Real estate and specialty assets	4,500	5,404
	<u><u>\$ 69,329,394</u></u>	<u><u>\$ 85,507,857</u></u>

A significant amount of the above investments are held in three trust accounts at three investment firms. Two of the investment firms act as the investment agent for these assets, execute all investment transactions based upon investment policies of the Foundation, and are in physical control of all securities. The Foundation relies upon the investment firms custodians accounting system for the recording and processing of all investment related information.

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION**
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - FAIR VALUE OF INVESTMENTS

The Foundation adopted Financial Accounting Standards Board accounting Standards Codification FASB ASC 820, which provides a framework for measuring fair value under GAAP. FASB ASC 820 defines fair value 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. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

FASB ASC 820 also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. 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 measurements involving significant unobservable inputs (Level 3 measurements).

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 - Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

It is the Foundation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on the portfolio manager's current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION**
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

The Foundation's investment in debt and equity securities are classified as available-for-sale and are recorded at fair value on a recurring basis. The value is developed from market data. As such, the investments are classified as Level 1. Unrealized and realized gains and losses are reported in the statement of activities. Net unrealized and realized gains and losses for the year ended December 31, 2016 were \$3,377,196. Realized gains or losses for securities sold at fair market value are recognized when incurred. The cost basis of the investments was \$64,643,209. Investment interest and dividend income is reported net of \$534,365 of investment management fees.

Alternative investments

Management determines the fair value of the Foundation's alternative investments using third party administrators that independently calculate the funds' fair value/NAV on a weekly or sometimes daily basis. The administrators typically receive a direct feed from the fund's prime broker and price the fund's securities independently of the manager and classifies the fair value measurement of alternative investments as Level 1, 2, and 3. Net unrealized and realized gains and losses are reported in the statement of activities. Net unrealized and realized losses for the year ended December 31, 2016 were \$67,609. Realized gains or losses for securities sold at fair market value are recognized when incurred. The cost basis of the investments was \$11,017,213.

Fair Value Measurement at December 31, 2016

<u>December 31, 2016</u>	Total	Level 1	Level 2	Level 3
Available for sale	\$ 65,724,230	\$ 65,724,230	\$ -	\$ -
Alternative investments	11,597,655	1,133,499	7,241,358	3,222,798
	<u>\$ 77,321,885</u>	<u>\$ 66,857,729</u>	<u>\$ 7,241,358</u>	<u>\$ 3,222,798</u>

Changes in Level 3 instruments for the year ended December 31, 2016

The table below summarizes the activity for investments in debt and equity securities classified as alternative investments measured at fair value on recurring basis using significant Level 3 inputs for the year ended December 31, 2016.

January 1, 2016	\$ 2,904,206
Withdrawals	(30,527)
Interest	1,938
Net realized/unrealized gains/(loss)	
in income	347,181
December 31, 2016	<u>\$ 3,222,798</u>

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION**
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 - PENSION PLANS

The Foundation employees are participants in a voluntary salary reduction plan pursuant to Sec. 403(B) of the Internal Revenue Code. Employer contributions are on a discretionary basis.

During 2003, the Foundation established a deferred compensation plan for certain key employees pursuant to Section 457 of the Internal Revenue Code. Under the plan, an employee may elect to defer up to \$18,000 of compensation per year. The Foundation shall fund the deferred compensation plan equal to 12% of the salary on behalf of the employees. The total liability of the deferred compensation plan as of December 31, 2016 was \$287,744 which was funded in its entirety.

The Foundation's total contribution to all pension plans during the year ended December 31, 2016 was \$59,476.

NOTE 5 - LONG-TERM LIABILITIES

On May 2, 2014, the Foundation entered into a revolving credit agreement with a bank for a maximum amount of \$3,500,000. The agreement provides for interest equal to the bank prime rate. The interest rate at December 31, 2016 was 3.00%. At December 31, 2016, the outstanding balance was \$2,250,000. The agreement expires May 1, 2018.

On July 7, 2014, the Foundation entered into a loan payable agreement with a bank for \$2,000,000, bearing interest at 4%, and maturing July 1, 2021. The loan is payable in monthly principal and interest installments of \$23,810. At December 31, 2016, the outstanding balance was \$1,478,387.

On October 4, 2010 CSA entered into a loan payable agreement with Pacific Premier Bank for \$50,358, bearing interest at 6.25% and maturing October 2020. The loan is payable in monthly principal and interest installments of \$458. At December 31, 2016, the outstanding balance was \$18,416.

The following are maturities of the loan payable for the years ended December 31:

2017	\$ 235,704
2018	2,494,981
2019	255,074
2020	264,279
2021 and thereafter	497,141
Total	<u>\$ 3,747,179</u>

**RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION**
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 - GIFT ANNUITY FUND

During the fiscal year ended May 31, 1995, the Foundation established a gift annuity program as an additional means to increase contributions. Under this program, the Foundation received cash and investments from donors and provided the donors with an Annuity Contract that promised fixed payments to named beneficiaries at a future date. At the time a donation is received, the Foundation calculates the estimated future liability for annuity payments and records this amount. The State of California regulates such programs and requires a reserve amount to be separately invested for all annuity contracts; funds in this reserve account can only be used to reimburse the Foundation each year for the annuity payments made. Contribution revenue is recorded for that part of the donation that is in excess of the estimated future liability. There were no new annuitants added in 2016. The Foundation's total beneficiary distributions during the year ended December 31, 2016 was \$8,430.

NOTE 7 - CONCENTRATIONS AND CREDIT RISK

As of the balance sheet date, cash was on deposit at multiple financial institutions in excess of \$250,000.

NOTE 8 - PRIOR PERIOD ADJUSTMENT

Total beginning unrestricted net assets for CSA were adjusted to appropriately state net assets and deferred revenue as of December 31, 2015. There were \$287,841 of revenues that had been recognized during previous years that should have been considered unearned revenue due to the fact that CSA records the full contract amount at the time the participant enters the program instead of when it is earned. The unearned revenues are offset to accounts receivable from enrolled DUI program participants who have not fully paid their program fees for the year ended December 31, 2016.

NOTE 9 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through July 31, 2017, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**RIVERSIDE COMMUNITY HEALTH FOUNDATION (INCLUDING RHP LLC)
AND COMMUNITY SETTLEMENT ASSOCIATION
SCHEDULE I - COMBINING STATEMENT OF FINANCIAL POSITION**

As of December 31, 2016				
	RCHF	CSA	Eliminations	Combined and Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 734,782	\$ 77,828	\$ -	\$ 812,610
Accounts receivable	325,116	-	(212,965)	112,151
Prepaid expenses	62,975	-	-	62,975
Inventory	23,234	-	-	23,234
Investments	85,507,857	-	-	85,507,857
Total current assets	86,653,964	77,828	(212,965)	86,518,827
Property and equipment:				
Land	370,155	89,999	-	460,154
Buildings	9,041,541	578,266	-	9,619,807
Furniture and equipment	1,261,464	65,223	-	1,326,687
Transportation equipment	278,280	-	-	278,280
Construction in progress	653,894	-	-	653,894
	11,605,334	733,488	-	12,338,822
Accumulated depreciation	(3,535,283)	(488,943)	-	(4,024,226)
Total property and equipment	8,070,051	244,545	-	8,314,596
Total assets	\$ 94,724,015	\$ 322,373	\$ (212,965)	\$ 94,833,423

**RIVERSIDE COMMUNITY HEALTH FOUNDATION (INCLUDING RHP LLC)
AND COMMUNITY SETTLEMENT ASSOCIATION
SCHEDULE I - COMBINING STATEMENT OF FINANCIAL POSITION**

As of December 31, 2016				
	RCHF	CSA	Eliminations	Combined and Consolidated
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 966,518	\$ 216,963	\$ (212,965)	\$ 970,516
Accrued expenses	152,512	4,783	-	157,295
Current portion of term loans payable	230,816	4,888	-	235,704
Total current liabilities	<u>1,349,846</u>	<u>226,634</u>	<u>(212,965)</u>	<u>1,363,515</u>
Long-Term liabilities:				
Line of credit	2,250,000	-	-	2,250,000
Term loans payable	1,247,570	13,905	-	1,261,475
Total long-term liabilities	<u>3,497,570</u>	<u>13,905</u>	<u>-</u>	<u>3,511,475</u>
Other liabilities:				
Estimated future liability for annuity payments	53,586	-	-	53,586
Deferred compensation	287,744	-	-	287,744
Total other liabilities	<u>341,329</u>	<u>-</u>	<u>-</u>	<u>341,329</u>
Total liabilities	<u>5,188,745</u>	<u>240,539</u>	<u>(212,965)</u>	<u>5,216,319</u>
Net assets:				
Unrestricted	10,062,536	76,253	-	10,138,789
Temporarily restricted	79,441,034	5,581	-	79,446,615
Permanently restricted	31,700	-	-	31,700
Total net assets	<u>89,535,270</u>	<u>81,834</u>	<u>-</u>	<u>89,617,104</u>
Total liabilities and net assets	<u>\$ 94,724,015</u>	<u>\$ 322,373</u>	<u>\$ (212,965)</u>	<u>\$ 94,833,423</u>

**RIVERSIDE COMMUNITY HEALTH FOUNDATION (INCLUDING RHP LLC)
AND COMMUNITY SETTLEMENT ASSOCIATION
SCHEDULE II - COMBINING STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS**

	For the year ended December 31, 2016			
	RCHF	CSA	Eliminations	Combined and Consolidated
Unrestricted net assets				
Revenue:				
Grants and contributions	\$ 209,529	\$ 159,834	\$ (118,628)	\$ 250,735
Service fees	-	435,904	-	435,904
Rent	435,702	7,150	-	442,852
Fundraising	191,280	-	-	191,280
Total revenues	836,511	602,888	(118,628)	1,320,771
Other gains and losses				
Interest and dividends	33,004	-	-	33,004
Net unrealized and realized gain (loss) on investments	45,868	-	-	45,868
Net assets released from restrictions:				
Satisfaction of program restrictions	5,775,803	18,419	-	5,794,222
Total revenues and other gains and losses	6,691,186	621,307	(118,628)	7,193,865
Expenses				
Grants/Program services	4,776,420	388,989	(118,628)	5,046,781
Management and general	676,902	383,088	-	1,059,990
Fundraising	164,254	-	-	164,254
Total expenses	5,617,576	772,077	(118,628)	6,271,026
Change in unrestricted net assets	1,073,610	(150,770)	-	922,840
Unrestricted net assets at beginning of period - previously stated	8,988,926	514,864	-	9,503,790
Prior Period Adjustment	-	(287,841)	-	(287,841)
Unrestricted net assets at beginning of period - restated	8,988,926	227,023	-	9,215,949
Unrestricted net assets at end of period	\$ 10,062,536	\$ 76,253	\$ -	\$ 10,138,789

**RIVERSIDE COMMUNITY HEALTH FOUNDATION (INCLUDING RHP LLC)
AND COMMUNITY SETTLEMENT ASSOCIATION
SCHEDULE II - COMBINING STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS**

For the year ended December 31, 2016

	RCHF	CSA	Eliminations	Combined and Consolidated
Temporarily restricted net assets				
Revenue:				
Grants and contributions	\$ 788,770	\$ 15,000	\$ -	\$ 803,770
Other gains and losses				
Interest and dividends	1,641,961	-	-	1,641,961
Net unrealized and realized gain (loss) on investments	3,331,328	-	-	3,331,328
Net assets released from restrictions:				
Satisfaction of program restrictions	(5,775,803)	(18,419)	-	(5,794,222)
Change in temporarily restricted net assets	(13,744)	(3,419)	-	(17,163)
Temporarily restricted net assets at beginning of period	79,454,778	9,000	-	79,463,778
Temporarily restricted net assets at end of period	<u>\$ 79,441,034</u>	<u>\$ 5,581</u>	<u>-</u>	<u>\$ 79,446,615</u>
Permanently restricted net assets				
Other gains and losses				
Interest and dividends	\$ 30	\$ -	\$ -	\$ 30
Change in permanently restricted net assets	30	-	-	30
Permanently restricted net assets at beginning of period	31,670	-	-	31,670
Permanently restricted net assets at end of period	<u>\$ 31,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,700</u>

RIVERSIDE COMMUNITY HEALTH FOUNDATION (INCLUDING RHP LLC)
STATEMENT III - CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2016					
	Program Services	Management and General	Fundraising	Total	
Conferences and meetings	\$ 68,630	\$ 17,732	\$ -	\$ 86,362	
Depreciation	184,609	12,057	-	196,666	
Community services and grants	2,220,556	-	29,749	2,250,305	
Dues and subscriptions	-	5,590	-	5,590	
Events	7,462	525	-	7,987	
Insurance	195,853	21,411	699	217,963	
Interest	286	68,830	-	69,116	
Mailing and printing	6,011	3,053	7,769	16,833	
Miscellaneous	24,062	5,962	3,527	33,551	
Professional services	7,248	140,544	384	148,176	
Public relations	33,419	23,870	1,365	58,654	
Rent	47,808	-	20,751	68,559	
Salaries and related benefits	1,830,699	220,636	90,718	2,142,053	
Supplies	83,435	89,362	4,159	176,956	
Local transportation	45,626	11,842	341	57,809	
Taxes and Licenses	20,717	39,166	-	59,883	
Utilities	-	16,322	4,792	21,114	
Total functional expenditures	<u>4,776,420</u>	<u>676,902</u>	<u>164,254</u>	<u>5,617,576</u>	
Intercompany eliminations					
Grants to CSA		(118,628)	-	-	(118,628)
Total consolidating functional expenses	<u>\$ 4,657,792</u>	<u>\$ 676,902</u>	<u>\$ 164,254</u>	<u>\$ 5,498,948</u>	

COMMUNITY SETTLEMENT ASSOCIATION
SCHEDULE IV - STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Depreciation	\$ -	\$ 12,641	\$ -	\$ 12,641
Bad debt expense	13,739	-	-	13,739
Insurance	4,096	45,589	-	49,685
Mailing and printing	275	-	-	275
Miscellaneous	-	7,453	-	7,453
Professional services	12,032	11,572	-	23,604
Public relations	-	1,390	-	1,390
Salaries and related benefits	308,669	274,194	-	582,863
Supplies	24,490	24,624	-	49,114
Local transportation	-	1,188	-	1,188
Taxes and Licenses	8,400	-	-	8,400
Utilities	17,288	4,437	-	21,725
Total functional expenditures	\$ 388,989	\$ 383,088	\$ -	\$ 772,077