



ARMSTRONG BACKUS & CO., LLP

Certified Public Accountants



Financial Statements

For the Years Ended December 31, 2016 and 2015

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SAN ANGELO HEALTH FOUNDATION

Financial Statements

For the Years Ended December 31, 2016 and 2015

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ARMSTRONG, BACKUS & CO., LLP
Certified Public Accountants

American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Angelo Health Foundation
San Angelo, Texas

Report of the Financial Statements

We have audited the accompanying financial statements of San Angelo Health Foundation (the "Foundation") which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibilities for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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 San Angelo Health Foundation, as of December 31, 2016 and 2015, and

the results of its operations, its functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Investment Securities and Schedule of Cash Activity for Charitable Purposes on pages 19 and 20 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

Armstrong, Backus & Co., L.L.P.

San Angelo, Texas
June 1, 2017



SAN ANGELO HEALTH FOUNDATION

Statements of Financial Position

As of December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|------------------------------------|----------------------|----------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 264,034 | \$ 105,976 |
| Accrued Income | 7,348 | -0- |
| Prepaid Expenses | 8,341 | 16,277 |
| | <hr/> | <hr/> |
| Total Current Assets | \$ 279,723 | \$ 122,253 |
| | <hr/> | <hr/> |
| Investments: | | |
| Investment Securities, at Market | \$ 51,349,202 | \$ 50,370,957 |
| Land | 1,139,552 | 1,061,819 |
| | <hr/> | <hr/> |
| Total Investments | \$ 52,488,754 | \$ 51,432,776 |
| | <hr/> | <hr/> |
| Fixed Assets: | | |
| Land | \$ 466,646 | \$ 466,646 |
| Building and Improvements | 4,469,156 | 4,469,156 |
| Furniture, Fixtures, and Equipment | 218,416 | 216,907 |
| | <hr/> | <hr/> |
| | \$ 5,154,218 | \$ 5,152,709 |
| Accumulated Depreciation | (1,703,931) | (1,586,698) |
| | <hr/> | <hr/> |
| Net Fixed Assets | \$ 3,450,287 | \$ 3,566,011 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | \$ 56,218,764 | \$ 55,121,040 |
| | <hr/> <hr/> | <hr/> <hr/> |

The accompanying financial statements are an integral part of these statements.

SAN ANGELO HEALTH FOUNDATION

Statements of Financial Position

As of December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Expenses | \$ 80,919 | \$ 21,373 |
| Grants Payable | 1,585,716 | 1,453,534 |
| | <hr/> | <hr/> |
| Total Current Liabilities | \$ 1,666,635 | \$ 1,474,907 |
| | <hr/> | <hr/> |
| Long-Term Liabilities: | | |
| Grants Payable | \$ 93,860 | \$ 185,812 |
| | <hr/> | <hr/> |
| Total Long-Term Liabilities | \$ 93,860 | \$ 185,812 |
| | <hr/> | <hr/> |
| Total Liabilities | \$ 1,760,495 | \$ 1,660,719 |
| | <hr/> | <hr/> |
| Net Assets: | | |
| Unrestricted | \$ 54,458,269 | \$ 53,460,321 |
| | <hr/> | <hr/> |
| Total Net Assets | \$ 54,458,269 | \$ 53,460,321 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES AND NET ASSETS | \$ 56,218,764 | \$ 55,121,040 |
| | <hr/> <hr/> | <hr/> <hr/> |

The accompanying financial statements are an integral part of these statements.

SAN ANGELO HEALTH FOUNDATION

Statements of Activities

For the Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|---|---------------|----------------|
| Revenue and Gains: | | |
| Dividend Income | \$ 41,253 | \$ 555,988 |
| Interest Income | 558 | 472,643 |
| Other Income | 47,385 | 18,053 |
| Royalty Income | 38,629 | 61,939 |
| Investment Income | 1,251,385 | -0- |
| Realized Gain on Sale of Investments | 568,903 | 1,951,992 |
| Unrealized Gain (Loss) on Investments | 2,256,796 | (3,189,282) |
| Total Revenue and Gains | \$ 4,204,909 | (\$ 128,667) |
| Expenses: | | |
| Investment Expenses | \$ 341,780 | \$ 403,251 |
| Charitable Expenses | 2,695,557 | 3,089,200 |
| Management and General | 169,624 | 293,757 |
| Total Functional Expenses | \$ 3,206,961 | \$ 3,786,208 |
| Change in Net Assets | \$ 997,948 | (\$ 3,914,875) |
| Unrestricted Net Assets, Beginning of Year | 53,460,321 | 57,375,196 |
| Unrestricted Net Assets, End of Year | \$ 54,458,269 | \$ 53,460,321 |

The accompanying notes are an integral part of these statements.

SAN ANGELO HEALTH FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2016

| | Investment Expenses | Charitable Expenses | Management and General | Total Expenses |
|--|--------------------------------|--------------------------------|-----------------------------------|---------------------------|
| Depreciation | \$ 7,937 | \$ -0- | \$ 109,296 | \$ 117,233 |
| Disbursements for Charitable Purposes | -0- | 2,344,866 | -0- | 2,344,866 |
| Dues and Subscriptions | 91 | 1,226 | -0- | 1,317 |
| Education | 1,220 | 16,462 | -0- | 17,682 |
| Excise Tax | -0- | -0- | 40,730 | 40,730 |
| Insurance | 10,855 | 10,855 | -0- | 21,710 |
| Investment Fees | 277,788 | -0- | -0- | 277,788 |
| Legal, Audit, and Accounting Fees | 17,350 | 17,350 | -0- | 34,700 |
| Office Supplies, Postage, and Printing | 158 | 7,608 | -0- | 7,766 |
| Other Expenses | 935 | 12,614 | -0- | 13,549 |
| Property Taxes | 2,894 | -0- | -0- | 2,894 |
| Repairs and Maintenance | 1,452 | -0- | 19,598 | 21,050 |
| Salaries, Payroll Taxes, and Benefits | 19,886 | 268,197 | -0- | 288,083 |
| Utilities | 1,214 | 16,379 | -0- | 17,593 |
| | <u>\$ 341,780</u> | <u>\$ 2,695,557</u> | <u>\$ 169,624</u> | <u>\$ 3,206,961</u> |

The accompanying notes are an integral part of these statements.

SAN ANGELO HEALTH FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2015

| | Investment Expenses | Charitable Expenses | Management and General | Total Expenses |
|--|--------------------------------|--------------------------------|-----------------------------------|---------------------------|
| Depreciation | \$ 7,863 | \$ -0- | \$ 108,290 | \$ 116,153 |
| Disbursements for Charitable Purposes | -0- | 2,728,195 | -0- | 2,728,195 |
| Dues and Subscriptions | 179 | 2,418 | -0- | 2,597 |
| Education | 1,876 | 25,317 | -0- | 27,193 |
| Excise Tax | -0- | -0- | 151,321 | 151,321 |
| Insurance | 10,483 | 10,482 | -0- | 20,965 |
| Investment Fees | 335,775 | -0- | -0- | 335,775 |
| Legal, Audit, and Accounting Fees | 16,850 | 16,850 | -0- | 33,700 |
| Office Supplies, Postage, and Printing | 209 | 8,928 | -0- | 9,137 |
| Other Expenses | 2,093 | 28,236 | -0- | 30,329 |
| Property Taxes | 5,464 | -0- | -0- | 5,464 |
| Repairs and Maintenance | 2,531 | -0- | 34,146 | 36,677 |
| Salaries, Payroll Taxes, and Benefits | 19,010 | 256,384 | -0- | 275,394 |
| Utilities | 918 | 12,390 | -0- | 13,308 |
| | <u>\$ 403,251</u> | <u>\$ 3,089,200</u> | <u>\$ 293,757</u> | <u>\$ 3,786,208</u> |

The accompanying notes are an integral part of these statements.

SAN ANGELO HEALTH FOUNDATION

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|--|----------------|----------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Contributions and Fundraising | \$ 1,992 | \$ 18,053 |
| Cash Received from Investments | 1,323,919 | 617,927 |
| Cash Received for Interest | 558 | 472,643 |
| Cash Paid for Charitable Purposes | (2,304,636) | (1,446,069) |
| Cash Paid for Salaries and Benefits | (288,083) | (275,394) |
| Cash Paid for Other Operating Expenses | (341,010) | (593,177) |
| Cash Paid for Taxes | (2,894) | (172,817) |
| Net Cash Provided (Used) by Operating Activities | (\$ 1,610,154) | (\$ 1,378,834) |
| Cash Flows from Investing Activities: | | |
| Purchase of Fixed Assets | (\$ 79,242) | (\$ 6,219) |
| Purchase of Investments | (5,158,688) | (174,011,995) |
| Proceeds from Sale of Investments | 7,006,142 | 175,332,841 |
| Net Cash Provided (Used) by Investing Activities | \$ 1,768,212 | \$ 1,314,627 |
| Net Increase (Decrease) in Cash | \$ 158,058 | (\$ 64,207) |
| Cash, Beginning of the Year | 105,976 | 170,183 |
| Cash, End of Year | \$ 264,034 | \$ 105,976 |
| Reconciliation of Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities | | |
| Increase (Decrease) in Net Assets | \$ 997,948 | (\$ 3,914,875) |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities | | |
| Depreciation | \$ 117,233 | \$ 116,153 |
| Unrealized (Gain) Loss on Long-Term Investments | (2,256,796) | 3,189,282 |
| (Gain) Loss on Sale of Investments | (568,903) | (1,951,992) |
| Changes in Assets and Liabilities | | |
| (Increase) Decrease in Accrued Income | (7,348) | -0- |
| (Increase) Decrease in Prepaid Expenses | 7,936 | (16,032) |
| Increase (Decrease) in Accounts Payable | 59,546 | (83,496) |
| Increase (Decrease) in Grants Payable | 40,230 | 1,282,126 |
| Total Adjustments | (\$ 2,608,102) | \$ 2,536,041 |
| Net Cash Provided (Used) by Operating Activities | (\$ 1,610,154) | (\$ 1,378,834) |

The accompanying notes are an integral part of these statements.

SAN ANGELO HEALTH FOUNDATION

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the San Angelo Health Foundation (the Foundation) have been prepared on the accrual basis of accounting. The significant accounting policies followed by the Foundation are described below.

Organization – The Foundation is a nonprofit corporation qualified as a private foundation as defined in section 509(a) of the Internal Revenue Code. The Foundation’s mission is to enhance the quality of life for the people of the San Angelo, Texas area. The Foundation’s activities include, but are not limited to, the operation of programs to provide charitable assistance, training, and educational support for the promotion of general physical and mental health, principally for the benefit of the general population of the San Angelo, Texas area.

Tax Status – The Foundation has been determined by the Internal Revenue Service to be a private foundation under Section 509(a) of the Internal Revenue Code.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments – Foundation investments are classified as non-current. Marketable debt and equity securities are revalued at the end of each year to reflect the current market value. The cumulative total of this revaluation is reported in the statements of activities as unrealized gain (loss) on investments.

Fixed Assets – Fixed assets are recorded at their cost. Depreciation of furniture, fixtures, and equipment is provided using the straight-line method over the estimated useful lives of the assets, which is generally five years. Building and improvements are recorded at cost and are being depreciated over periods ranging from 10 to 39.5 years on the straight-line basis.

Donations of fixed assets are recorded as support at their estimated fair value as of the date of donation. The estimated fair value of donated fixed assets represents the cost basis of the donated assets that is subject to depreciation. Maintenance and repair expenditures are expensed as incurred.

Promises to Give – Charitable expenses are recognized when the Foundation makes a promise to give to the donee that is, in substance, unconditional. Promises to give that are subject to certain future conditions or actions, on the part of the donee, are reported as contributions expense in the fiscal year in which the conditions are met. Restrictions on the Foundation’s temporarily restricted net assets may be met when the Foundation makes grants for certain qualifying purposes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Net Assets – The Foundation applies the provisions of Financial Accounting Standards Board (FASB) Codification 958, Not-for-Profit Entities (formerly SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*). Under FASB 958, the Foundation is required to

SAN ANGELO HEALTH FOUNDATION

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

classify its net assets based on the existence or absence of donor imposed restrictions. These classifications of net assets are described as follows:

Unrestricted – All resources over which the governing board has discretionary control.

Temporarily Restricted – Resources that have donor imposed restrictions that permit the Foundation to expend the assets as specified and are satisfied either by the passage of time or by actions of the Foundation.

Permanently Restricted – Resources that include a donor-imposed restriction that stipulate resources be maintained permanently, but permits the Foundation to use or expend part or all of the income (or other economic benefit) derived from the donated assets.

Fair Value of Financial Instruments – The fair value of investments is based on quoted market prices, if available, or estimated using quoted prices for similar securities.

The fair value of future commitments is based on the present value of the commitment from the grant date. Generally, the time delay between the grant date and the date of funding is relatively short, and accordingly, a present value discount of the commitment amount is not material to the financial statements. The carrying values for cash equivalents, accounts payable, and accrued expenses approximate fair values.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2: INVESTMENT SECURITIES

Fair value and cost of investment securities at December 31, 2016 and 2015 are as follows:

| | 2016 | | 2015 | |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> |
| Institutional Funds | <u>\$ 51,349,202</u> | <u>\$ 52,302,869</u> | <u>\$ 50,370,957</u> | <u>\$ 53,560,239</u> |
| Total Investment Securities | <u>\$ 51,349,202</u> | <u>\$ 52,302,869</u> | <u>\$ 50,370,957</u> | <u>\$ 53,560,239</u> |

NOTE 3: FEDERAL EXCISE AND INCOME TAXES

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. In accordance with provisions of the Tax Reform Act of 1969 (the Act), the Foundation is subject to an excise tax on net investment income, including realized gains as defined in the Act. The excise tax expense for the years ended December 31, 2016 and 2015 totaled \$44,038 and \$151,321, respectively.

SAN ANGELO HEALTH FOUNDATION

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

The Foundation is required to make qualifying distributions (as defined in the Internal Revenue Code of 1986) (IRC) equal to its minimum investment return, as defined in the IRC. Management believes that these distribution requirements will be met in the coming year.

The Organization files Form 990-PF in the U.S. federal jurisdiction. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

NOTE 4: COMMITMENTS

As of December 31, 2016, the Foundation had outstanding conditional commitments to various qualified charitable organizations not required to be paid by the Foundation until specific conditions are fulfilled by the grantees and, therefore are not accrued in the accompanying financial statements. Unconditional commitments are those that have been approved, but not paid, prior to December 31, 2016 and do not require the grantee to meet any additional stipulations set forth by the Foundation. The commitments outstanding at December 31, 2016 are as follows:

| Organization | Conditional | Unconditional |
|--|--------------------|----------------------|
| Alcohol and Drug Abuse Council for the Concho Valley | \$ -0- | \$ 750,000 |
| Angelo State University – Community Development Initiative | -0- | 64,494 |
| Concho Valley Regional Food Bank | -0- | 300,000 |
| Esperanza Health and Dental Centers | -0- | 82,222 |
| Eola Volunteer Fire Department | 90,000 | -0- |
| House of Faith | -0- | 143,860 |
| Institute of Cognitive Development | -0- | 35,000 |
| Restoring Bronte Foundation | 62,350 | -0- |
| San Angelo Area Foundation | -0- | 25,000 |
| San Angelo Lions Charities | -0- | 26,000 |
| San Angelo Performing Arts Coalition | -0- | 138,000 |
| West Texas Boys Ranch | -0- | 40,000 |
| West Texas Counseling and Guidance | -0- | 75,000 |
| Total Commitments | \$ 152,350 | \$ 1,679,576 |

SAN ANGELO HEALTH FOUNDATION

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

The commitments outstanding at December 31, 2015 are as follows:

| Organization | Conditional | Unconditional |
|--|---------------------|----------------------|
| Alcohol and Drug Abuse Council for the Concho Valley | \$ -0- | \$ 1,000,000 |
| Arc of San Angelo | -0- | 25,000 |
| Concho Valley Regional Food Bank | 300,000 | -0- |
| House of Faith | -0- | 185,812 |
| Institute of Cognitive Development | -0- | 105,000 |
| MHMR of the Concho Valley | -0- | 85,750 |
| Project Janus | -0- | 37,300 |
| West Texas Boys Ranch | -0- | 80,000 |
| West Texas Counseling and Guidance | 500,000 | -0- |
| West Texas Rehab | -0- | 100,484 |
| Young Life of San Angelo | 285,000 | 20,000 |
| Total Commitments | \$ 1,085,000 | \$ 1,639,346 |

The liability for commitments payable and maturities thereof at December 31, 2016 and 2015 are as follows:

| | 2016 | 2015 |
|----------------------|---------------------|---------------------|
| Total Commitments | \$ 1,679,576 | \$ 1,639,346 |
| Amounts Due In: | | |
| Less than One Year | \$ 1,585,716 | \$ 1,453,534 |
| One to Five Years | 93,860 | 185,812 |
| More than Five Years | -0- | -0- |
| Total Commitments | \$ 1,679,576 | \$ 1,639,346 |

NOTE 5: LEASE AGREEMENT

In accordance with the terms of the Agreement for Construction and Operation of a Multipurpose Building between the City of San Angelo, San Angelo Chamber of Commerce, and the Foundation; the Foundation has entered into a lease agreement, as a lessor with the San Angelo Chamber of Commerce, for approximately 6,792 square feet of space in the Visitor's Center building. The term of the lease is twenty-five years, and it provides that the Chamber is not obligated for any rent for the leased premises. The lease agreement specifies that the Chamber initially will pay \$1,000 per month into a fund to be used for maintenance and/or improvements to the leased premises. Beginning in January 2009, the Chamber's contribution to the maintenance fund was reduced to \$500 per month for the remainder of the lease. During 2015, the Chamber and the Foundation contributed \$1,000 per month into the maintenance fund. Included in accounts payable and accrued expenses in the accompanying Statements of Financial Position is \$11,821 and \$12,021, respectively, due to the Chamber of Commerce for their portion of the maintenance funds held in cash at December 31, 2016 and 2015.

SAN ANGELO HEALTH FOUNDATION

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

On August 31, 2010, the San Angelo Health Foundation entered into an agreement with the City of San Angelo which provides for the future purchase of a specific property. Under the terms of the agreement, the City of San Angelo is required to sell the development rights for this property, owned by the City, to a third party before the close of a five year period that will begin upon the formation by the City of San Angelo of a Downtown Redevelopment Commission and related contracting of a Master Developer. The original agreement stated that if the development rights have not been sold by the end of this five year period, the San Angelo Health Foundation has agreed to buy the property from the City of San Angelo for a price not to exceed \$920,000. In May 2016, the San Angelo Health Foundation and the City of San Angelo terminated the agreement.

NOTE 6: PENSION PLAN

The Foundation sponsors a defined contribution pension plan covering all of its employees. Contributions to the plan are at the discretion of the Board of Directors. During 2016 and 2015, contributions to the plan totaled \$18,405 and \$17,250, respectively.

NOTE 7: CONCENTRATION OF CREDIT RISK

The Foundation maintains interest-bearing cash accounts at a financial institution that are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2016, the cash accounts held by the Foundation are not fully covered by Federal Deposit Insurance Corporation coverage by \$23,415.

NOTE 8: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Codification 820, Fair Value Measurements and Disclosures (formerly SFAS No. 157, *Fair Value Measurements*), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB 820 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

SAN ANGELO HEALTH FOUNDATION

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable or significant and insignificant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificate of Deposits, Mutual Funds, Money Market Funds, and Exchange Traded Funds: Valued at net asset value ("NAV") of shares held by the Organization at year end.

Common Stocks, International Bonds, and U.S. Government Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2016 and 2015:

| Assets at Fair Value as of December 31, 2016 | | | | |
|--|----------------------|----------------------|---------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Institutional Funds | \$ 33,595,886 | \$ 17,753,316 | \$ -0- | \$ 51,349,202 |
| | <u>\$ 33,595,886</u> | <u>\$ 17,753,316</u> | <u>\$ -0-</u> | <u>\$ 51,349,202</u> |
| Assets at Fair Value as of December 31, 2015 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Institutional Funds | \$ 34,969,368 | \$ 15,401,589 | \$ -0- | \$ 50,370,957 |
| | <u>\$ 34,969,368</u> | <u>\$ 15,401,589</u> | <u>\$ -0-</u> | <u>\$ 50,370,957</u> |

NOTE 9: RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

SAN ANGELO HEALTH FOUNDATION

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 10: EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 1, 2017, the date which the financial statements were available to be issued.

SAN ANGELO HEALTH FOUNDATION

Schedule of Investment Securities

For the Year Ended December 31, 2016

| Number of Shares or Face Value | Description | Approximate Market Value at 12/31/16 | Cost | Unrealized Gain / (Loss) |
|---|----------------------------------|---|----------------------|-------------------------------------|
| <u>INSTITUTIONAL FUNDS</u> | | | | |
| 1,023,779 | Money Market | \$ 1,023,779 | \$ 1,023,779 | \$ -0- |
| 177,301 | Common Trust Fund - Equity | 26,749,008 | 27,524,899 | (775,891) |
| 125,083 | Common Trust Fund - Fixed Income | 12,614,393 | 12,759,415 | (145,022) |
| 60,106 | Common Trust Fund - Specialty | 8,842,873 | 8,854,053 | (11,180) |
| 277,013 | Mutual Funds - Specialty | 2,119,149 | 2,140,723 | (21,574) |
| | Total Investments | \$ 51,349,202 | \$ 52,302,869 | (\$ 953,667) |

See Independent Auditors' Report.

SAN ANGELO HEALTH FOUNDATION

Schedule of Cash Activity for Charitable Purposes

For the Year Ended December 31, 2016

| Charity | Unrestricted |
|---|---------------------|
| Alcohol and Drug Abuse Council for the Concho Valley | \$ 251,500 |
| Angelo State University Community Development Initiatives | 61,741 |
| Arc of San Angelo | 25,000 |
| Association of Asian - American Women | 5,000 |
| Ballinger Memorial Hospital District | 181,557 |
| Boys and Girls Club of San Angelo | 2,500 |
| Children's Advocacy Center of Tom Green County | 2,000 |
| Christoval Volunteer Fire Department | 55,000 |
| Cook Children's Health Foundation | (5,307) |
| Concho Christmas Celebration | 17,493 |
| Concho Valley Home for Girls | 2,500 |
| Cornerstone Christian School | 18,950 |
| Eldorado Youth Corps | 80,767 |
| Exponent Philanthropy | 750 |
| Grantmakers for Effective Organizations | 1,920 |
| Grape Creek Volunteer Fire Department | 105,122 |
| House of Faith | 45,952 |
| ICD Family Shelter | 1,500 |
| Institute of Cognitive Development, Inc. | 70,000 |
| Junior League of San Angelo | 2,500 |
| MHMR Services for the Concho Valley | 85,750 |
| Mosaic of San Angelo | 2,500 |
| Philanthropy Southwest | 3,300 |
| Project Janus, Inc. | 37,300 |
| Salvation Army | 4,000 |
| San Angelo Area Foundation | 25,000 |
| San Angelo Civic Ballet | 33,873 |
| San Angelo Early Childhood Center | 1,500 |
| San Angelo Performing Arts Coalition | 200,000 |
| San Angelo State School Volunteer Service | 5,000 |
| Wesley Trinity Daily Bread Program | 19,909 |
| West Texas Boys Ranch | 74,849 |
| West Texas Counseling and Guidance | 480,460 |
| West Texas Rehabilitation Center | 99,750 |
| Young Life San Angelo | 305,000 |
| | <u>\$ 2,304,636</u> |

See Independent Auditors' Report.

