

February 27, 2018

Ms. Angela Calvillo  
Clerk of the Board  
Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102

Subject: 2018 Annual Joint Fundraising Drive

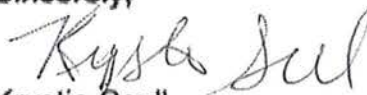
Dear Ms. Calvillo,

Enclosed you will find the following items in order to qualify for the City/County of San Francisco Annual Joint Fundraising Drive:

- Most recent Audited financial statement
- Current agency membership list for the 2018 campaign year
- Copy of the 501(c)3 IRS determination letter

If you should require any further information, please do not hesitate to contact me.

Sincerely,

  
Krystie Scull  
Development Director

Enclosures

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2018 FEB 28 AM 10:58  
BY 

Internal Revenue Service

Department of the Treasury

P. O. Box 2508  
Cincinnati, OH 45201

Date: January 27, 2000

Person to Contact:  
Tonya Martin 31-03017  
Customer Service Representative  
Telephone Number:  
877-829-5500  
Fax Number:  
513-263-3756  
Federal Identification Number:  
94-1732873

Community Health Charities of California  
Natl. Voluntary Hlth Agencies of Cal.  
530 Bercut Drive, Ste. C  
Sacramento, CA 95814

Dear Sir or Madam:

This letter is in response to your letter dated December 16, 1999 requesting a change of address.

Our records indicate that a determination letter issued in September 1971 granting your organization exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. That letter is still in effect.

Based on information subsequently submitted, we classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

This classification was based on the assumption that your organization's operations would continue as stated in the application. If your organization's sources of support, or its character, method of operations, or purposes have changed, please let us know so we can consider the effect of the change on the exempt status and foundation status of your organization.

Your organization is required to file Form 990, Return of Organization Exempt from Income Tax, only if its gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period. The law imposes a penalty of \$20 a day, up to a maximum of \$10,000, when a return is filed late, unless there is reasonable cause for the delay.

All exempt organizations (unless specifically excluded) are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more paid to each employee during a calendar year. Your organization is not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, these organizations are not automatically exempt from other federal excise taxes.

Donors may deduct contributions to your organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Account Name	City	State	County
Alisa Ann Ruch Burn Foundation, California, San Francisco	San Francisco	CA	San Francisco County
ALS Association, California, Golden West Chapter, Oakland	Oakland	CA	Alameda County
Alzheimer's Association, California, Northern California and Northern Nevada	Lafayette	CA	Contra Costa County
Alzheimer's Association, California, Northern California and Northern Nevada	San Jose	CA	Santa Cruz County
Alzheimer's Association, California, Northern California and Northern Nevada	San Rafael	CA	Marin County
American Cancer Society, California, West Region, San Francisco	Alameda	CA	Alameda County
American Diabetes Association, California, Oakland	Oakland	CA	Alameda County
American Diabetes Association, California, San Jose	San Jose	CA	Santa Clara County
American Liver Foundation, California, Northern California Division	San Francisco	CA	San Francisco County
American Lung Association of California, Oakland	Oakland	CA	Alameda County
Angel Flight West	Santa Monica	CA	Los Angeles County
Arthritis Foundation, California, Great West Region, San Francisco	San Francisco	CA	San Francisco County
Autism Speaks, California	Los Angeles	CA	Los Angeles County
Beloved Foundation	Redlands	CA	San Bernardino County
Boys & Girls Clubs of Fullerton	Fullerton	CA	Orange County
Burn Institute	San Diego	CA	San Diego County
California Hospice and Palliative Care Association	Sacramento	CA	Sacramento County
Children's Tumor Foundation, California	Encino	CA	Los Angeles County
City of Hope	Duarte	CA	Los Angeles County
Community Health Charities	Concord	CA	Contra Costa County
Crohn's & Colitis Foundation, California, Northern California Chapter	San Francisco	CA	San Francisco County
Cystic Fibrosis Foundation, California, San Francisco	San Francisco	CA	San Francisco County
Cystic Fibrosis Research, Inc.	Palo Alto	CA	Santa Clara County
Easterseals, California, Bay Area Chapter	Walnut Creek	CA	Contra Costa County
Epilepsy Foundation of Northern California	Oakland	CA	Alameda County
Gardner Family Health Network	San Jose	CA	Santa Clara County
Hospice Giving Foundation	Monterey	CA	Monterey County
Huntington's Disease Society of America, California, Northern California	Sacramento	CA	Sacramento County
JDRF International, California, Northern California Inland Chapter	Sacramento	CA	Sacramento County
Lazarex Cancer Foundation	Danville	CA	Contra Costa County
Leukemia & Lymphoma Society, California, Greater Bay Area Chapter	San Francisco	CA	San Francisco County
Leukemia & Lymphoma Society, California, Silicon Valley / Monterey Bay	San Jose	CA	Santa Clara County
March of Dimes Foundation, California, Bay Area Division	San Francisco	CA	San Francisco County
March of Dimes Foundation, California, South Bay Division	San Jose	CA	Santa Clara County
Mission Hospice of San Mateo County (Mission Hospice & Home Care)	San Mateo	CA	San Mateo County
Muscular Dystrophy Association, California, Western Division, San Francisco	Alameda	CA	Alameda County
NAMI (National Alliance on Mental Illness), California, Orange County	Santa Ana	CA	Orange County
National Kidney Foundation, California, West, Northern CA/Pacific Northwest	San Francisco	CA	San Francisco County
National Multiple Sclerosis Society, California, Northern CA	San Francisco	CA	San Francisco County
New Horizons Serving Individuals with Special Needs	North Hills	CA	Los Angeles County
Open Medicine Foundation	Agoura Hills	CA	Los Angeles County
Oregon Lions Sight & Hearing Foundation	Portland	OR	Multnomah County
Pancreatic Cancer Action Network	Manhattan Beach	CA	Los Angeles County
Parkinson's Institute	Sunnyvale	CA	Santa Clara County
Planned Parenthood Mar Monte, Inc., California, San Jose Regional Office	San Jose	CA	Santa Clara County
Prevent Blindness Northern California	San Francisco	CA	San Francisco County

Ronald McDonald House Charities of Southern California	Los Angeles	CA	Los Angeles County
St. Jude Children's Research Hospital, California (serving Northern California)	San Francisco	CA	San Francisco County
Susan G. Komen, California, San Francisco Bay	San Francisco	CA	San Francisco County
The Painted Turtle	Santa Monica	CA	Los Angeles County
Tierra del Sol Foundation	Sunland	CA	Los Angeles County
United Cerebral Palsy of Los Angeles & Ventura Counties	Woodland Hills	CA	Los Angeles County
Variety - the Children's Charity of the United States	Los Angeles	CA	Los Angeles County
We Care Services for Children	Concord	CA	Contra Costa County

Total = 55 charities

Located in SF and surrounding cities = 33 (60%)



COMMUNITY HEALTH CHARITIES

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

*As of and for the Years Ended June 30, 2015  
and 2014*

*And Report of Independent Auditor*

**COMMUNITY HEALTH CHARITIES  
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## Report of Independent Auditor

The Board of Directors  
Community Health Charities  
Alexandria, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of Community Health Charities (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

The financial statements of the Organization for the year ended June 30, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on February 26, 2015.

A handwritten signature in cursive script that reads "Cheryl Beckett LLP".

Bethesda, Maryland  
October 28, 2016



COMMUNITY HEALTH CHARITIES  
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 15,704,758	\$ 5,525,313
Investments	1,716,828	-
Due from state affiliates and other receivables	574,436	217,375
Pledges receivable, net of allowance for uncollectible pledges of \$7,785,572 (\$3,522,681 in 2014)	26,315,380	15,327,830
Prepaid expenses	92,605	39,650
Property and equipment, net of accumulated depreciation of \$393,668 (\$215,750 in 2014)	59,271	46,059
Deposits	23,505	-
<b>Total Assets</b>	<b>\$ 44,486,783</b>	<b>\$ 21,156,227</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Line of credit	\$ 301,891	\$ -
Accounts payable and accrued expenses	2,074,908	353,390
Campaign funds payable	32,800,424	17,953,346
<b>Total Liabilities</b>	<b>35,177,223</b>	<b>18,306,736</b>
Net Assets:		
Unrestricted	9,309,560	2,849,491
<b>Total Net Assets</b>	<b>9,309,560</b>	<b>2,849,491</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 44,486,783</b>	<b>\$ 21,156,227</b>

**COMMUNITY HEALTH CHARITIES**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Amounts Raised in Campaigns:		
Combined Federal campaign	\$ 18,380,288	\$ 17,894,219
Private sector campaign	<u>7,848,905</u>	<u>5,588,179</u>
Total Amounts Raised in Campaigns	26,229,193	23,482,398
Less: shrinkage reserve	(4,187,170)	(3,327,320)
Less: amounts designated by donor to specific member agencies	<u>(18,663,192)</u>	<u>(17,983,086)</u>
Total public support designated to Community Health Charities	<u>3,378,831</u>	<u>2,171,992</u>
Other Public Support and Revenue:		
Affiliation fees	408,291	631,069
Application fees	436,875	419,275
Contributions	286,390	108,739
Investment income	33,811	1,052
Other revenue	<u>148,300</u>	<u>12,099</u>
Total Public Support and Revenue	<u>4,692,498</u>	<u>3,344,226</u>
Expenses:		
Program services	<u>6,514,930</u>	<u>2,456,594</u>
Supporting Services:		
Management and general	1,325,050	588,331
Fundraising	<u>333,286</u>	<u>212,021</u>
Total Supporting Services	<u>1,658,336</u>	<u>800,352</u>
Total Expenses	<u>8,173,266</u>	<u>3,256,946</u>
Change in net assets before changes related to acquisition of local affiliates	(3,480,768)	87,280
Excess of assets over liabilities acquired in acquisition of local affiliates	<u>9,940,837</u>	<u>-</u>
Change in net assets	6,460,069	87,280
Net assets, beginning of year	<u>2,849,491</u>	<u>2,762,211</u>
Net assets, end of year	<u>\$ 9,309,560</u>	<u>\$ 2,849,491</u>

The accompanying notes to the financial statements are an integral part of these statements.

COMMUNITY HEALTH CHARITIES  
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 6,460,069	\$ 87,260
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Excess of assets over liabilities acquired in acquisition of local affiliates	(9,940,837)	-
Depreciation	43,912	26,970
Allowance for uncollectible pledges	(1,220,214)	(529,749)
Decrease (increase) in operating assets:		
Due from state affiliates and other receivables	(357,061)	165,666
Pledges receivable	12,950,474	3,287,862
Prepaid expenses	2,309	(1,148)
Deposits	8,941	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,159,728	133,937
Campaign funds payable	(10,123,558)	(4,342,905)
Net cash flows from operating activities	<u>(1,016,237)</u>	<u>(1,192,087)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(20,662)	(9,721)
Redemption of certificates of deposit	-	510,465
Purchases of investments	(1,716,828)	(1,173)
Cash acquired in acquisition of affiliates	12,850,970	-
Net cash flows from investing activities	<u>11,113,480</u>	<u>499,571</u>
<b>Cash flows from financing activities:</b>		
Borrowings under line of credit	301,891	-
Repayments on lines of credit	(219,689)	-
Net cash flows from financing activities	<u>82,202</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	10,179,445	(692,516)
Cash and cash equivalents, beginning of year	5,525,313	6,217,829
Cash and cash equivalents, end of year	<u>\$ 15,704,758</u>	<u>\$ 5,525,313</u>

The accompanying notes to the financial statements are an integral part of these statements.

# COMMUNITY HEALTH CHARITIES

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### Note 1—Summary of significant accounting policies

*Nature of Operations* – Community Health Charities (the “Organization”), through its participation in the Combined Federal Campaign and certain corporate campaigns, serves as a vehicle through which Federal (domestic and overseas) employees and employees in the private sector may make contributions to the Organization's member charities and their local chapters, which are not-for-profit charitable organizations performing medical research, providing community and patient services, and materials and programs for public and professional education in the health field. The Organization conducts business nationwide through a network of affiliated Community Health Charities' local affiliates. Amounts raised in unaffiliated states are distributed directly to designated charitable organizations based on campaign designation reports. As described in Note 10 to the financial statements, the Organization acquired twenty-three of these local affiliates during the year ended June 30, 2015.

*Basis of Presentation* – The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Organization presents information regarding its financial position and activities according to three classes of net assets described as follows:

*Unrestricted Net Assets* – All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

*Temporarily Restricted Net Assets* – Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

*Permanently Restricted Net Assets* – Resources accumulated through donations or grants that are subject to a restriction. These net assets include the original value of the gift, plus any subsequent additions.

*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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowances for uncollectible pledges and shrinkage.

*Cash and Cash Equivalents* – Cash and cash equivalents consist of operating, payroll, and money market accounts and certificates of deposit with a maturity of three months or less. Included in cash is a Trust Account established to clearly separate national campaign funds processed for affiliates and designated charities from all other funds of the Organization. The funds in the Trust Account can only be distributed (i) to the designated charities, (ii) as to their respective allocations of shared revenue, to the Affiliates, and (iii) as to its allocation of shared revenue, to the Organization. Except with respect to the portion of the Trust Account which is distributed to the Organization as its allocation of shared revenues, these funds do not belong to, and cannot be used by, the Organization.

COMMUNITY HEALTH CHARITIES  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 1—Summary of significant accounting policies (continued)

Total cash at June 30, 2015 and 2014 included in the statements of financial position includes the following:

	2015	2014
Cash and cash equivalents	\$ 13,081,427	\$ 1,372,383
Cash held for affiliates	2,623,331	4,152,930
Total cash	<u>\$ 15,704,758</u>	<u>\$ 5,525,313</u>

*Pledges Receivable* – Pledges are recorded in the financial statements upon receiving pledge information from the campaign. The Organization honors designations made to each member organization. As all pledges are expected to be collected within one year, they are recorded at their net realizable value, which approximates fair value. This is achieved by creating an allowance for estimated uncollectible pledges and for estimated campaign expenses (shrinkage).

*Due from State Affiliates* – Due from state affiliates consists of affiliation fee revenues earned and not yet received. The Organization holds an affiliation agreement with each state affiliate. A board approved affiliation fee is earned on pledge amounts raised in workplace giving campaigns by each state affiliate.

*Property and Equipment* – Furniture and equipment with unit values in excess of \$1,000 are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Cost and related accumulated depreciation are removed from the accounts when the assets are disposed of, with any gain or loss recognized currently. Repairs and maintenance are charged to expense when incurred.

*Campaign Funds Payable* – Campaign funds payable include funds not distributed as of year-end for donor pledges that are undesignated or designated to either the Organization or a participating affiliate or member charity. When pledges are received from campaigns, the cash is allocated using the ratio of donor designated funds combined with the pro rata share of undesignated funds to the total cash received.

*Distribution Policy* – The Policy of the Organization is to distribute, as of the Organization's scheduled distribution dates, all of the receipts from all contributing campaigns, less an agreed upon fee, in accordance with gross designation reports provided by administrators of the various campaigns, to include the Combined Federal Campaign.

*Classifications of Net Assets* – The Organization's net assets and activities that increase or decrease net assets are classified as unrestricted, temporarily restricted, or permanently restricted. As of June 30, 2015, unrestricted net assets were \$9,309,560 (\$2,849,491 as of June 30, 2014) and there were no permanently restricted or temporarily restricted net assets (none as of June 30, 2014).

*Revenue Recognition* – Amounts raised in campaigns primarily represent estimated pledges to be collected from the fall 2014 campaign that have been passed through to specific member charities based on donor designations for the year ended June 30, 2015 (2013 campaign for the year ended June 30, 2014). Administrative fees, included in public support designated to Community Health Charities, represent board approved costs of raising funds on behalf of others. These fees are recognized when the pledges are made. The campaign percentages vary based on individual agreements. Affiliation fees are based on audited results of amounts raised in workplace campaigns by affiliates using a board approved rate and are recognized annually.

# COMMUNITY HEALTH CHARITIES

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### Note 1—Summary of significant accounting policies (continued)

The Organization, on behalf of and as agent for the affiliates, will make the appropriate distributions on funds generated from all national campaigns directly to the designated charities.

Although the funds are comingled in the Trust Account, each affiliate is entitled to an accounting of the amounts in the Trust Account allocated to the affiliate based upon the amounts as reported by the various vendors as having been designated to agencies for distribution to charities in the affiliate's area of responsibility. The Organization provides an accounting to each affiliate, no less than quarterly, of: (a) the amount of the Trust Account allocated to the affiliate as of the beginning of the reporting period; (b) additional amounts allocated to the affiliate during the reporting period; (c) the amounts distributed during the reporting period by the Organization for the Trust Account to designated charities on behalf of the affiliate; (d) all shared revenue distributed to the affiliate; and (e) the amount of the Trust Account allocated to the affiliate as of the end of the reporting period.

Affiliates must be in compliance with the current Affiliation Agreement and have executed an agreement to participate in the Trust Account in order to receive revenue credit and revenue share from national campaigns.

*Expenses* – Expenses are recognized by the Organization during the period in which they are incurred. Expenses which are paid in advance and not yet incurred are deferred to the applicable period.

Program services consist of costs associated with managing, maintaining, and increasing revenue sources for the Organization's affiliates and member charities from existing workplace fundraising campaigns; increasing overall recognition and representation of member agencies; and costs that benefit the overall campaign. Management and general expenses consist of costs directly related to the overall operations of the Organization and maintenance of its corporate existence, including general office management, reception, and financial reporting. Fundraising includes those costs associated with accessing new workplace fundraising campaigns.

*Functional Allocation of Expenses* – The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

*Income Taxes* – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). In addition, the Organization is classified by the Internal Revenue Service ("IRS") under Section 509(a)(1) as an organization that is not a private foundation and is required to report unrelated business income to the IRS and the State of Virginia taxing authorities. For the year ended June 30, 2015, there was no unrelated business income earned.

*Accounting for Uncertainty in Income Taxes* – The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's federal and state tax returns are generally open for examination for three years following the date filed.

*Subsequent Events* – The Organization has evaluated subsequent events through October 28, 2016, which is the date the financial statements were available to be issued.

COMMUNITY HEALTH CHARITIES  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2—Property and equipment

Property and equipment consisted of the following as of June 30, 2015 and 2014:

	June 30,	
	2015	2014
Cost:		
Office/Computer equipment	\$ 318,241	\$ 95,460
Software	97,520	133,508
Furniture	8,800	19,963
Leasehold improvements	28,378	12,878
	<u>452,939</u>	<u>261,809</u>
Accumulated depreciation	393,668	215,750
Net property and equipment	<u>\$ 59,271</u>	<u>\$ 46,059</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$43,912 and \$26,970, respectively.

Note 3—Commitments

The Organization had commitments under operating leases for its headquarters' office as well as leases still in effect for several of their acquired local affiliates. These leases have monthly rent payments totaling \$15,881, and expire at various dates through October 2018. The Organization also leases equipment under various operating leases. These leases have monthly rent payments totaling \$2,701, and expire at various dates through January 2019.

Subsequent to June 30, 2015, but prior to the issuance of these financial statements, the Organization entered into a new lease agreement for another facility and began subleasing their old facility. Under the new lease agreement, the monthly rent payment will be \$20,227 commencing November 2016 through October 2027, with scheduled increases each year. Under the sublease agreement for their old facility, the Organization will receive \$3,164 per month commencing January 2017 through October 2018, with an increase of 4% in the second year.

Future minimum rental payments, by fiscal year and in the aggregate, under the operating leases are as follows:

Years Ending June 30,	Facilities	Equipment	Totals
2016	\$ 193,438	\$ 32,407	\$ 225,845
2017	303,722	23,257	326,979
2018	347,521	2,651	350,172
2019	254,043	718	254,761
2020	261,026	-	261,026
Later Years	2,145,977	-	2,145,977
	<u>3,505,726</u>	<u>59,033</u>	<u>3,564,759</u>
Less: noncancellable subleases	(71,137)	-	(71,137)
	<u>\$ 3,434,589</u>	<u>\$ 59,033</u>	<u>\$ 3,493,622</u>

# COMMUNITY HEALTH CHARITIES

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### Note 3—Commitments (continue)

Rent expense for the years ended June 30, 2015 and 2014 totaled \$296,977 and \$110,740, respectively.

### Note 4—Contingencies

During the year ended June 30, 2011, the Organization learned of possible malfeasance within a state affiliate. The board of that affiliate retained counsel as did the Organization. The investigation by outside authorities is still on-going as of June 30, 2015. The state affiliate is legally independent of the Organization, and based on the opinion of legal counsel, the Organization does not believe it will be held liable for any judgments levied.

### Note 5—Pension plan

The Organization has a defined contribution plan under Section 403(b) of the IRC covering all employees who have completed at least one year of service. Under the plan, the Organization made discretionary contributions to the plan equal to 6.5% of each eligible employee's salary. Contributions of \$155,042 and \$92,982 were made during the years ended June 30, 2015 and 2014, respectively.

### Note 6—Concentration of credit risk and financial instruments

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of short-term investments maintained at creditworthy financial institutions. These account balances, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. Credit risk with respect to pledges receivable is limited because the Organization deals with a significant number of campaigns whose participants are spread over a wide geographical area.

For the years ended June 30, 2015 and 2014, approximately 16% and 17%, respectively, of the Organization's pledges, and approximately 19% and 19%, respectively, of the Organization's pledges receivable were from the District of Columbia.

### Note 7—Investments and fair value measurements

The Organization established 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

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

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market 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. 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.



COMMUNITY HEALTH CHARITIES  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 7—Investments and fair value measurements (continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. At this time, the Organization does not hold any investments which would be included in this category.

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.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although management believes its 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.

	Fair Value	Cost
Corporate bonds	\$ 322,877	\$ 324,138
Mutual funds	674,231	663,732
Equities	199,302	187,495
Certificates of deposit	414,158	410,825
Money market funds	106,260	106,260
	<u>\$ 1,716,828</u>	<u>\$ 1,692,450</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3
Corporate bonds	\$ -	\$ 322,877	\$ -
Mutual funds	674,231	-	-
Equities	199,302	-	-
Certificates of deposit	414,158	-	-
Money market funds	106,260	-	-
	<u>\$ 1,393,951</u>	<u>\$ 322,877</u>	<u>\$ -</u>

The following table summarizes investment returns as of June 30, 2015 and 2014:

	2015	2014
Interest and dividends	\$ 3,773	\$ 1,052
Realized gains	5,660	-
Unrealized gains	24,378	-
	<u>\$ 33,811</u>	<u>\$ 1,052</u>

COMMUNITY HEALTH CHARITIES  
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JUNE 30, 2015 AND 2014

Note 8—Lines of credit

The Organization had two lines of credit during the year ended June 30, 2015. The first allowed for borrowings of up to \$1,300,000 and had an outstanding balance of \$301,891 as of June 30, 2015. The line was secured by the Organization's investments, and expired in May 2016 after the Organization paid the entire outstanding balance.

The second line of credit allows for borrowings of up to \$500,000 and had no outstanding borrowings as of June 30, 2015. The line is unsecured, and expired in May 2016.

Note 9—Supplemental cash flow information

As described in Note 10, the Organization acquired twenty-three of its local affiliates during the year ended June 30, 2015. In conjunction with the acquisition, all assets and liabilities of the local affiliates were acquired, and a contribution was received as follows:

Fair value of assets acquired	\$ 35,692,954
Liabilities assumed	<u>(25,752,117)</u>
Contribution received in acquisition of local affiliates	<u>\$ 9,940,837</u>

Note 10—Acquisition of local affiliates

During fiscal year 2011 the Organization began the process of centralizing the accounting and finance functions of its local affiliate organizations through the creation of the National Service Center. The National Service Center standardized local accounting policies and processes.

Consistent with this change and with the goal of building greater efficiencies and increasing member charity support, the Board of Directors of the Organization voted on May 20, 2014 to proceed with acquisition negotiations with the local affiliate organizations. During the year ended June 30, 2015, the organization acquired twenty-three of its local affiliate organizations. As part of these acquisitions, the Organization assumed all assets and liabilities of the acquired local affiliate organizations, resulting in a one-time increase in net assets in the amount of \$9,940,837, which is shown as a separate line item on the statement of activities for the year ended June 30, 2015. All other local affiliates have entered into merger negotiations and their ultimate consolidation into the Organization is expected in future fiscal years.

Below is the list of local affiliates acquired:

<u>Name of Affiliate</u>	<u>Date of Acquisition</u>
Community Health Charities of Ohio, Inc.	September 2014
Community Health Charities of Utah, Inc.	September 2014
Community Health Charities of Oklahoma, Inc.	October 2014
Community Health Charities of Iowa, Inc.	October 2014
Community Health Charities of the Northeast, Inc.	October 2014
Community Health Charities of Washington State, Inc.	November 2014
Community Health Charities of the Southeast, Inc.	November 2014
Community Health Charities of the National Capital Area, Inc.	December 2014
Community Health Charities of Virginia, Inc.	November 2014
Community Health Charities of Wisconsin, Inc.	December 2014
Community Health Charities of Colorado, Inc.	December 2014

COMMUNITY HEALTH CHARITIES  
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JUNE 30, 2015 AND 2014

Note 10—Acquisition of local affiliates (continued)

Name of Affiliate	Date of Acquisition
Community Health Charities of Kentucky, Inc.	December 2014
Community Health Charities of Minnesota, Inc.	January 2015
Community Health Charities of North Carolina, Inc.	December 2014
Community Health Charities of Michigan, Inc.	February 2015
Community Health Charities of Illinois, Inc.	February 2015
Community Health Charities of Arizona, Inc.	February 2015
Community Health Charities of Texas, Inc.	April 2015
Community Health Charities of Maine, Inc.	June 2015
Community Health Charities of Maryland, Inc.	October 2014
Community Health Charities of South Carolina, Inc.	June 2015
Community Health Charities of New England, Inc.	March 2015
Community Health Charities of Florida, Inc.	June 2015

The Organization did not transfer any consideration to any of the local affiliates as part of the acquisition, and accordingly, no goodwill has been recognized. The Organization acquired the following assets and assumed the following liabilities of the local affiliates as part of the acquisition:

	Amount Recognized
Cash	\$ 12,850,970
Receivables	22,717,810
Other assets	124,172
Debt	(219,689)
Accounts payable	(561,792)
Campaign funds payable	(24,970,634)
Excess of assets over liabilities acquired in acquisition of local affiliates	<u>\$ 9,940,837</u>

Any unencumbered cash received through acquisition of the local affiliates was received without restriction. The Organization may, at its discretion, choose to make a final distribution of a portion of those assets which could include member charity grants. A three-person affiliate committee was tasked to work with the Organization one year post-consolidation to determine if such distributions will be made.

**SUPPLEMENTARY INFORMATION**

## Report of Independent Auditor on Supplementary Information

To the Board of Directors  
Community Health Charities  
Alexandria, Virginia

We have audited the financial statements of Community Health Charities (the "Organization") as of and for the year ended June 30, 2015, and our report thereon dated October 28, 2016, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended June 30, 2015 and comparative totals for 2014, which follow, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Organization's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other accounting 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 to the financial statements as a whole.

The financial statements of the Organization as of and for the year ended June 30, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements in their report dated February 26, 2015. The 2014 supplemental information is consistent, in all material respects, with the audited financial statements from which they have been derived.



Bethesda, Maryland  
October 28, 2016

COMMUNITY HEALTH CHARITIES  
SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Program Services	Management and General	Fundraising	Total 2015	Total 2014
<b>Personnel Expenses:</b>					
Salaries	\$ 3,858,374	\$ 757,731	\$ 179,287	4,795,392	\$ 1,761,026
Payroll taxes	278,118	54,619	12,923	345,660	130,671
Employee benefits	450,986	88,568	20,957	560,511	226,483
<b>Total Personnel Expenses</b>	<b>4,587,478</b>	<b>900,918</b>	<b>213,167</b>	<b>5,701,563</b>	<b>2,118,180</b>
<b>Other Expenses:</b>					
Service center fees	16,680	2,944	-	19,624	37,802
Professional fees	833,863	147,152	-	981,015	425,928
Temporary services	43,523	7,680	-	51,203	70,432
Training	6,055	1,068	-	7,123	6,460
Occupancy	222,733	47,516	26,728	296,977	101,497
Software	79,342	14,001	-	93,343	73,085
Furniture and equipment	91,443	17,958	4,249	113,650	38,254
Telephone and internet	95,853	18,824	4,454	119,132	54,543
Printing and postage	22,939	4,505	1,066	28,510	11,425
Supplies	124,678	24,485	5,794	154,957	26,466
Dues and fees	202,719	39,811	9,420	251,951	88,063
Insurance	28,286	5,555	1,314	35,156	11,320
Travel	67,435	65,451	65,451	198,337	77,844
Meetings	47,228	20,240	-	67,468	87,377
Advertising	9,345	-	-	9,345	1,300
Depreciation	35,332	6,939	1,642	43,912	26,970
<b>Total Other Expenses</b>	<b>1,927,452</b>	<b>424,132</b>	<b>120,119</b>	<b>2,471,703</b>	<b>1,138,766</b>
<b>Total Expenses</b>	<b>\$ 6,514,930</b>	<b>\$ 1,325,050</b>	<b>\$ 333,286</b>	<b>\$ 8,173,266</b>	<b>\$ 3,256,946</b>