

**UNIVERSAL HEALTH CARE
FOUNDATION OF CONNECTICUT, INC.**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
TABLE OF CONTENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>PAGE</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	<i>i</i>
STATEMENT OF FINANCIAL POSITION, DECEMBER 31, 2016 AND 2015	1
STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015	2
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015	4
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015	6
NOTES TO THE FINANCIAL STATEMENTS, DECEMBER 31, 2016 AND 2015	7



CERTIFIED PUBLIC ACCOUNTANTS

43 Enterprise Drive • Bristol, CT 06010-3990 • 860/582-6715 • Fax 860/585-6339

Independent Auditor's Report

Board of Directors
Universal Health Care Foundation of CT, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Universal Health Care Foundation of CT, Inc., which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, statement of functional expenses and cash flows for the years 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Universal Health Care Foundation of CT, Inc. as of December 31, 2016 and 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.

A handwritten signature in black ink that reads "Maletta & Company". The signature is written in a cursive, flowing style.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
February 24, 2017

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
		Total 2016	Total 2015		Total 2015	
OPERATING REVENUES AND SUPPORT						
Investment Return Designated for Operations	\$ 1,421,000	-	\$ 1,421,000	\$ 1,860,000	-	\$ 1,860,000
Interest & Dividend Income	10,693		10,693	5,789		5,789
Grant revenue	-		-	-		-
Contributions	30		30	-		-
Miscellaneous income	10,638		10,638	15		15
Loss on Disposal of Fixed Assets	-		-	-		-
Net Assets Released from Restrictions	-		-	-		-
Total Operating Revenue and Support	1,442,361	-	1,442,361	1,865,804	-	1,865,804
OPERATING EXPENSES						
Management and general	271,393		271,393	286,615		286,615
Development	142,142		142,142	93,200		93,200
Public policy	866,469		866,469	969,151		969,151
Advocacy	18,533		18,533	15,715		15,715
Total Operating Expenses	1,298,538	-	1,298,538	1,364,681	-	1,364,681
RESULTS OF OPERATIONS						
	143,823	-	143,823	501,123	-	501,123

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

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENTS OF ACTIVITIES (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Total 2016		Total 2015	
NON-OPERATING REVENUES AND (EXPENSES)				
Investment Return in Excess/(Deficit) of Spending Policy	\$ (531,249)	\$ -	\$ (531,249)	\$ -
Net Realized and Unrealized Gain/(Loss) on Investments	3,644	-	2,091	-
Total Non-Operating Revenue and (Expenses)	<u>(527,605)</u>	<u>-</u>	<u>(2,443,600)</u>	<u>(2,443,600)</u>
CHANGE IN NET ASSETS	<u>(383,782)</u>	<u>-</u>	<u>(1,942,477)</u>	<u>-</u>
NET ASSETS, BEGINNING OF YEAR	<u>22,192,749</u>	<u>-</u>	<u>22,192,749</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 21,808,967</u>	<u>\$ -</u>	<u>\$ 22,192,749</u>	<u>\$ -</u>

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Management & General	Development	Public Policy	Advocacy	Total
Wages	\$ 134,778	\$ 82,860	\$ 408,481	\$ 7,069	\$ 633,188
Payroll taxes	9,964	4,376	30,096	481	44,916
Fringe benefits	50,393	22,347	156,162	495	229,397
Conferences and seminars	-	310	451	-	761
Travel expenses	520	43	10,227	934	11,724
Board expenses	30,174	-	58	-	30,231
Grants	-	-	105,763	-	105,763
Legal fees	-	-	-	-	-
Audit	2,995	1,315	9,190	-	13,500
Consultants	-	1,000	22,754	-	23,754
Legislative monitoring	-	-	-	8,500	8,500
Technology	7,914	10,317	13,576	-	31,807
Temporary help	-	6,725	4,860	-	11,585
Facilities	19,303	6,740	45,054	718	71,815
Dues and subscriptions	1,705	25	7,582	-	9,312
Office operations	13,070	5,775	46,813	317	65,975
Meetings	580	310	1,164	20	2,074
Website	-	-	4,236	-	4,236
Total Expenses	\$ 271,393	\$ 142,142	\$ 866,469	\$ 18,533	\$ 1,298,538

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

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Management & General	Development	Public Policy	Advocacy	Total
Wages	\$ 159,958	\$ 58,114	\$ 404,217	\$ 4,078	\$ 626,367
Payroll taxes	45,106	2,282	22,227	216	69,831
Fringe benefits	20,351	19,645	198,748	2,860	241,603
Conferences and seminars	2,888	1,754	8,230	119	12,991
Travel expenses	445	30	7,124	222	7,820
Board expenses	24,708	-	-	56	24,765
Grants	-	-	143,915	-	143,915
Legal fees	475	132	1,331	20	1,958
Audit	3,278	911	9,176	135	13,500
Consultants	-	-	24,246	-	24,246
Legislative monitoring	-	-	-	6,500	6,500
Communications	-	-	-	-	-
Technology	5,820	1,618	16,294	240	23,972
Temporary help	-	-	14,650	-	14,650
Facilities	15,528	4,893	54,099	796	75,315
Dues and subscriptions	3,818	-	8,536	-	12,354
Office operations	3,417	3,821	47,530	473	55,241
Meetings	823	-	5,554	-	6,377
Website	-	-	3,276	-	3,276
Total Expenses	\$ 286,615	\$ 93,200	\$ 969,151	\$ 15,715	\$ 1,364,681

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (383,782)	\$ (1,942,477)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	13,453	18,258
Unrealized (gain)/loss on investments	555,929	3,086,282
 Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expenses	(3,121)	(12,864)
(Increase) decrease in grants receivable	-	-
(Increase) decrease in other receivables	324	7,261
Increase (decrease) in accounts payable and accrued expenses	(9,214)	(10,834)
Increase (decrease) in grants payable	(10,000)	(23,000)
Increase (decrease) in accrued annual leave	(8,757)	(13,554)
Increase (decrease) in accrued payroll	(1,598)	(25,310)
Net Cash Provided by (Used in) Operating Activities	153,234	1,083,762
 Cash Flows From Investing Activities:		
Purchases of property and equipment	-	(8,775)
Expense from disposal of property and equipment	-	-
Proceeds from sale of investments, net purchases	(160,008)	(958,372)
Net Cash Provided by (Used in) Investing Activities	(160,008)	(967,147)
 Net Increase (Decrease) in Cash	(6,774)	116,615
 Cash and Cash Equivalents, Beginning of Year	145,055	28,440
 Cash and Cash Equivalents, End of Year	\$ 138,281	\$ 145,055

Cash paid for interest and income taxes was \$-0- for the years ended December 31, 2016 and 2015.

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

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 – NATURE OF ACTIVITIES

Universal Health Care Foundation of Connecticut, Inc. (UHCF) is a private, not-for-profit corporation established in 2000. UHCF was initially funded by a settlement from a lawsuit against Anthem Insurance Company over its merger with the not-for-profit Blue Cross and Blue Shield of Connecticut. UHCF's mission is to serve as a catalyst that engages people and communities in shaping a health system that provides universal access to quality care and promotes health in Connecticut. UHCF believes that health care is a fundamental right and that their work is part of a broader movement for social and economic justice.

The major activities of UHCF as reported in the accompanying Statements of Activities and Statements of Functional Expenses include:

Public Policy – research, education and grant making to support the achievement of universal access to quality, affordable health care;

Strategic Communication – information and messaging to educate and build public will for the achievement of universal access to quality, afford health care; and

Advocacy – community organizing, coalition building, and grant making to increase community engagement in the achievement of universal access to quality, affordable health care.

UHCF is the supporting organization for the Connecticut Health Advancement & Research Trust, Inc., (CHART), which was established at the same time as UHCF. CHART is the sole member of UHCF, and selects all members of the board of directors for UHCF. The activities of UHCF described above serve to also fulfill the mission of CHART. In addition, UHCF may, from time to time, provide CHART with financial assistance in the form of in-kind donations, such as supplies or contracted services that benefit CHART as well as UHCF.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of UHCF is presented to assist in understanding UHCF's financial statements. The financial statements and notes are representations of UHCF's management, who are responsible for their integrity and objectivity.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted for not-for-profit organizations in the United States of America, which have been consistently applied in the preparation of the financial statements. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of UHCF and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to donor-imposed restrictions or the restrictions have expired. These assets may be designated for specific purposes by action of UHCF officers and Board of Directors.

Temporarily restricted net assets are subject to donor-imposed restrictions that can be fulfilled by actions of UHCF or that expire by the passage of time.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit UHCF to use or expend part or all of the income derived from the related investments for general or specific purposes. UHCF had no permanently restricted net assets as of December 31, 2016 and 2015.

Revenues, including promises to give, are reported as increases in unrestricted net assets unless use of the related asset is limited by donor or grantor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Income Tax Structure

Under provisions of the U.S. Internal Revenue Code, section 501(C)(3), UHCF is exempt from taxes on income, other than unrelated business income, and accordingly does not record a provision for income taxes on its related earnings. UHCF regularly reviews and evaluates its tax positions taken in previously filed informational returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based on the technical merits of such positions. Therefore, UHCF has concluded that no tax benefits or liabilities are required to be recognized.

For the years ended December 31, 2016 and 2015, UHCF did not have any unrelated business income. In addition, UHCF qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Cash and Cash Equivalents

UHCF's cash balances are insured by the Federal Deposit Insurance Corporation and/or National Credit Union Administration. At times, these balances may exceed the Federal insurance limits; however, UHCF has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2016 and 2015.

Investments

Investments in all publicly traded stock and fixed income securities are recorded at fair market value generally determined on the basis of quoted market values. Purchases and sales of securities are reflected on a trade-date basis. Realized gains and losses on sales of securities are based on average cost.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Expenses are recorded directly to program services or management and general categories based on specific identification. Certain administrative costs have been allocated among program services and management and general categories.

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Advertising Expense

Advertising costs are expensed as they are incurred and are included in Communications in the accompanying Statements of Functional Expenses.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

NOTE 3 – INVESTMENTS

UHCF maintains investments in multiple investment management accounts. Investments in stocks and fixed income securities are valued based upon quoted market prices. Investments are subject to market fluctuations. The following schedule summarizes the investment balances (including accrued income) by investment managers as of December 31, 2016 and 2015.

	2016	
	Cost	Fair Value
The Community Foundation	\$ 22,375,245	\$ 21,070,726
PIMCO Funds	583,240	594,064
Totals	\$ 22,958,485	\$ 21,664,790

	2015	
	Cost	Fair Value
The Community Foundation	\$ 19,842,378	\$ 19,097,431
Wells Fargo	117	111
Private Advisors Alternative Asset Management	2,274,432	2,274,431
PIMCO Funds	681,556	688,736
Totals	\$ 22,798,483	\$ 22,060,710

The following schedule summarizes net investment income for the years ended December 31, 2016.

	2016
Dividend income	\$ 160,577
Realized gain on sale of investments	1,472,995
Unrealized gain/(loss) on investments	(555,929)
Investment fees	(173,555)
Net investment income	\$ 904,088

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 – INVESTMENTS (CONT'D)

The following schedule summarizes net investment income for the year ended December 31, 2015.

	2015
Dividend income	\$ 277,915
Realized gain on sale of investments	2,342,778
Unrealized gain/(loss) on investments	(3,086,282)
Investment fees	(112,223)
Net investment income	<u>\$ (577,812)</u>

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles established 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 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 UHCF 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 assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the assets or liabilities.

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

The asset's or liability's fair value measurement level with 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. When as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The following table represents UHCF's investment assets measured at fair value on a recurring basis and their respective position in the fair value hierarchy as of December 31, 2016.

	2016			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 960,819	\$ 773,774	\$ 187,045	\$ -
Fixed income	4,105,842	2,011,863	2,093,980	-
Equities				
International	7,537,433	3,693,342	3,844,091	-
Domestic	4,404,213	2,158,064	2,246,149	-
Alternatives				
Hedged Equity	3,543,032	1,736,086	1,806,946	-
Private Assets	1,113,451	545,591	567,860	-
Investments as of December 31, 2016	<u>\$21,664,790</u>	<u>\$10,918,720</u>	<u>\$10,746,070</u>	<u>\$ -</u>

The following table represents UHCF's investment assets measured at fair value on a recurring basis and their respective position in the fair value hierarchy as of December 31, 2015

	2015			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 545,413	\$ 545,413	\$ -	\$ -
Fixed income	6,755,781	3,310,333	3,445,448	-
Equities				
International	6,020,166	2,949,881	3,070,285	-
Domestic	3,968,538	1,944,584	2,023,955	-
Alternatives				
Hedged Equity	3,773,884	848,705	883,346	2,041,834
Private Assets	996,929			996,929
Investments as of December 31, 2015	<u>\$22,060,711</u>	<u>\$ 9,598,915</u>	<u>\$ 9,423,033</u>	<u>\$ 3,038,763</u>

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2016 and 2015.

	Fixed Income	Hedged Equity	Private Assets
Fair Value as of December 31, 2014	\$ 2,390,900	\$ -	\$ -
Net realized/unrealized gains/(losses)	(116,468)	(6,245)	46,687
Sales of investments	-	(1,531)	(41,602)
Purchase of investments	-	2,049,610	991,844
Transfers in or out of Level 3	(2,274,432)	-	-
Fair Value as of December 31, 2015	\$ -	\$ 2,041,834	\$ 996,929
Net realized/unrealized gains/(losses)	\$ -	\$ -	\$ -
Sales of investments	-	(1,277,503)	(996,929)
Purchase of investments	-	-	-
Transfers in or out of Level 3	-	(764,331)	-
Fair Value as of December 31, 2016	\$ -	\$ -	\$ -

The carrying amounts of cash and cash equivalents, accounts and grants payable and accrued expenses approximate fair value under Level 1. Investments are carried at fair value as presented above.

The investments consist of the following types:

Short-term Investments: Investments consist of treasury securities with an average maturity of 120 days or less, checking accounts, and money market holdings with daily liquidity.

Fixed Income: Fixed income investments consist of both domestic and foreign issuances of debt instruments and include both government and corporate holdings. Domestically, the fixed income investments concentrate primarily on U.S. treasuries, including a separate account approach of Treasury Inflation Protected Securities (TIPS). Internationally, the fixed income strategy includes sovereign-issued, local-currency denominated debt holdings and a global fixed income approach that seeks a long-term, value-oriented approach in local-currency debt instruments.

Equities: Domestic and international equities, including international emerging market equities, are listed securities traded on public exchanges, at various market capitalizations, and are priced daily by the underlying managers. The equity investments accesses both domestic and international equities through institutional-class mutual funds, limited partnerships and separate accounts. Publicly traded domestic and international equities accessed through a limited partnership arrangement, while priced daily by the manager using Level 1 observable inputs, are contained in Level 2 and Level 3 investments due to their liquidity features.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Hedged Equity: This strategy involves equity investments, either long or short, in marketable and publicly traded equities. Traditionally, hedge funds purchase stocks that they perceive to be undervalued and sell stocks that they perceive to be overvalued. The research-intensive and quantitative efforts in identifying promising stocks to hold long in a portfolio may also provide short-sale opportunities, and for this reason many directional hedged equity funds often maintain both long and short portfolios in a fund-of-funds strategy.

Private Equity: This strategy consists of making equity capital available through a fund-of funds structure whereby the underlying investments in the specific companies are not quoted on a public exchange. Private equity consists of qualified investors and institutional funds that make investments directly into private companies or conduct buyouts of public companies. Private equity investments are made with a long-term perspective, or generally about ten years in duration.

The carrying amount of the investments is a reasonable fair value as of December 31, 2016 and 2015.

NOTE 5 – INVESTMENT SPENDING

UHCF employs a spending rule policy to maximize the flexibility, efficiency, and impact of the endowment management process. This fund utilization policy does not distinguish between investment yield and appreciation, but rather on the total return of the assets. UHCF has employed a spending rule policy that provides for an annual distribution within seven (7%) and five percent (5%) of a 20 quarter rolling market value of the Portfolio. The distribution rate is based on a total return approach and asset allocation plan that allows both investment income and realized and unrealized gains to be withdrawn for spending by the Foundation.

Based upon the current spending policy in effect, \$1,421,000 and \$1,860,000 were provided for the years ended December 31, 2016 and 2015, respectively.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment Net Assets, January 1, 2016	\$ 21,871,975	\$ -	\$ -	\$ 21,871,975
Investment Return				
Investment Income	149,884	-	-	149,884
Net Appreciation (Depreciation)	739,867	-	-	739,867
Total Investment Return	889,751	-	-	889,751
Amounts Appropriated for Expenditure	(1,421,000)	-	-	(1,421,000)
Investment Net Assets, December 31, 2016	<u>\$ 21,340,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,340,726</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment Net Assets, January 1, 2015	\$ 24,188,621	\$ -	\$ -	\$ 24,188,621
Contributions				-
Investment Return				-
Investment Income	272,126			272,126
Net Appreciation (Depreciation)	(728,772)			(728,772)
Total Investment Return	(456,646)	-	-	(456,646)
Amounts Appropriated for Expenditure	(1,860,000)	-	-	(1,860,000)
Investment Net Assets, December 31, 2015	<u>\$ 21,871,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,871,975</u>

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 6 – CONCENTRATION OF INCOME SOURCES

UHCF received approximately 100% and 100% of its revenues, gains and other support in the accompanying Statements of Activities from net investment income for the years ended December 31, 2016 and 2015, respectively.

NOTE 7 – PROPERTY AND EQUIPMENT

UHCF follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$3,000. Depreciation is computed utilizing the straight-line method over the estimated useful life of the asset. Depreciation expense was \$13,453 and \$18,258 for the years ended December 31, 2016 and 2015, respectively.

	2016
Computer equipment	\$ 34,455
Office furniture	121,965
Office equipment	5,235
Telephone system	70,191
Leasehold improvements	6,291
Software	45,817
Total property and equipment at cost	283,954
Less: Accumulated depreciation	(224,084)
Property and equipment, net	\$ 59,870

	2015
Computer equipment	\$ 34,455
Office furniture	121,965
Office equipment	5,235
Telephone system	70,191
Leasehold improvements	6,291
Software	45,817
Total property and equipment at cost	283,954
Less: Accumulated depreciation	(210,631)
Property and equipment, net	\$ 73,323

NOTE 8 – EMPLOYEE BENEFIT PLAN

UHCF maintains the UHCF 401(k) Retirement Savings Plan (“the UHCF Plan”) created December 15, 2011. The UHCF Plan covers all eligible employees. Under the plan, UHCF has elected to contribute 7% of the gross salaries of all eligible employees. Employees are immediately vested in all UHCF contributions. Eligible employees can contribute elective deferrals up to maximum amount allowed by law.

For the years ended December 31, 2016 and 2015, UHCF contributed \$44,794 and \$44,481 to the retirement plans, respectively.

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 – GRANTS PAYABLE

Grants payable consist of amounts awarded, but not paid, to not-for-profit groups to assist UHCF in implementing its vision of universal and affordable health care. As of December 31, 2016 and 2015, UHCF had grants payable totaling \$- and \$10,000, respectively.

NOTE 10 – LEASES

UHCF has entered into several operating lease arrangements. UHCF leases office equipment and office space located at 290 Pratt Street, Meriden, CT 06450. UHCF had lease expenses of \$49,090 and \$52,798 for the years ended December 31, 2016 and 2015, respectively. The minimum annual future lease payments are as follows:

Years Ending December 31,		
2017	\$	48,638
2018		50,097
2019		51,600
2020		53,148
2021		50,056

NOTE 11 – BOARD DESIGNATED RESTRICTED FUNDS

As of December 31, 2016, UHCF had funds designated by the Board of Directors for a specific purpose of \$-0-.

NOTE 12 – RESTATEMENT OF 2015 NET ASSETS

The 2015 Net Assets were restated to record UHCF's unemployment trust account held by UST. This resulted in a \$24,877 increase in unrestricted net assets and other current assets.

The 2015 Net Assets were restated to reverse previously accrued investment management fees. This resulted in a \$41,455 increase in unrestricted net assets and a decrease in current liabilities.

The following table summarizes the effects of these restatements:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Reported Net Asset Balance, December 31, 2015	\$ 22,126,417	\$ -	\$ -	\$ 22,126,417
Adjustments				
UST Unemployment Account	24,877	-	-	24,877
Accrual Reversal	41,455	-	-	41,455
Total Adjustments	66,332	-	-	66,332
Restated Adjusted Net Asset Balance, December 31, 2015	<u>\$ 22,192,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,192,749</u>

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 – DATE OF MANAGEMENT’S REVIEW

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of UHCF through February 24, 2017, the date which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.