

**HEALTH POLICY INSTITUTE
OF OHIO**

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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May 30, 2017

Board of Directors
Health Policy Institute of Ohio
Columbus, Ohio

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Health Policy Institute of Ohio, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets 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 audits. We conducted our audits 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 Health Policy Institute of Ohio as of December 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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HEALTH POLICY INSTITUTE OF OHIO
STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 743,274	\$ 599,622
Grants receivable	637,200	685,065
Prepaid expenses	3,660	-
TOTAL CURRENT ASSETS	1,384,134	1,284,687
PROPERTY AND EQUIPMENT, net	22,383	5,642
OTHER ASSETS		
Long-term grants receivable	144,375	458,875
Certificates of deposits	192,000	-
Deposits	10,200	10,200
TOTAL OTHER ASSETS	346,575	469,075
TOTAL ASSETS	\$ 1,753,092	\$ 1,759,404
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 28	\$ 56
Accrued liabilities	70,123	27,085
TOTAL CURRENT LIABILITIES	70,151	27,141
NET ASSETS		
Unrestricted	916,796	521,388
Temporarily restricted	766,145	1,210,875
TOTAL NET ASSETS	1,682,941	1,732,263
TOTAL LIABILITIES AND NET ASSETS	\$ 1,753,092	\$ 1,759,404

See accompanying notes to financial statements

HEALTH POLICY INSTITUTE OF OHIO

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions:			
Foundations and organizations	\$ 614,454	\$ 573,698	\$ 1,188,152
Conference revenue	39,369	-	39,369
Interest income	1,185	-	1,185
Other income	2,150	-	2,150
Net assets released from restrictions	1,018,428	(1,018,428)	-
TOTAL REVENUES	1,675,586	(444,730)	1,230,856
EXPENSES			
Salaries and wages	681,131	-	681,131
Consulting	229,642	-	229,642
Rent - office	64,066	-	64,066
Employee benefits	62,142	-	62,142
HPIO sponsored events	51,135	-	51,135
Payroll taxes	49,937	-	49,937
Pension expense	44,229	-	44,229
Communications	29,794	-	29,794
Research	25,832	-	25,832
Board expenses	10,132	-	10,132
Telecommunications	7,555	-	7,555
Information systems	5,303	-	5,303
Equipment rental and maintenance	4,904	-	4,904
Supplies	3,966	-	3,966
Repairs and maintenance	1,584	-	1,584
Depreciation	6,416	-	6,416
Miscellaneous	1,260	-	1,260
Bank charges and fees	1,150	-	1,150
TOTAL EXPENSES	1,280,178	-	1,280,178
CHANGE IN NET ASSETS	395,408	(444,730)	(49,322)
NET ASSETS AT BEGINNING OF YEAR	521,388	1,210,875	1,732,263
NET ASSETS AT END OF YEAR	\$ 916,796	\$ 766,145	\$ 1,682,941

See accompanying notes to financial statements

HEALTH POLICY INSTITUTE OF OHIO

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Year Ended December 31, 2015

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions:			
Foundations and organizations	\$ 142,242	\$ 1,349,775	\$ 1,492,017
Conference revenue	36,097	-	36,097
Interest income	582	-	582
Other income	2,624	-	2,624
Net assets released from restrictions	959,900	(959,900)	-
TOTAL REVENUES	1,141,445	389,875	1,531,320
EXPENSES			
Salaries and wages	610,182	-	610,182
Consulting	134,722	-	134,722
Rent - office	67,080	-	67,080
Employee benefits	56,765	-	56,765
Payroll taxes	45,997	-	45,997
Pension expense	42,054	-	42,054
HPIO sponsored events	34,990	-	34,990
Communications	31,484	-	31,484
Research	22,936	-	22,936
Information systems	11,568	-	11,568
Miscellaneous	10,745	-	10,745
Moving	10,420	-	10,420
Telecommunications	7,300	-	7,300
Equipment rental and maintenance	5,123	-	5,123
Board expenses	4,300	-	4,300
Supplies	3,558	-	3,558
Bank charges and fees	2,235	-	2,235
Repairs and maintenance	1,652	-	1,652
TOTAL EXPENSES	1,103,111	-	1,103,111
CHANGE IN NET ASSETS	38,334	389,875	428,209
NET ASSETS AT BEGINNING OF YEAR	483,054	821,000	1,304,054
NET ASSETS AT END OF YEAR	\$ 521,388	\$ 1,210,875	\$ 1,732,263

See accompanying notes to financial statements

HEALTH POLICY INSTITUTE OF OHIO

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (49,322)	\$ 428,209
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,416	-
(Increase) decrease in:		
Grants receivable	362,365	(465,293)
Prepaid expenses	(3,660)	25,736
Increase (decrease) in:		
Accounts payable	(28)	(8,274)
Other accrued liabilities	43,038	(7,356)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>358,809</u>	<u>(26,978)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposits	(192,000)	-
Purchases of property and equipment	(23,157)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(215,157)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	143,652	(26,978)
BEGINNING OF THE YEAR CASH	<u>599,622</u>	<u>626,600</u>
END OF THE YEAR CASH	<u>\$ 743,274</u>	<u>\$ 599,622</u>

See accompanying notes to financial statements

HEALTH POLICY INSTITUTE OF OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE A - DESCRIPTION AND PURPOSE OF ORGANIZATION

The Health Policy Institute of Ohio's (the Organization) vision is to improve the health and well-being of all Ohioans. The Organizations mission is to partner with policymakers and other stakeholders engaged in the policymaking process to provide the independent and nonpartisan analysis needed to create evidence-informed state health policy. This mission is pursued through written and online products, educational forums, webinars and communications, facilitation of multi-stakeholder discussions and technical assistance.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting. The following is a summary of significant accounting policies followed in the preparation of these financial statements. These policies conform to accounting principles generally accepted in the United States of America, and have been applied on a consistent basis.

Revenue Recognition

Amounts received through grant contributions are recognized as revenue as they are awarded.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity date of three months or less to be cash equivalents.

Grants Receivable

The Organization considers grants receivable to be fully collectible; accordingly, no allowance for doubtful grants receivable is required. If receivables become uncollectible, they will be charged to operations when that determination is made.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Program service expenses	\$ 1,049,746	\$ 882,489
Management and general expenses	128,018	121,342
Fundraising expenses	102,414	99,280
	<u>\$ 1,280,178</u>	<u>\$ 1,103,111</u>

Use of Estimates

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

Tax Exempt Status

The Organization is tax-exempt under Internal Revenue Code Section 501(c)(3) and has received a favorable determination letter. The Organization is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

HEALTH POLICY INSTITUTE OF OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserve Fund

The Board has established a reserve fund which, is presented in unrestricted net assets, cash and cash equivalents, and certificates of deposit on the statement of financial position. The amount of the reserve fund was \$350,971 December 31, 2016 and \$329,926 at December 31, 2015.

Temporarily Restricted Net Assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Due to the nature of temporarily restricted assets, significant increases and decreases in net assets may occur. These significant fluctuations can arise as contributions are recognized as support in the year in which they are pledged, but the expenses incurred with such contributions occur in a different year. During 2016, the Organization released \$1,018,428 in restricted net assets, which had been recognized as support in 2016 and prior years. In addition, \$766,145 designated as temporarily restricted assets are expected to be released in 2017 and beyond (see Note D). During 2015, the Organization released \$959,000 in restricted net assets, which had been recognized as support in 2015 and prior years.

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Depreciation

Depreciation of property and equipment, recorded at cost, is provided on a straight-line basis over the estimated useful lives of these assets, ranging from 3 to 7 years. Depreciation expense was \$6,416 for the year ended December 31, 2016. There was no depreciation expense in 2015.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net results of operations.

Subsequent Events

Management evaluated all activity of the Organization through May 30, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

HEALTH POLICY INSTITUTE OF OHIO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE C - GRANTS RECEIVABLE

Grants receivable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Grants expected to be collected in:		
Less than one year	\$ 637,200	\$ 685,065
One year to five years	150,000	475,000
Present value adjustment	<u>(5,625)</u>	<u>(16,125)</u>
Total	<u>\$ 781,575</u>	<u>\$ 1,143,940</u>

Estimated cash flows from grants receivable have been adjusted to the present value using a rate of 3.75% and 3.50% at December 31, 2016 and 2015, respectively.

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of \$766,145 and \$1,210,875 of funds collected for projects to be completed in future periods at December 31, 2016 and 2015, respectively.

NOTE E - OPERATING LEASES

The Organization leases office space under an operating lease that expires in January 2020. The future minimum lease payments are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2017	\$ 32,794
2018	34,520
2019	<u>36,246</u>
Total	<u>\$ 103,560</u>

Rent expense for all operating leases was \$64,066 for the year ended December 31, 2016 and \$67,080 for the year ended December 31, 2015.

NOTE F - LINE OF CREDIT

The Organization has an agreement with a bank for a \$150,000 line of credit bearing interest at prime plus 1.00%. There was no outstanding balance on the line of credit at December 31, 2016 and 2015.

HEALTH POLICY INSTITUTE OF OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31

	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 60,794	\$ 60,794
Software	19,833	19,833
Computer and equipment	<u>113,109</u>	<u>89,952</u>
	193,736	170,579
Accumulated depreciation	<u>(171,353)</u>	<u>(164,937)</u>
Property and equipment, net	<u>\$ 22,383</u>	<u>\$ 5,642</u>

NOTE H - RETIREMENT PLAN

The Organization has a contributory defined contribution plan, which became effective on September 1, 2004. In accordance with plan provisions, the Organization is required to make safe harbor employer contributions and can make discretionary contributions and employer matching contributions. Safe harbor employer contributions are non-elective contributions equal to 3% of each eligible employee's compensation, which amounted to \$19,309 and \$18,067 for the years ended December 31, 2016 and 2015, respectively. For those contributing to the plan, the Organization made matching contributions up to 4% of each eligible participant's compensation, which amounted to \$24,920 and \$23,987 for the years ended December 31, 2016 and 2015, respectively. The Organization recorded total pension plan expense of \$44,229 and \$42,054 for the years ended December 31, 2016 and 2015, respectively.

NOTE I - CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Organization to a concentration of credit risk consist of cash and cash equivalents. At times, cash and cash equivalents balances may be in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation. The amounts in excess of the insured limits at December 31, 2016 and 2015 were \$509,918 and \$363,878, respectively.

In 2016, the Organization received approximately 46% of its revenue from two entities and 51% of its outstanding receivables from a single entity.

In 2015, the Organization received approximately 64% of its revenue from three entities and 57% of its outstanding receivables from two entities.

NOTE J - RELATED PARTY

During 2016 and 2015, contributions totaling \$596,770 and \$870,065, respectively, were received from Ohio foundations that had members on the Board of Directors of the Organization.