

**Morton Plant Mease Health Care  
Foundation, Inc.**

**FINANCIAL STATEMENTS**

**For the Year Ended  
December 31, 2016**



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**Morton Plant Mease Health Care Foundation, Inc.**  
**Table of Contents**  
**December 31, 2016 and 2015**

**TAB: REPORT**

Independent Auditors' Report 1

**TAB: FINANCIAL STATEMENTS**

Statements of Financial Position 3

Statements of Activities 4

Statements of Cash Flows 6

Notes to Financial Statements 7



# REPORT



## **INDEPENDENT AUDITORS' REPORT**

Morton Plant Mease Health Care Foundation, Inc.  
Clearwater, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Morton Plant Mease Health Care Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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.

### **Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Morton Plant Mease Health Care Foundation, Inc. as of December 31, 2016, 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.

## Report on Summarized Comparative Information

We have previously audited the Morton Plant Mease Health Care Foundation, Inc.'s 2015 financial statements, and our report dated February 17, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida  
February 23, 2017



# **FINANCIAL STATEMENTS**

**Morton Plant Mease Health Care Foundation, Inc.**  
**Statements of Financial Position**  
**Year ended December 31, 2016 with comparative totals for the year ended 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
<b>Assets:</b>					
Cash	\$ 800,353	\$ 149,366	\$ 3,100	\$ 952,819	\$ 581,519
Contributions receivable, net	-	4,742,919	-	4,742,919	6,313,523
Receivable - other	-	210,040	-	210,040	-
Receivable - claim settlement	857,475	-	-	857,475	-
Marketable securities	12,758,888	30,073,918	-	42,832,806	39,509,849
Other assets	284,674	55,126	-	339,800	279,166
Cash surrender value of life insurance policies	2,539,305	1,741,065	-	4,280,370	3,986,468
Remainder interest in irrevocable Trusts and estates	-	9,772,195	-	9,772,195	10,889,457
Gift annuity investments	4,783,039	6,938,475	-	11,721,514	12,976,570
Property and equipment, net	455,764	-	-	455,764	480,055
Endowment investments	-	-	13,255,796	13,255,796	12,089,054
Externally controlled endowments	-	-	14,698,931	14,698,931	14,395,550
<b>Total assets</b>	<b>\$ 22,479,498</b>	<b>\$ 53,683,104</b>	<b>\$ 27,957,827</b>	<b>\$ 104,120,429</b>	<b>\$ 101,501,211</b>
<b>Liabilities and net assets:</b>					
Accounts payable and accrued expenses	\$ 488,433	\$ 56,939	\$ -	\$ 545,372	383,844
Gift annuity obligations	-	6,261,262	-	6,261,262	7,306,697
Liability under trust agreements	-	1,013,729	-	1,013,729	1,066,297
<b>Total liabilities</b>	<b>488,433</b>	<b>7,331,930</b>	<b>-</b>	<b>7,820,363</b>	<b>8,756,838</b>
Unrestricted net assets, undesignated	17,208,026	-	-	17,208,026	12,952,229
Board designated net assets, gift annuities	4,783,039	-	-	4,783,039	5,035,979
<b>Total unrestricted net assets</b>	<b>21,991,065</b>	<b>-</b>	<b>-</b>	<b>21,991,065</b>	<b>17,988,208</b>
Temporarily restricted net assets	-	46,351,174	-	46,351,174	48,269,211
Permanently restricted net assets	-	-	27,957,827	27,957,827	26,486,954
<b>Total net assets</b>	<b>21,991,065</b>	<b>46,351,174</b>	<b>27,957,827</b>	<b>96,300,066</b>	<b>92,744,373</b>
<b>Total liabilities and net assets</b>	<b>\$ 22,479,498</b>	<b>\$ 53,683,104</b>	<b>\$ 27,957,827</b>	<b>\$ 104,120,429</b>	<b>\$ 101,501,211</b>

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

**Morton Plant Mease Health Care Foundation, Inc.**  
**Statements of Activities**

**Year ended December 31, 2016 with comparative totals for the year ended 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
<b>Public support and revenue:</b>					
<i>Public support:</i>					
Contributions	\$ 777,075	\$ 1,571,139	\$ -	\$ 2,348,214	\$ 1,811,328
Promises to give	-	254,377	-	254,377	901,543
Gift annuities	-	173,354	-	173,354	157,245
Trusts and estates	1,714,660	585,332	51,565	2,351,557	112,693
Claim settlement	857,475	-	-	857,475	-
Special events, net	-	610,060	-	610,060	364,524
<b>Total public support</b>	<b>3,349,210</b>	<b>3,194,262</b>	<b>51,565</b>	<b>6,595,037</b>	<b>3,347,333</b>
<i>Revenue:</i>					
Investment income, net of fees:					
Endowments	516,578	498,261	449	1,015,288	825,813
Gift annuities	-	191,215	-	191,215	263,959
Other	365,400	61,084	-	426,484	369,523
<b>Total revenue</b>	<b>881,978</b>	<b>750,560</b>	<b>449</b>	<b>1,632,987</b>	<b>1,459,295</b>
<b>Net assets released from restrictions:</b>					
Satisfaction of program restrictions	5,730,292	(5,730,292)	-	-	-
Satisfaction of time restrictions	1,863,629	(1,863,629)	-	-	-
<b>Total net assets released from restrictions</b>	<b>7,593,921</b>	<b>(7,593,921)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total public support and revenue (carried forward)</b>	<b>11,825,109</b>	<b>(3,649,099)</b>	<b>52,014</b>	<b>8,228,024</b>	<b>4,806,628</b>

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

**Morton Plant Mease Health Care Foundation, Inc.**  
**Statements of Activities (Continued)**

**Year ended December 31, 2016 with comparative totals for the year ended 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
<b>Total public support and revenue (brought forward)</b>	11,825,109	(3,649,099)	52,014	<b>8,228,024</b>	4,806,628
<b>Grants and expenses:</b>					
<b>Operating expenses:</b>					
Administration	779,081	-	-	<b>779,081</b>	832,499
Community affairs	392,262	-	-	<b>392,262</b>	437,896
Fund-raising	971,818	-	-	<b>971,818</b>	825,599
<b>Total operating expenses</b>	2,143,161	-	-	<b>2,143,161</b>	2,095,994
<b>Grants to hospitals</b>					
Grants - Morton Plant Mease Health Care, Inc.	7,118,460	-	-	<b>7,118,460</b>	6,400,168
<b>Total grants and expenses</b>	9,261,621	-	-	<b>9,261,621</b>	8,496,162
<b>Other changes:</b>					
Appreciation (depreciation) in marketable securities:					
Endowments	123,739	830,749	303,328	<b>1,257,816</b>	(886,764)
Gift annuities	-	413,376	-	<b>413,376</b>	(166,105)
Other	1,477,895	857,552	-	<b>2,335,447</b>	(503,756)
Appreciation (depreciation) in value of split-interest agreements	-	557,151	-	<b>557,151</b>	(326,925)
Other income	25,500	-	-	<b>25,500</b>	25,500
<b>Total other changes</b>	1,627,134	2,658,828	303,328	<b>4,589,290</b>	(1,858,050)
<b>Change in net assets</b>	4,190,622	(990,271)	355,342	<b>3,555,693</b>	(5,547,584)
<b>Asset transfers</b>	(187,765)	(927,766)	1,115,531	-	-
<b>Net assets, beginning of year</b>	17,988,208	48,269,211	26,486,954	<b>92,744,373</b>	98,291,957
<b>Net assets, end of year</b>	\$ 21,991,065	\$ 46,351,174	\$ 27,957,827	<b>\$ 96,300,066</b>	\$ 92,744,373

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

**Morton Plant Mease Health Care Foundation, Inc.**  
**Statements of Cash Flows**

<i>Years ended December 31,</i>	<b>2016</b>	<b>2015</b>
<b>Change in net assets</b>	<b>\$ 3,555,693</b>	<b>\$ (5,547,584)</b>
<b>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:</b>		
Depreciation	<b>32,972</b>	32,251
(Appreciation) Depreciation in value of investment activities	<b>(3,685,505)</b>	1,899,966
Change in split interest agreements	<b>(331,222)</b>	1,362,287
Provision for uncollectible contributions	<b>69,885</b>	3,950
Noncash contributions	<b>24,845</b>	(20,898)
Endowment contributions, restricted for long-term purposes	<b>(51,565)</b>	(45,135)
Changes in assets and liabilities:		
Contributions receivable	<b>1,500,719</b>	3,161,246
Receivable - claim settlement	<b>(857,475)</b>	-
Receivable - other	<b>(210,040)</b>	-
Other assets	<b>(60,634)</b>	99,554
Cash surrender value of life insurance	<b>(293,902)</b>	(194,403)
Remainder interest in trusts and estates	<b>1,436,502</b>	1,158,122
Accounts payable	<b>161,528</b>	2,149
Gift annuity obligations	<b>(1,389,402)</b>	(982,754)
<b>Net cash (used) provided by operating activities</b>	<b>(97,601)</b>	928,751
<b>Investing activities:</b>		
Purchases of property and equipment	<b>(8,681)</b>	(12,537)
Proceeds from sale of marketable securities	<b>39,051,503</b>	76,499,009
Purchases of marketable securities	<b>(38,625,486)</b>	(77,418,978)
<b>Net cash provided (used) by investing activities</b>	<b>417,336</b>	(932,506)
<b>Financing activities:</b>		
Endowment contributions	<b>51,565</b>	45,135
<b>Net cash provided by financing activities</b>	<b>51,565</b>	45,135
<b>Increase in cash</b>	<b>371,300</b>	41,380
<b>Cash, beginning of year</b>	<b>581,519</b>	540,139
<b>Cash, end of year</b>	<b>\$ 952,819</b>	<b>\$ 581,519</b>

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

## Morton Plant Mease Health Care Foundation, Inc. Notes to Financial Statements

### NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Purpose***

Morton Plant Mease Health Care Foundation, Inc., d/b/a Morton Plant Mease Foundation (“Foundation”), was organized for the purpose of obtaining, holding, and managing funds that are used mainly for the benefit of the Hospitals of Morton Plant Mease Health Care (“Hospital”), in accordance with restrictions, if any, imposed by donors. The Foundation collects contributions from both individuals and corporate donors, primarily from the Tampa Bay area. The Foundation is incorporated under the provisions of Section 501(c) (3) of the Internal Revenue Tax Code, to engage exclusively in not-for-profit activities and is exempt from federal and state income taxes.

The Foundation is associated with Morton Plant Mease Health Care System, Inc. (“Health System”). These statements, which contain only the activity of the Foundation, are included in the combined statements of the Morton Plant Mease Health Care System, Inc.

#### ***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted Net Assets:* Include net assets that are not subject to donor-imposed stipulations and net assets that have been designated for a specific purpose by the Board of Directors.

*Temporarily Restricted Net Assets:* Include gifts for which donor-imposed restrictions due to time or purpose have not yet been met.

*Permanently Restricted Net Assets:* Include gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

#### ***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.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Federal Income Taxes***

In accordance with ASC 740, “Accounting for Uncertainty in Income Taxes”, the Foundation has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Foundation to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses as there are no unrecognized tax benefits.

***Liability Under Trust Agreements***

When the Foundation is the trustee of charitable remainder trusts in which the Foundation has a future interest, the full market value of the trusts’ assets are shown as an asset of the Foundation with an offsetting liability (liabilities under trust agreements) for the net present value of the expected payments to be made to the income beneficiary in accordance with Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements*.

***Marketable Securities and Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices. Investments that are measured at fair value on a recurring basis are classified by level based on an established fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Gains and losses on market value adjustments and sales are recognized within the statement of activities.

***Remainder Interests in Irrevocable Trusts, and Estates***

The Foundation recognizes an asset and revenue on estates in probate and charitable remainder trusts when they receive notification of an irrevocable interest in one of those types of contributions. The underlying investments for the internally-controlled assets are in debt and equity securities, mutual funds, and real estate and are stated at fair value in accordance with ASC 820. When management expects the cash from these contributions to be received more than one year in the future, the asset and revenue is discounted for the time value of money (net present value) based on the Internal Revenue Service discount rate at the time of the gift.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Contributions Receivable***

Unconditional promises to give the Foundation cash or other assets in the future are recorded as promises to give revenue (temporarily restricted) and contributions receivable. If management expects the cash from the contribution receivable to be received more than one year in the future, the promises to give revenue and receivable are discounted for the time value of money (i.e., net present value) at a discount rate of 1.40% for 2016. For 2015, the discount rate was 1.50%, for 2014, the discount rate was 1.75% and prior to January 1, 2014, the discount rate was 2.00%. Management estimates the allowance for uncollectible promises based on historical write-offs. Management writes off contributions receivable as identified.

Pledges are reported at net realizable value in the initial year and a discount is recorded. These pledges are not revalued in subsequent years and the Foundation has not elected the fair value option. Discount amortization is recognized as contribution revenue in subsequent years.

***Receivable – Claim Settlement***

Notification was received in 2016 that a claim would be settled for \$857,475. A receivable was recorded for the total claim settlement and a liability was recorded for the professional fees.

***Contribution Revenue***

Contribution revenue includes cash or other assets contributed in which the Foundation received notification during the year.

***Contributed Services***

Many volunteers contributed numerous hours of administrative and fund-raising services to the Foundation. However, these hours do not meet the requirements to be recorded as revenue and expense under ASC 958.

***Property and Equipment***

Office equipment, furnishings, automobiles, buildings and land purchased by the Foundation are recorded at cost if greater than \$500. Donated property used by the Foundation is recorded at fair market value on the date contributed. If donors stipulate how long the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is recorded under the straight-line method over the estimated useful lives of the assets, which range from 2 to 25 years.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Grants***

Grants to the Hospital are approved by the Community Impact Committee and recommended to the Board for approval periodically. Upon Board approval, the grants are then paid and expensed in the same period as they are approved.

***Gift Annuities***

Gift annuity contracts issued by the Foundation, guarantee that a donor will receive a fixed amount of money every year for the rest of their life in exchange for a donation. The assets received by the Foundation are recorded at fair value at the date of the donation. The assets underlying the gift annuities are investments in debt and equity securities and mutual funds stated at fair value. The liability to the donor is computed using the Internal Revenue Service's actuarial model, at the date of the gift. The interest rate used, in the model are those prescribed by the IRS as of the date of the gift. The excess of the annuity gift asset received over the recorded liability is recorded as support in the year of receipt. The governing board has designated the excess as a reserve to ensure fulfillment of the obligations related to the gift annuity contracts. Upon the donor's death, the excess of the gift received from the donor and revenues realized over the distribution paid to the donor is spent on restricted or unrestricted purposes, as specified by the gift annuity contract. The Foundation quarterly revalues the gift annuity liability for each donor, based on the donor's life expectancy. The resulting change in the liability is recorded as a "change in split interest agreements" in the statement of activities.

***Expenses***

The operating expenses of the Foundation are allocated to three functional categories based on management's estimate of the time and expense spent for each of the functions. These functions are defined as follows:

*Administration* – The costs of operating the Foundation offices, including gathering, processing, and maintaining financial and legal information.

*Fund Raising* – The costs associated with the direct solicitation of contributions to the Foundation.

*Community Affairs* – The costs associated with promoting the community's awareness of the combined mission of the Health Care System and the Foundation.

***Cash Surrender Value of Life Insurance Policies***

Donated insurance policies are valued at the gross cash surrender value less outstanding loans.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Adopted Accounting Standards***

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2013-06, *Not for Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*, in April 2013. ASU 2013-06 amends accounting standards to require that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services for and under the direction of the donee. ASU 2013-06 also expands the disclosure requirements to include the information with related party disclosures. The Foundation adopted this ASU in fiscal year 2015. The Foundation will value services at fair market value for payroll and benefit processing, and information services. Legal services received will be measured at cost through an allocation process. See Note 10 for the required disclosure.

***Management’s Review***

Management has reviewed subsequent events through February 23, 2017, which is the date the financial statements were issued.

***Reclassifications***

Approximately \$1,115,531 has been transferred between the net asset accounts, as shown below. These transfers are shown on the Statement of Activities.

<i>December 31,</i>	<i>2016</i>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Gift annuity reserve adjustment	* \$ (252,940)	\$ 252,940	\$ -
Donor gift changes	65,322	(65,322)	-
Transfer of trust to an endowment	*	(1,115,531)	1,115,531
Other	(147)	147	-
	<b>\$ (187,765)</b>	<b>\$ (927,766)</b>	<b>\$ 1,115,531</b>

\*Charitable gift annuity reserves are adjusted quarterly based on the calculation to determine required asset reserves. A trust was released from restriction and transferred to an endowment based on donor requirement.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 2: COMPARATIVE FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**NOTE 3: CONTRIBUTIONS RECEIVABLE**

Contributions receivable at December 31, 2016 are summarized as follows:

Expected receipt of contribution in:	Amount
2017	\$ 2,370,602
2018	697,025
2019	596,075
2020	441,400
2021	608,000
Thereafter	426,500
Gross contributions receivable	5,139,602
Less discount for present value	(299,888)
Less allowance for doubtful contributions receivable	(96,795)
<u>Net contributions receivable</u>	<u>\$ 4,742,919</u>

Contributions receivable consist primarily of promises from individuals and corporations within the Tampa Bay area. Management has established an allowance account as its estimate of uncollectible promises to give of approximately \$97,000 and \$129,000 at December 31, 2016 and 2015, respectively.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 4: INVESTMENTS**

Marketable securities, gift annuity investments and endowment investments are recorded at market value and are summarized as follows:

<i>December 31,</i>	<b>2016</b>		<b>2015</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
Debt securities	\$ 17,102,772	\$ 16,928,207	\$ 14,944,897	\$ 14,879,788
Equity securities	45,401,930	48,389,760	48,551,960	47,921,345
Money market funds	2,461,545	2,461,545	1,766,719	1,766,719
Other	30,604	30,604	7,621	7,621
	<b>\$ 64,996,851</b>	<b>\$ 67,810,116</b>	<b>\$ 65,271,197</b>	<b>\$ 64,575,473</b>

Investment income from these investments is summarized as follows:

<i>Years ended December 31,</i>	<b>2016</b>	<b>2015</b>
Net gains (losses) on investments	\$ 4,260,407	\$ (1,262,661)
Interest and dividends	1,547,823	1,407,391
Investment fees	(393,788)	(377,381)
	<b>\$ 5,414,442</b>	<b>\$ (232,651)</b>

Below is a summary of the line items from the balance sheet that comprise the investment breakdown above at market value:

<i>December 31,</i>	<b>2016</b>	<b>2015</b>
Marketable securities	\$ 42,832,806	\$ 39,509,849
Gift annuity investments	11,721,514	12,976,570
Endowment investments	13,255,796	12,089,054
	<b>\$ 67,810,116</b>	<b>\$ 64,575,473</b>

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 5: SPECIAL EVENTS**

Special events revenue and expense is reported net in the statement of activity as these events are not major sources of revenue and are incidental in the normal course of operations. Special events revenue was \$1,122,372 and \$700,942 in 2016 and 2015, respectively. Special events expense was \$512,312 and \$336,418 in 2016 and 2015, respectively. Direct benefits to event attendees were \$282,307 and \$198,961 in 2016 and 2015, respectively.

**NOTE 6: EXTERNALLY CONTROLLED ENDOWMENTS**

The Foundation receives income from certain endowment funds that are neither in the Foundation's possession nor under its control. These external endowment assets are held in perpetuity and are invested and managed by outside trustees in accordance with trust instruments established by the donors. The fair market value of the assets that support the revenue stream to the Foundation increased by \$303,383 in 2016 and decreased by \$620,889 in 2015.

The interest and dividend income received from the externally controlled endowment for the years ended December 31, 2016 and 2015 amounted to \$478,952 and \$429,285, respectively.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 7: REMAINDER INTEREST IN IRREVOCABLE TRUSTS AND ESTATES**

The restrictions on remainder interest in irrevocable trusts and estates at December 31, 2016 and 2015 are summarized as follows:

<i>December 31,</i>	<b>2016</b>		
	<b>Time Restricted</b>	<b>Donor Restricted</b>	<b>Total Temporarily Restricted</b>
Remainder interest in			
irrevocable trusts and estates	\$ 9,184,134	\$ 588,061	\$ 9,772,195
Less liability under trust agreements	(978,495)	(35,234)	(1,013,729)
<b>Total</b>	<b>\$ 8,205,639</b>	<b>\$ 552,827</b>	<b>\$ 8,758,466</b>

<i>December 31,</i>	<b>2015</b>		
	<b>Time Restricted</b>	<b>Donor Restricted</b>	<b>Total Temporarily Restricted</b>
Remainder interest in			
irrevocable trusts and estates	\$ 9,241,582	\$ 1,647,875	\$ 10,889,457
Less liability under trust agreements	(1,029,023)	(37,274)	(1,066,297)
<b>Total</b>	<b>\$ 8,212,559</b>	<b>\$ 1,610,601</b>	<b>\$ 9,823,160</b>

All of these assets are part of temporarily restricted net assets because the Foundation does not have access to the assets until the assets are released from probate or after the donor's death.

**NOTE 8: GIFT ANNUITY CONTRACTS**

The Foundation is certified by the State of Florida to market and manage gift annuity contracts that are invested in cash, bonds, marketable securities and property. Under these contracts a donor gives the Foundation a lump sum of assets at the beginning of the contract, and the Foundation makes predetermined quarterly payments to the donor for their lifetime. At the end of the donor's life, the Foundation keeps any remaining assets not used in making payments to the donor. In the contract, the donor may specify how the Foundation must use the revenue earned under the contract.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 8: GIFT ANNUITY CONTRACTS (Continued)**

Consequently, the gift annuity activity has been divided between unrestricted and temporarily restricted in the accompanying financial statements for the years ended December 31, 2016 and 2015 and is summarized as follows:

<b>2016 Activity</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Gift annuity contracts - gross	\$ 200,000	\$ 125,000	\$ 325,000
Less estimated gift annuity liability to annuitant	96,901	54,745	151,646
Contributions from new contracts	103,099	70,255	173,354
Investment income on gift annuity assets, net of \$49,700 management fee	172,702	18,511	191,213
Depreciation (appreciation) in value of gift annuit	(256,787)	670,163	413,376
Change in split interest agreements	342,969	(170,114)	172,855
Transfer due to donors' death	(1,160,419)	-	(1,160,419)
Other transfers	545,496	(545,496)	-
Change in net assets - gift annuities	(252,940)	43,319	(209,621)
Gift annuity net assets, beginning of year	5,035,979	633,894	5,669,873
Gift annuity net assets, end of year	\$ 4,783,039	\$ 677,213	5,460,252
Gift annuity obligations at December 31, 2016			6,261,262
Gift annuity investments at December 31, 2016			\$ 11,721,514

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 8: GIFT ANNUITY CONTRACTS (Continued)**

<b>2015 Activity</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Gift annuity contracts - gross	\$ 291,000	\$ -	\$ 291,000
Less estimated gift annuity liability to annuitant	133,755	-	133,755
Contributions from new contracts	157,245	-	157,245
Investment income on gift annuity assets, net of \$58,600 management fee	234,722	29,237	263,959
Appreciation in value of gift annuity assets	(154,389)	(11,716)	(166,105)
Change in split interest agreements	(635,907)	(\$82,189)	(718,096)
Transfer due to donors' death	(17,456)	-	(17,456)
Other transfers	32,214	(32,214)	-
Change in net assets - gift annuities	(383,571)	(96,882)	(480,453)
Gift annuity net assets, beginning of year	5,419,550	730,776	6,150,326
Gift annuity net assets, end of year	\$ 5,035,979	\$ 633,894	5,669,873
Gift annuity obligations at December 31, 2015			7,306,697
Gift annuity investments at December 31, 2015			\$ 12,976,570

In addition to the income usage restriction placed on the Foundation by donors, the State of Florida, Department of Insurance imposes certain gift annuity asset retainage restrictions. The State of Florida requires the Foundation to maintain (reserve) specific types of assets in excess of the \$6,261,262 gift annuity liability described above. The total asset reserve requirement as of December 31, 2016 was \$7,473,054. The Foundation meets the reserve requirement with the board policy that states that all assets received from gift annuity contracts be held until the donor's death, to insure that the Foundation has ample assets to cover its gift annuity obligations.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 9: PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

<i>December 31,</i>	<b>2016</b>	2015
Office equipment	\$ 111,406	\$ 109,711
Furniture	23,361	23,361
Building and improvements	1,113,072	1,106,085
Land	272,045	272,045
	<b>1,519,884</b>	1,511,202
Less: accumulated depreciation	<b>1,064,120</b>	1,031,147
<b>Net property and equipment</b>	<b>\$ 455,764</b>	<b>\$ 480,055</b>

Depreciation expense was \$32,972 and \$32,251 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 10: RELATED-PARTY TRANSACTIONS**

The Foundation reimburses the Health System for payroll costs, employee benefits and operating supplies. Reimbursements to the Health System for these expenses were approximately \$1,510,000 and \$1,750,000 for the years ended December 31, 2016 and 2015. The Foundation owed the Health System approximately \$174,000 and \$118,000 at December 31, 2016 and 2015, for various reimbursable expenses.

The Foundation received services for payroll and benefits processing, information technology and legal services from the Health System. The services received totaled \$42,774 and \$44,512 for the years ended December 31, 2016 and 2015, respectively and are recorded as in-kind revenue with offsetting expenses in applicable categories. See Note 1.

The Foundation participates in a defined contribution employee benefit plan, which is sponsored by BayCare Health System. Under the Plan, employees are eligible upon hire and after completing one year of service prior to January 1 or July 1 of any plan year they are eligible to participate in the annual employer contribution.

The sponsor declared a contribution to the Plan of 2% and 50% match with a maximum of 3% of gross compensation to eligible employees for the Plan years ended December 31, 2016 and 2015. The Foundation's share of this contribution was approximately \$33,000 and \$43,000 for the years ended December 31, 2016 and 2015.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 10: RELATED-PARTY TRANSACTIONS (Continued)**

The Foundation remitted \$30,019 and \$30,358 for the Senior Executive Retirement Plan to the Health System for the plan years ended December 31, 2016 and 2015.

IRA Tax Free Distributions of approximately \$356,388 and \$38,879 were received directly by the Hospitals during 2016 and 2015.

**NOTE 11: CONTINGENCIES**

The Foundation regularly receives gifts restricted by donors for various grants to the Hospitals. In one case, if a donor's restriction is not followed, the combined gifts and undistributed earnings of \$2,020,590, as of December 31, 2016, would have to be transferred to another charitable organization. In management's opinion, all gift restrictions and covenants have been fulfilled.

**NOTE 12: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are summarized as follows:

<i>December 31,</i>	<b>2016</b>	2015
Donor-restricted cash contributions	<b>\$ 25,193,414</b>	\$ 25,997,700
Donor-restricted revenue from gift annuities	<b>677,211</b>	633,893
Donor restrictions on cash surrender value of life insurance contracts	<b>1,741,065</b>	1,601,889
Trust and estate assets not yet received:		
Time restricted	<b>8,205,639</b>	8,212,559
Donor restricted	<b>762,867</b>	1,610,601
Contribution receivable assets also restricted by donor:		
Time restricted	<b>656,431</b>	930,288
Donor restricted	<b>4,086,488</b>	5,383,235
Cumulative capital gains on endowment assets	<b>5,029,870</b>	3,903,490
Other:		
Time restricted	<b>(1,811)</b>	(4,444)
<b>Total temporarily restricted net assets</b>	<b>\$ 46,351,174</b>	\$ 48,269,211

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 13: PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of donor-restricted assets (endowments) of which only the income can be spent by the Foundation. The income from these endowments is sometimes restricted for a specific purpose by the donor. Capital gains on endowments are recorded as unrestricted or temporarily restricted income, consistent with the interest and dividend income treatment, unless otherwise specified by the donor.

The permanently restricted net assets are summarized as follows:

<i>December 31,</i>	<b>2016</b>	2015
Cash	\$ 3,100	\$ 2,350
Internally controlled endowments:		
Income is restricted	<b>12,067,302</b>	10,900,560
Income is unrestricted	<b>1,188,494</b>	1,188,494
<b>Total internally controlled endowments</b>	<b>13,255,796</b>	12,089,054
Externally controlled endowments (see Note 6):		
Income is restricted	<b>435,121</b>	422,576
Income is unrestricted	<b>14,263,810</b>	13,972,974
<b>Total externally controlled endowment</b>	<b>14,698,931</b>	14,395,550
<b>Total permanently restricted net assets</b>	<b>\$ 27,957,827</b>	\$ 26,486,954

**NOTE 14: INTERNALLY CONTROLLED ENDOWMENTS**

The Foundation's endowment consists of 26 individual funds established for a variety of purposes. The endowments are all donor-restricted endowment funds. The Foundation has no board-designated endowments. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence of donor-imposed restrictions.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 14: INTERNALLY CONTROLLED ENDOWMENTS (Continued)**

The Board of Directors of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) for endowments instruments that are silent as to the restriction of the earnings, the Board has determined to record all realized and unrealized gains and losses through temporarily or unrestricted depending on the purpose restriction of the endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA. For certain endowment funds, the donors have stipulated that additional accumulation of funds above and beyond the permanent endowment are unrestricted as to purpose and are therefore classified as unrestricted.

The Foundation's investment policy is based on providing funding for the Hospitals' philanthropic efforts. Therefore the time horizon is reasonably long. The objective is to maximize total return with a balance between income and capital appreciation, as income is required for annual spending needs while principal provides long term growth of assets. The following is the Foundation investment policy for internal endowment funds:

Asset Class	Target Objective %	Minimum %	Maximum %
Equity Portfolio	68	53	83
Fixed Income Portfolio	23	8	38
Alternative Investments	9	9	19
Money Market	0	0	20

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 14: INTERNALLY CONTROLLED ENDOWMENTS (Continued)**

It is expected that fixed income investments will be restricted to investments with a rating of BBB-/Baa3 or better at time of purchase. Investments in hedge funds will generally be diversified, commingled fund of funds vehicles. Hedge investments will not be purchased without written consent of the investment committee.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Donor-restricted endowments as of 12/31/15</b>	\$ 1,072,030	\$ 3,877,821	\$ 12,089,054	\$ 17,038,905
<b>Investment return:</b>				
Investment income, net of fees	42,075	271,040	449	313,564
Net depreciation (realized and unrealized)	123,739	830,749	(55)	954,433
<b>Total investment return</b>	165,814	1,101,789	394	1,267,997
<b>Contributions</b>			(51,566)	(51,566)
<b>Transfers</b>	-	-	1,217,914	1,217,914
<b>Donor-restricted endowments as of 12/31/16</b>	\$ 1,237,844	\$ 4,979,610	\$ 13,255,796	\$ 19,473,250
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Donor-restricted endowments as of 12/31/14</b>	\$ 1,068,259	\$ 3,865,663	\$ 11,844,868	\$ 16,778,790
<b>Investment return:</b>				
Investment income, net of fees	32,887	249,925	293	283,105
Net depreciation (realized and unrealized)	(29,116)	(237,767)	1,008	(265,875)
<b>Total investment return</b>	3,771	12,158	1,301	17,230
<b>Contributions</b>	-	-	(45,136)	(45,136)
<b>Transfers</b>	-	-	288,021	288,021
<b>Donor-restricted endowments as of 12/31/15</b>	\$ 1,072,030	\$ 3,877,821	\$ 12,089,054	\$ 17,038,905

The unrestricted and temporarily restricted portions of the endowments are included in marketable securities on the Statement of Financial Position.

**NOTE 15: FAIR VALUE MEASUREMENTS**

ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described as follows:

*Level 1* Inputs to the valuation methodology are unadjusted quote prices in active markets for identical assets.

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

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

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

Following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodology used at December 31, 2016.

*Money Markets:* Valued at the net asset value (NAV) of shares held by the organization at year end.

*Equities:* Comprised of common stock valued at the closing price reported in the active market in which the individual securities are traded.

*Fixed Income Funds:* Valued at the net asset value (NAV) of shares held by the organization at year end. There are no unfunded commitments within the fixed income funds and in addition there are no significant restrictions on the organizations ability to sell investments.

*Mutual Funds:* Valued at the net asset value (NAV) of shares held by the organization at year end. The mutual funds are invested in individual equities in industries noted below. There are no unfunded commitments within the mutual funds and in addition there are no significant restrictions on the organizations ability to sell investments.

*Exchange Traded Products:* Valued at the net asset value (NAV) of shares held by the organization at year end.

## Morton Plant Mease Health Care Foundation, Inc. Notes to Financial Statements

### NOTE 15: FAIR VALUE MEASUREMENTS (Continued)

*Property:* Property (gifts through remainder interest trusts and estates) is valued based on appraisals obtained by management from independent third parties at the time of the original gift. After the initial date of the gift, if property is on the books more than one year, management discusses property values with experts in the field and will make adjustments based on comparable properties in the market if needed. The policy is to obtain new appraisals every 5 years for properties which are held for long periods of time.

*Third Party Endowments:* The investments are managed by a third party unrelated to this organization. The endowment assets are valued based on the third party pricing information without adjustment. The organization does not develop nor are they provided with the quantitative inputs used to develop the fair market values.

*Externally Controlled Endowments:* The investments are managed by a third party which is unrelated to this organization. The remainder interest trust assets are valued based on the third party pricing information without adjustment. The organization does not develop nor are they provided with the quantitative inputs used to develop the fair market values. The organization uses the fair market values provided along with percentage of the expected benefit, life expectancy and time value of money.

*Liability Under Trust Agreements:* These liabilities are valued using the income approach based on the present value of the future distributions expected to be received, using published life expectancy tables and a discount for the time value of money.

*Gift Annuity Obligations:* These liabilities are estimated by management based on the fair market value of the assets, life expectancy and a discount for the time value of money.

*Cash Surrender Value of Life Insurance Policies:* Managed by the respective insurance companies. These companies provide the cash surrender value of the policies and the organization uses these fair values without adjustment. The organization does not develop nor are they provided with the quantitative inputs used to develop the fair values.

The preceding methods described may produce a fair value calculation that may not be indicative of 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.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 15: FAIR VALUE MEASUREMENTS (Continued)**

The following table sets forth by level, the fair value hierarchy, of investments at fair value:

December 31,	2016			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash surrender value of life insurance policies	\$ 4,280,370	\$ -	\$ -	\$ 4,280,370
Marketable securities:				
Money Markets	2,492,150	2,492,150	-	-
Equities:				
Domestic	13,619,259	13,619,259	-	-
International	2,526,300	2,526,300	-	-
US Large Cap	345,639	345,639	-	-
US Mid Cap	110,856	110,856	-	-
Convertible Preferred Stock	178,012	-	178,012	-
Preferred Stock	37,566	37,566	-	-
Mutual Funds:				
Fixed Income	1,669,911	1,669,911	-	-
Equity Domestic	7,388,708	7,388,708	-	-
International	1,768,008	1,673,778	94,230	-
Real Estate	1,983,630	1,983,630	-	-
Domestic Commodities	843,357	843,357	-	-
Emerging Markets	45,816	45,816	-	-
Exchange Traded Products:				
Exchange Traded Funds	19,636,839	19,636,839	-	-
Exchange Traded Bond Funds	3,963,861	3,963,861	-	-
Fixed Income:				
US Government Obligations	4,200,400	2,357,346	1,843,054	-
Mortgage Backed Securities	25,736	-	25,736	-
Corporate Bonds	6,576,715	-	6,576,715	-
International	397,353	-	397,353	-
<b>Total marketable securities</b>	<b>\$ 67,810,116</b>	<b>\$ 58,695,016</b>	<b>\$ 9,115,100</b>	<b>\$ -</b>

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 15: FAIR VALUE MEASUREMENTS (Continued)**

December 31,	2016			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Remainder interest in irrevocable:				
Internally controlled trusts & estates:				
Money Markets	\$ 58,435	\$ 58,435	\$ -	\$ -
Equities	1,046,702	1,046,702	-	-
Fixed Income:				
Fixed Income	372,240	372,240	-	-
Real Estate	36,762	36,762	-	-
Commodities	21,378	21,378	-	-
Property	881,385	-	-	881,385
Total internally controlled trusts & estates	2,416,902	1,535,517	-	881,385
Externally controlled trusts (a)	7,355,293	-	-	7,355,293
Total remainder interest in irrevocable trusts & estates	9,772,195	1,535,517	-	8,236,678
Externally controlled endowments (a)	14,698,931	-	-	14,698,931
<b>Total assets</b>	<b>\$ 96,561,612</b>	<b>\$ 60,230,533</b>	<b>\$ 9,115,100</b>	<b>\$ 27,215,979</b>
<b>Liabilities:</b>				
Gift annuity obligations	\$ 6,261,262	\$ -	\$ -	\$ 6,261,262
Liability under trust agreements	1,013,729	-	-	1,013,729
<b>Total liabilities</b>	<b>\$ 7,274,991</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,274,991</b>

(a) Based on its analysis and nature and risks of these investments, the reporting entity has determined that presenting them as a single class is appropriate.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 15: FAIR VALUE MEASUREMENTS (Continued)**

December 31,	2015			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash surrender value of life insurance policies	\$ 3,986,468	\$ -	\$ -	\$ 3,986,468
Marketable securities:				
Money Markets	1,774,366	1,774,367	-	-
Equities:				
Domestic	14,218,559	14,218,559	-	-
International	2,463,625	2,463,625	-	-
US Large Cap	270,291	270,291	-	-
US Mid Cap	101,596	101,596	-	-
Convertible Preferred Stock	204,506	-	204,506	-
Mutual Funds:				
Fixed Income	1,031,584	1,031,584	-	-
Equity Domestic	4,546,001	4,546,001	-	-
International	1,909,398	1,840,644	68,754	-
Real Estate	190,765	190,765	-	-
Domestic Commodities	2,299,601	2,299,601	-	-
Emerging Markets	23,004	23,004	-	-
Exchange Traded Products:				
Exchange Traded Funds	21,776,326	21,776,326	-	-
Exchange Traded Bond Funds	8,659,006	8,659,006	-	-
Fixed Income:				
US Government Obligations	3,061,010	-	3,061,010	-
Corporate Bonds	1,764,966	-	1,764,966	-
International	280,894	-	280,894	-
<b>Total marketable securities</b>	<b>\$ 64,575,499</b>	<b>\$ 59,195,369</b>	<b>\$ 5,380,130</b>	<b>\$ -</b>

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 15: FAIR VALUE MEASUREMENTS (Continued)**

December 31,	2015			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Remainder interest in irrevocable:				
Internally controlled trusts & estates:				
Money Markets	\$ 78,894	\$ 78,894	\$ -	\$ -
Equities:				
Equities	601,690	601,690	-	-
Common Stock	30,835	30,835	-	-
Fixed Income:				
Fixed Income	247,210	247,210	-	-
Tangible Assets- Commodities	46,594	46,594	-	-
Mutual Funds	175,347	175,347	-	-
Exchange Traded Products	661,938	661,938	-	-
Property	895,855	-	-	895,855
Total internally controlled trusts & estates	2,738,363	1,842,508	-	895,855
Externally controlled trusts (a)	8,151,094	-	-	8,151,094
Total remainder interest in irrevocable trusts & estates	10,889,457	1,842,508	-	9,046,949
Externally controlled endowments (a)	14,395,550	-	-	14,395,550
<b>Total assets</b>	<b>\$ 93,846,974</b>	<b>\$ 61,037,877</b>	<b>\$ 5,380,130</b>	<b>\$ 27,428,967</b>
<b>Liabilities:</b>				
Gift annuity obligations	\$ 7,306,697	\$ -	\$ -	\$ 7,306,697
Liability under trust agreements	1,066,297	-	-	1,066,297
<b>Total liabilities</b>	<b>\$ 8,372,994</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,372,994</b>

(a) Based on its analysis and nature and risks of these investments, the reporting entity has determined that presenting them as a single class is appropriate.

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 15: FAIR VALUE MEASUREMENTS (Continued)**

Gains and losses (realized and unrealized) are included in other changes in net assets for the years ended December 31, 2016 and December 31, 2015.

The following tables provide details of the Level 3 fair value measurements:

Cash surrender value of life insurance policies:

<i>Year ended December 31,</i>	<b>2016</b>	2015
Beginning balance	\$ 3,986,468	\$ 3,792,065
Appreciation in cash surrender value	<b>293,902</b>	194,403
Ending balance	<b>\$ 4,280,370</b>	\$ 3,986,468

Remainder interest in irrevocable trusts and estates:

<i>Year ended December 31,</i>	<b>2016</b>	2015
Beginning balance	\$ 9,046,949	\$ 10,085,535
New trusts and estates	<b>2,299,976</b>	67,558
Maturity payments received	<b>(3,526,438)</b>	(1,225,680)
Appreciation in value in split interest agreements	<b>416,191</b>	119,536
Ending balance	<b>\$ 8,236,678</b>	\$ 9,046,949

Externally controlled endowments:

<i>Year ended December 31,</i>	<b>2016</b>	2015
Beginning balance	\$ 14,395,550	\$ 15,016,439
Appreciation (Depreciation) in value in split interest agreements	<b>303,381</b>	(620,889)
Ending balance	<b>\$ 14,698,931</b>	\$ 14,395,550

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 15: FAIR VALUE MEASUREMENTS (Continued)**

Gift annuity obligations:

<i>Year ended December 31,</i>	<b>2016</b>	2015
Beginning balance	\$ 7,306,697	\$ 7,544,988
Transfers out	(516,822)	-
Depreciation in value in split interest agreements	(528,613)	(238,291)
<b>Ending balance</b>	<b>\$ 6,261,262</b>	<b>\$ 7,306,697</b>

Liability Under Trust Agreements:

<i>Year ended December 31,</i>	<b>2016</b>	2015
Beginning balance	\$ 1,066,297	\$ 1,163,932
Depreciation in value in split interest agreements	(52,568)	(97,635)
<b>Ending balance</b>	<b>\$ 1,013,729</b>	<b>\$ 1,066,297</b>

The following table represents the Foundation's level 3 financial instruments, the valuation technique used to measure the fair value of those financial instruments, and the significant unobservable inputs and ranges of the values for those inputs:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Gift annuity obligations	\$ 6,261,262	Discounted cash flow	IRS prescribed rate	1% to 9.4%	N
			Life expectancy	Varies	N
Liability under trust agreements	\$ 1,013,729	Discounted cash flow	IRS prescribed rate	3% to 8%	N
			Life expectancy	Varies	N

**Morton Plant Mease Health Care Foundation, Inc.**  
**Notes to Financial Statements**

**NOTE 15: FAIR VALUE MEASUREMENTS (Continued)**

***Changes in Fair Value Levels***

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2016 and 2015, management determined the valuation of gift annuity obligations and liability under trust agreements are unobservable and therefore should be level 3.

**NOTE 16: FUNCTIONAL EXPENSES**

Grants and other expenses are summarized as follows:

<i>Year ended December 31,</i>					<b>2016</b>
	<b>Program</b>	<b>Administrative</b>	<b>Community Affairs</b>	<b>Fund Raising</b>	<b>Total</b>
Grants expense	\$ 7,118,460	\$ -	\$ -	\$ -	\$ <b>7,118,460</b>
Operating expenses	-	779,081	392,262	971,818	<b>2,143,161</b>
Investment management fees:					
Unrestricted investments	-	129,042	-	-	<b>129,042</b>
Gift annuity investments	-	49,724	-	-	<b>49,724</b>
Internal endowment investments	-	164,709	-	-	<b>164,709</b>
<b>Total</b>	<b>\$ 7,118,460</b>	<b>\$ 1,122,556</b>	<b>\$ 392,262</b>	<b>\$ 971,818</b>	<b>\$ 9,605,096</b>

<i>Year ended December 31,</i>					<b>2015</b>
	<b>Program</b>	<b>Administrative</b>	<b>Community Affairs</b>	<b>Fund Raising</b>	<b>Total</b>
Grants expense	\$ 6,400,168	\$ -	\$ -	\$ -	\$ 6,400,168
Operating expenses	-	832,499	437,896	825,599	2,095,994
Investment management fees:					
Unrestricted investments	-	121,594	-	-	121,594
Gift annuity investments	-	56,687	-	-	56,687
Internal endowment investments	-	146,294	-	-	146,294
<b>Total</b>	<b>\$ 6,400,168</b>	<b>\$ 1,157,074</b>	<b>\$ 437,896</b>	<b>\$ 825,599</b>	<b>\$ 8,820,737</b>



**Morton Plant Mease Health Care Foundation, Inc.  
Notes to Financial Statements**

**NOTE 17: RISKS AND UNCERTANTIES**

The Foundation maintains bank accounts in several banking institutions. From time to time, the Foundation may hold cash in excess of the amounts insured by the Federal Deposit Insurance Corporation.