

NATIONAL HEALTH COUNCIL, INC.
DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Health Council, Inc.
Washington, D.C.

We have audited the accompanying financial statements of National Health Council, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's 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 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 audits 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 auditors consider 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 in the first paragraph present fairly, in all material respects, the financial position of National Health Council, Inc. as of December 31, 2017 and 2016, 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.

Sarfino and Rhoades LLP

February 26, 2018

NATIONAL HEALTH COUNCIL, INC.
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash (Notes 1 and 4)	\$ 2,306,956	\$ 2,389,335
Investment (Notes 1, 2 and 3)	517,985	508,789
Pledges and accounts receivable (Notes 1 and 9)	465,489	252,230
Prepaid expenses and other	51,237	18,041
TOTAL CURRENT ASSETS	\$ 3,341,667	\$ 3,168,395
PROPERTY AND EQUIPMENT (Notes 1 and 5)	147,779	148,459
OTHER ASSET:		
Lease deposit	15,878	15,878
TOTAL ASSETS	\$ 3,505,324	\$ 3,332,732
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 162,483	\$ 356,877
Accrued expenses	113,335	60,537
Deferred compensation liability (Note 8)	20,514	-
Deferred revenue (Note 1)	603,631	539,753
TOTAL CURRENT LIABILITIES	\$ 899,963	\$ 957,167
LONG TERM LIABILITY:		
Deferred rent (Note 10)	251,826	263,370
TOTAL LIABILITIES	\$ 1,151,789	\$ 1,220,537
COMMITMENTS (Note 10)		
NET ASSETS (Notes 1 and 7):		
Unrestricted	\$ 1,351,762	\$ 1,073,925
Temporarily restricted	1,001,773	1,038,270
TOTAL NET ASSETS	\$ 2,353,535	\$ 2,112,195
TOTAL LIABILITIES AND NET ASSETS	\$ 3,505,324	\$ 3,332,732

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

NATIONAL HEALTH COUNCIL, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE (Notes 1 and 6):						
Support:						
Sponsorship contributions and grant	\$ 203,711	\$ 2,285,175	\$ 2,488,886	\$ 53,425	\$ 2,383,900	\$ 2,437,325
Membership dues	1,224,980	-	1,224,980	1,272,421	-	1,272,421
Contributed services	115,574	-	115,574	-	-	-
Honoraria	35,925	-	35,925	23,452	-	23,452
Interest and dividend income	8,931	-	8,931	8,512	-	8,512
Publication sales and other income	4,388	-	4,388	2,126	-	2,126
Unrealized gain on investments	392	-	392	2,858	-	2,858
Net assets released from restrictions	<u>2,321,672</u>	<u>(2,321,672)</u>	<u>-</u>	<u>2,769,557</u>	<u>(2,769,557)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 3,915,573</u>	<u>\$ (36,497)</u>	<u>\$ 3,879,076</u>	<u>\$ 4,132,351</u>	<u>\$ (385,657)</u>	<u>\$ 3,746,694</u>
EXPENSES:						
Program services:						
Special projects	\$ 1,606,246	\$ -	\$ 1,606,246	\$ 1,668,071	\$ -	\$ 1,668,071
Member services	1,147,617	-	1,147,617	1,174,624	-	1,174,624
Conferences	339,130	-	339,130	318,448	-	318,448
Publications	16,543	-	16,543	22,863	-	22,863
Total program services	<u>\$ 3,109,536</u>	<u>\$ -</u>	<u>\$ 3,109,536</u>	<u>\$ 3,184,006</u>	<u>\$ -</u>	<u>\$ 3,184,006</u>
Supporting services:						
General and administrative	\$ 294,897	\$ -	\$ 294,897	\$ 101,100	\$ -	\$ 101,100
Governance	108,745	-	108,745	103,664	-	103,664
Membership development	60,260	-	60,260	77,326	-	77,326
Fundraising	55,817	-	55,817	32,914	-	32,914
Strategic planning	8,481	-	8,481	543	-	543
Total supporting services	<u>\$ 528,200</u>	<u>\$ -</u>	<u>\$ 528,200</u>	<u>\$ 315,547</u>	<u>\$ -</u>	<u>\$ 315,547</u>
TOTAL EXPENSES	<u>\$ 3,637,736</u>	<u>\$ -</u>	<u>\$ 3,637,736</u>	<u>\$ 3,499,553</u>	<u>\$ -</u>	<u>\$ 3,499,553</u>
CHANGES IN NET ASSETS	\$ 277,837	\$ (36,497)	\$ 241,340	\$ 632,798	\$ (385,657)	\$ 247,141
NET ASSETS, BEGINNING OF YEAR	<u>1,073,925</u>	<u>1,038,270</u>	<u>2,112,195</u>	<u>441,127</u>	<u>1,423,927</u>	<u>1,865,054</u>
NET ASSETS, END OF YEAR	<u>\$ 1,351,762</u>	<u>\$ 1,001,773</u>	<u>\$ 2,353,535</u>	<u>\$ 1,073,925</u>	<u>\$ 1,038,270</u>	<u>\$ 2,112,195</u>

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

NATIONAL HEALTH COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services					Supporting Services							Total
	Special Projects	Member Services	Conferences	Publications	Total Program Services	General and Administrative	Governance	Membership Development	Fundraising	Strategic Planning	Total Supporting Services		
Personnel Costs:													
Salaries	\$ 669,139	\$ 475,763	\$ 134,711	\$ 5,396	\$ 1,285,009	\$ 123,123	\$ 51,734	\$ 36,435	\$ 35,216	\$ 3,256	\$ 249,764	\$ 1,534,773	
Fringe benefits	162,043	112,642	32,369	1,311	308,365	20,292	12,398	8,745	8,474	802	50,711	359,076	
Fees:													
Contract	530,703	357,489	9,433	7,492	905,117	1,570	11,613	3,609	1,784	2,266	20,842	925,959	
Legal	4,532	9,094	912	36	14,574	116,408	350	247	238	22	117,265	131,839	
Accounting and audit	30,613	21,765	6,163	247	58,788	5,632	2,367	1,667	1,611	149	11,426	70,214	
Computer	19,777	17,069	3,267	131	40,244	2,977	1,251	881	851	79	6,039	46,283	
Occupancy	89,030	63,301	17,924	718	170,973	16,380	6,883	4,848	4,686	433	33,230	204,203	
Conferences, conventions and meetings	38,157	35,981	117,574	10	191,722	234	17,795	389	122	6	18,546	210,268	
Depreciation and amortization	14,910	10,602	3,002	121	28,635	2,743	1,153	812	785	73	5,566	34,201	
Travel	13,614	7,314	4,893	-	25,821	11	133	428	95	979	1,646	27,467	
Equipment rental and maintenance	8,498	6,042	1,711	69	16,320	1,564	657	463	447	41	3,172	19,492	
Insurance	7,989	5,678	1,608	65	15,340	1,468	618	435	420	39	2,980	18,320	
Telephone	5,297	5,398	1,230	18	11,943	398	413	585	165	17	1,578	13,521	
Office supplies	4,360	3,392	968	36	8,756	798	351	236	228	289	1,902	10,658	
Bank charges and fees	3,106	2,199	623	25	5,953	613	239	168	163	15	1,198	7,151	
Membership dues	925	5,459	45	2	6,431	41	17	12	382	1	453	6,884	
Printing	650	1,731	2,143	405	4,929	106	575	176	30	3	890	5,819	
Staff development	2,506	1,827	397	16	4,746	479	153	107	104	10	853	5,599	
Advertising	-	2,798	-	-	2,798	-	-	-	-	-	-	2,798	
Publications and subscriptions	-	1,765	-	443	2,208	-	-	-	-	-	-	2,208	
Postage and shipping	288	169	52	2	511	44	18	13	12	1	88	599	
Messenger and express mail	109	139	105	-	353	16	27	4	4	-	51	404	
TOTAL EXPENSES	<u>\$ 1,606,246</u>	<u>\$ 1,147,617</u>	<u>\$ 339,130</u>	<u>\$ 16,543</u>	<u>\$ 3,109,536</u>	<u>\$ 294,897</u>	<u>\$ 108,745</u>	<u>\$ 60,260</u>	<u>\$ 55,817</u>	<u>\$ 8,481</u>	<u>\$ 528,200</u>	<u>\$ 3,637,736</u>	

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

NATIONAL HEALTH COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services					Supporting Services							Total
	Special Projects	Member Services	Conferences	Publications	Total Program Services	General and Administrative	Governance	Membership Development	Fundraising	Strategic Planning	Total Supporting Services		
Personnel Costs:													
Salaries	\$ 625,442	\$ 551,528	\$ 121,840	\$ 11,606	\$ 1,310,416	\$ 69,001	\$ 46,617	\$ 48,581	\$ 22,062	\$ 315	\$ 186,576	\$ 1,496,992	
Fringe benefits	140,262	126,733	26,888	2,630	296,513	14,760	10,480	11,038	5,104	76	41,458	\$ 337,971	
Fees:													
Contract	700,500	311,278	12,462	5,305	1,029,545	620	17,397	5,693	272	77	24,059	1,053,604	
Computer	17,245	16,322	2,582	247	36,396	1,462	985	1,029	467	7	3,950	40,346	
Accounting and audit	8,451	7,452	1,646	156	17,705	932	631	656	298	4	2,521	20,226	
Legal	3,459	3,601	674	64	7,798	382	256	269	122	2	1,031	8,829	
Occupancy	85,361	75,271	16,629	1,585	178,846	9,416	6,357	6,630	3,011	43	25,457	204,303	
Conferences, conventions and meetings	27,110	38,688	120,141	-	185,939	4	17,063	174	2	-	17,243	203,182	
Depreciation and amortization	16,440	14,496	3,202	306	34,444	1,814	1,224	1,277	580	8	4,903	39,347	
Travel	17,179	(6,593)	5,691	-	16,277	(1)	110	22	130	-	261	16,538	
Equipment rental and maintenance	6,645	5,862	1,295	124	13,926	733	497	516	234	3	1,983	15,909	
Insurance	5,256	4,635	1,024	97	11,012	580	393	408	185	3	1,569	12,581	
Telephone	4,928	4,346	960	220	10,454	542	367	383	174	2	1,468	11,922	
Office supplies	3,325	7,036	711	32	11,104	191	253	182	61	1	688	11,792	
Membership dues	208	6,364	401	4	6,977	23	20	16	7	-	66	7,043	
Bank charges and fees	2,594	2,289	506	48	5,437	286	192	202	92	1	773	6,210	
Staff development	1,901	1,678	371	35	3,985	210	139	148	67	1	565	4,550	
Printing	990	1,191	1,059	391	3,631	60	453	42	19	-	574	4,205	
Advertising	445	754	88	8	1,295	49	34	35	16	-	134	1,429	
Publications and subscriptions	-	1,342	-	-	1,342	-	-	-	-	-	-	1,342	
Messenger and express mail	122	165	155	1	443	12	176	9	4	-	201	644	
Postage and shipping	208	186	123	4	521	24	20	16	7	-	67	588	
TOTAL EXPENSES	<u>\$ 1,668,071</u>	<u>\$ 1,174,624</u>	<u>\$ 318,448</u>	<u>\$ 22,863</u>	<u>\$ 3,184,006</u>	<u>\$ 101,100</u>	<u>\$ 103,664</u>	<u>\$ 77,326</u>	<u>\$ 32,914</u>	<u>\$ 543</u>	<u>\$ 315,547</u>	<u>\$ 3,499,553</u>	

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

NATIONAL HEALTH COUNCIL, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, sponsors, and customers	\$ 3,604,798	\$ 4,403,118
Cash paid to employees and suppliers	(3,653,837)	(3,269,949)
Interest received	8,985	8,716
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (40,054)	\$ 1,141,885
PROPERTY AND EQUIPMENT (Notes 1 and 5)		
Purchase of investments	\$ (8,804)	\$ (8,553)
Purchases of property and equipment	(33,521)	(3,780)
NET CASH USED IN INVESTING ACTIVITIES	\$ (42,325)	\$ (12,333)
NET CHANGE IN CASH	\$ (82,379)	\$ 1,129,552
CASH, BEGINNING OF YEAR	2,389,335	1,259,783
CASH, END OF YEAR	\$ 2,306,956	\$ 2,389,335
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Changes in net assets	\$ 241,340	\$ 247,141
Reconciliation adjustments:		
Depreciation and amortization	34,201	39,347
Unrealized gain on investments	(392)	(2,858)
Changes in assets and liabilities:		
Decrease (increase) in operational assets:		
Pledges and accounts receivable	(213,259)	552,696
Prepaid expenses and other	(33,196)	(14,861)
Increase (decrease) in operational liabilities:		
Accounts payable	(194,394)	208,026
Accrued expenses	52,798	3,911
Deferred compensation liability	20,514	-
Deferred revenue	63,878	115,098
Deferred rent	(11,544)	(6,615)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (40,054)	\$ 1,141,885

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

NATIONAL HEALTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1. **Organization and Summary of Significant Accounting Policies**

Organization - The National Health Council, Inc. (the Council) is a not-for-profit organization that provides national focus for sharing common concerns, evaluating needs, and pooling ideas and resources for national organizations in the health field.

Income Tax Status - The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. There was no unrelated business income for the years ended December 31, 2017 and 2016.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and accordingly, the Council recognizes revenue when earned and expenses when incurred.

Basis of Presentation - The financial statements have been presented in accordance with U.S. generally accepted accounting principles, including those applicable to nonprofit organizations. As such, the Council is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Unrestricted net assets represent funds which are fully available for operations at management's discretion.

Temporarily restricted net assets - Temporarily restricted net assets are comprised of funds which are restricted by donors based upon the passage of time or the purpose restriction is fulfilled.

Permanently restricted net assets - Permanently restricted net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity, but permit the Council to expend all or part of the income derived from the donated assets.

The Council had no permanently restricted net assets as of December 31, 2017 and 2016.

Cash - For purposes of the statements of cash flows, the Council considers certificates of deposit to be cash along with its operating checking, savings and money market accounts.

Investments - Investments in marketable securities with readily determinable fair values are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

NATIONAL HEALTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1. **Organization and Summary of Significant Accounting Policies** - (Continued)

Pledges and Accounts Receivable - Pledges receivable represent sponsorships pledged but not yet received. Accounts receivable represent amounts billed but not yet collected. These items, which are uncollateralized, are stated at the amount management expects to collect from balances outstanding at year-end. All pledges are expected to be collected within one year. Based on management's assessment of the payment history of members with outstanding balances and management's current relationships with those members, management has concluded that realization losses, if any, on balances outstanding at year-end would be immaterial.

Property and Equipment - Property and equipment is recorded at cost. The Council capitalizes assets whose costs are in excess of \$500. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years. Amortization of leasehold improvements is taken over the term of the lease. Expenditures for maintenance and repairs are charged to expense as incurred.

When property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income or expense.

Revenue Recognition - Membership dues are recognized over a calendar year period for all members. Dues collected in advance are recorded as deferred revenue and recognized as revenue in the following year.

Contributions are recognized as revenue at the earlier of when they are received or when the Council has received an unconditional promise to give a specific amount. The Council 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 time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Cost reimbursable grants are recognized as revenue when the related costs are incurred.

Contributions of donated services that create or enhance non-financial assets or require specialized skills that would typically need to be purchased if not provided by donation are recorded as revenue and expense at their estimated fair values in the period received. Such amounts are reflected as revenue and expense in the accompanying statement of activities.

NATIONAL HEALTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1. **Organization and Summary of Significant Accounting Policies** - (Continued)

Functional Expense Allocations - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note 2. **Investment** - The Council invests cash in excess of its immediate needs in marketable securities, which are reported as investments in the statements of financial position. Following is a schedule of the investment held at December 31:

	2017	2016
Principal Investments Short-term Income Fund - Class A	\$ 517,985	\$ 508,789

The following summarizes investment income for the years ended December 31:

	2017	2016
Interest and dividends	\$ 8,931	\$ 8,512
Unrealized gain on investment	392	2,858
Totals	\$ 9,323	\$ 11,370

Note 3. **Fair Value Measurements** - The Council measures investments at fair value as required by the Fair Value Measurements Topic of the Accounting Standards Codification of the Financial Accounting Standards Board (FASB). The framework provides a fair value hierarchy that prioritizes the inputs of 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 fair value hierarchy are described as follows: level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets; level 2 inputs are observable market data, generally other than quoted prices; level 3 inputs are significant unobservable data. There are no level 2 or level 3 valued investments for the years ended December 31, 2017 and 2016.

NATIONAL HEALTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 3. **Fair Value Measurements** - (Continued)

Following is a description of the valuation methodology used for assets measured at fair value:

Fixed-income mutual fund - Securities which are traded on a national securities exchange are valued at the last reported sales price on the last business day of the year.

As of December 31, 2017 and 2016, the Council's investment in a fixed-income mutual fund had a fair value, using level 1 measurement, of \$517,985 and \$508,789, respectively.

Note 4. **Concentration of Credit Risk** - Financial instruments that potentially subject the Council to concentrations of credit risk include cash deposits with commercial banks. The Council's cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash accounts exceeded the maximum FDIC coverage limit of \$250,000 at times throughout the year and at year-end.

Note 5. **Property and Equipment** - Property and equipment consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Furniture, equipment and software	\$ 178,598	\$ 145,077
Leasehold improvements	<u>153,708</u>	<u>153,708</u>
Subtotals	\$ 332,306	\$ 298,785
Less, Accumulated depreciation and amortization	<u>184,527</u>	<u>150,326</u>
Totals	<u><u>\$ 147,779</u></u>	<u><u>\$ 148,459</u></u>

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 was \$34,201 and \$39,347, respectively.

NATIONAL HEALTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 6. **Grant** - The Council entered into a cost-reimbursable grant agreement with the Patient-Centered Outcomes Research Institute (PCORI). Led by the Council, and in collaboration with other nonprofit stakeholders, this grant seeks to engage the patient community and others to create a non-disease-oriented, patient-specific curriculum on health care quality. The period of the grant is June 15, 2015 through December 15, 2017. The total value of the grant was \$246,314, of which \$122,877 was recognized as revenue during the year ended December 31, 2017.

Note 7. **Temporarily Restricted Net Assets** - Temporarily restricted net assets consist of contributions having donor-imposed purpose restrictions that will be met by the Council in a future period. Temporarily restricted net assets were for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
Voluntary Health Agency Leadership Conference	\$ 276,752	\$ 149,075
Government Relations Representatives Retreat	196,350	138,289
Policy Development Fund	150,519	154,377
Patient Engagement	136,118	128,199
Ecosystem - Quality	50,376	59,735
Real World Evidence	44,475	20,797
Advocacy Training	38,202	10,481
Ecosystem - Payment Models	37,414	-
Ecosystem - Value	31,117	301,960
Patient Focused Drug Development	20,694	8,658
CMSO Conference	18,881	35,688
Patient Exchange Experience	875	4,477
Progressive Approval	-	19,773
HIPAA	-	6,761
Totals	<u>\$ 1,001,773</u>	<u>\$ 1,038,270</u>

Note 8. **Retirement and Deferred Compensation Plans** - The Council maintains a defined contribution retirement plan qualified under Internal Revenue Code Section 403(b) covering substantially all employees. Contributions by the Council are based on fixed percentages of compensation, up to 8%, based on the participants' years of service.

NATIONAL HEALTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 8. **Retirement and Deferred Compensation Plans** - (Continued)

The Council also maintains a deferred compensation plan under Internal Revenue Code Section 457(b). Highly compensated employees with a minimum of six months of service may be eligible to participate.

Total expense under these plans for the years ended December 31, 2017 and 2016 was \$64,995 and \$64,395, respectively.

Effective January 1, 2017, the Council adopted a nonqualified deferred compensation plan within the meaning of Section 457(f) of the Internal Revenue Code for the future benefit of the Council's Chief Executive Officer (CEO). Under the plan provisions, an amount equal to 5% of the CEO's salary and bonus paid shall be credited to an account each calendar year beginning January 1, 2017 and ending December 31, 2019. The 457(f) plan expense recognized for the year ended December 31, 2017 was \$20,514.

The Council has also established a supplemental tax deferred retirement plan under Section 403(b) of the Internal Revenue Code. Under the Plan, participants are permitted to contribute a portion of their compensation that accumulates on a tax-deferred basis.

Note 9. **Concentrations** - Sixty-nine percent of pledges receivable were due from a single sponsor as of December 31, 2017.

Note 10. **Commitments** - The Council entered into an office lease extension expiring on July 31, 2024. The lease extension provided for an abatement of rent for the six-month period beginning August 1, 2014. Lease payments will increase 2.5% annually on the anniversary of the lease. The lease also included a tenant improvement allowance. The lease abatement, scheduled rent increases, and the tenant improvement allowance give rise to a deferred lease obligation, which is amortized over the term of the lease.

Rent expense was \$204,203 and \$204,303 for the years ended December 31, 2017 and 2016.

The Council entered into a five-year non-cancellable operating lease for a copier expiring October 2020. The lease payments are \$306 per month.

NATIONAL HEALTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 10. **Commitments** - (Continued)

Future minimum lease commitments are as follows:

Year ending December 31,	Office Lease	Copier Lease	Totals
2018	\$ 207,341	\$ 3,667	\$ 211,008
2019	214,494	3,667	218,161
2020	222,599	2,750	225,349
2021	228,149	-	228,149
2022	233,850	-	233,850
Thereafter	464,642	-	464,642
Totals	<u>\$1,571,075</u>	<u>\$ 10,084</u>	<u>\$1,581,159</u>

The Council enters into agreements with hotels for future events. These agreements generally require guarantees for minimum room utilization or other items in order to avoid attrition costs.

Note 11. **Subsequent Events** - In preparation of these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through February 26, 2018, which is the date the financial statements were available to be issued.