SPARTANBURG REGIONAL HEALTHCARE SYSTEM FOUNDATION

Financial Statements

September 30, 2013
(with Independent Auditors' Report thereon)

SPARTANBURG REGIONAL HEALTHCARE SYSTEM FOUNDATION

September 30, 2013

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report

Board of Trustees
Spartanburg Regional Healthcare System Foundation
Spartanburg, South Carolina

We have audited the accompanying financial statements of Spartanburg Regional Healthcare System Foundation (the "Foundation"), which comprise the statement of financial position as of September 30, 2013, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spartanburg Regional Healthcare System Foundation as of September 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 8 to the financial statements, the Foundation changed accounting methods from the modified cash basis of accounting to accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

January 17, 2014

Dixon Hughes Goodman LLP

SPARTANBURG REGIONAL HEALTHCARE SYSTEM FOUNDATION
Statement of Financial Position
September 30, 2013

Assets

Assets:	
Cash and cash equivalents	$ 322,107
Pledges receivable, net	3,743,807
Other receivables	5,047
Investments:	
Unrestricted investments	13,139,669
Agency funds held for others	56,036
Investments limited as to use	21,248,134
Total investments	34,443,839
Investment in real estate	332,500
Total assets	$ 38,847,300

Liabilities and Net Assets

Liabilities:	
Accounts payable	45,878
Deferred revenue	102,850
Grants payable	374,233
Agency funds held for others	56,036
Annuity obligations	28,938
Total liabilities	607,935
Net assets:	
Unrestricted	18,272,974
Temporarily restricted	19,653,100
Permanently restricted	313,291
Total net assets	38,239,365
Total liabilities and net assets	$ 38,847,300

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

SPARTANBURG REGIONAL HEALTHCARE SYSTEM FOUNDATION

Statement of Activities

For the Year Ended September 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Contributions	$ 292,717	$ 2,242,661	$ 3,232	$ 2,538,610
Contributions from Spartanburg Regional Healthcare System	1,199,828	-	-	1,199,828
Net investment income	1,763,383	578,454	-	2,341,837
Net assets released from restrictions	2,329,987	(2,292,014)	(37,973)	-
Total revenues, gains, and other support	5,585,915	529,101	(34,741)	6,080,275
Expenses:				
Fundraising	825,418	-	-	825,418
Administrative	815,984	-	-	815,984
Program expenses	2,903,837	-	-	2,903,837
Total expenses	4,545,239	-	-	4,545,239
Change in net assets	1,040,676	529,101	(34,741)	1,535,036
Net assets, beginning of year, as restated	17,232,298	19,123,999	348,032	36,704,329
Net assets, end of year	$ 18,272,974	$ 19,653,100	$ 313,291	$ 38,239,365

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

SPARTANBURG REGIONAL HEALTHCARE SYSTEM FOUNDATION

Statement of Cash Flows

For the Year Ended September 30, 2013

Cash flows from operating activities:	
Change in net assets	$ 1,535,036
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Present value adjustment on pledges receivable	(170,863)
Provision of doubful accounts for pledges receivable	(74,575)
Contributions restricted for endowment	(3,232)
Actuarial adjustment on annuity obligations	(6,648)
Net realized and unrealized gains on investments, net	(1,606,174)
Net changes in operating assets and liabilities:	
Pledges receivable	2,698,518
Other receivables	(5,047)
Accounts payable	2,185
Other liabilities	(120,000)
Deferred revenue	(8,315)
Grants payable	(118,533)
Agency funds held for others	(397,316)
Net cash provided by operating activities	1,725,036
Cash flows from investing activities:	
Sales of investments	19,479,885
Purchases of investments	(21,655,047)
Net cash used in investing activities	(2,175,162)
Cash flows from financing activities:	
Contributions restricted for endowment	3,232
Proceeds from annuity agreements	25,000
Payments on annuity obligations	(2,917)
Net cash provided by financing activities	25,315
Decrease in cash and cash equivalents	(424,811)
Cash and cash equivalents, beginning of year	746,918
Cash and cash equivalents, end of year	$ 322,107

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

1. Description of Organization and Summary of Significant Accounting Policies

Organization - The Spartanburg Regional Healthcare System Foundation (the "Foundation"), which includes the Cancer, Heart, and Hospice Boards, was established in April 1991 for the purpose of receiving gifts of money and property, to invest such gifts and to apply the income and principal thereof for the benefit of Spartanburg Regional Healthcare System (the "District") and other healthcare related community organizations. For the fiscal year presented, the Foundation issued $497,578 in grants to the District, released from temporarily restricted net assets $2,087,330 to support the District's initiatives, and issued $119,973 in grants to healthcare related community organizations.

Basis of Accounting - The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time the liability is incurred.

Basis of Presentation - The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 as net assets released from restrictions.

Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as board designated. Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets are resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Foundation to use or expend part or all of the income derived from the donated assets.

Use of Estimates - The preparation of financial statements 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.

Cash and Cash Equivalents - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

The Foundation maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation (“FDIC”). At times throughout the year, the Foundation may maintain bank account balances in excess of the FDIC insured limit. It is management’s opinion that the Foundation is not exposed to any significant credit risk related to cash.

Promises to Give - The Foundation records unconditional promises to give as pledges receivable and revenues within the appropriate net assets category. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at fair value at the date of the promise. The fair value is computed by using the present value of their estimated future cash flows, using a risk-free rate of return appropriate for the expected term of the promise to give. Amortization of the discounts is recorded as contribution revenue in accordance with donor restrictions on the contributions. An allowance for uncollectible promises to give is determined based on collection experience in prior years and management’s analysis of specific promises made.

Investments - The Foundation’s investments are recorded at fair value in the Statement of Financial Position. The Foundation reports investment income and gains and losses on investments and increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Investments limited as to use include contributions restricted by donors and amounts set aside by the Board, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Agency funds held for others are investment funds transferred by NXT to the Foundation for the purpose of pooled investment by the Foundation. Investment income or loss is allocated to these agency funds in proportion to the total Foundation investment portfolio. The Foundation maintains no variance power over these funds and the funds are available for withdrawal upon request by NXT.

Investment in Real Estate - Real estate consists of a developed and an undeveloped tract of land located in Spartanburg County, South Carolina that was donated to the Foundation in 1995, without restrictions.

Deferred Revenue - The Foundation receives payments for sponsorships and ticket sales for certain events in advance of the event. Income is recognized over the periods to which the event relates.

Annuity Obligations – The Foundation's split-interest agreements with donors consist of charitable gift annuities. Contribution revenues are recognized net of the present value of estimated payments to be made to donors or other beneficiaries. Liabilities for these future payments are included as annuity obligations. The present values of payments to charitable gift annuities are calculated using discount rates which represent the risk-free rates in existence at the date of the gift. Gains or losses resulting from changes in actuarial assumptions are recorded as increases or decreases in the respective net asset class in the Statement of Activities.

Contributions - Non-cash contributions are recorded at fair value on the date of contribution.

Income Taxes - The Foundation has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income tax is recorded in the accompanying financial statements. The Foundation has determined that it does not have any unrecognized tax benefits or obligations as of September 30, 2013. Fiscal years ending on or after September 30, 2010 remain subject to examination by federal and state tax authorities.

2. Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledge payments scheduled to be received after one year are discounted at approximately 4%. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Unconditional promises to give include the following at September 30:

	Unrestricted	Temporarily Restricted	Total
Due in one year or less	$ 22,905	$ 1,756,207	$ 1,779,112
Due in one to five years	29,132	2,500,163	2,529,295
Due in more than five years	5,336	4,380	9,716
	57,373	4,260,750	4,318,123
Less discount	(9,261)	(367,337)	(376,598)
Less allowance for doubtful accounts	(8,606)	(189,112)	(197,718)
	$ 39,506	$ 3,704,301	$ 3,743,807

3. Investments

Investments consist of the following at September 30:

Investments limited as to use:	
By Board for endowment	$ 1,055,708
By Board for program	226,035
Restricted by donors	19,966,391
	21,248,134
Unrestricted investments	13,139,669
Agency funds held for others	56,036
	$ 34,443,839

Cash and cash equivalents	$ 3,286,893
Equity securities	4,014,880
Exchange traded funds	3,686,269
Mutual funds	13,602,828
Agency bonds	1,950,876
U.S. Treasury bonds	527,632
Certificates of deposit	2,951,669
Structured note – hard assets	101,760
Alternative investments	4,321,032
	$ 34,443,839

The Foundation has adopted investment policies and monitors the allocation of investments between types of investments.

Investment income as of September 30 is summarized as follows:

Interest and dividend income	$ 735,663
Net realized and unrealized gains, net	1,649,558
Investment fees	(43,384)
	$ 2,341,837

4. Fair Value Disclosures

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of 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 the valuation methodology used for assets measured at fair value:

Equity securities
These investments are valued at the closing price reported on the active market on which the individual securities are traded. The resulting fair value estimate is a level 1 measure.

Exchange traded funds and mutual funds:
These investments are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlining assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and the resulting fair value estimate is a level 1 measure.

U.S Treasury bonds, agency bonds and structured notes:
These investments in U.S. Treasury bonds, corporate agency bonds and structure notes do not trade in active markets on the measurement date. Therefore, these investments are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer. The resulting fair value estimate is a level 2 measure.

Certificates of deposit:
These investments do note trade in active markets on the measurement date. Therefore, these investments are valued using inputs including yields currently available on comparable instruments. The resulting fair value estimate is a level 2 measure.

Alternative investments:
The recorded market price for alternative investments is at the fund's NAV estimated by the individual investment manager of the fund taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent arm's-length transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, the underlying investments held by the fund and limited marketability of the portfolio. The fair value in such investments is subject to review by the Foundation and independent annual financial statement audits of these investments. The resulting fair value estimates for these alternative investments is levels 2 and 3.

For level 3 assets, the Foundation's management's consulting with its investment committee and a third-party investment advisory firm, determines the fair value measurement valuation policies and procedures. At least annually, management and the investment committee determines if the current valuation techniques used in the fair value measurements are still appropriate and evaluates and adjusts unobservable inputs used in the fair value measurements based on current market conditions and third-party information. There were no changes in the valuations techniques during 2013.

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 the Foundation 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.

The following tables set forth by level within the fair value hierarchy the Foundation's assets accounted for at fair value on a recurring basis as of September 30, 2013:

		Fair value measurements at September 30, 2013 using:		
	Fair value at September 30, 2013	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant other observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Investments:				
Equities:				
Basic material	$ 170,718	$ 170,718	$ -	$ -
Communications	176,207	176,207	-	-
Consumer	1,341,449	1,341,449	-	-
Energy	423,863	423,863	-	-
Financial	872,193	872,193	-	-
Industrials	559,015	559,015	-	-
Technology	334,738	334,738	-	-
Utilities	136,697	136,697	-	-
	4,014,880	4,014,880	-	-
Exchange traded funds:				
U. S. fixed income	109,653	109,653	-	-
U. S. mid cap	1,071,204	1,071,204	-	-
Global included emerging markets	1,399,526	1,399,526	-	-
Hard assets	1,105,886	1,105,886	-	-
	3,686,269	3,686,269	-	-

Mutual funds:				
U.S. fixed income	$ 5,115,406	$ 5,115,406	$ -	$ -
Global fixed income	528,869	528,869	-	-
U.S. large cap	2,094,021	2,094,021	-	-
U.S. mid cap	609,552	609,552	-	-
Global including emerging markets	2,950,270	2,950,270	-	-
REIT	1,167,346	1,167,346	-	-
Hedge	1,137,364	1,137,364	-	-
	13,602,828	13,602,828	-	-
U. S. Treasury bonds	527,632	-	527,632	-
Agency bonds	1,950,876	-	1,950,876	-
Certificates of deposit	2,951,669	-	2,951,669	-
Structured note-hard assets	101,760	-	101,760	-
Alternative instruments	4,321,032	-	3,606,095	714,937
	$ 31,156,946	$ 21,303,977	$ 9,138,032	$ 714,937

Investments, described in Note 2, are held at fair value and included in the table above except cash and cash equivalents totaling $3,286,893.

The following is a description of the alternative investments held by the Foundation:

The Foundation has an alternative investment in a private equity partnership of $714,937 at September 30, 2013. The Foundation has committed a total of $1,000,000 and has unfunded commitments at September 30, 2013 of $204,522. This partnership invests in twenty-four private equity partnerships whose objectives are to achieve diversification within the private equity asset classes (including, without limitation, investments relating to buy-outs, buy-ins, build ups, recapitalizations, consolidations and other acquisition transactions, investments that provide capital for business growth or fundamental business change, investments in financially or operationally troubled companies, investments involving other corporate finance transactions and venture capital investments). The partnership will terminate upon the earlier of 15 years from the date the Partnership commenced or upon termination of the investments in the underlying partnerships.

The Foundation has an alternative investment in a multi-strategy hedge fund of $3,606,095 at September 30, 2013. The fund's investment objective is to generate consistent capital appreciation over the long term, with relatively low volatility and low correlation with traditional and fixed income markets. The fund has no committed amounts and redemption of shares can, at the fund manager's discretion, be accepted quarterly at the fund's NAV.

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from September 30, 2012 to September 30, 2013:

	Alternative Investment in Private Equity Partnership
Fair value at September 30, 2012	$ 718,454
Purchases	-
Sales/distributions	(85,967)
Unrealized gains	82,450
Fair value at September 30, 2013	$ 714,937

Unrealized gains and losses for each year are allocated between temporarily restricted change in net assets and unrestricted change in net assets based on the ratio of temporarily restricted and permanently restricted net assets and unrestricted net assets to total net assets at the end of each reporting period. There were no transfers into or out of Level 3 during the year ended September 30, 2013. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

5. Restrictions on Net Assets

At September 30, unrestricted net assets consist of the following:

Board restricted endowment for Cancer Chairs Fund	$ 1,055,708
Board designated for Joe R. Utley Heart Resource Center	226,035
Unrestricted net assets	16,991,231
	$ 18,272,974

At September 30, temporarily restricted net assets and permanently restricted net assets consist of the following:

	Temporarily Restricted	Permanently Restricted	Totals
Cancer designated funds	$ 14,015,495	$ -	$ 14,015,495
Heart services funds	1,326,272	26,619	1,352,891
Hospice funds	829,243	-	829,243
Community health funds	1,387,650	-	1,387,650
Healing arts fund	510,245	-	510,245
Education funds	537,348	286,672	824,020
Children's funds	592,860	-	592,860
Women's services funds	201,929	-	201,929
Facility improvement funds	252,058	-	252,058
	$ 19,653,100	$ 313,291	$ 19,966,391

Endowment Funds

The Foundation's endowment funds consist of ten individual donor-restricted funds established for a variety of purposes which are classified as permanently restricted and funds designated by the Board of Trustees to function as an endowment for the support of the Cancer Chairs Fund. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
Management has interpreted the South Carolina's Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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 has classified 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, and (c) accumulations to the permanent endowment made in accordance with the direction in the applicable gift instrument at the time the accumulation is added to the fund. 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 UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment fund;
(2) The purposes of the Foundation and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) The investment policies of the Foundation.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in unrestricted net assets as of September 30, 2013.

Return Objectives and Risk Parameters
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that allow for growth of the corpus while

minimizing the fluctuations in the value of the portfolio to meet the payout obligations as approved by the Board of Trustees. The price and yield results of the Foundation's portfolio are compared to a number of indices which include the S&P 500 index and others as approved by the Board of Trustees. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 2-10 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy
The Foundation policy is to appropriate for distribution each year 4% percent of its endowment fund's value at the end of the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at the rate of inflation annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of September 30 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 97,831	$ 313,291	$ 411,122
Board designated endowment funds	1,055,708	-	-	1,055,708
Total funds	$ 1,055,708	$ 97,831	$ 313,291	$ 1,466,830

The following presents endowment net asset composition by fund type as of September 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2012	$ 1,063,870	$ 69,656	$ 348,032	$ 1,481,558
Investment return:				
Investment income	21,554	13,022	-	34,576
Net appreciation	(29,716)	34,433	-	4,717
Total investment return	(8,162)	47,455	-	39,293
Appropriation of endowment assets for expenditure	-	(19,280)	-	(19,280)
Transfers – donor release of permanent restriction	-	-	(37,973)	(37,973)
Contributions	-	-	3,232	3,232
Endowment net assets, September 30, 2013	$ 1,055,708	$ 97,831	$ 313,291	$ 1,466,830

6. Related Party Transactions

Spartanburg Regional Healthcare System pays substantially all the operating expenses on behalf of the Foundation. The District paid $1,199,828 in 2013 on behalf of the Foundation, which has been recorded in the financial statements as a contribution. In addition, the System provides office space to the Foundation. The System has estimated the fair value of the office space to be approximately $46,000 for the year ended September 30, 2013, which has been recorded in the financial statements as a contribution.

The Foundation released from temporarily restricted net assets $2,087,330 to support the District's initiatives. In addition, the Foundation issues grants to the District with $497,578 granted during 2013. Included in grants payable is $367,943 due to the District at September 30, 2013.

The Foundation has a long-term pledge receivable from the District with a balance net of discount of $2,697,584 at September 30, 2013.

7. Executive Liability Insurance

The Foundation is not currently involved in any material litigation related to executive liability claims. Management believes if any claims occur in the future, they will be settled within the limits of coverage, which is on claims-made basis, with insurance limits of $1,000,000 per claim and $3,000,000 in aggregate. The Foundation's executive liability insurance is a claims-made policy. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

8. Restatement

During 2013, the Foundation's management determined that the accounting basis used in the prior year did not reflect a complete presentation of the financial position of the Foundation. In an effort to achieve more comprehensive financial reporting, management converted the financial statements from the modified cash basis of accounting to the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as of September 30, 2012. This resulted in the restatement of net assets as of September 30, 2012 as shown below:

Net assets at September 30, 2012, as previously reported	$ 31,288,990
Increase (decrease) in net assets due to conversion to accrual basis of accounting:	
Pledges receivable, net	6,196,887
Accounts payable	(43,693)
Grants payable	(492,766)
Other liabilities	(231,586)
Annuity obligations	(13,503)
Net assets at September 30, 2012, as restated	$ 36,704,329

As of September 30, 2012, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as previously reported and as restated are as shown below:

	As Previously Reported	Restated
Beginning of year, unrestricted net assets	$ 17,662,989	$ 17,232,298
Beginning of year, temporarily restricted net assets	13,278,140	19,123,999
Beginning of year, permanently restricted net assets	347,861	348,032
	$ 31,288,990	$ 36,704,329

9. Subsequent Events

The Foundation evaluated the effect subsequent events would have on the financial statements through January 17, 2014, which is the date the financial statements were available to be issued.