



squarmilner

Certified Public Accountants
and Financial Advisors

**THE SAN FRANCISCO GENERAL
HOSPITAL FOUNDATION**

Financial Statements
June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The San Francisco General Hospital Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The San Francisco General Hospital Foundation (a California nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The San Francisco General Hospital Foundation as of June 30, 2019, 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.

SQUAR MILNER LLP

SQUAR MILNER LLP

San Francisco, California
January 14, 2020

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS

Assets

Cash and cash equivalents	\$ 5,935,024
Pledges receivable - net	10,719,372
Prepaid expenses and deposits	53,939
Investments	85,645,585
Furniture and equipment - net	1,002,846
Intangible assets - net	<u>15,669</u>
Total assets	<u>\$ 103,372,435</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 916,808
Accrued expenses and other liabilities	97,883
Funds held in custody for others	<u>1,488,503</u>
Total liabilities	<u>2,503,194</u>

Net Assets

Without donor restrictions	
Undesignated net assets	9,729,849
Board designated net assets	<u>7,207,166</u>
	16,937,015
With donor restrictions	
Purpose restricted	79,198,825
Perpetual in nature	<u>4,733,401</u>
	83,932,226
Total net assets	<u>100,869,241</u>
Total liabilities and net assets	<u>\$ 103,372,435</u>

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Donations and bequests	\$ 2,437,615	\$ 11,400,478	\$ 13,838,093
Investment income - net	1,762,408	999,483	2,761,891
Special events - net of direct expenses of \$99,717	2,416,979	183,333	2,600,312
Merchandises sales	135	-	135
Grant management fee	1,161,951	-	1,161,951
Other income (loss)	(779)	138,704	137,925
Net assets released from restrictions	7,535,436	(7,535,436)	-
Total revenues and support	15,313,745	5,186,562	20,500,307
EXPENSES			
Program expenses			
Grants awarded to others	7,190,649	-	7,190,649
Other program expenses	1,212,948	-	1,212,948
	8,403,597	-	8,403,597
Supporting services			
Management and general	1,421,018	-	1,421,018
Fundraising	2,538,531	-	2,538,531
Total expenses	12,363,146	-	12,363,146
CHANGE IN NET ASSETS	2,950,599	5,186,562	8,137,161
NET ASSETS - beginning of year	13,986,416	78,745,664	92,732,080
NET ASSETS - end of year	\$ 16,937,015	\$ 83,932,226	\$ 100,869,241

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Expenses	Management and General	Fundraising	Total	Total (%)
Grants awarded to others	\$ 7,190,649	\$ -	\$ -	\$ 7,190,649	58.16%
Salaries	404,873	700,326	759,606	1,864,805	15.08%
Payroll taxes	26,626	52,476	52,232	131,334	1.06%
Employee benefits	36,357	63,429	68,404	168,190	1.36%
Advertising and promotion	252,990	51,825	760	305,575	2.47%
Conferences and education	-	1,899	7,688	9,587	0.08%
Copy and printing	1,124	13,075	56,865	71,064	0.57%
Depreciation and amortization	309,546	19,211	-	328,757	2.66%
Dues and subscriptions	30,700	31,421	7,458	69,579	0.56%
Insurance	-	44,885	5,035	49,920	0.40%
Programs and events	16,143	19,143	1,396,554	1,431,840	11.58%
Occupancy	-	33,872	3,137	37,009	0.30%
Office expenses	1,848	40,107	68,049	110,004	0.89%
Office supplies	128	10,160	99	10,387	0.08%
Postage and delivery	-	2,313	53,197	55,510	0.45%
Professional services	132,463	318,162	133,576	584,201	4.73%
Tax expense	-	6,686	-	6,686	0.05%
Travel and parking expense	150	12,028	25,588	37,766	0.31%
Total expenses	8,403,597	1,421,018	2,638,248	12,462,863	100.81%
Less: expenses netted against special events revenues on the statement of activities	-	-	(99,717)	(99,717)	-0.81%
	<u>\$ 8,403,597</u>	<u>\$ 1,421,018</u>	<u>\$ 2,538,531</u>	<u>\$ 12,363,146</u>	<u>100.00%</u>

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 8,137,161
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	328,757
Contributions restricted for endowments	(61,910)
Loss on disposal of furniture and equipment	502
Net realized and unrealized gain on investments	(916,156)
Changes in operating assets and liabilities:	
Pledges receivable - net	1,140,513
Prepaid expenses and deposits	(4,543)
Accounts payable and accrued expenses	(71,711)
Funds held in custody for others	<u>213,905</u>
Net cash provided by operating activities	<u>8,766,518</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment	(74,375)
Purchase of investments	(399,094,527)
Proceeds from sale of investments	<u>389,699,604</u>
Net cash used in investing activities	<u>(9,469,298)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments under capital lease obligation	(7,232)
Contributions restricted for endowments	<u>61,910</u>
Net cash provided by financing activities	<u>54,678</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (648,102)

CASH AND CASH EQUIVALENTS - beginning of year 6,583,126

CASH AND CASH EQUIVALENTS - end of year \$ 5,935,024

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. DESCRIPTION OF OPERATIONS

The San Francisco General Hospital Foundation (the “Foundation”) is an independent, tax-exempt, non-profit corporation and the only organization dedicated to raising private support for Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center (“Zuckerberg San Francisco General”, or “the Hospital”). The Foundation’s mission is to promote excellence in research, education and care for all at Zuckerberg San Francisco General, the public safety-net hospital. Zuckerberg San Francisco General is also the Level 1 Trauma Center that serves all who live and/or work in the City and County of San Francisco and in Northern San Mateo County. The Foundation works to ensure that all San Franciscans have the medical care they need, enabling the Hospital to honor its commitment to patients, staff and the community at large.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Foundation’s significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Those net assets and activities which represent the portion of expendable funds that have no use or time restrictions. The Board of Directors has designated a portion of this class of net assets. The amounts designated are not available for the Foundation’s operations without Board of Directors’ approval.

Net Assets With Donor Restrictions

Those net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when specified conditions are met.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash held in the investment accounts as part of the Foundation's investment portfolio is classified as investments.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances, at times, may be in excess of federally insured amounts (currently \$250,000 per depositor).

Certain investment accounts are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments

Investments in marketable securities are recorded at fair value based on quoted prices in active markets. Investments in certificates of deposit are carried at cost plus accrued interest (which approximates fair value). Donated securities are initially reported at fair value at the date of donation. Gains and losses on securities sales are determined by the specific identification method. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Fair Value Measurements

The Foundation considers the use of market-based information over entity specific information in valuing its marketable investments. The Foundation uses a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability at the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.

Level 3 inputs to the valuation methodology - unobservable and significant to the fair value measurement.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and Equipment

Furniture and equipment purchased with estimated useful lives in excess of one year are capitalized at cost. Donated assets are capitalized at the fair market value on the date of receipt. Depreciation is computed on the straight-line method using an estimated useful life between three and ten years. The Foundation capitalizes furniture and equipment purchases in excess of \$500. Repairs and maintenance costs are expensed as incurred.

Promises to Give

The Foundation recognizes all unconditional gifts and pledges in the period notified. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Amounts receivable beyond one year are classified as long-term and discounted to present value using a risk-adjusted rate based on the Daily Treasury Yield Curve Rate.

Uncollectible pledges are determined based on the historical experience of the relationship between actual bad debts and new amounts pledged.

Recognition of Revenue

Unconditional contributions are reflected in the accounts of the Foundation when their receipt is reasonably assured. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. The Foundation charges fees for managing certain grants.

Contributions and pledges receivable are reviewed for collectability, and reserves for uncollectible amounts are established when needed.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

The Foundation is qualified as a tax exempt organization under Internal Revenue Code Section 501(c)(3) and by the California Revenue and Taxation Code under Section 23701d. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Each year, management considers whether any material tax position the Foundation has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Foundation has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in the accompanying financial statements.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expense Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program services based on estimates of employees' time incurred and on usage of resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). The new standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. The new standard will be effective for the Foundation for the year ending June 30, 2020. The Foundation is currently evaluating its impact on its financial statements.

The FASB also issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Foundation for the fiscal year ending June 30, 2022. The Foundation is currently evaluating the timing of its adoption and its impact on its financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The amendments should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The new ASU does not apply to transfers of assets from governments to business. The new standard will be effective for the Foundation for the fiscal year ending June 30, 2020. The Foundation is currently evaluating its impact on its financial statements.

ASU 2018-08 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2018 for entities that serves as a resource recipient, and years beginning after December 15, 2019 for entities that serve as a resource provider. Early adoption is permitted.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Standards (continued)

Although there are several other new accounting pronouncements issued or proposed by the FASB, which the Foundation will adopt, as applicable, the Foundation does not believe any of these accounting pronouncements will have a material impact on its financial position or operating results.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements are available to be issued, January 14, 2020.

3. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Foundation's financial statements:

1. The unrestricted net asset class has been renamed net assets without donor restrictions.
2. The temporarily and permanently restricted net asset classes have been combined to a single net asset class called net assets with donor restrictions.
3. The notes to the financial statements include a new disclosure about liquidity and availability of financial assets (refer to Note 4).

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation regularly monitors liquidity requirements to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable securities.

For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities and projected cash flow needs for programmatic disbursements and other hospital programs supported by the Foundation.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources and shows positive cash generated by operations for the year ended June 30, 2019.

The Foundation's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The Foundation's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Financial assets at year end	
Cash and cash equivalents	\$ 5,935,024
Pledges and other receivables - net	10,719,372
Investments	<u>85,645,585</u>
Total	<u>102,299,981</u>
Less: Funds held in custody for others	1,488,503
Less: Board designated net assets	7,207,166
Less: Net assets with donor restrictions - purpose and time restricted	79,198,825
Less: Net assets with donor restrictions - perpetual in nature	<u>4,733,401</u>
	<u>92,627,895</u>
Financial assets available for general expenditures	<u><u>\$ 9,672,086</u></u>

5. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2019 consist of the following:

Receivable in one year or less	\$ 4,233,049
Receivable in one to five years	<u>6,811,267</u>
	11,044,316
Less: discount to present value	<u>(302,605)</u>
	10,741,711
Less: allowance for uncollectible pledges	<u>(22,339)</u>
	<u><u>\$ 10,719,372</u></u>

These receivables have been discounted using interest rates ranging from 1.2% to 3.4%.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. INVESTMENTS

Cost and fair values of investments consist of the following as of June 30, 2019:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash & Cash Equivalents	\$ 4,409,458	\$ 4,407,340	\$ (2,118)
Equities			
Communication services	170,070	149,325	(20,745)
Consumer discretionary	453,381	401,245	(52,136)
Consumer staples	173,903	151,505	(22,398)
Energy	119,488	150,376	30,888
Financials	640,387	620,767	(19,620)
Health care	514,935	451,340	(63,595)
Industrials	559,286	512,558	(46,728)
Information technology	644,289	501,804	(142,485)
Materials	138,544	145,239	6,695
Real estate	104,350	102,359	(1,991)
Utilities	114,007	104,017	(9,990)
Mutual Funds			
Equity funds	2,991,958	2,947,925	(44,033)
Exchange Trade Funds	5,271,942	4,915,899	(356,043)
U.S. Treasury Bills	46,493,411	46,170,870	(322,541)
Corporate Bonds	22,316,628	22,220,085	(96,543)
Federal Agency Bonds	529,548	522,471	(7,077)
	<u>\$ 85,645,585</u>	<u>\$ 84,475,125</u>	<u>\$ (1,170,460)</u>

Investment income consists of the following for the year ended June 30, 2019:

Dividends and interest	\$ 1,845,735
Net realized and unrealized gains	<u>916,156</u>
	<u>\$ 2,761,891</u>

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. FAIR VALUE MEASUREMENTS

The Foundation's assets measured at fair value on a recurring basis at June 30, 2019 consist of the following:

	Fair Value Measurements at June 30, 2019			Total
	Level 1	Level 2	Level 3	
Cash & Cash Equivalents	\$ 4,409,458	\$ -	\$ -	\$ 4,409,458
Equities				
Communication services	170,070	-	-	170,070
Consumer discretionary	453,381	-	-	453,381
Consumer staples	173,903	-	-	173,903
Energy	119,488	-	-	119,488
Financials	640,387	-	-	640,387
Health care	514,935	-	-	514,935
Industrials	559,286	-	-	559,286
Information technology	644,289	-	-	644,289
Materials	138,544	-	-	138,544
Real estate	89,494	-	14,856	104,350
Utilities	114,007	-	-	114,007
Mutual Funds				
Equity funds	2,991,958	-	-	2,991,958
Exchange Traded Funds	5,271,942	-	-	5,271,942
U.S. Treasury Bills	-	46,493,411	-	46,493,411
Corporate Bonds	-	22,316,628	-	22,316,628
Federal Agency Bonds	-	529,548	-	529,548
	<u>\$ 16,291,142</u>	<u>\$ 69,339,587</u>	<u>\$ 14,856</u>	<u>\$ 85,645,585</u>

8. FURNITURE AND EQUIPMENT - NET

Furniture and equipment consist of the following at June 30, 2019:

Furniture and equipment - at cost	\$ 2,192,244
Less: accumulated depreciation	<u>(1,262,445)</u>
	929,799
Construction in progress	<u>73,047</u>
	<u>\$ 1,002,846</u>

Depreciation expense for the year ended June 30, 2019 amounted to \$323,343.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

9. INTANGIBLE ASSETS - NET

Intangible assets consist of the following at June 30, 2019:

Website development - at cost	\$ 80,888
Less: accumulated amortization	<u>(65,219)</u>
	<u>\$ 15,669</u>

Such costs are amortized on the straight-line method over an estimated useful life of 10 years. Amortization expense for the year ended June 30, 2019 amounted to \$5,414.

Amortization expense is expected to be as follows:

<u>Year ending June 30,</u>	
2020	\$ 4,285
2021	3,159
2022	3,159
2023	2,769
2024	<u>2,297</u>
	<u>\$ 15,669</u>

10. FUNDS HELD IN CUSTODY FOR OTHERS

The Foundation acts as a fiscal agent for several organizations providing services to the Hospital and affiliates. In return for providing such services, the Foundation charges a fiscal agent fee of up to ten percent of the funds received.

Balance - beginning of year	\$ 1,274,598
Funds received	1,069,846
Funds disbursed	<u>(855,941)</u>
Balance - end of year	<u>\$ 1,488,503</u>

Management fees amounted to \$61,047 for the year ended June 30, 2019.

11. BOARD DESIGNATED NET ASSETS

Board designated net assets totaling \$7,207,166 represent funds set aside for future use, but not formally intended to be used as an endowment fund during the year ended June 30, 2019. Since the amount of board designated net assets resulted from an internal designation rather than a donor restriction, it is classified and reported under net assets without donor restrictions.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 are as follows:

Subject to expenditure for specified purpose

Capital projects and strategic initiatives	\$ 65,950,322
Patient care programs	6,647,025
Education programs	2,518,873
Children's programs	1,909,345
Women's program	675,136
AIDS/HIV programs	388,188
Volunteer program	48,221
Lectureship programs	29,766

78,166,876

Subject to passage of time

Time restricted	<u>583,333</u>
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Endowments accumulated earnings subject to appropriations for specified purpose

Volunteer program	19,031
Children's programs	8,475
General use	421,110

448,616

Perpetual in nature - subject to spending policy and appropriation

General operations	4,164,429
Solid Start	250,000
Grossman fund for children's health	128,972
Volunteer program	190,000

4,733,401

Total net assets with donor restrictions \$ 83,932,226

13. NET ASSETS RELEASED FROM RESTRICTIONS

The Foundation raises donations with donor restrictions for projects providing goods and services at Zuckerberg San Francisco General or to be held in perpetuity. The activities and balances for these projects have been combined and reported as net assets with donor restrictions in the accompanying financial statements. Net assets with donor restrictions can be released from restriction when the Foundation receives an approved disbursement request from the fund administrator subject to spending policies.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. NET ASSETS RELEASED FROM RESTRICTIONS (continued)

Net assets released from donors' restrictions by incurring allowable expenses for the year ended June 30, 2019 were as follows:

Patient care programs	\$ 2,433,409
Education programs	2,056,950
Capital projects and strategic initiatives	1,768,823
Women's program	481,956
Children's programs	380,430
AIDS/HIV programs	315,996
Volunteer program	91,091
Lectureship programs	<u>6,781</u>
	<u>\$ 7,535,436</u>

14. ENDOWMENT FUND

The Foundation's endowments consist of a fund established for general operations, and three additional funds to support the volunteer program, Solid Start, and children's health. The endowments include only donor-restricted endowment funds.

The Foundation is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Foundation has interpreted this law 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, the Foundation classifies as net assets with donor restrictions, perpetual in nature as a) the original value of the gifts donated to the endowment, b) the original value of subsequent gifts to the endowment, and c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not retained in perpetuity are subject to appropriations for expenditures by the Foundation in a manner consistent with the standards of prudence under the law.

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. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. At June 30, 2019, the fair value of endowment assets exceeded the required corpus of the funds.

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14. ENDOWMENT FUND (continued)

The Foundation has adopted investment policies for endowment assets that attempt to provide for a stable stream of earnings to provide on-going financial support. Under this policy, the endowment assets are invested in a manner that is intended to produce results that earn an average annual return of approximately 6%. To satisfy its long term rate-of-return objective, 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 investment of these funds is guided by an investment policy statement that considers general economic conditions, asset diversification, total returns, risk management, the needs of the institution, and investment costs and fees to achieve the Foundation's long-term return objectives with prudent risk constraints.

The Foundations spending policy from the fund is based on the quarterly average of year-over-year growth over the previous three years less an estimate of the three-year forecast of inflation, informed by the three-year projection of CPI increases provided by the US Bureau of Labor Statistics.

Changes in endowment net assets for the fiscal year ended June 30, 2019 are as follows:

	Accumulated Earnings	Perpetual in Nature	Total
Endowment net assets - beginning of year	\$ 220,611	\$ 4,671,491	\$ 4,892,102
Contributions	-	61,910	61,910
Investment return - net	253,020	-	253,020
Appropriation for expenditure	<u>(25,015)</u>	<u>-</u>	<u>(25,015)</u>
Endowment net assets - end of year	<u>\$ 448,616</u>	<u>\$ 4,733,401</u>	<u>\$ 5,182,017</u>

16. DONATED GOODS AND SERVICES

Donated products and services that would otherwise have been purchased are included in donations and bequests in the accompanying statement of activities. Such donated goods and services for the year ended June 30, 2019 consist of the following:

Food for special events	\$ 73,800
Other	<u>119,314</u>
	<u>\$ 193,114</u>

17. RETIREMENT PLAN

The Foundation has a 403(b) retirement plan. All employees are eligible to participate and may contribute any portion of their compensation up to the statutory maximum amount. The plan allows for discretionary employer contributions. Total employer contributions for the year ended June 30, 2019 amounted to \$2,000.

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18. CONCENTRATIONS

Major Donors

Approximately 43% of donations and bequests came from one donor for the year ended June 30, 2019. Approximately 83% of gross pledges receivable at June 30, 2019 are due from two donors.