

# **The San Francisco General Hospital Foundation**

Financial Statements

June 30, 2020

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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, 2020, 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, 2020, 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.

**BAKER TILLY US, LLP***Baker Tilly US, LLP*

San Francisco, California  
January 7, 2021

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THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2020

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ASSETS

**Assets**

Cash and cash equivalents	\$ 11,071,822
Pledges receivable - net	10,291,698
Prepaid expenses and deposits	39,438
Investments	87,732,845
Furniture and equipment - net	689,097
Intangible assets - net	<u>11,589</u>
Total assets	<u>\$ 109,836,489</u>

LIABILITIES AND NET ASSETS

**Liabilities**

Accounts payable	\$ 1,957,628
Accrued expenses and other liabilities	99,186
Funds held in custody for others	<u>1,199,763</u>
Total liabilities	<u>3,256,577</u>

**Net Assets**

Without donor restrictions	
Undesignated net assets	11,712,405
Board designated net assets	<u>7,207,166</u>
	<u>18,919,571</u>
With donor restrictions	
Purpose restricted	82,912,490
Perpetual in nature	<u>4,747,851</u>
	<u>87,660,341</u>
Total net assets	<u>106,579,912</u>
Total liabilities and net assets	<u>\$ 109,836,489</u>

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Donations and bequests	\$ 2,619,128	\$ 17,278,429	\$ 19,897,557
Investment income - net	1,360,713	675,208	2,035,921
Special events - net of direct expenses of \$74,145	1,753,126	150,000	1,903,126
Grant management fee	1,345,776	-	1,345,776
Other income	954	91,499	92,453
Net assets released from restrictions	14,467,021	(14,467,021)	-
Total revenues and support	21,546,718	3,728,115	25,274,833
<b>EXPENSES</b>			
Program expenses			
Grants awarded to others	13,784,484	-	13,784,484
Other program expenses	1,511,575	-	1,511,575
	15,296,059	-	15,296,059
Supporting services			
Management and general	1,844,834	-	1,844,834
Fundraising	2,423,269	-	2,423,269
Total expenses	19,564,162	-	19,564,162
<b>CHANGE IN NET ASSETS</b>	1,982,556	3,728,115	5,710,671
<b>NET ASSETS</b> - beginning of year	16,937,015	83,932,226	100,869,241
<b>NET ASSETS</b> - end of year	\$ 18,919,571	\$ 87,660,341	\$ 106,579,912

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2020**

	Program Expenses	Management and General	Fundraising	Total	Total (%)
Grants awarded to others	\$ 13,784,484	\$ -	\$ -	\$ 13,784,484	70.46%
Salaries	408,205	799,727	639,913	1,847,845	9.45%
Payroll taxes	29,254	60,076	46,714	136,044	0.70%
Programs and events	32,600	8,277	1,178,377	1,219,254	6.23%
Professional services	87,163	535,831	129,052	752,046	3.84%
Advertising and promotion	461,244	50,760	1,245	513,249	2.62%
Office expenses	28,836	27,370	318,331	374,537	1.91%
Depreciation and amortization	309,545	16,848	-	326,393	1.67%
Employee benefits	44,379	87,225	69,657	201,261	1.03%
Bad debt expense	-	133,815	-	133,815	0.68%
In-kind related expenses	105,269	-	-	105,269	0.54%
Insurance	-	47,185	4,022	51,207	0.26%
Copy and printing	2,098	3,518	44,081	49,697	0.25%
Dues and subscriptions	1,650	43,024	1,934	46,608	0.24%
Postage and delivery	-	3,842	41,055	44,897	0.23%
Travel and parking expense	1,257	15,663	18,473	35,393	0.18%
Office supplies	75	9,064	44	9,183	0.05%
Occupancy	-	2,519	2,832	5,351	0.03%
Conferences and education	-	90	1,684	1,774	0.01%
<b>Total expenses</b>	<b>15,296,059</b>	<b>1,844,834</b>	<b>2,497,414</b>	<b>19,638,307</b>	<b>100.38%</b>
Less: expenses netted against special events revenues on the statement of activities	-	-	(74,145)	(74,145)	-0.38%
	<b>\$ 15,296,059</b>	<b>\$ 1,844,834</b>	<b>\$ 2,423,269</b>	<b>\$ 19,564,162</b>	<b>100.00%</b>

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**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2020**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 5,710,671
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	326,393
Contributions restricted for endowments	(14,450)
Net realized and unrealized gain on investments	(506,353)
Changes in operating assets and liabilities:	
Pledges receivable - net	427,674
Prepaid expenses and deposits	14,501
Accounts payable and other liabilities	1,042,123
Funds held in custody for others	<u>(288,740)</u>
<b>Net cash provided by operating activities</b>	<u>6,711,819</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of furniture and equipment	(8,564)
Purchase of investments	(399,169,588)
Proceeds from sale of investments	<u>397,588,681</u>

**Net cash used in investing activities** (1,589,471)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Contributions restricted for endowments	<u>14,450</u>
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**Net cash provided by financing activities** 14,450

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 5,136,798

**CASH AND CASH EQUIVALENTS - beginning of year** 5,935,024

**CASH AND CASH EQUIVALENTS - end of year** \$ 11,071,822



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# THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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### 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.

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THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**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, interest and dividends 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.

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THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**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-free 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. 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.

Conditional promises to give are those with measurable performance or other barriers and a right of return that are not recognized until the conditions on which they depend have been met. Once conditions associated with the promise to give have been fulfilled, they are recognized at their fair value. There were no conditional promises to give at June 30, 2020.

Management fees represent fees charged on certain grants and fiscal sponsorship agreements and range between 5-10%. The Foundation recognizes management fees from applicable agreements at the time grant and fiscal sponsorship payments are received.

***In-Kind Gifts***

In-kind gifts are recorded at fair value when received.

***Advertising***

Advertising costs are expensed as incurred.

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THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***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.

***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 expenses 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") 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* to defer the following ASUs. The deferral of the effective dates are reflected in the below paragraphs:

In May 2014, the FASB issued 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 or services are transferred to customers. The new standard will be effective for the Foundation for the year ending June 30, 2021. The Foundation is currently evaluating its impact on its financial statements.

FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 increases 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 year ending June 30, 2023, and early adoption is permitted. The Foundation is currently evaluating the timing of its adoption and its impact on its financial statements.

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**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Subsequent Events***

Management has evaluated subsequent events through the date the financial statements are available to be issued, January 7, 2021.

**3. NEW ACCOUNTING PRONOUNCEMENT**

In June 2018, the FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists 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 adoption of ASU 2018-08 under the modified prospective method effective July 1, 2019 did not have a material effect on the Foundation's financial position or results of operations.

**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, 2020.

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**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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:

<b>Financial assets at year end</b>	
Cash and cash equivalents	\$ 11,071,822
Pledges and other receivables - net	10,291,698
Investments	<u>87,732,845</u>
Total	<u>109,096,365</u>
Less: Funds held in custody for others	(1,199,763)
Less: Board designated net assets	(7,207,166)
Less: Net assets with donor restrictions - purpose and time restricted	(82,912,490)
Less: Net assets with donor restrictions - perpetual in nature	<u>(4,747,851)</u>
	<u>(96,067,270)</u>
Financial assets available for general expenditures	<u><u>\$ 13,029,095</u></u>

**5. PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2020 consist of the following:

Receivable in one year or less	\$ 4,587,342
Receivable in one to five years	<u>5,921,611</u>
	10,508,953
Less: discount to present value	<u>(178,069)</u>
	10,330,884
Less: allowance for uncollectible pledges	<u>(39,186)</u>
	<u><u>\$ 10,291,698</u></u>

These receivables have been discounted using interest rates ranging from 0.6% to 3.4%.

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**6. INVESTMENTS**

Cost and fair values of investments consist of the following as of June 30, 2020:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and Cash Equivalents	\$ 2,293,668	\$ 2,293,668	\$ -
Equities			
Communication services	205,094	162,981	42,113
Consumer discretionary	463,011	390,096	72,915
Consumer staples	155,399	144,474	10,925
Energy	99,315	154,671	(55,356)
Financials	589,814	641,024	(51,210)
Health care	668,549	553,767	114,782
Industrials	632,502	605,946	26,556
Information technology	790,054	580,726	209,328
Materials	170,609	172,187	(1,578)
Real estate	68,165	70,166	(2,001)
Utilities	124,942	132,930	(7,988)
Mutual Funds			
Equity funds	3,118,503	3,177,142	(58,639)
Exchange Trade Funds	5,294,426	4,895,850	398,576
Real Estate Investment Trust	49,732	54,085	(4,353)
U.S. Treasury Bills	46,828,303	46,272,035	556,268
Corporate Bonds	25,333,423	24,893,606	439,817
Federal Agency Bonds	847,336	829,184	18,152
	<u>\$ 87,732,845</u>	<u>\$ 86,024,538</u>	<u>\$ 1,708,307</u>

Investment income consists of the following for the year ended June 30, 2020:

Dividends and interest	\$ 1,708,787
Net realized and unrealized gains	506,353
Management fees	<u>(179,219)</u>
	<u>\$ 2,035,921</u>

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**7. FAIR VALUE MEASUREMENTS**

The Foundation's assets measured at fair value on a recurring basis at June 30, 2020 consist of the following:

	<b>Fair Value Measurements at June 30, 2019</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and Cash Equivalents	\$ 2,293,668	\$ -	\$ -	\$ 2,293,668
Equities				
Communication services	205,094	-	-	205,094
Consumer discretionary	463,011	-	-	463,011
Consumer staples	155,399	-	-	155,399
Energy	99,315	-	-	99,315
Financials	589,814	-	-	589,814
Health care	668,549	-	-	668,549
Industrials	632,502	-	-	632,502
Information technology	790,054	-	-	790,054
Materials	170,609	-	-	170,609
Real estate	68,165	-	-	68,165
Utilities	124,942	-	-	124,942
Mutual Funds				
Equity funds	3,118,503	-	-	3,118,503
Exchange Traded Funds	5,294,426	-	-	5,294,426
Real Estate Investment Trust	49,732			49,732
U.S. Treasury Bills	-	46,828,303	-	46,828,303
Corporate Bonds	-	25,333,423	-	25,333,423
Federal Agency Bonds	-	847,336	-	847,336
	<u>\$ 14,723,783</u>	<u>\$ 73,009,062</u>	<u>\$ -</u>	<u>\$ 87,732,845</u>

**8. FURNITURE AND EQUIPMENT - NET**

Furniture and equipment consist of the following at June 30, 2020:

Furniture and equipment - at cost	\$ 2,143,098
Less: accumulated depreciation	<u>(1,584,760)</u>
	558,338
Construction in progress	<u>130,759</u>
	<u>\$ 689,097</u>

Depreciation expense for the year ended June 30, 2020 amounted to \$322,314.



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**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**9. INTANGIBLE ASSETS - NET**

Intangible assets consist of the following at June 30, 2020:

Website development - at cost	\$ 80,888
Less: accumulated amortization	<u>(69,299)</u>
	<u>\$ 11,589</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, 2020 amounted to \$4,079.

Amortization expense is expected to be as follows:

<u>Year ending June 30,</u>	
2021	\$ 3,159
2022	3,159
2023	2,769
2024	<u>2,502</u>
	<u>\$ 11,589</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	\$ 1,488,503
Funds received	638,582
Funds disbursed	<u>(927,322)</u>
Balance - end of year	<u>\$ 1,199,763</u>

Management fees amounted to \$37,730 for the year ended June 30, 2020.

**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, 2020. 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.

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THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**12. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2020 are as follows:

**Subject to expenditure for specified purpose**

Capital projects and strategic initiatives	\$ 63,419,517
Patient care programs	9,984,069
Education programs	2,762,828
COVID-19	3,236,481
Children's programs	1,554,487
Women's program	425,834
AIDS/HIV programs	325,419
Volunteer program	59,184
	<u>81,767,819</u>

**Subject to passage of time**

Time restricted	<u>591,667</u>
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**Endowments accumulated earnings subject to appropriations for specified purpose**

Volunteer program	23,253
Solid Start Endowment for Women and Children	9,008
Moses and Verle Grossman Endowment for Children's Health	7,037
General use	513,706
	<u>553,004</u>

**Perpetual in nature - subject to spending policy and appropriation**

General operations	4,164,429
Solid Start Endowment for Women and Children	250,000
Moses and Verle Grossman Endowment for Children's Health	143,422
Volunteer program	190,000
	<u>4,747,851</u>

<b>Total net assets with donor restrictions</b>	<b>\$ <u>87,660,341</u></b>
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**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

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**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.

Net assets released from donors' restrictions by incurring allowable expenses or passage of time for the year ended June 30, 2020 were as follows:

Patient care programs	\$ 2,528,648
Education programs	1,651,721
Capital projects and strategic initiatives	7,618,645
Women's program	360,871
Children's programs	460,764
AIDS/HIV programs	105,022
Volunteer program	64,448
COVID-19	1,335,235
Time restricted	<u>341,667</u>
	<u>\$ 14,467,021</u>

**14. ENDOWMENT FUNDS**

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, 2020, the fair value of endowment assets exceeded the required corpus of the funds.

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**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

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**14. ENDOWMENT FUNDS** (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 Foundation's 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, 2020 are as follows:

	Accumulated Earnings	Perpetual in Nature	Total
Endowment net assets - beginning of year	\$ 448,616	\$ 4,733,401	\$ 5,182,017
Contributions	-	14,450	14,450
Investment return - net	104,388	-	104,388
Endowment net assets - end of year	<u>\$ 553,004</u>	<u>\$ 4,747,851</u>	<u>\$ 5,300,855</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, 2020 consist of the following:

Food for special events	\$ 87,081
Other	<u>333,204</u>
	<u>\$ 420,285</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, 2020 amounted to \$56,788.

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**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
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**18. CONCENTRATIONS**

***Major Donors***

Approximately 40% of donations and bequests came from two donors for the year ended June 30, 2020. Approximately 79% of gross pledges receivable at June 30, 2020 are due from three donors.

**19. RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. In addition, the California State Governor ordered the closure of the physical location of every business, except those identified in the “critical infrastructure sectors,” for a limited period of time. The outbreak has led to severe disruptions and uncertainty to economic conditions and credit and capital markets and funding sources. The duration and economic impact of the outbreak are uncertain but it is possible operations may be negatively impacted.

In response to the COVID-19 outbreak, in March 2020 the Foundation shifted to remote work and raised additional funds to support impacts from COVID-19 and provide additional support to the Hospital.