



The San Francisco General Hospital Foundation

Financial Statements

June 30, 2021

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INDEPENDENT AUDITORS' REPORT

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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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The San Francisco General Hospital Foundation as of June 30, 2021, 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 24, 2022

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

Assets

Cash and cash equivalents	\$ 11,469,068
Pledges receivable - net	13,095,152
Other receivables	14,527
Prepaid expenses and deposits	44,746
Investments	95,047,356
Furniture and equipment - net	<u>415,972</u>
Total assets	<u>\$ 120,086,821</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 1,564,296
Accrued expenses and other liabilities	196,829
Funds held in custody for others	<u>1,126,154</u>
Total liabilities	<u>2,887,279</u>

Net Assets

Without donor restrictions	
Undesignated net assets	10,785,403
Board designated net assets	<u>10,413,979</u>
	<u>21,199,382</u>
With donor restrictions	
Purpose restricted	91,487,767
Perpetual in nature	<u>4,512,393</u>
	<u>96,000,160</u>
Total net assets	<u>117,199,542</u>
Total liabilities and net assets	<u>\$ 120,086,821</u>

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Donations and bequests	\$ 854,459	\$ 13,952,285	\$ 14,806,744
Investment income - net	3,007,855	1,668,745	4,676,600
Special events - net of direct expenses of \$28,921	1,301,247	13,842	1,315,089
Grant management fee	1,138,315	-	1,138,315
Other income (expense)	-	191,678	191,678
Net assets released from restrictions	7,486,731	(7,486,731)	-
Total revenues and support	13,788,607	8,339,819	22,128,426
EXPENSES			
Program expenses			
Grants awarded to others	6,885,171	-	6,885,171
Other program expenses	1,147,313	-	1,147,313
	8,032,484	-	8,032,484
Supporting services			
Management and general	1,713,182	-	1,713,182
Fundraising	1,763,130	-	1,763,130
Total expenses	11,508,796	-	11,508,796
CHANGE IN NET ASSETS	2,279,811	8,339,819	10,619,630
NET ASSETS - beginning of year	18,919,571	87,660,341	106,579,912
NET ASSETS - end of year	\$ 21,199,382	\$ 96,000,160	\$ 117,199,542

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Expenses	Management and General	Fundraising	Total	Total (%)
Grants awarded to others	\$ 6,885,171	\$ -	\$ -	\$ 6,885,171	59.83%
Salaries	372,912	848,105	949,114	2,170,131	18.86%
Payroll taxes	25,394	59,819	67,457	152,670	1.33%
Employee benefits	34,389	78,388	87,768	200,545	1.74%
Professional services	95,524	339,292	109,055	543,871	4.73%
Advertising and promotion	287,077	232,069	12,858	532,004	4.62%
Programs and Events	-	25	478,453	478,478	4.16%
Depreciation and amortization	309,546	13,010	-	322,556	2.80%
Copy and printing	49	2,867	60,537	63,453	0.55%
Dues, subscriptions, and software fees	2,213	53,461	4,422	60,096	0.52%
Office expense	14,690	22,154	10,472	47,316	0.41%
Insurance	-	47,530	3,403	50,933	0.44%
Postage and delivery	-	5,412	2,769	8,181	0.07%
In-kind related expense	5,000	-	-	5,000	0.04%
Occupancy	-	2,368	3,183	5,551	0.05%
Office supplies	437	3,919	180	4,536	0.04%
Travel and parking expense	82	3,836	163	4,081	0.04%
Conferences and education	-	927	2,217	3,144	0.03%
Total expenses	8,032,484	1,713,182	1,792,051	11,537,717	100.25%
Less: expenses netted against special events revenues on the statement of activities	-	-	(28,921)	(28,921)	-0.25%
	\$ 8,032,484	\$ 1,713,182	\$ 1,763,130	\$ 11,508,796	100.00%

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 10,619,630
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	322,556
Contributions restricted for endowments	(14,542)
Loss on disposal of furniture and equipment	8,430
Net realized and unrealized gain on investments	(3,598,206)
Changes in operating assets and liabilities:	
Pledges receivable - net	(2,803,454)
Other receivables	(14,527)
Prepaid expenses and deposits	(5,308)
Accounts payable and other liabilities	(295,689)
Funds held in custody for others	<u>(73,609)</u>
Net cash provided by operating activities	<u>4,145,281</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment	(46,272)
Purchase of investments	(331,460,862)
Proceeds from sale of investments	<u>327,744,557</u>

Net cash used in investing activities (3,762,577)

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for endowments	<u>14,542</u>
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Net cash provided by financing activities 14,542

NET INCREASE IN CASH AND CASH EQUIVALENTS 397,246

CASH AND CASH EQUIVALENTS - beginning of year 11,071,822

CASH AND CASH EQUIVALENTS - end of year \$ 11,469,068

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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, 2021

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.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

Revenue Recognition

Grants and Contributions

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, 2021.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Special Event Income

Revenue recognition for special event income is first evaluated under Accounting Standards Codification ("ASC") 958-605, Not-for-profit Entities –Revenue Recognition, in order to determine whether commensurate value is exchanged. When the Foundation determines commensurate value is exchanged in the contract, revenue is recognized under ASC 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Contracts generally consist of tickets for the special event that the Foundation hosts during the year. The Foundation's performance obligation is to conduct the event for which tickets are sold. The transaction price is determined when the participant purchases an event ticket. In certain instances, the Foundation will offer discounts on tickets, and in cases where the event is cancelled or delayed, a refund will be offered to the participant. Revenue is recognized when the event occurs. During the year ended June 30, 2021, there were no ticket sales during the year. Special event revenue consists of donations raised prior to and during the special event.

Management Fees

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.

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, 2021

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 expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards

During February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted.

During September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. Early adoption is permitted.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements are available to be issued January 24, 2022.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

3. NEW ACCOUNTING PRONOUNCEMENT

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance in U.S. GAAP. ASU 2014-09 and its amendments were included primarily in ASC 606. The Foundation has adjusted the presentation of its financial statements accordingly.

The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Revenue is recognized when control of the promised goods or services is transferred to customers. ASC 606 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments used (refer to Note 2). The Foundation adopted ASC 606 effective July 1, 2020, using the modified retrospective method applied to all customer contracts at the date of initial application. The adoption of ASC 606 did not have a material effect on the Foundation's financial position or results of operations and there was no cumulative effect adjustment to the opening balance of net assets as of July 1, 2020, as a result of ASC 606 implementation.

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. The Foundation shows positive cash generated by operations for the year ended June 30, 2021.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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	\$ 11,469,068
Pledges receivables - net	13,095,152
Other receivables	14,527
Investments	<u>95,047,356</u>
Total	<u>119,626,103</u>
Less: Funds held in custody for others	(1,126,154)
Less: Board designated net assets	(10,413,979)
Less: Net assets with donor restrictions - purpose and time restricted	(91,487,767)
Less: Net assets with donor restrictions - perpetual in nature	<u>(4,512,393)</u>
	<u>(107,540,293)</u>
Financial assets available for general expenditures	<u>\$ 12,085,810</u>

5. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2021 consist of the following:

Receivable in one year or less	\$ 9,953,882
Receivable in one to five years	<u>3,251,100</u>
	13,204,982
Less: discount to present value	<u>(80,465)</u>
	13,124,517
Less: allowance for uncollectible pledges	<u>(29,365)</u>
	<u>\$ 13,095,152</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, 2021

6. INVESTMENTS

Cost and fair values of investments consist of the following as of June 30, 2021:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and Cash Equivalents	\$ 34,225,113	\$ 34,225,113	\$ -
Equities			
Communication services	282,664	169,186	113,478
Consumer discretionary	687,828	451,634	236,194
Consumer staples	269,103	220,720	48,383
Energy	170,648	135,701	34,947
Financials	885,445	680,375	205,070
Health care	924,509	664,853	259,656
Industrials	981,393	679,119	302,274
Information technology	1,182,785	699,251	483,534
Materials	255,981	195,894	60,087
Real estate	81,975	71,787	10,188
Utilities	144,293	139,269	5,024
Others	5,334	2,899	2,435
Mutual Funds			
Equity funds	4,937,487	4,254,124	683,363
Exchange Trade Funds	6,009,415	4,027,645	1,981,770
Real Estate Investment Trust	55,015	45,121	9,894
U.S. Treasury Bills	9,822,276	9,651,629	170,647
Corporate Bonds	30,664,652	30,156,288	508,364
Certificates of deposit	2,658,487	2,658,487	-
Federal Agency Bonds	802,953	454,786	348,167
	<u>\$ 95,047,356</u>	<u>\$ 89,583,881</u>	<u>\$ 5,463,475</u>

Investment income consists of the following for the year ended June 30, 2021:

Dividends and interest	\$ 1,274,093
Net realized and unrealized gains	3,598,206
Management fees	<u>(195,699)</u>
	<u>\$ 4,676,600</u>

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. FAIR VALUE MEASUREMENTS

The Foundation's assets measured at fair value on a recurring basis at June 30, 2021 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 34,225,113	\$ -	\$ -	\$ 34,225,113
Equities				
Communication services	282,664	-	-	282,664
Consumer discretionary	687,828	-	-	687,828
Consumer staples	269,103	-	-	269,103
Energy	170,648	-	-	170,648
Financials	885,445	-	-	885,445
Health care	924,509	-	-	924,509
Industrials	981,393	-	-	981,393
Information technology	1,182,785	-	-	1,182,785
Materials	255,981	-	-	255,981
Real estate	81,975	-	-	81,975
Utilities	144,293	-	-	144,293
Others	5,334	-	-	5,334
Mutual Funds				
Equity funds	4,937,487	-	-	4,937,487
Exchange Traded Funds	6,009,415	-	-	6,009,415
Real Estate Investment Trust	55,015			55,015
U.S. Treasury Bills	-	9,822,276	-	9,822,276
Corporate Bonds	-	30,664,652	-	30,664,652
Certificates of deposit	-	2,658,487	-	2,658,487
Federal Agency Bonds	-	802,953	-	802,953
	<u>\$ 51,098,988</u>	<u>\$ 43,948,368</u>	<u>\$ -</u>	<u>\$ 95,047,356</u>

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. FURNITURE AND EQUIPMENT - NET

Furniture and equipment consist of the following at June 30, 2021:

Furniture and equipment - at cost	\$ 2,147,957
Less: accumulated depreciation	<u>(1,904,157)</u>
	243,800
Construction in progress	<u>172,172</u>
	<u><u>\$ 415,972</u></u>

Depreciation expense for the year ended June 30, 2021 amounted to \$319,397.

9. INTANGIBLE ASSETS - NET

During the year ended June 30, 2021, the Foundation disposed of intangible assets which consisted of website development. Amortization expense for the year ended June 30, 2021 amounted to \$3,159.

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	\$ 1,199,763
Funds received	275,752
Funds disbursed	<u>(349,361)</u>
Balance - end of year	<u><u>\$ 1,126,154</u></u>

Management fees amounted to \$16,762 for the year ended June 30, 2021.

11. BOARD DESIGNATED NET ASSETS

Board designated net assets totaling \$10,413,979 represent funds set aside for future use and it is formally intended to be used as an endowment fund during the year ended June 30, 2021. 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, 2021

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 are as follows:

Subject to expenditure for specified purpose

Capital projects and strategic initiatives	\$ 63,638,014
Patient care programs	17,430,542
Education programs	3,476,618
COVID-19	2,480,882
Children's programs	1,436,170
Women's program	257,988
AIDS/HIV programs	175,951
Volunteer program	59,148

88,955,313

Subject to passage of time

Time restricted	<u>450,000</u>
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Endowments accumulated earnings subject to appropriations for specified purpose

Volunteer program	88,512
Moses and Verle Grossman Endowment for Children's Health	48,644
General operations	1,945,298

2,082,454

Perpetual in nature - subject to spending policy and appropriation

General operations	4,164,429
Moses and Verle Grossman Endowment for Children's Health	157,964
Volunteer program	190,000

4,512,393

Total net assets with donor restrictions

\$ 96,000,160

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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, 2021 were as follows:

Patient care programs	\$ 3,602,314
COVID-19	954,674
Education programs	1,435,592
Capital projects and strategic initiatives	722,072
Women's program	217,156
Children's programs	265,722
AIDS/HIV programs	201,940
Volunteer program	53,723
Time restricted	<u>33,538</u>
	<u>\$ 7,486,731</u>

14. ENDOWMENT FUNDS

The Foundation's endowments consist of a fund established for general operations, a quasi-endowment fund, and two additional funds to support the volunteer program, and children's health. The endowments include both without donor restricted endowment funds and with 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, 2021, the fair value of endowment assets exceeded the required corpus of the funds.

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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, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
	Quasi-Endowment	Accumulated Earnings	Perpetual in Nature	
Endowment net assets - beginning of year	\$ -	\$ 553,004	\$ 4,747,851	\$ 5,300,855
Donor restricted endowment funds				
Additions to board designated endowments	8,063,039	-	-	8,063,039
Contributions	-	-	14,542	14,542
Donor release of endowment to expendable	-	-	(250,000)	(250,000)
Investment return - net	2,350,940	1,529,450	-	3,880,390
Endowment net assets - end of year	<u>\$ 10,413,979</u>	<u>\$ 2,082,454</u>	<u>\$ 4,512,393</u>	<u>\$ 17,008,826</u>

15. 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, 2021 amounted to \$30,000.

16. CONCENTRATIONS

Major Donors

Approximately 45% of donations and bequests came from three donors for the year ended June 30, 2021. Approximately 58% of gross pledges receivable at June 30, 2021 are due from three donors.

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17. 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, the Foundation shifted to a remote work environment and raised additional funds to support the impacts of COVID-19. The Foundation will continue to monitor the situation closely, but given the uncertainty about the situation, management cannot estimate the impact to the financial statements.