

# **The San Francisco General Hospital Foundation**

Financial Statements

June 30, 2022

## INDEX TO FINANCIAL STATEMENTS

|                                       |   |
|---------------------------------------|---|
| Independent Auditors' Report .....    | 1 |
| Statement of Financial Position ..... | 3 |
| Statement of Activities.....          | 4 |
| Statement of Functional Expenses..... | 5 |
| Statement of Cash Flows .....         | 6 |
| Notes to Financial Statements.....    | 7 |

## INDEPENDENT AUDITORS' REPORT

Baker Tilly US, LLP  
50 Fremont St; 40<sup>th</sup> Fl.  
San Francisco, CA 94105  
United States of America

T: +1 (415) 781 2500  
F: +1 (415) 781 2530

[bakertilly.com](http://bakertilly.com)

The Board of Directors  
The San Francisco General Hospital Foundation

### ***Opinion***

We have audited the 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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

*Baker Tilly US, LLP*

San Francisco, California

January 19, 2023

---

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2022**

---

**ASSETS**

**Assets**

|                                                       |                              |
|-------------------------------------------------------|------------------------------|
| Cash and cash equivalents                             | \$ 10,947,043                |
| Pledges receivable - net                              | 33,973,377                   |
| Other receivables                                     | 1,457,080                    |
| Prepaid expenses and deposits                         | 123,339                      |
| Investments                                           | 89,363,280                   |
| Furniture, equipment and leasehold improvements - net | <u>2,186,203</u>             |
| Total assets                                          | <u><u>\$ 138,050,322</u></u> |

**LIABILITIES AND NET ASSETS**

**Liabilities**

|                                        |                  |
|----------------------------------------|------------------|
| Accounts payable                       | \$ 1,330,607     |
| Accrued expenses and other liabilities | 251,889          |
| Funds held in custody for others       | <u>1,033,057</u> |
| Total liabilities                      | <u>2,615,553</u> |

**Net Assets**

|                                  |                              |
|----------------------------------|------------------------------|
| Without donor restrictions       |                              |
| Undesignated net assets          | 7,254,878                    |
| Board designated net assets      | <u>8,957,192</u>             |
|                                  | <u>16,212,070</u>            |
| With donor restrictions          |                              |
| Purpose and time restricted      | 114,705,606                  |
| Perpetual in nature              | <u>4,517,093</u>             |
|                                  | <u>119,222,699</u>           |
| Total net assets                 | <u>135,434,769</u>           |
| Total liabilities and net assets | <u><u>\$ 138,050,322</u></u> |

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2022**

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total          |
|---------------------------------------|-------------------------------|----------------------------|----------------|
| <b>REVENUES AND SUPPORT</b>           |                               |                            |                |
| Donations and bequests                | \$ 1,819,461                  | \$ 39,399,412              | \$ 41,218,873  |
| Investment loss - net                 | (4,049,330)                   | (1,691,164)                | (5,740,494)    |
| Program service revenue               | 8,270                         | -                          | 8,270          |
| Special events                        | 1,485,194                     | -                          | 1,485,194      |
| Grant management fee                  | 977,999                       | -                          | 977,999        |
| Loss on grant                         | -                             | (1,440,371)                | (1,440,371)    |
| Contributed nonfinancial assets       | 194,250                       | -                          | 194,250        |
| Other income                          | 134                           | 109,214                    | 109,348        |
| Net assets released from restrictions | 13,154,552                    | (13,154,552)               | -              |
| Total revenues and support            | 13,590,530                    | 23,222,539                 | 36,813,069     |
| <b>EXPENSES</b>                       |                               |                            |                |
| Program expenses                      |                               |                            |                |
| Grants awarded to others              | 12,500,653                    | -                          | 12,500,653     |
| Other program expenses                | 987,497                       | -                          | 987,497        |
|                                       | 13,488,150                    | -                          | 13,488,150     |
| Supporting services                   |                               |                            |                |
| Management and general                | 2,915,718                     | -                          | 2,915,718      |
| Fundraising                           | 2,173,975                     | -                          | 2,173,975      |
| Total expenses                        | 18,577,842                    | -                          | 18,577,842     |
| <b>CHANGE IN NET ASSETS</b>           | (4,987,312)                   | 23,222,539                 | 18,235,227     |
| <b>NET ASSETS</b> - beginning of year | 21,199,382                    | 96,000,160                 | 117,199,542    |
| <b>NET ASSETS</b> - end of year       | \$ 16,212,070                 | \$ 119,222,699             | \$ 135,434,769 |

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2022**

|                                        | Program<br>Expenses  | Management<br>and General | Fundraising         | Total                | Total (%)      |
|----------------------------------------|----------------------|---------------------------|---------------------|----------------------|----------------|
| Grants awarded to others               | \$ 12,500,653        | \$ -                      | \$ -                | \$ 12,500,653        | 67.29%         |
| Salaries                               | 357,707              | 1,163,049                 | 1,182,581           | 2,703,337            | 14.55%         |
| Programs and Events                    | 333,560              | 10,201                    | 546,816             | 890,577              | 4.79%          |
| Professional services                  | 147,666              | 649,044                   | 11,565              | 808,274              | 4.35%          |
| Advertising and promotion              | 84,029               | 451,443                   | 6,942               | 542,414              | 2.92%          |
| Employee benefits                      | 34,682               | 113,274                   | 114,586             | 262,542              | 1.41%          |
| Office expense                         | 2,214                | 22,861                    | 198,953             | 224,028              | 1.21%          |
| Depreciation and amortization          | -                    | 213,506                   | -                   | 213,506              | 1.15%          |
| Payroll taxes                          | 23,177               | 80,965                    | 75,844              | 179,986              | 0.97%          |
| Bad debt expense                       | -                    | 67,475                    | -                   | 67,475               | 0.36%          |
| Dues, subscriptions, and software fees | 2,216                | 45,950                    | 12,109              | 60,275               | 0.32%          |
| Insurance                              | -                    | 53,967                    | 4,745               | 58,712               | 0.32%          |
| Travel and parking expense             | -                    | 15,812                    | 8,948               | 24,760               | 0.13%          |
| Office supplies                        | -                    | 19,892                    | 804                 | 20,696               | 0.11%          |
| Occupancy                              | -                    | 3,096                     | 4,005               | 7,101                | 0.04%          |
| Postage and delivery                   | 1,523                | 2,946                     | 1,798               | 6,267                | 0.03%          |
| Conferences and education              | -                    | 1,527                     | 3,036               | 4,563                | 0.02%          |
| Copy and printing                      | 723                  | 710                       | 1,243               | 2,676                | 0.01%          |
| <b>Total expenses</b>                  | <b>\$ 13,488,150</b> | <b>\$ 2,915,718</b>       | <b>\$ 2,173,975</b> | <b>\$ 18,577,842</b> | <b>100.00%</b> |

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|                                                                                                           |                  |
|-----------------------------------------------------------------------------------------------------------|------------------|
| Change in net assets                                                                                      | \$ 18,235,227    |
| Adjustments to reconcile changes in net assets to net cash provided by<br>(used in) operating activities: |                  |
| Depreciation and amortization expense                                                                     | 213,506          |
| Contributions restricted for endowments                                                                   | (4,700)          |
| Net realized and unrealized loss on investments                                                           | 7,053,272        |
| Changes in operating assets and liabilities:                                                              |                  |
| Pledges receivable - net                                                                                  | (20,878,225)     |
| Other receivables                                                                                         | (1,442,553)      |
| Prepaid expenses and deposits                                                                             | (78,593)         |
| Accounts payable                                                                                          | (233,689)        |
| Accrued expenses and other liabilities                                                                    | 55,060           |
| Funds held in custody for others                                                                          | (93,097)         |
| <b>Net cash provided by operating activities</b>                                                          | <b>2,826,208</b> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                                              |                    |
|----------------------------------------------|--------------------|
| Purchase of furniture and equipment          | (1,983,737)        |
| Purchase of investments                      | (84,565,560)       |
| Proceeds from sale of investments            | 83,196,364         |
| <b>Net cash used in investing activities</b> | <b>(3,352,933)</b> |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|                                                  |              |
|--------------------------------------------------|--------------|
| Contributions restricted for endowments          | 4,700        |
| <b>Net cash provided by financing activities</b> | <b>4,700</b> |

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (522,025)

**CASH AND CASH EQUIVALENTS - beginning of year** 11,469,068

**CASH AND CASH EQUIVALENTS - end of year** \$ 10,947,043



---

# THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

---

### 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, 2022

---

**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, 2022

---

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

***Furniture, Equipment, and Leasehold improvements***

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. Leasehold improvements are depreciated over the shorter of the estimated useful life or the life of the lease. 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***

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.

***Special Events***

Contracts for special events 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, 2022, there were no ticket sales during the year. Special event revenue consists of donations raised prior to and during the special event.

---

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

---

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

***Revenue Recognition*** (continued)

*Program Service Fees*

Program service fees include revenue received from an organization for facilitating the voucher program on behalf of the organization. The Foundation's performance obligation generally consists of facilitating food vouchers to eligible participants. Amounts disbursed are approved by the organization, at which time the Foundation earns their service fee.

*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, 2022.

*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 their estimated fair value on the date of receipt. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

***Advertising***

Advertising costs are expensed as incurred.

---

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

---

**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***

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) will be effective for the Foundation for the year ending June 30, 2023. The Foundation is currently evaluating its impact on its financial statements.

---

## THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

June 30, 2022

---

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

### *Recently Issued Accounting Standards* (continued)

During June 2016, FASB issued Accounting Standards Update ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) will be effective for the Foundation for the year ending June 30, 2024. The Foundation is currently evaluating its impact on its financial statements.

### *Subsequent Events*

Management has evaluated subsequent events through the date the financial statements are available to be issued January 19, 2023.

## 3. NEW ACCOUNTING PRONOUNCEMENT

During the year ended June 30, 2022, The Foundation adopted Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958) 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 non-financial assets, including additional disclosure requirements for recognized contributed services. The Foundation has adjusted the presentation of these financial statements accordingly.

## 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, 2022.

---

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

---

**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                                              | \$ 10,947,043              |
| Pledges receivables - net                                              | 33,973,377                 |
| Other receivables                                                      | 1,457,080                  |
| Investments                                                            | <u>89,363,280</u>          |
| Total                                                                  | <u>135,740,780</u>         |
| Less: Funds held in custody for others                                 | (1,033,057)                |
| Less: Board designated net assets                                      | (8,957,192)                |
| Less: Net assets with donor restrictions - purpose and time restricted | (114,705,606)              |
| Less: Net assets with donor restrictions - perpetual in nature         | <u>(4,517,093)</u>         |
|                                                                        | <u>(129,212,948)</u>       |
| Financial assets available for general expenditures                    | <u><u>\$ 6,527,832</u></u> |

**5. PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2022 consist of the following:

|                                           |                             |
|-------------------------------------------|-----------------------------|
| Receivable in one year or less            | \$ 19,275,322               |
| Receivable in one to five years           | <u>15,320,162</u>           |
|                                           | 34,595,484                  |
| Less: discount to present value           | <u>(524,552)</u>            |
|                                           | 34,070,932                  |
| Less: allowance for uncollectible pledges | <u>(97,555)</u>             |
|                                           | <u><u>\$ 33,973,377</u></u> |

These receivables have been discounted using interest rates ranging from 0.6% to 3.6%.

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**6. INVESTMENTS**

Cost and fair values of investments consist of the following as of June 30, 2022:

|                              | <u>Fair Value</u>    | <u>Cost</u>          | <u>Unrealized<br/>Appreciation<br/>(Depreciation)</u> |
|------------------------------|----------------------|----------------------|-------------------------------------------------------|
| Cash and Cash Equivalents    | \$ 21,893,517        | \$ 21,893,517        | \$ -                                                  |
| Equities                     |                      |                      |                                                       |
| Communication Services       | 175,609              | 161,775              | 13,834                                                |
| Consumer Discretionary       | 526,519              | 565,611              | (39,092)                                              |
| Consumer Staples             | 232,570              | 227,760              | 4,810                                                 |
| Energy                       | 200,145              | 159,679              | 40,466                                                |
| Financials                   | 910,753              | 854,172              | 56,581                                                |
| Health Care                  | 776,976              | 711,300              | 65,676                                                |
| Industrials                  | 780,156              | 724,738              | 55,418                                                |
| Information Technology       | 916,338              | 961,434              | (45,096)                                              |
| Materials                    | 252,925              | 279,699              | (26,774)                                              |
| Real Estate                  | 84,300               | 82,699               | 1,601                                                 |
| Utilities                    | 196,733              | 184,700              | 12,033                                                |
| Mutual Funds                 |                      |                      |                                                       |
| Equity funds                 | 4,178,995            | 4,279,453            | (100,458)                                             |
| Exchange Trade Funds         | 5,106,084            | 4,354,816            | 751,268                                               |
| Real Estate Investment Trust | 64,614               | 65,936               | (1,322)                                               |
| U.S. Treasury Bills          | 24,921,875           | 25,849,157           | (927,282)                                             |
| Corporate Bonds              | 22,694,199           | 24,217,923           | (1,523,724)                                           |
| Federal Agency Bonds         | 5,450,972            | 5,909,876            | (458,904)                                             |
|                              | <u>\$ 89,363,280</u> | <u>\$ 91,484,245</u> | <u>\$ (2,120,965)</u>                                 |

Investment income (loss) consists of the following for the year ended June 30, 2022:

|                                   |                       |
|-----------------------------------|-----------------------|
| Dividends and interest            | \$ 1,497,406          |
| Net realized and unrealized gains | (7,053,272)           |
| Management fees                   | <u>(184,628)</u>      |
|                                   | <u>\$ (5,740,494)</u> |



**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**7. FAIR VALUE MEASUREMENTS**

The Foundation's assets measured at fair value on a recurring basis at June 30, 2022 consist of the following:

|                              | Level 1       | Level 2       | Level 3 | Total         |
|------------------------------|---------------|---------------|---------|---------------|
| Cash and Cash Equivalents    | \$ 21,893,517 | \$ -          | \$ -    | \$ 21,893,517 |
| Equities                     |               |               |         |               |
| Communication Services       | 175,609       | -             | -       | 175,609       |
| Consumer Discretionary       | 526,519       | -             | -       | 526,519       |
| Consumer Staples             | 232,570       | -             | -       | 232,570       |
| Energy                       | 200,145       | -             | -       | 200,145       |
| Financials                   | 910,753       | -             | -       | 910,753       |
| Health Care                  | 776,976       | -             | -       | 776,976       |
| Industrials                  | 780,156       | -             | -       | 780,156       |
| Information Technology       | 916,338       | -             | -       | 916,338       |
| Materials                    | 252,925       | -             | -       | 252,925       |
| Real Estate                  | 84,300        | -             | -       | 84,300        |
| Utilities                    | 196,733       | -             | -       | 196,733       |
| Mutual Funds                 |               |               |         |               |
| Equity funds                 | 4,178,995     | -             | -       | 4,178,995     |
| Exchange Traded Funds        | 5,106,084     | -             | -       | 5,106,084     |
| Real Estate Investment Trust | 64,614        |               |         | 64,614        |
| U.S. Treasury Bills          | 24,921,875    | -             | -       | 24,921,875    |
| Corporate Bonds              | -             | 22,694,199    | -       | 22,694,199    |
| Federal Agency Bonds         | -             | 5,450,972     | -       | 5,450,972     |
|                              | \$ 61,218,109 | \$ 28,145,171 | \$ -    | \$ 89,363,280 |

**8. FURNITURE AND EQUIPMENT - NET**

Furniture and equipment consist of the following at June 30, 2022:

|                                                 |              |
|-------------------------------------------------|--------------|
| Furniture and equipment - at cost               | \$ 1,853,759 |
| Leasehold improvements - at cost                | 2,179,104    |
| Less: accumulated depreciation and amortization | (2,052,654)  |
|                                                 | 1,980,209    |
| Construction in progress                        | 205,994      |
|                                                 | \$ 2,186,203 |

---

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

---

**9. 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 | \$ 1,126,154        |
| Funds received              | 2,053,879           |
| Funds disbursed             | <u>(2,146,976)</u>  |
| Balance - end of year       | <u>\$ 1,033,057</u> |

Management fees amounted to \$26,144 for the year ended June 30, 2022.

**10. BOARD DESIGNATED NET ASSETS**

Board designated net assets totaling \$8,957,192 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, 2022. 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, 2022**

---

**11. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2022 are as follows:

|                                                                                        |                              |
|----------------------------------------------------------------------------------------|------------------------------|
| <b>Subject to expenditure for specified purpose</b>                                    |                              |
| Capital projects and strategic initiatives                                             | \$ 85,539,874                |
| Patient care programs                                                                  | 18,757,638                   |
| Education programs                                                                     | 3,635,633                    |
| COVID-19                                                                               | 2,429,766                    |
| Children's programs                                                                    | 2,653,639                    |
| Women's program                                                                        | 213,240                      |
| AIDS/HIV programs                                                                      | 158,061                      |
| Volunteer program                                                                      | 130,856                      |
|                                                                                        | <u>113,518,707</u>           |
| <b>Subject to passage of time</b>                                                      |                              |
| Time restricted                                                                        | <u>245,000</u>               |
| <b>Endowments accumulated earnings subject to appropriations for specified purpose</b> |                              |
| Volunteer program                                                                      | 39,702                       |
| Moses and Verle Grossman Endowment for Children's Health                               | 15,300                       |
| General operations                                                                     | 886,897                      |
|                                                                                        | <u>941,899</u>               |
| <b>Perpetual in nature - subject to spending policy and appropriation</b>              |                              |
| General operations                                                                     | 4,164,429                    |
| Moses and Verle Grossman Endowment for Children's Health                               | 162,664                      |
| Volunteer program                                                                      | 190,000                      |
|                                                                                        | <u>4,517,093</u>             |
| <b>Total net assets with donor restrictions</b>                                        | <u><u>\$ 119,222,699</u></u> |

**12. 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, 2022**

---

**12. NET ASSETS RELEASED FROM RESTRICTIONS** (continued)

Net assets released from donors' restrictions by incurring allowable expenses or passage of time for the year ended June 30, 2022 were as follows:

|                  |                      |
|------------------|----------------------|
| Patient Care     | \$ 4,708,063         |
| Capital Campaign | 6,677,401            |
| Education        | 1,255,951            |
| Time restricted  | 220,785              |
| Women            | 109,602              |
| Children         | 82,125               |
| COVID-19         | 52,169               |
| AIDS/HIV         | 41,877               |
| Volunteer        | 6,579                |
|                  | <u>\$ 13,154,552</u> |

**13. 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, 2022, the fair value of endowment assets exceeded the required corpus of the funds.

---

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION****NOTES TO FINANCIAL STATEMENTS****June 30, 2022**

---

**13. 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, 2022 are as follows:

**14. 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, 2022 amounted to \$53,460.

|                                          | <u>Without Donor<br/>Restrictions</u> | <u>With Donor Restrictions</u>  |                                |                      |
|------------------------------------------|---------------------------------------|---------------------------------|--------------------------------|----------------------|
|                                          | <u>Quasi-Endowment</u>                | <u>Accumulated<br/>Earnings</u> | <u>Perpetual<br/>in Nature</u> | <u>Total</u>         |
| Endowment net assets - beginning of year | \$ 10,413,979                         | \$ 2,082,454                    | \$ 4,512,393                   | \$ 17,008,826        |
| Donor restricted endowment funds         |                                       |                                 |                                |                      |
| Additions to board designated endowments | 400,057                               | -                               | -                              | 400,057              |
| Contributions                            | -                                     | -                               | 4,700                          | 4,700                |
| Appropriation for expenditures           | (309,405)                             | (188,273)                       | -                              | (497,678)            |
| Investment return - net                  | <u>(1,547,439)</u>                    | <u>(952,282)</u>                | <u>-</u>                       | <u>(2,499,721)</u>   |
| Endowment net assets - end of year       | <u>\$ 8,957,192</u>                   | <u>\$ 941,899</u>               | <u>\$ 4,517,093</u>            | <u>\$ 14,416,184</u> |

---

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

---

**15. CONCENTRATIONS**

***Credit and Investment Risk***

Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

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.

***Major Donors***

Approximately 68% of donations and bequests came from one donor for the year ended June 30, 2022. Approximately 83% of gross pledges receivable at June 30, 2022 are due from two donors.

**16. RELATED PARTY TRANSACTIONS**

The Foundation received approximately \$1,320,000 in contributions from members of the Board and employees for the year ended June 30, 2022.

**17. CONTRIBUTED NONFINANCIAL ASSETS**

The San Francisco General Hospital Foundation recognizes contributed nonfinancial assets within revenue. Such contributions consisted of media placements in print publications, broadcast media, digital media, and outdoor advertising. In-kind media contributions were utilized during the reporting period to promote the Hearts in SF event and valued based on market-based commercial rates for comparable advertising placements in the San Francisco Bay Area media market. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

For the year ending June 30, 2022, contributed nonfinancial assets recognized within the statement of activities includes the following:

|             |                   |
|-------------|-------------------|
| Advertising | <u>\$ 194,250</u> |
|-------------|-------------------|