

The San Francisco General Hospital Foundation

Financial Statements

June 30, 2023

San Francisco General Hospital Foundation

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Independent Auditors' Report

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, 2023, 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, 2023, 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
February 20, 2024

The San Francisco General Hospital Foundation

Statement of Financial Position

June 30, 2023

Assets

Assets

Cash and cash equivalents	\$ 8,634,123
Pledges receivable, net	47,000,398
Other receivables	899,106
Prepaid expenses and deposits	228,235
Investments	111,210,543
Furniture, equipment and leasehold improvements, net	1,789,591
Right of use assets, financing	258,805

Total assets \$ 170,020,801

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 1,779,489
Accrued expenses and other liabilities	319,642
Funds held in custody for others	1,168,071
Finance lease liability	259,360

Total liabilities 3,526,562

Net Assets

Without donor restrictions:	
Undesignated net assets	8,674,886
Board designated net assets	9,597,117

18,272,003

With Donor Restrictions

Purpose and time restricted	143,701,513
Perpetual in nature	4,520,723

148,222,236

Total net assets 166,494,239

Total liabilities and net assets \$ 170,020,801

See notes to financial statements

The San Francisco General Hospital Foundation

Statement of Activities

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Donations and bequests	\$ 601,281	\$ 36,407,068	\$ 37,008,349
Investment gain, net	2,210,269	816,438	3,026,707
Program service revenue	31,563	-	31,563
Fiscal agent fee	240,705	-	240,705
Special events, net of direct expenses of \$241,097	2,115,910	-	2,115,910
Grant management fee	3,340,424	-	3,340,424
Loss on grant	-	(3,057)	(3,057)
Contributed nonfinancial assets	325,975	4,550	330,525
Other income	-	98,889	98,889
Net assets released from restrictions	8,324,351	(8,324,351)	-
	<u>17,190,478</u>	<u>28,999,537</u>	<u>46,190,015</u>
Expenses			
Program expenses			
Grants awarded to others	7,940,019	-	7,940,019
Other program expenses	1,123,169	-	1,123,169
	<u>9,063,188</u>	<u>-</u>	<u>9,063,188</u>
Supporting services:			
Management and general	3,000,192	-	3,000,192
Fundraising	3,067,165	-	3,067,165
	<u>15,130,545</u>	<u>-</u>	<u>15,130,545</u>
Total expenses	<u>15,130,545</u>	<u>-</u>	<u>15,130,545</u>
Change in net assets	2,059,933	28,999,537	31,059,470
Net Assets, Beginning	<u>16,212,070</u>	<u>119,222,699</u>	<u>135,434,769</u>
Net Assets, Ending	<u>\$ 18,272,003</u>	<u>\$ 148,222,236</u>	<u>\$ 166,494,239</u>

See notes to financial statements

The San Francisco General Hospital Foundation

Statement of Functional Expenses
Year Ended June 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants awarded to others	\$ 7,940,019	\$ -	\$ -	\$ 7,940,019
Salaries and benefits	481,105	1,639,768	1,527,716	3,648,589
Program and events	614	9,825	1,402,564	1,413,003
Professional services	168,006	578,898	14,136	761,040
Advertising and promotion	468,513	33,687	15,648	517,848
Depreciation and amortization	-	471,787	-	471,787
Event expenses	-	-	241,097	241,097
Dues, subscriptions and software fees	1,988	78,197	14,659	94,844
Insurance	-	70,992	5,695	76,687
Office expense	2,189	74,439	33,871	110,499
Travel and parking expense	113	22,832	19,201	42,146
Copy and printing	-	3,821	18,029	21,850
Conferences and education	-	2,569	8,576	11,145
Office supplies	641	8,543	240	9,424
Occupancy	-	3,084	3,669	6,753
Postage and delivery	-	1,750	3,161	4,911
	<u>9,063,188</u>	<u>3,000,192</u>	<u>3,308,262</u>	<u>15,371,642</u>
Total expenses				
Less expenses netted against special events revenues on the statement of activities	-	-	(241,097)	(241,097)
	<u>\$ 9,063,188</u>	<u>\$ 3,000,192</u>	<u>\$ 3,067,165</u>	<u>\$ 15,130,545</u>

See notes to financial statements

The San Francisco General Hospital Foundation

Statement of Cash Flows

Year Ended June 30, 2023

Cash Flows From Operating Activities

Change in net assets	\$ 31,059,470
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	419,667
Contributions restricted for endowments	(3,630)
Amortization of finance lease right of use assets	52,120
Net realized and unrealized gain on investments	(1,122,055)
Changes in operating assets and liabilities:	
Pledges receivable, net	(13,027,021)
Other receivables	557,974
Prepaid expenses and deposits	(104,896)
Accounts payable	448,882
Accrued expenses and other liabilities	67,753
Funds held in custody for others	135,014
	<u>18,483,278</u>
Net cash provided by operating activities	<u>18,483,278</u>

Cash Flows From Investing Activities

Purchase of furniture and equipment	(23,055)
Purchase of investments	(105,291,727)
Proceeds from sale of investments	84,566,519
	<u>(20,748,263)</u>
Net cash used in investing activities	<u>(20,748,263)</u>

Cash Flows From Financing Activities

Principal payments under finance liabilities	(51,565)
Contributions restricted for endowments	3,630
	<u>(47,935)</u>
Net cash used in financing activities	<u>(47,935)</u>

Net change in cash and cash equivalents (2,312,920)

Cash and Cash Equivalents, Beginning 10,947,043

Cash and Cash Equivalents, Ending \$ 8,634,123

Supplemental Cash Flow Information

Noncash transactions:	
Equipment finance lease purchases	<u><u>\$ 305,774</u></u>

See notes to financial statements

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

1. Description of Operations

The San Francisco General Hospital Foundation (the Foundation) is an independent, tax-exempt, nonprofit 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 support and fund excellence in patient care and innovation at Zuckerberg San Francisco General based in a fundamental belief in health equity, access, and quality health care for all people. 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.

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.

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.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

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.

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) No. 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 No. 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.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

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. Special event revenue consists of donations raised prior to and during the special event.

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.

Fiscal Agent Fees

The Foundation serves as a financial agent for the issuance and redemption of food security vouchers for the EatSF Vouchers for Veggies program. The Foundation recognizes fees for voucher management at such time that both payment is received and vouchers are issued. The Foundation also charges a fiscal agent fee for funds held in custody of others of up to 10% (refer to Note 9).

Contract assets and liabilities consist of the following:

	<u>July 1, 2022</u>	<u>June 30, 2023</u>
Contract receivables	\$ 1,457,080	\$ 899,111
Contract liabilities	\$ -	\$ 147,528

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, 2023.

Management Fees

Management fees represent fees charged on certain grants and fiscal sponsorship agreements and range between 5% to 15% and are reallocated from contribution income.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

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.

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.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements are available to be issued February 20, 2024.

Recently Issued Accounting Pronouncements

During June 2016, the FASB issued ASU No. 2016-13, *Measure of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets are 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 about past events, including historical experience, current conditions, and reasonable and supportable standards to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for the Foundation for its year ending June 30, 2024. The Foundation is currently assessing the effect that ASU No. 2016-13 and its impact on its financial statements.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

3. Newly Adopted Accounting Pronouncement

Effective July 1, 2022, the Foundation adopted FASB Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Foundation elected:

- The package of practical expedients permitted under the transition guidance which does not require the Foundation to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Foundation's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Foundation has elected the policy not to separate lease and nonlease components for all asset classes.
- When the rate implicit in the lease is not determinable, rather than use the Foundation's incremental borrowing rate, the organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Foundation elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Foundation is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 15.

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, 2023.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

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

Financial assets:	
Cash and cash equivalents	\$ 8,634,123
Pledge receivable, net	47,000,398
Other receivables	899,106
Investments	<u>111,210,543</u>
Total	167,744,170
Less funds held in custody for others	(1,168,071)
Board designated net assets	(9,597,117)
Net assets with donor restrictions, purpose and time restricted	(143,698,133)
Net assets with donor restrictions, perpetual in nature	<u>(4,520,723)</u>
Total	<u>\$ 8,760,126</u>

5. Pledges Receivable

Pledges receivable at June 30, 2023 consist of the following:

Receivable in one year or less	\$ 25,897,934
Receivable in one to five years	<u>22,908,173</u>
	48,806,107
Less discount to present value	(1,709,216)
Less allowance for uncollectible pledges	<u>(96,493)</u>
Total	<u>\$ 47,000,398</u>

These receivables have been discounted using interest rates ranging from 0.6% to 4.2%.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

6. Investments

Cost and fair values of investments consist of the following as of June 30, 2023:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and cash equivalents	\$ 21,387,437	\$ 21,387,437	\$ -
Equities:			
Communication services	104,505	81,616	22,889
Consumer discretionary	474,000	357,981	116,019
Consumer staples	198,361	161,584	36,777
Energy	191,030	145,174	45,856
Financials	768,175	651,122	117,053
Health care	608,161	489,628	118,533
Industrials	715,696	505,943	209,753
Information technology	812,095	590,764	221,331
Materials	320,905	268,500	52,405
Real estate	114,419	102,675	11,744
Utilities	148,022	141,079	6,943
Mutual funds:			
Equity funds	4,186,762	4,071,154	115,608
Exchange Trade Funds	5,811,117	4,365,191	1,445,926
Real Estate Investment Trust	27,949	33,081	(5,132)
U.S. Treasury Bills	27,116,827	28,185,025	(1,068,198)
Corporate Bonds	24,428,737	25,379,684	(950,947)
Government Bonds	18,186,808	18,092,831	93,977
Federal Agency Bonds	5,342,813	5,955,745	(612,932)
Certificate of deposit	266,724	266,724	-
Total	<u>\$ 111,210,543</u>	<u>\$ 111,232,938</u>	<u>\$ (22,395)</u>

Investment income (loss) consists of the following for the year ended June 30, 2023:

Dividends and interest	\$ 2,076,761
Net realized and unrealized gains	1,122,055
Management fees	<u>(172,109)</u>
Total	<u>\$ 3,026,707</u>

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

7. Fair Value Measurements

The Foundation's assets measured at fair value on a recurring basis at June 30, 2023 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ 21,387,437	\$ -	\$ 21,387,437
Equities:				
Communication services	104,505	-	-	104,505
Consumer discretionary	474,000	-	-	474,000
Consumer staples	198,361	-	-	198,361
Energy	191,030	-	-	191,030
Financials	768,175	-	-	768,175
Healthcare	608,161	-	-	608,161
Industrials	715,696	-	-	715,696
Information technology	812,095	-	-	812,095
Materials	320,905	-	-	320,905
Real estate	114,419	-	-	114,419
Utilities	148,022	-	-	148,022
Mutual funds:				
Equity funds	4,186,762	-	-	4,186,762
Exchange Traded Funds	5,811,117	-	-	5,811,117
Real Estate Investment Trust	27,949	-	-	27,949
U.S. Treasury Bills	-	27,116,827	-	27,116,827
Corporate Bonds	-	24,428,737	-	24,428,737
Government Bonds	-	18,186,808	-	18,186,808
Federal Agency Bonds	-	5,342,813	-	5,342,813
Certificate of deposit	-	266,724	-	266,724
Total	<u>\$ 14,481,197</u>	<u>\$ 96,729,346</u>	<u>\$ -</u>	<u>\$ 111,210,543</u>

8. Furniture and Equipment, Net

Furniture and equipment consist of the following at June 30, 2023:

Leasehold improvements, at cost	\$ 2,184,414
Furniture and equipment, at cost	2,026,943
Computer equipment, at cost	<u>32,450</u>
	4,243,807
Accumulated depreciation	<u>(2,454,216)</u>
Total	<u>\$ 1,789,591</u>

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

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 10% of the funds received.

Balance, beginning	\$	1,033,057
Funds received		3,655,316
Funds disbursed		<u>(3,520,302)</u>
Balance, ending	\$	<u>1,168,071</u>

Management fees amounted to \$240,705 for the year ended June 30, 2023.

10. Board Designated Net Assets

Board designated net assets totaling \$9,597,117 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, 2023. 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.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

11. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 are as follows:

Subject to expenditure for specified purpose:	
Capital projects and strategic initiatives	\$ 116,949,296
Patient care programs	17,450,640
Education programs	2,704,283
COVID-19	2,129,100
Children's programs	2,545,648
Women's program	186,137
AIDS/HIV programs	158,961
Volunteer program	206,311
	<u>142,330,376</u>
Subject to passage of time:	
Time restricted	<u>40,000</u>
Endowments accumulated earnings subject to appropriations for specified purpose:	
Volunteer program	55,689
Moses and Verle Grossman Endowment for Children's Health	28,730
General operations	<u>1,246,718</u>
	<u>1,331,137</u>
Perpetual in nature, subject to spending policy and appropriate:	
General operations	4,164,429
Moses and Verle Grossman Endowment for Children's Health	166,294
Volunteer program	<u>190,000</u>
	<u>4,520,723</u>
Total net assets with donor restrictions	<u><u>\$ 148,222,236</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.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

Net assets released from donors' restrictions by incurring allowable expenses or passage of time for the year ended June 30, 2023 were as follows:

Patient care	\$	4,087,463
Capital campaign		2,413,498
Education		1,318,293
Women		44,351
Children		126,924
COVID-19		300,977
Lectureship		3,562
Volunteer		103
Others		29,180
		<hr/>
Total	\$	<u>8,324,351</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, 2023, the fair value of endowment assets exceeded the required corpus of the funds.

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 7%. 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.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

Changes in endowment net assets for the fiscal year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
	Quasi- Endowment	Accumulated Earnings	Perpetual in Nature	
Endowment net assets, beginning of year	\$ 8,957,192	\$ 941,899	\$ 4,517,093	\$ 14,416,184
Donor restricted endowment funds:				
Additions to board designated endowments	-	-	-	-
Contributions	-	-	3,630	3,630
Appropriation for expenditures	(312,809)	(191,409)	-	(504,218)
Investment return, net	952,734	580,647	-	1,533,381
Endowment net assets, ending of year	\$ 9,597,117	\$ 1,331,137	\$ 4,520,723	\$ 15,448,977

14. 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, 2023, contributed nonfinancial assets recognized within the statement of activities includes the following:

Advertising	\$ 330,525
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15. Leases

The Foundation has entered into three lease agreements for financing equipment expiring on various dates through November 2028. At the expiration of the lease agreement, the Foundation may choose to purchase or return the equipment. Monthly payments on the lease agreements range between \$616 to \$956.

The Foundation entered into an agreement to lease office space in San Francisco that expired in 2006. The lease was renewed on a month-to-month basis, providing the space to the Foundation. Subsequent to year end, the Foundation is finalizing the execution of a new long-term lease expiring in November 2043, with two options to extend for ten years each. Monthly payments on the lease will be \$0 per month.

Right-of-use assets represent the Foundation's right to use an underlying asset for the lease term, while lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Foundation uses a risk-free rate based on U.S. Treasury notes for similar terms.

Right-of-use assets are assessed for impairment in accordance with the Foundation's long-lived asset policy. The Foundation reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Foundation made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Foundation:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Foundation obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;

The Foundation does not have any material leasing transactions with related parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of June 30, 2023:

Right-of-use assets:	
Financing leases	<u>\$ 258,805</u>
Lease liabilities:	
Current financing lease liabilities	\$ 66,675
Long-term financing lease liabilities	<u>192,685</u>
Total lease liabilities	<u>\$ 259,360</u>

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2023:

Financing lease expense	\$ 52,120
Weighted average remaining lease term (in years):	
Financing lease	4.00
Weighted average discount rate:	
Financing leases	3.57%

San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2023

The table below summarizes the Foundation's scheduled future minimum lease payments for years ending after June 30, 2023:

Year ending June 30:		
2024	\$	66,675
2025		66,675
2026		66,675
2027		66,675
2028		11,138
		<hr/>
Total lease payments		277,838
		<hr/>
Less present value discount		(18,478)
		<hr/>
Total lease liabilities	\$	<u>259,360</u>

16. 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, 2023 amounted to \$72,056.

17. Concentrations

Credit and Investment Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments. Such balances, at times, may 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 82% of donations and bequests came from three donors for the year ended June 30, 2023. Approximately 81% of gross pledges receivable at June 30, 2023 are due from three donors.

18. Related-Party Transactions

The Foundation received approximately \$1,318,000 in contributions from members of the Board and employees for the year ended June 30, 2023.