

The San Francisco General Hospital Foundation

Financial Statements

June 30, 2024

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, 2024, 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, 2024, 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.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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
December 30, 2024

The San Francisco General Hospital Foundation

Statement of Financial Position

June 30, 2024

Assets

Assets

Cash and cash equivalents	\$ 7,088,555
Pledges receivable, net	25,402,770
Employee Retention Credit (ERC) receivable	394,173
Other receivables	903,583
Prepaid expenses and deposits	182,667
Investments	120,448,772
Furniture, equipment and leasehold improvements, net	1,482,658
Right of use assets, financing	196,635
Beneficial use of office space	4,459,241
	<hr/>
Total assets	<u><u>\$ 160,559,054</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 4,559,805
Accrued expenses and other liabilities	395,454
Funds held in custody for others	1,151,610
Finance lease liability	197,534
	<hr/>
Total liabilities	<u>6,304,403</u>

Net Assets

Without donor restrictions:	
Undesignated net assets	12,909,540
Board designated net assets	10,317,074
	<hr/>
	23,226,614

With Donor Restrictions

Purpose and time restricted	126,505,114
Perpetual in nature	4,522,923
	<hr/>
	131,028,037
	<hr/>
Total net assets	<u>154,254,651</u>
	<hr/>
Total liabilities and net assets	<u><u>\$ 160,559,054</u></u>

See notes to financial statements

The San Francisco General Hospital Foundation

Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Donations and bequests	\$ 1,796,665	\$ 6,665,963	\$ 8,462,628
Investment gain, net	5,026,954	1,353,769	6,380,723
Fiscal agent fee	172,897	-	172,897
Special events, net of direct expenses of \$214,014	1,359,785	-	1,359,785
Grant management fee	2,789,502	-	2,789,502
Contributed nonfinancial assets	157,295	4,582,186	4,739,481
Other income	7	71,686	71,693
Employee Retention Credit (ERC)	394,173	-	394,173
Net assets released from restrictions	29,907,639	(29,907,639)	-
Total revenues and support	41,604,917	(17,234,035)	24,370,882
Expenses			
Program expenses			
Grants awarded to others	29,432,595	-	29,432,595
Other program expenses	1,012,773	-	1,012,773
	30,445,368	-	30,445,368
Supporting services:			
Management and general	3,772,652	-	3,772,652
Fundraising	2,392,452	-	2,392,452
Total expenses	36,610,472	-	36,610,472
Change in net assets	4,994,445	(17,234,035)	(12,239,590)
Net Assets, Beginning	18,232,169	148,262,072	166,494,241
Net Assets, Ending	\$ 23,226,614	\$ 131,028,037	\$ 154,254,651

See notes to financial statements

The San Francisco General Hospital Foundation

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Grants awarded to others	\$ 29,432,595	\$ -	\$ -	\$ 29,432,595
Salaries and benefits	603,251	2,203,179	1,238,246	4,044,676
Advertising and promotion	165,739	105,927	22,309	293,975
Conferences and education	-	7,765	9,466	17,231
Copy and printing	-	2,786	29,984	32,770
Depreciation and amortization	-	385,922	-	385,922
Dues, subscriptions, and software fees	9,300	126,170	113,726	249,196
Insurance	-	71,556	5,056	76,612
Programs and events	-	83,184	886,125	969,309
Occupancy	-	6,538	4,214	10,752
Office expense	-	287,312	176,245	463,557
Office supplies	150	8,655	1,099	9,904
Postage and delivery	-	1,104	12,753	13,857
Professional services	233,839	454,135	91,712	779,686
Travel and parking	494	28,419	15,531	44,444
Total expenses	30,445,368	3,772,652	2,606,466	36,824,486
Less expenses netted against direct benefit to event participants revenues on the statement of activities	-	-	(214,014)	(214,014)
	<u>\$ 30,445,368</u>	<u>\$ 3,772,652</u>	<u>\$ 2,392,452</u>	<u>\$ 36,610,472</u>

See notes to financial statements

The San Francisco General Hospital Foundation

Statement of Cash Flows

Year Ended June 30, 2024

Cash Flows From Operating Activities

Change in net assets	\$ (12,239,590)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	323,685
Loss on disposal of fixed assets	1,150
Contributions restricted for endowments	(2,200)
Contributed use of office space	(4,459,241)
Amortization of finance lease right of use assets	62,237
Net realized and unrealized gain on investments	(2,617,388)
Changes in operating assets and liabilities:	
Pledges receivable, net	21,597,628
Employee retention credit (ERC) receivable	(394,173)
Other receivables	(4,477)
Prepaid expenses and deposits	45,568
Accounts payable	2,780,316
Accrued expenses and other liabilities	75,812
Funds held in custody for others	(16,461)
Net cash provided by operating activities	<u>5,152,866</u>

Cash Flows From Investing Activities

Purchase of furniture and equipment	(17,969)
Purchase of investments	(86,396,805)
Proceeds from sale of investments	<u>79,775,966</u>
Net cash used in investing activities	<u>(6,638,808)</u>

Cash Flows From Financing Activities

Principal payments under finance liabilities	(61,826)
Contributions restricted for endowments	<u>2,200</u>
Net cash used in financing activities	<u>(59,626)</u>
Net change in cash and cash equivalents	(1,545,568)

Cash and Cash Equivalents, Beginning

8,634,123

Cash and Cash Equivalents, Ending

\$ 7,088,555

See notes to financial statements

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

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.

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.

Other Receivables

Other receivables represents amounts due to the Foundation under the EatSF Voucher program, net of an allowance for credit losses. The Foundation recognizes an allowance for credit losses for other receivables to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on management's expectation as of the statement of financial position date. Receivables are written off when the Foundation determines that such receivables are deemed uncollectible. In situations where a receivable does not share the same risk characteristics with other receivables, the Foundation measures those receivables individually. The Foundation also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The Foundation utilizes the loss rate method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Foundation historical loss experience. In determining its loss rates, the Foundation evaluates information related to its historical losses, adjusted for current conditions, and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, historical collection rates and legal and regulatory requirements. For receivables that are not expected to be collected within the normal business cycle, the Foundation considers current and forecasted direction of the economic and business environment.

As of June 30, 2024 other receivable are expected to be collected in full and no adjustments are considered necessary.

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.

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

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

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.

Impairment

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management believes there were no indicators of impairment at June 30, 2024.

Leases

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.

The Foundation has made the following accounting policy elections with regard to its lease accounting:

- The Foundation does not separate lease and nonlease components for its office space;
- When the rate implicit in the lease is not determinable, rather than use the Foundation incremental borrowing rate, the Foundation uses a risk-free discount rate for the initial and subsequent measurement of lease liabilities for its office space;
- The Foundation does not apply the recognition requirements to its office space 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.

Revenue Recognition

Revenue recognition for special event income, program services fees and fiscal agent fees are 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.

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

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 fiscal 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, 2023</u>	<u>June 30, 2024</u>
Contract receivables	\$ 899,111	\$ 903,583
Contract liabilities	\$ 147,528	\$ 150,138

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, 2024.

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.

Contributed Nonfinancial Assets

Contributed nonfinancial assets include advertising, food and beverages, and leases which 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 at the date of receipt.

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.

Newly Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the Foundation adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 had no material impact on the financial statements for the year ended June 30, 2024.

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

Subsequent Events

Management has evaluated subsequent events through the date the financial statements are available to be issued December 30, 2024.

3. 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, 2024.

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	\$ 7,088,555
Pledge receivable, net	25,402,770
Employee Retention Credit receivable	394,173
Other receivables	903,583
Investments	120,448,772
Total	154,237,853
Less:	
Funds held in custody for others	(1,151,610)
Board designated net assets	(10,317,074)
Net assets with donor restrictions – purpose and time restricted	(126,546,311)
Net assets with donor restrictions, perpetual in nature	(4,522,923)
Total	\$ 11,699,935

4. Pledges Receivable

Pledges receivable at June 30, 2024 consist of the following:

Receivable in one year or less	\$ 10,634,497
Receivable in one to five years	15,758,746
	26,393,243
Less discount to present value	(940,382)
Less allowance for uncollectible pledges	(50,091)
Total	\$ 25,402,770

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

Long-term receivables have been discounted using interest rates ranging from 0.6% to 5.6%.

5. Investments

Cost and fair values of investments consist of the following as of June 30, 2024:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	\$ 27,637,920	\$ 27,637,920	\$ -
Equities:			
Communication services	54,603	48,903	5,700
Consumer discretionary	319,004	274,887	44,117
Consumer staples	139,161	124,070	15,091
Energy	229,423	170,150	59,273
Financials	617,055	468,741	148,314
Health care	447,338	343,229	104,109
Industrials	547,392	328,816	218,576
Information technology	634,063	440,100	193,963
Materials	326,589	262,303	64,286
Real estate	119,682	110,548	9,134
Utilities	98,952	96,307	2,645
Mutual funds:			
Equity funds	4,348,175	4,086,894	261,281
Exchange Trade Funds	8,647,450	6,279,616	2,367,834
Real Estate Investment Trust	20,642	21,433	(791)
U.S. Treasury Bills	31,025,413	31,447,943	(422,530)
Corporate Bonds	23,625,195	23,784,961	(159,766)
Government Bonds	17,033,905	17,033,100	805
Federal Agency Bonds	4,299,257	4,692,913	(393,656)
Certificate of deposit	277,553	277,553	-
Total	<u>\$ 120,448,772</u>	<u>\$ 117,930,387</u>	<u>\$ 2,518,385</u>

Investment income (loss) consists of the following for the year ended June 30, 2024:

Dividends and interest	\$ 3,955,385
Net realized and unrealized gains	2,617,388
Management fees	<u>(192,050)</u>
Total	<u>\$ 6,380,723</u>

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

6. Fair Value Measurements

The Foundation's assets measured at fair value on a recurring basis at June 30, 2024 consist of the following:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ -	\$ 27,637,920	\$ -	\$ 27,637,920
Equities:				
Communication services	54,603	-	-	54,603
Consumer discretionary	319,004	-	-	319,004
Consumer staples	139,161	-	-	139,161
Energy	229,423	-	-	229,423
Financials	617,055	-	-	617,055
Healthcare	447,338	-	-	447,338
Industrials	547,392	-	-	547,392
Information technology	634,063	-	-	634,063
Materials	326,589	-	-	326,589
Real estate	119,682	-	-	119,682
Utilities	98,952	-	-	98,952
Mutual funds:				
Equity funds	4,348,175	-	-	4,348,175
Exchange Traded Funds	8,647,450	-	-	8,647,450
Real Estate Investment Trust	20,642	-	-	20,642
U.S. Treasury Bills	-	31,025,413	-	31,025,413
Corporate Bonds	-	23,625,195	-	23,625,195
Government Bonds	-	17,033,905	-	17,033,905
Federal Agency Bonds	-	4,299,257	-	4,299,257
Certificate of deposit	-	277,553	-	277,553
Total	\$ 16,549,529	\$ 103,899,243	\$ -	\$ 120,448,772

7. Beneficial Use of Office Space

During the year ended June 30, 2024, the Foundation entered into a lease agreement with the City of San Francisco (the City) for its office space. The lease expires on November 17, 2063, including two ten-year options to extend, which the Foundation plans on exercising. There are no lease payments required under this lease so long as the Foundation continues to use the space in accordance with the Memorandum of Understanding signed with the City (refer to note 15). Under the terms of the agreement, the permitted use of space is centered on the specific purpose of raising funds and supporting the health care and related activities of the Hospital.

During the year ended June 30, 2024, the Foundation recognized the difference between the fair rental value of the use of the office space and the present value of the stated lease payments for the office as revenue and a related beneficial use of office space. The total estimated rental value is approximately \$13,622,519.

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

Revenue resulting from recognition of contributed lease, net of present value of future estimated rental value over the life of the lease (including options to extend) totaled \$4,582,186 during the year ended June 30, 2024. The discount is amortized to revenues over the term of the lease using a discount rate of 5.6%. The remaining unamortized beneficial use of land and building totaled \$4,459,241 as of June 30, 2024. In-kind rent expense resulting from the amortization of the beneficial use of office space amounted to 122,945.

Beneficial use of land and building, net consists of the following:

Contributions receivable	\$ 13,622,519
Less discount to net present value	<u>(9,163,278)</u>
Total	<u>\$ 4,459,241</u>

8. Furniture and Equipment, Net

Furniture and equipment consist of the following at June 30, 2024:

Leasehold improvements, at cost	\$ 2,184,414
Furniture and equipment, at cost	2,042,474
Computer equipment, at cost	<u>32,450</u>
	4,259,338
Accumulated depreciation and amortization	<u>(2,776,680)</u>
Total	<u>\$ 1,482,658</u>

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	\$ 1,168,071
Funds received	2,774,607
Funds disbursed	<u>(2,791,068)</u>
Balance, ending	<u>\$ 1,151,610</u>

10. Board Designated Net Assets

Board designated net assets totaling \$10,317,074 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, 2024. 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.

11. Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Organization qualified for the ERC as it experienced a significant decline in gross receipts (in 2021, defined as a 20% decline in gross receipts when compared to the same quarter in 2019) in the first quarter of 2021. The Organization averaged less than 500 full-time employees (FTEs) during 2019, therefore, it was considered a small employer during 2021. As a small employer, all of the Organization's otherwise qualified wages were eligible for the ERC. For 2021, the ERC equaled 70% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee.

The Foundation accounts for this federal funding in accordance with the FASB ASC 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. During the year ended June 30, 2024, the Foundation filed amended 941X for the first quarter of 2021 and estimated they were eligible for \$394,193 in credits. The credits are recognized as ERC revenue in the Statement of Activities for the year ended June 30, 2024. As of June 30, 2024, the Foundation had an ERC receivable of \$394,173.

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

Net assets with donor restrictions at June 30, 2024 are as follows:

Subject to expenditure for specified purpose:	
Capital projects and strategic initiatives	\$ 76,344,715
Patient care programs	13,014,402
Education programs	1,964,069
Children's programs	1,396,793
COVID-19	1,276,930
Volunteer program	266,390
Women's programs	165,452
AIDS/HIV programs	131,436
Purpose restricted subject to time restrictions:	
Capital projects and strategic initiatives	22,328,421
Patient care programs	2,944,007
	<u>119,832,615</u>
Subject to passage of time:	
Beneficial use of office space	4,459,241
Time restricted	449,154
	<u>4,908,395</u>
Endowments accumulated earnings subject to appropriations for specified purpose:	
Volunteer program	73,810
Moses and Verle Grossman Endowment for Children's Health	43,850
General operations	1,646,444
	<u>1,764,104</u>
Perpetual in nature, subject to spending policy and appropriate:	
General operations	4,164,429
Moses and Verle Grossman Endowment for Children's Health	168,494
Volunteer program	190,000
	<u>4,522,923</u>
Total net assets with donor restrictions	<u><u>\$ 131,028,037</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, 2024

Net assets released from donors' restrictions by incurring allowable expenses or passage of time for the year ended June 30, 2024 were as follows:

Capital Campaign	\$ 19,996,669
Patient care	6,264,839
Education	1,516,969
Children	1,184,298
COVID-19	852,170
Women	32,866
Other	29,710
AIDS/HIV	27,524
Lectureship	2,594
	<hr/>
Total	<u>\$ 29,907,639</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, 2024, 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.

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

Changes in endowment net assets for the fiscal year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions		
	Quasi- Endowment	Accumulated Earnings	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 9,597,117	\$ 1,331,137	\$ 4,520,723	\$ 15,448,977
Donor restricted endowment funds:				
Contributions	-	-	2,200	2,200
Appropriation for expenditures	(329,376)	(206,865)	-	(536,241)
Investment return, net	1,049,333	639,832	-	1,689,165
Endowment net assets, ending of year	<u>\$ 10,317,074</u>	<u>\$ 1,764,104</u>	<u>\$ 4,522,923</u>	<u>\$ 16,604,101</u>

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, food/wine, 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. In-kind food/wine and other were utilized for fundraising events and valued based on the fair value. In-kind contributions also consist of rent-free space (refer to Note 7) recognized under a new lease agreement entered into during the year. In-kind rent is valued based on fair market value of the rental space. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

For the year ending June 30, 2024, contributed nonfinancial assets recognized within the statement of activities includes the following:

Advertising	\$ 114,120
Food/wine	4,575
Lease	4,582,186
Other	38,600
	<u>\$ 4,739,481</u>

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 operating agreement to lease office space in San Francisco that expired in 2006 which then converted to month-to-month basis. A new agreement was signed on November 18, 2023 for 20 years with two options to extend for an additional 10 years. Monthly payments on the lease are \$0 per month (refer to Note 7).

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

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.

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, 2024:

Right-of-use assets:	
Financing leases	<u>\$ 196,635</u>
	<u>\$ 196,635</u>
Lease liabilities:	
Current financing lease liabilities	\$ 66,675
Long-term financing lease liabilities	<u>130,859</u>
Total finance lease liabilities	<u>\$ 197,534</u>

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2024:

Financing lease expense	\$ 62,237
Weighted average remaining lease term (in years):	
Financing lease	3.00
Weighted average discount rate:	
Financing leases	3.57%

The San Francisco General Hospital Foundation

Notes to Financial Statements

June 30, 2024

The table below summarizes the Foundation's scheduled future minimum lease payments on finance leases for years ending after June 30, 2024:

Year ending June 30:	
2025	\$ 66,675
2026	66,675
2027	66,675
2028	<u>11,138</u>
Total lease payments	211,163
Less present value discount	<u>(13,629)</u>
Total finance lease liabilities	<u>\$ 197,534</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, 2024 amounted to \$83,703.

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.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility.

Major Donors

Approximately 80% of gross pledges receivable at June 30, 2024 are due from two donors.

18. Related-Party Transactions

The Foundation received approximately \$380,852 in contributions from members of the Board and employees for the year ended June 30, 2024.