

**GREATER ROCHESTER HEALTH
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2012

GREATER ROCHESTER HEALTH FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Rochester Health Foundation, Inc.
Rochester, New York

We have audited the accompanying financial statements of the Greater Rochester Health Foundation, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Rochester Health Foundation, Inc. as of December 31, 2012 and 2011, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of general and administrative expenses on page 15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
July 24, 2013

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Statements of Financial Position
December 31, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 420,171	\$ 207,559
Other current assets	117,869	112,255
Total current assets	538,040	319,814
Capital Assets		
Leasehold improvements	190,889	190,889
Furniture and fixtures	223,533	223,533
Office equipment	147,032	136,921
Software	171,410	99,283
Sub-total	732,864	650,626
Less, accumulated depreciation	(639,625)	(613,709)
Capital assets - net	93,239	36,917
Investments	228,951,275	181,220,622
Total Assets	\$ 229,582,554	\$ 181,577,353

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 246,656	\$ 185,249
Grants payable	586,312	1,034,706
Other current liabilities	4,266	48,592
Total current liabilities	837,234	1,268,547
Unrestricted Net Assets	228,745,320	180,308,806
Total Liabilities and Net Assets	\$ 229,582,554	\$ 181,577,353

The accompanying notes are an integral part of these financial statements.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Statements of Activities
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue		
Contribution	\$ 26,638,706	\$ -
Interest on contingent payment	5,411,163	-
Interest and dividends	3,576,564	3,766,750
Net realized and unrealized gains (losses) on investments	23,794,353	(4,507,459)
Sub-total	<u>59,420,786</u>	<u>(740,709)</u>
Less, investment fees	(1,577,373)	(852,944)
Total revenue - net	<u>57,843,413</u>	<u>(1,593,653)</u>
Expenses		
Grant expenses	5,127,195	5,269,338
Program expenses	2,116,359	1,705,896
General and administrative expenses	2,016,193	1,806,641
Excise taxes	147,152	93,058
Total expenses	<u>9,406,899</u>	<u>8,874,933</u>
Change in Net Assets	48,436,514	(10,468,586)
Unrestricted Net Assets - Beginning	<u>180,308,806</u>	<u>190,777,392</u>
Unrestricted Net Assets - Ending	<u>\$ 228,745,320</u>	<u>\$ 180,308,806</u>

The accompanying notes are an integral part of these financial statements.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 48,436,514	\$ (10,468,586)
Adjustments		
Net realized and unrealized (gains) losses on investments	(23,794,353)	4,507,459
Depreciation	25,917	99,854
Changes in assets and liabilities		
Other current assets	(5,614)	(96,255)
Accounts payable	61,407	30,673
Grants payable	(448,394)	382,161
Other current liabilities	(44,326)	(633)
Net cash flows from operating activities	<u>24,231,151</u>	<u>(5,545,327)</u>
Cash Flows from Investing Activities		
Purchases of capital assets	(82,238)	(10,333)
Purchases of investments	(26,286,301)	(24,122,873)
Proceeds from sale of investments	2,350,000	28,569,903
Net cash flows from investing activities	<u>(24,018,539)</u>	<u>4,436,697</u>
Net Change in Cash and Cash Equivalents	212,612	(1,108,630)
Cash and Cash Equivalents - Beginning	<u>207,559</u>	<u>1,316,189</u>
Cash and Cash Equivalents - Ending	<u>\$ 420,171</u>	<u>\$ 207,559</u>

The accompanying notes are an integral part of these financial statements.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of the Foundation

Nature of the Foundation - In 2006, Preferred Care merged with another New York State not-for-profit plan, MVP Health Plan. In turn, MVP Health Plan contributed \$200 million toward the development of a private foundation, the Greater Rochester Health Foundation, Inc. (the Foundation). The Foundation is a not-for-profit private charitable foundation created under section 501(c)(3) of the Internal Revenue Code.

The mission of the Foundation is to improve the health status of all residents in the Greater Rochester community, including people whose unique healthcare needs have not been met because of race, ethnicity or income. The Foundation will be good stewards of this valued community asset and will engage diverse populations and organizations in the fulfillment of their mission.

Method of Accounting - The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2012 and 2011, all of the net assets of the Foundation were unrestricted.

Unrestricted Net Assets - Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations and are generally available for support of the Foundation's activities.

Cash and Cash Equivalents - All highly liquid instruments purchased with an original maturity of three months or less are considered to be cash equivalents. The Foundation maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits.

Investments / Fair Value Measurement - In accordance with ASC 320, the Foundation is required to report investments in equity securities with readily determinable fair values and all debt securities at fair value, with gains and losses reflected in the statement of activities. Investment securities are exposed at various risks, such as interest rate risk, market and credit risk. Due to the risks associated with investment securities and the uncertainty related to changes in the fair market value of investment securities, it is at least reasonably possible that changes in fair market value could affect the net assets of the Foundation. ASC 820, defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. The fair value of investments is disclosed in Note 2.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Notes to Financial Statements

Capital Assets - Capital assets are stated at the lower of cost or fair market value at the date of purchase, less accumulated depreciation. Routine maintenance and repairs are charged to operations as they are incurred. Expenditures, which extend the useful life of an asset, in excess of \$500 are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is included in operations. Depreciation expense was \$25,917 and \$99,854 for the years ended December 31, 2012 and 2011, respectively. Depreciation is computed for book and tax purposes using the straight-line method over the following periods:

Leasehold improvements	5 - 6 Years
Furniture and fixtures	5 Years
Office equipment	3 - 5 Years
Software	3 Years

Grants Payable - A grant is recognized as an expense when it is either paid or when the grant qualifies as a "set-aside" project under Section 4942 of the Internal Revenue Code provided it is approved by the Board of Directors and the grant agreement is properly executed.

Income Taxes - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a private foundation the Foundation is subject to excise tax of 1% or 2% on the net investment income of the Foundation. In addition, there is the potential for an additional 15% excise tax on amounts not distributed. Excise tax expense recorded in the statements of activities amounted to \$147,152 and \$93,058 for the years ended December 31, 2012 and 2011, respectively.

In accordance with ASC 740-10-50, *Accounting for Uncertainty in Income Taxes*, the Foundation recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Foundation is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on the Foundation's financial statements. The Foundation's tax returns are subject to audit by various taxing authorities and its open audit periods are 2009 through 2011.

Subsequent Events - In accordance with ASC 855-10, the Foundation evaluated subsequent events through July 24, 2013, the date these financial statements were available to be issued.

Note 2. Investments / Fair Value of Financial Instruments

The Foundation uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect the Foundation's estimate about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available. The hierarchy is broken down into three levels as follows:

Level 1 Inputs - Valuations are based on unadjusted quoted prices within active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 Inputs - Valuations are based on one or more of the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 Inputs - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Notes to Financial Statements

In reference to the investments held by the Foundation, the following provides a brief description of the types of financial instruments, the methodology for estimating fair value, and the level within the hierarchy of the estimate.

Global Asset Allocation Funds - Global mutual funds that provide a portfolio of the three main asset classes - stocks, bonds and cash equivalents - in a variety of securities. These have quoted prices in active markets and are considered to be Level I in the hierarchy.

International and Domestic Equity Funds - Mutual funds investing in domestic and/or foreign securities with quoted prices in active markets. Equity mutual funds are generally considered to be Level I in the hierarchy. However, certain equity income mutual funds do not have quoted market prices in active markets and are considered to be a Level 2 in the hierarchy.

Fixed Income Funds - Mutual funds investing in high yielding, non-investment grade publicly traded fixed income securities with quoted prices in active markets. These mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain fixed income funds do not have quoted market prices in active markets and are considered to be a Level 2 in the hierarchy.

Alternative Investments - Funds and partnerships that invest in a variety of investments to include: private equity partnerships, real assets, hedge and opportunistic funds and real estate (collectively, alternative investments). These investments are valued using the net asset value (NAV) reported by each of the alternative investments as a practical expedient for determining the fair value of the investment. These are redeemable at NAV under the original terms of the agreements and operations of the underlying funds. As a general rule, alternative investments that could be redeemed at NAV are classified as Level 2, while those that could not be redeemed at NAV are classified as Level 3. Valuation techniques vary by fund and each is explained in detail with fair market value determinations then supported by the funds audited financial statements obtained by the Foundation. Due to the nature of the investments held by these funds, changes in market condition and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the interest in the fund. Additionally, changes to the liquidity provisions of the funds may also significantly impact the fair value of the fund.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Notes to Financial Statements

The Foundation's investments are measured at fair value on a recurring basis using the following input levels:

	<u>Total 2012</u>	<u>Quoted Prices in Active Markets: Level 1</u>	<u>Significant Other Inputs: Level 2</u>	<u>Significant Unobservable Inputs: Level 3</u>
Global Asset Allocation Funds	\$ 38,823,119	\$ 38,823,119	\$ -	\$ -
International Equity Funds	38,447,903	36,849,576	1,598,327	-
Domestic Equity Funds	37,058,612	37,058,612	-	-
Fixed Income Funds	41,310,646	16,163,328	25,147,318	-
Real Assets	14,333,023	8,039,353	6,293,670	-
Private Equity Partnerships	23,375,453	1,002,346	1,063,959	21,309,148
Hedge Funds and Opportunistic	33,924,600	1,770,687	28,552,563	3,601,350
Real Estate	1,677,919	-	-	1,677,919
Total	<u>\$228,951,275</u>	<u>\$ 139,707,021</u>	<u>\$ 62,655,837</u>	<u>\$ 26,588,417</u>

	<u>Total 2011</u>	<u>Quoted Prices in Active Markets: Level 1</u>	<u>Significant Other Inputs: Level 2</u>	<u>Significant Unobservable Inputs: Level 3</u>
Global Asset Allocation Funds	\$ 27,169,955	\$ 27,169,955	\$ -	\$ -
International Equity Funds	28,630,758	27,226,660	1,404,098	-
Domestic Equity Funds	30,397,634	30,231,519	166,115	-
Fixed Income Funds	31,892,069	20,712,471	11,179,598	-
Real Assets	23,407,691	16,557,205	3,904,053	2,946,433
Private Equity Partnerships	10,351,369	168,515	-	10,182,854
Hedge Funds and Opportunistic	28,684,395	360,288	21,058,703	7,265,404
Real Estate	686,751	-	-	686,751
Total	<u>\$ 181,220,622</u>	<u>\$ 122,426,613</u>	<u>\$ 37,712,567</u>	<u>\$ 21,081,442</u>

Earnings on all investments are as follows for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 8,987,727	\$ 3,766,750
Realized gain	\$ 5,382,437	\$ 6,500,628
Unrealized gain (loss)	\$ 18,411,916	\$ (11,008,087)

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Notes to Financial Statements

The following is a roll forward of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

	<u>Alternative Investments</u>
Balance - December 31, 2010	\$ 12,865,761
Reallocation/transfers between levels	1,397,443
Contributed capital	9,091,407
Distributions	(2,369,684)
Realized gains (net of fees)	1,350,021
Unrealized losses	(1,253,506)
Balance - December 31, 2011	<u>\$ 21,081,442</u>
Balance - December 31, 2011	\$ 21,081,442
Reallocation/transfers between levels	(1,638,070)
Contributed capital	7,971,462
Distributions	(3,782,304)
Realized gains (net of fees)	1,027,539
Unrealized gains	1,928,348
Balance - December 31, 2012	<u>\$ 26,588,417</u>

The contributed capital, distributions, fees, realized and unrealized gains and losses reported above are estimates when an individual manager utilizes multiple strategies. Additionally, several of the alternative investments report management fees as part of the realized gains and losses and as a result, these amounts have been netted above. Reallocations/transfers represent portfolio funds that changed asset classifications during 2012. Specific details of each funds transfers are supported by their audited financial statements.

Following is additional information related the Foundation's alternative investment whose fair value is not readily determinable:

Grosvenor Institutional Partners, L.P. - The Foundation had an investment in this fund of \$13,423,959 and \$12,401,640 as of December 31, 2012 and 2011, respectively. The fund is a multi-strategy hedge fund investing primarily in offshore investment funds, investment partnerships and pooled investment vehicles. The fund is subject to quarterly redemption with a 70 day notice period.

Permal Fixed Income Holdings - The Foundation had an investment in this fund of \$13,729,190 and \$12,495,134 as of December 31, 2012 and 2011, respectively. The fund is a hedge fund made up of a diversified fixed income portfolio with two sub-allocations; credit spread related strategies and non-credit spread fixed income strategies. The fund is subject to monthly redemption with a 20 day notice period.

Pinnacle Natural Resources, L.P. - The Foundation had an investment in this fund of \$3,266,790 and \$3,184,440 as of December 31, 2012 and 2011, respectively. The fund is a multi-manager hedge fund focused on active, fundamental, discretionary investment strategies in the global commodity markets. The fund currently has its largest allocations to managers in the energy, metals and agricultural commodities sectors; specifically natural gas, crude oil/refined products, electricity, corn, soybeans, wheat, copper and aluminum. The fund is subject to annual redemption on December 31 with an 180 day notice period.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Notes to Financial Statements

Aether Real Assets II, L.P. - The Foundation had an investment in this fund of \$724,242 and \$- as of December 31, 2012 and 2011, respectively. The fund is a private equity fund that employs an opportunistic approach to investing and embraces a broad definition of real assets, encompassing both established and emerging real asset categories and strategies. Investments are primarily in closed-end vehicles pursuing private investments in real assets and related sectors. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$4,277,379. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

SJC Offshore Capital Finance Fund, L.P. - The Foundation had an investment in this fund of \$2,100,168 and \$1,427,036 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund whose investment objective is to seek to generate superior contractual risk-adjusted returns by acquiring, participating and investing in interests in senior secured first lien revolving and term loans, senior secured second lien term loans, other types of secured hybrid debt instruments and other types of securities and investments. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$485,012. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

FR XII-A Parallel Vehicle, L.P. - The Foundation had an investment in this fund of \$4,053,608 and \$3,239,038 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund whose investment objective is to generate significant long-term capital appreciation primarily through privately negotiated equity and equity-related control investments. These investments will be solely in companies involved in the energy and natural resources industries. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$707,529. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Industry Ventures Fund VI, L.P. - The Foundation had an investment in this fund of \$1,787,896 and \$431,812 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund that invests primarily in private venture capital backed companies, venture capital funds and other private equity funds. The partnership's general strategy is to make investments in these companies and funds by purchasing them on the "secondary" market. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$1,410,000. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Newstone Capital Partners II, L.P. - The Foundation had an investment in this fund of \$1,859,517 and \$1,953,500 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund whose strategy is to invest primarily in debt and equity securities in connection with leveraged buyouts, recapitalizations and later-stage growth financings. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$3,139,047. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Permal Private Equity Opportunities III, L.P. - The Foundation had an investment in this fund of \$2,594,059 and \$1,831,404 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund who seeks to achieve long-term capital appreciation through the purchase of existing limited partnership interests in independently managed private equity funds from third parties seeking liquidity prior to the contractual termination of such funds. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$236,250. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Notes to Financial Statements

Perella Weinberg Partners ABV Opportunity Offshore Fund III B - The Foundation had an investment in this fund of \$2,184,004 and \$2,139,431 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund with the principle investment objective of achieving best risk adjusted returns. The funds may invest in physical, financial and/or intangible assets that include, but are not limited to, commercial and residential real estate, energy and renewable energy assets, equipment, infrastructure and physical commodities, consumer related assets, commercial real estate assets, insurance assets, commercial real estate loans and various intellectual property assets. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$2,061,153. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Private Advisors Small Company Buyout Fund V, L.P. - The Foundation had an investment in this fund of \$607,935 and \$- as of December 31, 2012 and 2011, respectively. The fund is a private equity fund that primarily focuses on growth equity and buyout strategies, but also includes distressed/turnaround and opportunistic strategies, with fund sizes typically below \$750 million and an emphasis on fund sizes below \$500 million. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$3,400,000. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Sigular Guff Distressed Opportunities Fund IV, L.P. - The Foundation had an investment in this fund of \$1,305,123 and \$667,051 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund that invests in pooled investment vehicles managed by investment managers and direct investments. Portfolio investments typically involve direct or indirect securities of companies undergoing financial distress, operating difficulties and significant restructuring. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$1,150,000. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Sigular Guff Distressed Opportunities Fund III, L.P. - The Foundation had an investment in this fund of \$3,638,195 and \$3,379,072 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund that invests in pooled investment vehicles managed by investment managers and direct investments. Portfolio investments typically involve direct or indirect securities of companies undergoing financial distress, operating difficulties and significant restructuring. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$840,000. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Tennenbaum DIP Opportunity Fund, LLC. - The Foundation had an investment in this fund of \$231,414 and \$221,154 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund that invests primarily in financial instruments issued in connection with debtor-in-possession financing arrangements. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$3,794,539. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Amberbrook V, LLC. - The Foundation had an investment in this fund of \$2,289,291 and \$2,088,530 as of December 31, 2012 and 2011, respectively. The fund is a private equity fund whose strategy is to create a highly diversified portfolio of assets by acquiring interest in venture capital, buyout and other private equity funds as well as private placements and secondary direct investments. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$180,373. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Notes to Financial Statements

AG Realty Fund VIII - The Foundation had an investment in this fund of \$843,474 and \$550,896 as of December 31, 2012 and 2011, respectively. The fund is a partnership whose principle objective is capital appreciation primarily through investments in distressed real estate assets and sub-performing and non-performing mortgages. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$1,637,500. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Carlyle Realty Partners Fund VI - The Foundation had an investment in this fund of \$834,445 and \$135,855 as of December 31, 2012 and 2011, respectively. The fund is a partnership whose primary activity is to invest in a broad range of real estate and real estate related assets. The fund invests directly or indirectly in any debt or equity interest in, or relating to, real estate assets or companies of any type. The amount of capital committed by the Foundation but not yet paid as of December 31, 2012 was \$1,586,983. The fund is not available for voluntary redemption but rather, redemption may occur upon dissolution of the fund.

Note 3. Grants Payable

Outstanding grants payable of \$586,312 and \$1,034,706 at December 31, 2012 and 2011, respectively. These are two separate grants representing grant initiatives that qualified for Internal Revenue Code Section 4942 set-aside treatment. The initial set aside began in 2007. The second set-aside was initiated in 2011. As stated in Note 1, "set-aside" projects under Section 4942 of the Internal Revenue Code are expensed in the period in which they were initially "set-aside". The remaining grant balance initiated in 2007 of \$363,525 was paid off during 2012. The second set aside balance of \$586,312 is expected to be paid off during 2014.

Note 4. Commitments

Operating Leases - In June 2011, the Foundation extended the noncancelable operating lease it began in September, 2006. The new seven year term from September 2011 to August 2018 calls for 2% annual increases in September of each year.

Future minimum lease payments are currently estimated as follows at December 31:

2013	\$ 84,139
2014	85,818
2015	87,526
2016	89,277
2017	91,062
Cumulative Thereafter	61,512
Total	<u>\$ 499,334</u>

Potential Future Grant Commitments - The Foundation has authorized potential future grant payments totaling \$12,959,216. These payments will be disbursed and expensed over the next four years on the condition that the grantees satisfy all requirements as detailed in the grant agreements.

Investments - The Foundation participates in several private equity investments requiring a total capital commitment from the Foundation of \$52.8 million. For the years ending December 31, 2012 and 2011, the Foundation funded capital contributions of \$8,151,128 and \$9,091,407, respectively. The cumulative capital contribution as of December 31, 2012 totals \$27,578,737 with the remaining total commitment of \$25.2 million to be funded periodically by the Foundation when capital calls are required through approximately 2018.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Notes to Financial Statements

Note 5. Amount Due From MVP Health Plan

In 2006, Preferred Care merged with another New York State not-for-profit plan, MVP Health Plan (MVP). In turn, MVP contributed \$200 million toward the development of the Foundation. As part of the Merger agreement, MVP further agreed to make additional capital payments to the Foundation of \$26.6 million and related interest income of \$5.4 million on January 6, 2012. These payments are subject to MVP's ability to fund the amounts on that date and are subordinated to the demands of other MVP creditors. These payments are also subject to approval of the New York State Department of Insurance.

On January 6, 2012 all remaining conditions regarding the additional capital payments were satisfied and the Foundation received payment as planned on January 6, 2012.

Note 6. Retirement Plan

The Foundation has a defined contribution retirement plan, with no eligibility restrictions. For the years ended December 31, 2012 and 2011, the plan provides an employer contribution of 5% and 4%, respectively, of the participant's gross wages plus an additional matching contribution of up to another 3% of the participant's gross wages. Accrued pension costs are funded currently and are calculated as a percentage of each participant's payroll. Pension expense was \$81,473 and \$72,534 for the years ended December 31, 2012 and 2011, respectively.

Note 7. Deferred Compensation Plan

During 2009, the Foundation adopted a 457 Deferred Compensation Plan for the purpose of allowing eligible employees to defer a portion of their compensation until retirement, death, or financial hardship. For the years ended December 31, 2012 and 2011, the Foundation made no contributions to this Plan.

Note 8. Supplemental Cash Flow Information

	<u>2012</u>	<u>2011</u>
Cash paid during the year for:		
Excise taxes	<u>\$ 149,751</u>	<u>\$ 184,525</u>

Note 9. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2011. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.

Note 10. Subsequent Events

Subsequent to year end, the Foundation made one new alternative investment commitment totaling \$4 million. This commitment is to be funded over the next several years.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Schedules of General and Administrative Expenses
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
General and Administrative Expenses		
Wages	\$ 1,163,567	\$ 1,102,595
Temporary help	7,987	2,166
Payroll taxes and employee benefits	265,007	238,694
Professional services	327,375	170,324
Travel expenses	11,130	12,777
Meetings and seminars	33,644	11,853
Forms and supplies	25,027	20,640
Dues and subscriptions	20,124	17,548
Repairs and maintenance	6,976	9,453
Insurance	19,079	14,999
Telephone	20,426	19,593
Occupancy	82,482	79,754
Postage and delivery	7,452	6,391
Depreciation	25,917	99,854
Total general and administrative expenses	\$ 2,016,193	\$ 1,806,641