

GREATER ROCHESTER HEALTH FOUNDATION

FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

GREATER ROCHESTER HEALTH FOUNDATION

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**DEJOY, KNAUF
& BLOOD LLP**

certified public accountants

Rochester, New York

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Greater Rochester Health Foundation:

We have audited the accompanying financial statements of Greater Rochester Health Foundation, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and change in net assets 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 auditors consider 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 Greater Rochester Health Foundation as of December 31, 2014 and 2013, 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 - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the accompanying statements of general and administrative expenses is presented for purposes of additional analysis and is 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 audits 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.

DeJoy, Knauf & Blood, LLP

July 14, 2015.

**DEJOY, KNAUF
& BLOOD LLP**

certified public accountants

GREATER ROCHESTER HEALTH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,018,062	\$ 975,157
Other current assets	82,406	209,050
Total current assets	2,100,468	1,184,207
INVESTMENTS	236,564,407	243,696,983
PROPERTY AND EQUIPMENT:		
Leasehold improvements	269,330	255,533
Furniture and fixtures	228,941	225,004
Office equipment	171,904	166,443
Software	201,985	202,235
	872,160	849,215
Less - accumulated depreciation	(739,841)	(668,357)
	132,319	180,858
TOTAL ASSETS	\$ 238,797,194	\$ 245,062,048
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 211,645	\$ 201,405
Grant payable	147,777	491,878
Other current liabilities	77,149	75,797
Total current liabilities	436,571	769,080
COMMITMENTS		
NET ASSETS	238,360,623	244,292,968
TOTAL LIABILITIES AND NET ASSETS	\$ 238,797,194	\$ 245,062,048

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

GREATER ROCHESTER HEALTH FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
NET REVENUE:		
Revenue -		
Interest and dividend income	\$ 5,773,691	\$ 3,735,092
Net realized and unrealized gains on investments	3,398,751	26,586,822
	9,172,442	30,321,914
Investment fees and taxes -		
Investment fees and related expenses	(3,388,532)	(2,731,805)
Excise taxes	(337,000)	(178,564)
	(3,725,532)	(2,910,369)
 Total net revenue	 5,446,910	 27,411,545
EXPENSES:		
Grants -		
Opportunity	3,186,309	3,414,666
Healthy weight	1,634,300	1,414,784
Community health	655,186	-
Neighborhood health status	410,269	1,475,153
Matching	121,400	105,500
Other	1,590,345	246,078
Total grants	7,597,809	6,656,181
 Program related administrative	 381,801	 401,763
Direct program -		
Healthy weight	1,063,643	1,278,175
Neighborhood health status	265,550	232,121
Opportunity	179,722	300,410
Other	157,943	84,000
Total direct program	1,666,858	1,894,706
 General and administrative (Exhibit I)	 1,732,787	 1,711,345
 Total expenses	 11,379,255	 10,663,995
 CHANGE IN NET ASSETS	 (5,932,345)	 16,747,550
 NET ASSETS , beginning of year	 244,292,968	 227,545,418
 NET ASSETS , end of year	 \$ 238,360,623	 \$ 244,292,968

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

**GREATER ROCHESTER HEALTH FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ (5,932,345)</u>	<u>\$ 16,747,550</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	71,484	28,731
Net realized and unrealized gains on investments	(3,398,751)	(26,586,822)
Decrease (increase) in other current assets	126,644	(179,725)
Increase (decrease) in accounts payable	10,240	(45,251)
Decrease in grant payable	(344,101)	(94,434)
Increase in other current liabilities	1,352	3,345
Total adjustments	<u>(3,533,132)</u>	<u>(26,874,156)</u>
Net cash used in operating activities	<u>(9,465,477)</u>	<u>(10,126,606)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from net sales of investments	10,531,327	10,796,942
Purchases of property and equipment	<u>(22,945)</u>	<u>(116,350)</u>
Net cash provided by investing activities	<u>10,508,382</u>	<u>10,680,592</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,042,905	553,986
CASH AND CASH EQUIVALENTS, beginning of year	<u>975,157</u>	<u>421,171</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,018,062</u></u>	<u><u>\$ 975,157</u></u>

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

GREATER ROCHESTER HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. ORGANIZATION

Greater Rochester Health Foundation (the “Health Foundation”) was created in 2006 when the not-for-profit MVP Health Plan (“MVP”) acquired the not-for-profit HMO Preferred Care (“Preferred Care”). The value of Preferred Care was returned to the community through MVP’s purchase price of \$232 million to create a foundation dedicated to improving the health of the Greater Rochester community, inclusive of Genesee, Livingston, Monroe, Ontario, Orleans, Seneca, Wayne, Wyoming, and Yates counties. Since its inception, the Health Foundation has acted as an independent foundation governed by a community-based board of directors and managed by a professional staff.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting -

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of estimates -

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Significant estimates include, but are not limited to, the fair value of investments, accrued excise taxes, and the depreciable lives of property and equipment. Accordingly, actual results could differ from these estimates.

Cash and cash equivalents -

Cash includes demand deposits with banks or financial institutions, on hand currency and other types of accounts that have the general characteristics of demand deposits.

Cash equivalents include all highly liquid investments available for current use with an initial maturity of three months or less.

The Health Foundation maintained balances in bank accounts that, at times, exceeded the federally insured limits during the years ended December 31, 2014 and 2013. The Health Foundation has not experienced losses relating to these deposits and management does not believe that the Health Foundation is exposed to any significant credit risk with respect to these amounts.

Investments -

Investments are reported at fair value (see Note 3). The Health Foundation invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the fair value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements (see Note 4).

Long-lived assets and depreciation -

Long-lived assets, including property and equipment, are generally stated at cost. However, the Health Foundation reviews long-lived assets to be held and used for possible impairment when events or changes in circumstances indicate their carrying amounts may not be recoverable. If such events or changes in circumstances are present, a loss is recognized to the extent the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2014 and 2013, there were no such impairments.

The Health Foundation's policy is to capitalize property and equipment in excess of \$500 which has a useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

Leasehold improvements	3 years
Furniture and fixtures	5 years
Office equipment	3 - 5 years
Software	3 years

Depreciation expense was \$71,484 and \$28,731 for the years ended December 31, 2014 and 2013, respectively.

Grants and grant payable -

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

Classifications of net assets -

To ensure observance of limitations and restrictions placed on the use of resources available to the Health Foundation, the accounts are maintained in accordance with GAAP. Resources are classified for accounting and reporting purposes into groups of net assets established according to their nature and purpose. Accordingly, all financial transactions are recorded and reported by net asset groups. At December 31, 2014 and 2013, all of the net assets of the Health Foundation are unrestricted.

Advertising and communication costs -

Advertising and communication costs are expensed as incurred and included within program expenses in the accompanying statements of activities and change in net assets. For the years ended December 31, 2014 and 2013, costs for program related community activities were approximately \$137,000 and \$271,000, respectively. For the years ended December 31, 2014 and 2013, costs for paid media to promote the “*Be a Healthy Hero*” campaign were approximately \$151,000 and \$27,000, respectively.

Income taxes -

The Health Foundation is a not-for-profit charitable foundation created under section 501(c)(3) of the Code.

In accordance with GAAP, the Health 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 Health Foundation is currently operating in compliance with the applicable requirements of the Code.

The Health Foundation is required to file annual returns with federal and New York State taxing authorities. As of December 31, 2014, the Health Foundation’s federal and state annual returns are no longer subject to examination by the respective taxing authorities for years prior to 2011.

Prior period reclassifications -

Certain reclassifications have been made to the prior year information to conform to the current year presentation.

3. INVESTMENTS

The Health Foundation's investment portfolio consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
Domestic equity	\$ 34,530,439	\$ 37,545,416
International equity	35,529,404	38,947,681
Global equity	12,993,215	13,617,195
Fixed income	28,290,767	33,538,997
Balanced	34,660,132	36,511,682
Hedge funds	33,985,438	32,923,679
Opportunistic	8,024,187	6,581,033
Private equity	21,813,812	14,026,801
Real assets	26,737,013	30,004,499
Total	<u>\$236,564,407</u>	<u>\$243,696,983</u>

The investment objective of the Health Foundation is to maximize total return of the investment portfolio, consistent with the standards of the prudent investor. The investment goal is that a real rate of return (after inflation) of at least 5% per year should be earned to protect and enhance the purchasing power of the investment portfolio. Assets of the investment portfolio are invested with the goal that unspent principal be preserved and enhanced over time. Capital preservation will be achieved through diversification of the investment portfolio. The spending policy of the Health Foundation is to expend 5% of the average fair market value of the preceding year's investment assets as qualifying distributions under the Code.

Domestic, international and global equity investments are held in separate accounts and commingled funds. These funds are invested (directly or indirectly) in publicly traded equity securities, which are listed on national exchanges.

Fixed income and balanced funds are held in commingled funds. These funds are invested (directly or indirectly) in investment grade corporate or government securities for which active trading markets exist.

Hedge funds, opportunistic, private equity and real assets of the Health Foundation are held in commingled funds, partnerships or other alternative structures. These investments are not traded on an active exchange and engage in a variety of investment strategies. These investments may invest in companies that are not immediately liquid, such as venture capital and real estate limited partnerships or private real estate investment trusts. These investments may also require that the Health Foundation contribute additional capital in future years.

4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Health Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- 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 by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These include assets or liabilities which have restrictions on their liquidity and assets or liabilities for which readily available market prices are not obtainable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Assets measured at fair value on a recurring basis at the measurement date of December 31, 2014 are presented below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity	\$25,142,393	\$ 9,388,046	\$ -	\$ 34,530,439
International equity	2,503,382	33,026,022	-	35,529,404
Global equity	12,993,215	-	-	12,993,215
Fixed income	25,205,498	-	3,085,269	28,290,767
Balanced	16,667,325	14,306,420	3,686,387	34,660,132
Hedge funds	-	31,674,393	2,311,045	33,985,438
Opportunistic	-	-	8,024,187	8,024,187
Private equity	-	-	21,813,812	21,813,812
Real assets	2,936,980	6,795,427	17,004,606	26,737,013
Total	<u>\$85,448,793</u>	<u>\$95,190,308</u>	<u>\$55,925,306</u>	<u>\$236,564,407</u>

Assets measured at fair value on a recurring basis at the measurement date of December 31, 2013 are presented below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity	\$27,358,011	\$ 10,187,405	\$ -	\$ 37,545,416
International equity	5,740,530	33,207,151	-	38,947,681
Global equity	13,617,195	-	-	13,617,195
Fixed income	17,034,102	8,681,694	7,823,201	33,538,997
Balanced	18,945,194	14,191,981	3,374,507	36,511,682
Hedge funds	-	30,901,529	2,022,150	32,923,679
Opportunistic	-	-	6,581,033	6,581,033
Private equity	-	-	14,026,801	14,026,801
Real assets	7,397,764	6,723,301	15,883,434	30,004,499
Total	<u>\$90,092,796</u>	<u>\$103,893,061</u>	<u>\$49,711,126</u>	<u>\$243,696,983</u>

The fair value of Level 1 assets, including domestic, international and global equity, fixed income, balanced funds and real assets, are obtained from the closing prices reported in active markets on which the individual securities are traded at the measurement date.

The fair value of certain investments, including domestic and international equity, fixed income, balanced funds, hedge funds and real assets, has been determined using Level 2 inputs consisting of the Net Asset Value (“NAV”) as reported by the management of the funds. Guidance under GAAP allows the Health Foundation to treat NAV as a practical expedient for determining the value of the asset if the investment manager calculates NAV according to GAAP and the Health Foundation has the ability to redeem the investment in the near term. The Health Foundation considers redemption periods of 90 days or less to be near term.

The fair value of certain investments, including fixed income, balanced funds, hedge funds, opportunistic, private equity and real assets, has been determined using Level 3 inputs. These forms of investment vehicles do not provide an NAV of shares held nor audited financial statements as of the measurement date. The Level 3 inputs reflect management’s estimate of the value of the investment based on the valuation as provided by the investment manager as of December 31, 2014 and 2013. Certain of these investments are not immediately redeemable by the Health Foundation and may require additional capital contributions as described below.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Health Foundation believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different fair value measurement at the reporting date.

There have been no changes in the fair value methodologies used at December 31, 2014 and 2013.

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

Balance - December 31, 2013	\$49,711,126
Contributed capital	16,529,554
Distributions	(11,783,235)
Dividends and interest	892,534
Investment fees and related expenses	(1,803,600)
Realized gains	1,580,457
Unrealized gains	798,470
Balance - December 31, 2014	<u>\$55,925,306</u>

The liquidity and required future commitments of Level 2 and Level 3 investments as of December 31, 2014 are presented below:

Investment	Type and strategy	Fair value	Redemption frequency	Notice period	Future commitments
SSgA S&P 500 Index	Domestic equity	\$ 9,388,046	Daily	None	\$ -
Silchester International Investors	International equity	19,614,775	Daily	None	-
International Value Equity Trust	International equity	6,829,745	Daily	None	-
Aberdeen Emerging Markets Smaller Companies Fund	International equity	6,581,502	Daily	None	-
BNY Mellon Emerging Markets Debt	International equity	3,085,269	Monthly	30 Days	-
MacKay Shields High Yield Active Core Fund L.P.	Fixed income	17,992,807	Daily	None	-
GMO GAAR	Balanced	15,934,422	Quarterly	70 Days	-
Grosvenor Institutional Partners, L.P.	Hedge fund	15,739,971	Monthly	20 Days	-
Permal Fixed Income Holdings	Hedge fund	2,311,045	Lock up	Aug. 2016	-
Orchard Landmark Limited	Hedge fund	4,106,540	Upon dissolution	N/A	438,815
Perella Weinberg Partners ABV Opportunity Offshore Fund III B	Opportunistic	2,707,848	Upon dissolution	N/A	1,549,125
Apollo European Fund II	Opportunistic	1,209,799	Upon dissolution	N/A	476,399
Frontpoint Offshore Capital Finance Fund, L.P.	Opportunistic	3,543,459	Upon dissolution	N/A	1,526,244
Monroe Capital Senior Secured Direct Loan Fund, L.P.	Private equity	2,801,849	Upon dissolution	N/A	1,751,231
Newstone Capital Partners II, L.P.	Private equity	2,445,543	Upon dissolution	N/A	437,500
Siguler Guff Distressed Opportunities Fund IV, L.P.	Private equity	2,679,563	Upon dissolution	N/A	1,736,000
Warburg Pincus Private Equity XI	Private equity	2,337,081	Upon dissolution	N/A	450,000
Industry Ventures Fund VI, L.P.	Private equity	2,252,430	Upon dissolution	N/A	240,000
Siguler Guff Distressed Opportunities Fund III, L.P.	Private equity	1,280,702	Upon dissolution	N/A	307,204
Amberbrook V, LLC	Private equity	1,443,354	Upon dissolution	N/A	2,512,690
Private Advisors Small Company Buyout Fund V, L.P.	Private equity	1,257,989	Upon dissolution	N/A	236,250
Permal Private Equity Opportunities III, L.P.	Private equity	771,281	Upon dissolution	N/A	2,168,086
Park Square Capital Credit Opportunities II, L.P.	Private equity	759,994	Upon dissolution	N/A	2,250,000
Industry Ventures Fund VII, L.P.	Private equity	240,567	Upon dissolution	N/A	4,848,330
Secondary Opportunities Fund III, L.P.	Private equity	5,161,163	Daily	10 Days	-
DWS Global Commodities QP Trust	Real assets	3,154,428	Upon dissolution	N/A	289,138
First Reserve XII-A Parallel Vehicle L.P.	Real assets	3,600,517	Annually	180 Day	-
Pinnacle Natural Resources, L.P.	Real assets	3,194,910	Monthly	30 Days	-
Van Eck Hard Assets Portfolio Ltd.	Real assets				

Investment	Type and strategy	Fair value	Redemption frequency	Notice period	Future commitments
Aether Real Assets II, L.P.	Real assets	2,443,965	Upon dissolution	N/A	2,535,777
Angelo Gordon Realty Fund VIII, L.P.	Real assets	2,237,282	Upon dissolution	N/A	657,380
Siguler Guff Distressed Real Estate Opportunities Fund II, L.P.	Real assets	1,682,342	Upon dissolution	N/A	3,300,000
Carlyle Realty Partners Fund VI, L.P.	Real assets	1,736,925	Upon dissolution	N/A	1,139,757
Aether Real Assets III, L.P.	Real assets	588,501	Upon dissolution	N/A	4,357,295
		<u>\$151,115,614</u>			<u>\$33,207,221</u>

The Health Foundation participates in certain investments requiring a total capital commitment from the Health Foundation of \$80,750,000. For the years ending December 31, 2014 and 2013, the Health Foundation funded capital contributions of \$16,529,554 and \$10,546,666, respectively. The cumulative capital contributions as of December 31, 2014 total \$47,542,779 with the remaining total commitment of \$33,207,221 to be funded periodically by the Health Foundation when capital calls are required through 2019.

5. GRANT PAYABLE

The Health Foundation has outstanding grants payable of \$147,777 and \$491,878 at December 31, 2014 and 2013, respectively. The Health Foundation recognizes certain grants representing grant initiatives that qualify for set-aside treatment under the Code. An initial set-aside grant payable was initiated in 2011 and the remaining \$147,777 is expected to be paid off during 2015, but is not required to be paid until 2016.

6. EXCISE TAXES

The Health Foundation is a private foundation and qualifies as a tax-exempt organization under the Code and corresponding New York provisions. Private foundations are subject to an excise tax on net investment income and may reduce their excise tax rate from 2% to 1% by exceeding a certain distribution target for the year. The Health Foundation's provision for current excise tax is based on a 2% rate on net investment income for each of the years ending December 31, 2014 and 2013. Certain of the Health Foundation's investments report taxable income from the partnership tax returns which may be different than investment income reported under GAAP and may be subject to unrelated business income tax. Complete information is not available at the time of issuance of the financial statements. As such, excise tax expense is estimated for financial statement purposes based on available information from the respective investments.

Excise taxes totaled \$337,000 and \$178,564 for the years ended December 31, 2014 and 2013, respectively.

7. COMMITMENTS

Operating leases -

The Health Foundation leases office space under a non-cancelable lease agreement that has been classified as an operating lease. The lease includes a seven year renewal option at the conclusion of the term of the agreement in August 2018. The Health Foundation also leases office equipment under a thirty-six month agreement. Total rent expense under these lease agreements was \$86,668 and \$84,132 for the years ended December 31, 2014 and 2013, respectively.

Estimated future rent expense under the lease agreements is as follows:

Year ending December 31,	
2015	\$ 90,924
2016	92,668
2017	93,607
2018	61,512
	<u>\$338,711</u>

Potential future grant commitments -

The Health Foundation has authorized potential future grant payments totaling \$3,986,135. These payments will be disbursed and expensed over the next two years on the condition that the grantees satisfy all requirements as detailed in the grant agreements. The Health Foundation reserves the authority to terminate grants with 45 days notice to grantees.

Investments -

At December 31, 2014, the Health Foundation has total capital commitments of \$33,207,221 (see Note 4).

8. RETIREMENT PLAN

The Health Foundation maintains a defined contribution retirement plan (the "Plan") covering substantially all of its employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. The Plan allows employees to defer a percentage of their compensation up to the maximum amount allowable under the Code. The Plan provides an employer contribution of 6% of the employee's gross wages plus an additional matching contribution of up to 3% of the employee's gross wages. The Health Foundation's contributions to the Plan totaled \$93,816 and \$94,700 for the years ended December 31, 2014 and 2013, respectively.

9. DEFERRED COMPENSATION PLAN

The Health Foundation maintains a deferred compensation plan, under Section 457 of the Code, for the purpose of allowing eligible employees to defer a portion of their compensation until retirement, death, or financial hardship. The Health Foundation did not make any contributions to this deferred compensation plan during the years ended December 31, 2014 and 2013.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for excise taxes was approximately \$226,500 and \$354,000 for the years ended December 31, 2014 and 2013, respectively.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 14, 2015, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the financial statements.

GREATER ROCHESTER HEALTH FOUNDATION
STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Wages	\$ 827,478	\$ 864,842
Professional services	312,478	382,567
Payroll taxes and employee benefits	197,883	172,929
Occupancy	85,814	84,132
Depreciation	71,484	28,731
Dues and subscriptions	50,459	22,604
Meetings and seminars	44,112	34,675
Forms and supplies	28,020	29,839
Insurance	22,910	19,929
Temporary help	21,435	18,530
Travel	20,910	10,669
Telephone	18,595	23,135
License fees	15,352	4,121
Repairs and maintenance	10,027	10,958
Postage and delivery	4,976	3,684
Equipment rental	854	-
	\$ 1,732,787	\$ 1,711,345

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