

**GREATER ROCHESTER HEALTH FOUNDATION**

FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016  
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, 2017 and 2016, 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, 2017 and 2016, 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.

## Report on 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 17, 2018.

**DEJOY, KNAUF  
& BLOOD LLP**

certified public accountants

**GREATER ROCHESTER HEALTH FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

|   | 2017           | 2016           |
|---|----------------|----------------|
| <b>ASSETS</b>                           |                |                |
| <b>CURRENT ASSETS:</b>                  |                |                |
| Cash and cash equivalents               | \$ 7,978,323   | \$ 452,314     |
| Other current assets                    | 71,572         | 40,892         |
| Total current assets                    | 8,049,895      | 493,206        |
| <b>INVESTMENTS</b>                      | 242,669,043    | 228,039,768    |
| <b>PROPERTY AND EQUIPMENT:</b>          |                |                |
| Leasehold improvements                  | 280,321        | 280,321        |
| Furniture and fixtures                  | 231,603        | 231,603        |
| Office equipment                        | 173,326        | 171,904        |
| Software                                | 201,985        | 201,985        |
|   | 887,235        | 885,813        |
| Less - accumulated depreciation         | (881,220)      | (868,176)      |
|   | 6,015          | 17,637         |
| <b>TOTAL ASSETS</b>                     | \$ 250,724,953 | \$ 228,550,611 |
| <b>LIABILITIES AND NET ASSETS</b>       |                |                |
| <b>CURRENT LIABILITIES:</b>             |                |                |
| Accounts payable                        | \$ 450,637     | \$ 313,721     |
| Other current liabilities               | 132,149        | 153,766        |
| Total current liabilities               | 582,786        | 467,487        |
| <b>COMMITMENTS</b>                      |                |                |
| <b>NET ASSETS</b>                       | 250,142,167    | 228,083,124    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | \$ 250,724,953 | \$ 228,550,611 |

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, 2017 AND 2016**

|  | 2017           | 2016           |
|--|----------------|----------------|
| <b>NET REVENUE:</b>                              |                |                |
| Revenue -  |                |                |
| Interest and dividend income                     | \$ 5,041,980   | \$ 5,103,116   |
| Net realized and unrealized gains on investments | 31,120,229     | 14,242,496     |
|  | 36,162,209     | 19,345,612     |
| Investment fees and taxes -                      |                |                |
| Investment fees and related expenses             | (2,816,427)    | (3,110,234)    |
| Excise taxes                                     | (335,000)      | (129,000)      |
|  | (3,151,427)    | (3,239,234)    |
| <br>   |                |                |
| Total net revenue                                | 33,010,782     | 16,106,378     |
| <br>   |                |                |
| <b>EXPENSES:</b>                                 |                |                |
| Grants -   |                |                |
| Opportunity                                      | 2,933,202      | 2,494,314      |
| Healthy weight                                   | 1,626,862      | 1,294,493      |
| Clinical services for older adults               | 941,298        | 975,795        |
| Neighborhood health status                       | 722,911        | 808,428        |
| Community health                                 | 509,088        | 548,994        |
| Matching   | 111,000        | 82,875         |
| Other  | 351,908        | 573,552        |
| Total grants                                     | 7,196,269      | 6,778,451      |
| <br>   |                |                |
| Program related administrative                   | 672,322        | 696,836        |
| <br>   |                |                |
| Direct program -                                 |                |                |
| Healthy weight                                   | 643,368        | 1,170,816      |
| Neighborhood health status                       | 272,103        | 335,383        |
| Healthy futures                                  | 256,169        | 422,923        |
| Opportunity                                      | 159,262        | 172,850        |
| Clinical services for older adults               | 19,120         | 64,130         |
| Other  | 251,297        | 675,157        |
| Total direct program                             | 1,601,319      | 2,841,259      |
| <br>   |                |                |
| General and administrative (Exhibit I)           | 1,481,829      | 1,583,601      |
| <br>   |                |                |
| Total expenses                                   | 10,951,739     | 11,900,147     |
| <br>   |                |                |
| <b>CHANGE IN NET ASSETS</b>                      | 22,059,043     | 4,206,231      |
| <br>   |                |                |
| <b>NET ASSETS</b> , beginning of year            | 228,083,124    | 223,876,893    |
| <br>   |                |                |
| <b>NET ASSETS</b> , end of year                  | \$ 250,142,167 | \$ 228,083,124 |

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, 2017 AND 2016**

|  | 2017                       | 2016                     |
|--|----------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                            |                          |
| Change in net assets   | <u>\$ 22,059,043</u>       | <u>\$ 4,206,231</u>      |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |                            |                          |
| Depreciation   | 13,044                     | 58,097                   |
| Net realized and unrealized gains on investments   | (31,120,229)               | (14,242,496)             |
| (Increase) decrease in other current assets  | (30,680)                   | 324,769                  |
| Increase in accounts payable   | 136,916                    | 36,303                   |
| (Decrease) increase in other current liabilities   | (21,617)                   | 123,371                  |
| Total adjustments  | <u>(31,022,566)</u>        | <u>(13,699,956)</u>      |
| Net cash used in operating activities  | <u>(8,963,523)</u>         | <u>(9,493,725)</u>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                            |                          |
| Proceeds from sales of investments   | 70,274,161                 | 45,220,408               |
| Purchases of investments   | <u>(53,784,629)</u>        | <u>(37,213,238)</u>      |
| Net cash provided by investing activities  | <u>16,489,532</u>          | <u>8,007,170</u>         |
| <b>NET INCREASE (DECREASE) IN CASH<br/>AND CASH EQUIVALENTS</b>                            | 7,526,009                  | (1,486,555)              |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | <u>452,314</u>             | <u>1,938,869</u>         |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <u><u>\$ 7,978,323</u></u> | <u><u>\$ 452,314</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, 2017 AND 2016**

**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 its 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 periods. 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, 2017 and 2016. 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 or the net asset value (“NAV”) practical expedient (see Note 4). 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, 2017 and 2016, there were no such impairments.

The Health Foundation’s policy is to capitalize property and equipment in excess of \$1,000 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       | 5 years |
| Software               | 3 years |

Depreciation expense was \$13,044 and \$58,097 for the years ended December 31, 2017 and 2016, respectively.

#### Grants -

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, 2017 and 2016, 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 related administrative expenses in the accompanying statements of activities and change in net assets. For the years ended December 31, 2017 and 2016, costs for program related advertising and communication activities were approximately \$107,000 and \$498,000, 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, 2017, the Health Foundation's federal and state annual returns are no longer subject to examination by the respective taxing authorities for years prior to 2014.

#### Recent accounting pronouncements -

For the year ending December 31, 2018, the Health Foundation will adopt Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Under this new guidance, the existing categories of unrestricted net assets, temporarily and permanently restricted net assets will be modified to become 1) *without* donor restrictions and 2) *with* donor restrictions. The existence and purpose of any board designated amounts within net assets without donor restrictions will be presented. Additional disclosures will be required for the liquidity of financial assets available for the general expenditures of the organization within one year including any assets and lines of credit. The reporting of expenses by function and natural classification will include a description of those expenses that are allocated between programs and supporting services and the specific methods used for those allocations. The Health Foundation is currently evaluating the impact the adoption of this guidance will have on its financial statements.

ASU 2016-02, *Leases*, is effective for the year ending December 31, 2020. This guidance impacts the presentation of an entity's leasing activities and will require the recognition of lease (right-of-use) assets and related lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements. The Health Foundation is currently evaluating the impact the adoption of this guidance will have on its financial statements

Prior year reclassifications -

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

### 3. INVESTMENTS

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

|                      | 2017                 | 2016                 |
|----------------------|----------------------|----------------------|
| Domestic equity      | \$ 61,913,336        | \$ 39,680,165        |
| International equity | 54,027,248           | 38,167,184           |
| Global equity        | -                    | 16,395,122           |
| Fixed income         | 38,519,316           | 26,747,450           |
| Balanced             | -                    | 15,587,567           |
| Hedge funds          | 26,843,465           | 25,467,381           |
| Opportunistic        | 5,044,739            | 7,231,705            |
| Private equity       | 35,473,660           | 34,072,461           |
| Real assets          | 20,847,279           | 24,690,733           |
| Total                | <u>\$242,669,043</u> | <u>\$228,039,768</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 (see Note 4).

#### 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, 2017 are presented below:

|                      | NAV practical expedient | Level 1               | Level 2              | Level 3              | Total                 |
|----------------------|-------------------------|-----------------------|----------------------|----------------------|-----------------------|
| Domestic equity      | \$ -                    | \$ 61,913,336         | \$ -                 | \$ -                 | \$ 61,913,336         |
| International equity | 43,465,540              | 10,561,708            | -                    | -                    | 54,027,248            |
| Fixed income         | -                       | 38,519,316            | -                    | -                    | 38,519,316            |
| Hedge funds          | 14,489,386              | -                     | 12,354,079           | -                    | 26,843,465            |
| Opportunistic        | -                       | -                     | -                    | 5,044,739            | 5,044,739             |
| Private equity       | -                       | -                     | -                    | 35,473,660           | 35,473,660            |
| Real assets          | 4,670,937               | -                     | -                    | 16,176,342           | 20,847,279            |
| Total                | <u>\$ 62,625,863</u>    | <u>\$ 110,994,360</u> | <u>\$ 12,354,079</u> | <u>\$ 56,694,741</u> | <u>\$ 242,669,043</u> |

Assets measured at fair value on a recurring basis at the measurement date of December 31, 2016 are presented below:

|                      | NAV practical expedient | Level 1              | Level 2              | Level 3              | Total                 |
|----------------------|-------------------------|----------------------|----------------------|----------------------|-----------------------|
| Domestic equity      | \$ -                    | \$ 39,680,165        | \$ -                 | \$ -                 | \$ 39,680,165         |
| International equity | 33,984,952              | 4,182,232            | -                    | -                    | 38,167,184            |
| Global equity        | -                       | 16,395,122           | -                    | -                    | 16,395,122            |
| Fixed income         | -                       | 26,747,450           | -                    | -                    | 26,747,450            |
| Balanced             | -                       | 12,528,328           | -                    | 3,059,239            | 15,587,567            |
| Hedge funds          | 13,821,067              | -                    | 11,646,314           | -                    | 25,467,381            |
| Opportunistic        | -                       | -                    | -                    | 7,231,705            | 7,231,705             |
| Private equity       | -                       | -                    | -                    | 34,072,461           | 34,072,461            |
| Real assets          | 9,028,428               | -                    | -                    | 15,662,305           | 24,690,733            |
| Total                | <u>\$ 56,834,447</u>    | <u>\$ 99,533,297</u> | <u>\$ 11,646,314</u> | <u>\$ 60,025,710</u> | <u>\$ 228,039,768</u> |

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

The tables above reflect the reporting of investments for which fair value is measured using the NAV as a practical expedient. The Health Foundation has no unfunded commitments related to any of these investments. In addition, these investments have redemption restrictions varying from daily with no notice period to annually with notice of 180 days. The NAV practical expedient is included to permit reconciliation between the fair value tables and the statements of financial position.

The fair value of certain investments, including balanced funds, opportunistic, private equity and real assets, has been determined using Level 3 inputs. These forms of investment vehicles do not provide a NAV of shares held or 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, 2017 and 2016. 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.

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

|                                      |                      |
|--------------------------------------|----------------------|
| Balance - December 31, 2016          | \$ 60,025,710        |
| Contributed capital                  | 8,854,949            |
| Distributions                        | (15,947,417)         |
| Dividends and interest               | 1,748,849            |
| Investment fees and related expenses | (1,386,301)          |
| Realized gains                       | 3,103,387            |
| Unrealized gains                     | 295,564              |
| Balance - December 31, 2017          | <u>\$ 56,694,741</u> |

The liquidity and required future commitments of Level 2 and Level 3 investments as of December 31, 2017 are presented below:

| Investment  | Type and strategy | Fair value   | Redemption frequency | Notice period | Future commitments |
|---|-------------------|--------------|----------------------|---------------|--------------------|
| Grosvenor Institutional Partners, L.P.                  | Hedge fund        | \$12,354,079 | Quarterly            | 70 days       | \$ -               |
| Apollo European Fund II                                 | Opportunistic     | 2,414,593    | Upon dissolution     | N/A           | 950,608            |
| Perella Weinberg Partners ABV                           | Opportunistic     | 2,309,795    | Upon dissolution     | N/A           | 57,911             |
| Opportunity Offshore Fund III B                         |                   |              |                      |               |                    |
| OHA Strategic Credit Fund II (Offshore), L.P.           | Opportunistic     | 194,776      | Upon dissolution     | N/A           | 3,800,000          |
| Frontpoint - SJC Offshore Capital Finance Fund, L.P.    | Opportunistic     | 125,575      | Upon dissolution     | N/A           | 457,603            |
| Monroe Capital Senior Secured Direct Loan Fund, L.P.    | Private equity    | 4,264,130    | Upon dissolution     | N/A           | 491,748            |
| RCP Fund I Feeder, L.P.                                 | Private equity    | 4,100,391    | Upon dissolution     | N/A           | 713,683            |
| Warburg Pincus Private Equity XI                        | Private equity    | 3,673,247    | Upon dissolution     | N/A           | -                  |
| Secondary Opportunities Fund III, L.P.                  | Private equity    | 3,518,652    | Upon dissolution     | N/A           | 120,000            |
| Private Advisors Small Company Buyout Fund V, L.P.      | Private equity    | 3,231,056    | Upon dissolution     | N/A           | 819,781            |
| Industry Ventures Secondary Fund VII, L.P.              | Private equity    | 2,925,057    | Upon dissolution     | N/A           | 420,000            |
| Park Square Capital Credit Opportunities II (USD), L.P. | Private equity    | 2,668,761    | Upon dissolution     | N/A           | 706,221            |
| Highbar Partners III, L.P.                              | Private equity    | 2,364,936    | Upon dissolution     | N/A           | 2,384,693          |
| Private Advisors Small Company Coinvestment Fund, L.P.  | Private equity    | 2,177,550    | Upon dissolution     | N/A           | 2,960,000          |
| Industry Ventures Fund VI, L.P.                         | Private equity    | 1,581,400    | Upon dissolution     | N/A           | 240,000            |
| Newstone Capital Partners II, L.P.                      | Private equity    | 1,273,900    | Upon dissolution     | N/A           | 304,696            |
| Siguler Guff Distressed Opportunities Fund IV, L.P.     | Private equity    | 1,235,063    | Upon dissolution     | N/A           | 212,500            |
| Siguler Guff Distressed Opportunities Fund III, L.P.    | Private equity    | 839,754      | Upon dissolution     | N/A           | -                  |
| Monomoy Capital Partners III, L.P.                      | Private equity    | 530,204      | Upon dissolution     | N/A           | 4,356,967          |
| Amberbrook V, LLC                                       | Private equity    | 461,755      | Upon dissolution     | N/A           | 278,533            |
| Industry Ventures Fund VIII, L.P.                       | Private equity    | 334,166      | Upon dissolution     | N/A           | 2,700,000          |
| Glouston Private Equity Opportunities III, L.P.         | Private equity    | 293,638      | Upon dissolution     | N/A           | 236,250            |
| Aether Real Assets III, L.P.                            | Real assets       | 4,722,673    | Upon dissolution     | N/A           | 1,424,300          |

| <b>Investment</b>   | <b>Type and strategy</b> | <b>Fair value</b>   | <b>Redemption frequency</b> | <b>Notice period</b> | <b>Future commitments</b> |
|---|--------------------------|---------------------|-----------------------------|----------------------|---------------------------|
| Siguler Guff Distressed Real Estate Opportunities Fund II, L.P. | Real assets              | \$ 4,338,249        | Upon dissolution            | N/A                  | \$ 1,020,000              |
| Aether Real Assets II, L.P.                                     | Real assets              | 3,809,640           | Upon dissolution            | N/A                  | 681,374                   |
| AG Realty Fund VIII, L.P.                                       | Real assets              | 1,379,180           | Upon dissolution            | N/A                  | 385,447                   |
| First Reserve XII-A Parallel Vehicle L.P.                       | Real assets              | 1,347,266           | Upon dissolution            | N/A                  | 103,344                   |
| Carlyle Realty Partners Fund VI, L.P.                           | Real assets              | 579,334             | Upon dissolution            | N/A                  | 1,644,658                 |
|   |                          | <u>\$69,048,820</u> |                             |                      | <u>\$27,470,317</u>       |

The Health Foundation participates in certain investments requiring a total capital commitment from the Health Foundation of \$106,750,000. For the years ending December 31, 2017 and 2016, the Health Foundation funded capital contributions of \$8,678,004 and \$13,281,731, respectively. The cumulative capital contributions as of December 31, 2017 total \$79,279,683 with the remaining total commitment of \$27,470,317 to be funded periodically by the Health Foundation when capital calls are required through 2021.

## 5. EXCISE TAXES

The Health Foundation is a private foundation and qualifies as a tax-exempt organization under the Code and corresponding New York State taxing authority 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, 2017 and 2016. 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 were approximately \$335,000 and \$129,000 for the years ended December 31, 2017 and 2016, respectively.

## 6. 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 expires in August 2018 and has been amended to renew the term of the lease through February 2020. The Health Foundation also leases office equipment under lease agreements that have been classified as operating leases. Total rent expense under these lease agreements was \$98,308 and \$101,275 for the years ended December 31, 2017 and 2016, respectively.

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

| Year ending December 31, |                  |
|--------------------------|------------------|
| 2018                     | \$ 94,312        |
| 2019                     | 90,312           |
| 2020                     | 18,124           |
| 2021                     | 39               |
|                          | <u>\$202,787</u> |

Potential future grant commitments -

The Health Foundation has authorized potential future grant payments totaling \$3,047,368. 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, 2017, the Health Foundation has total capital commitments of \$27,470,317 (see Note 4).

## **7. 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 7% 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 \$128,533 and \$127,505 for the years ended December 31, 2017 and 2016, respectively.

## **8. 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, 2017 and 2016.

## **9. SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for excise taxes was approximately \$260,000 and \$176,500 for the years ended December 31, 2017 and 2016, respectively.



## **10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 17, 2018, 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, 2017 AND 2016**

|                                     | <u>2017</u>         | <u>2016</u>         |
|-------------------------------------|---------------------|---------------------|
| Wages                               | \$ 824,953          | \$ 807,255          |
| Payroll taxes and employee benefits | 232,180             | 208,860             |
| Professional services               | 147,070             | 226,539             |
| Occupancy                           | 91,067              | 89,320              |
| Charitable donations                | 31,939              | 29,750              |
| Insurance                           | 22,475              | 22,941              |
| Forms and supplies                  | 21,530              | 22,406              |
| Telephone                           | 20,887              | 22,107              |
| Dues and subscriptions              | 20,170              | 17,393              |
| Meetings and seminars               | 14,705              | 17,815              |
| Travel                              | 13,715              | 18,276              |
| Depreciation                        | 13,044              | 58,097              |
| License fees                        | 10,017              | 13,278              |
| Repairs and maintenance             | 8,558               | 11,652              |
| Equipment rental                    | 7,241               | 11,955              |
| Postage and delivery                | 2,278               | 5,957               |
|                                     | <u>\$ 1,481,829</u> | <u>\$ 1,583,601</u> |

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