

**GREATER ROCHESTER HEALTH FOUNDATION**

FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT

**GREATER ROCHESTER HEALTH FOUNDATION**

**TABLE OF CONTENTS**

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND 2014 AND FOR THE YEARS THEN ENDED:	
Statements of financial position	1
Statements of activities and change in net assets	2
Statements of cash flows	3
Notes to financial statements	4 - 13
SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014:	
Statements of general and administrative expenses	14

**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, 2015 and 2014, 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, 2015 and 2014, 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, Krauf & Blood, LLP*

December 1, 2016.

**DEJOY, KNAUF  
& BLOOD LLP**

certified public accountants

**GREATER ROCHESTER HEALTH FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,938,869	\$ 2,018,062
Other current assets	365,661	82,406
Total current assets	2,304,530	2,100,468
<b>INVESTMENTS</b>	221,804,442	236,564,407
<b>PROPERTY AND EQUIPMENT:</b>		
Leasehold improvements	280,321	269,330
Furniture and fixtures	231,603	228,941
Office equipment	171,904	171,904
Software	201,985	201,985
	885,813	872,160
Less - accumulated depreciation	(810,079)	(739,841)
	75,734	132,319
<b>TOTAL ASSETS</b>	<b>\$ 224,184,706</b>	<b>\$ 238,797,194</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 277,418	\$ 211,645
Grant payable	-	147,777
Other current liabilities	30,395	77,149
Total current liabilities	307,813	436,571
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>	223,876,893	238,360,623
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 224,184,706</b>	<b>\$ 238,797,194</b>

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, 2015 AND 2014**

	2015	2014
<b>NET REVENUE:</b>		
Revenue -		
Interest and dividend income	\$ 5,601,190	\$ 5,773,691
Net realized and unrealized gains (losses) on investments	(5,074,737)	3,398,751
	526,453	9,172,442
Investment fees and taxes -		
Investment fees and related expenses	(2,960,962)	(3,388,532)
Excise taxes	(98,000)	(337,000)
	(3,058,962)	(3,725,532)
Total net revenue (loss)	(2,532,509)	5,446,910
<b>EXPENSES:</b>		
Grants -		
Opportunity	2,623,107	3,186,309
Healthy weight	1,545,493	1,634,300
Clinical services for older adults	1,333,471	-
Neighborhood health status	682,774	410,269
Community health	646,380	655,186
Matching	104,554	121,400
Other	645,517	1,590,345
Total grants	7,581,296	7,597,809
Program related administrative	499,385	425,833
Direct program -		
Healthy weight	1,357,842	1,063,643
Neighborhood health status	268,082	265,550
Children's social and emotional health	251,187	-
Opportunity	160,564	179,722
Clinical services for older adults	37,300	-
Other	293,956	157,943
Total direct program	2,368,931	1,666,858
General and administrative (Exhibit I)	1,501,609	1,688,755
Total expenses	11,951,221	11,379,255
<b>CHANGE IN NET ASSETS</b>	(14,483,730)	(5,932,345)
<b>NET ASSETS, beginning of year</b>	238,360,623	244,292,968
<b>NET ASSETS, end of year</b>	\$ 223,876,893	\$ 238,360,623

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, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ (14,483,730)</u>	<u>\$ (5,932,345)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	70,238	71,484
Net realized and unrealized (gains) losses on investments	5,074,737	(3,398,751)
(Increase) decrease in other current assets	(283,255)	126,644
Increase in accounts payable	65,773	10,240
Decrease in grant payable	(147,777)	(344,101)
(Decrease) increase in other current liabilities	(46,754)	1,352
Total adjustments	<u>4,732,962</u>	<u>(3,533,132)</u>
Net cash used in operating activities	<u>(9,750,768)</u>	<u>(9,465,477)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	34,208,299	47,480,600
Purchases of investments	(24,523,071)	(36,949,273)
Purchases of property and equipment	(13,653)	(22,945)
Net cash provided by investing activities	<u>9,671,575</u>	<u>10,508,382</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(79,193)	1,042,905
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>2,018,062</u>	<u>975,157</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 1,938,869</u></u>	<u><u>\$ 2,018,062</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, 2015 AND 2014**

**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, 2015 and 2014. 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, 2015 and 2014, 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	5 years
Software	3 years

Depreciation expense was \$70,238 and \$71,484 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014, costs for program related advertising and communication activities were approximately \$486,000 and \$288,000, 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, 2015, the Health Foundation's federal and state annual returns are no longer subject to examination by the respective taxing authorities for years prior to 2012.

#### Recently adopted accounting pronouncements -

The Health Foundation has adopted new guidance under GAAP related to the presentation of the fair value measurement of certain investments that calculate net asset value per share (or its equivalent). This guidance requires the Health Foundation to report investments that use net asset value ("NAV") as a practical expedient for valuation purposes separately from other investments categorized in the fair value hierarchy described in Note 4. This disclosure change has been applied retrospectively as of December 31, 2014.

#### 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>2015</u>	<u>2014</u>
Domestic equity	\$ 28,246,524	\$ 34,530,439
International equity	34,033,267	35,529,404
Global equity	14,034,078	12,993,215
Fixed income	25,573,113	28,290,767
Balanced	24,159,453	34,660,132
Hedge funds	33,529,183	33,985,438
Opportunistic	7,562,825	8,024,187
Private equity	27,203,365	21,813,812
Real assets	27,462,634	26,737,013
Total	<u>\$221,804,442</u>	<u>\$236,564,407</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, 2015 are presented below:

	NAV practical expedient	Level 1	Level 2	Level 3	Total
Domestic equity	\$ 5,061,953	\$23,184,571	\$ -	\$ -	\$ 28,246,524
International equity	31,752,552	2,280,715	-	-	34,033,267
Global equity	-	14,034,078	-	-	14,034,078
Fixed income	-	25,573,113	-	-	25,573,113
Balanced	-	21,286,012	-	2,873,441	24,159,453
Hedge funds	15,192,346	-	15,886,182	2,450,655	33,529,183
Opportunistic	-	-	-	7,562,825	7,562,825
Private equity	-	-	-	27,203,365	27,203,365
Real assets	13,241,890	1,440,320	-	12,780,424	27,462,634
Total	<u>\$65,248,741</u>	<u>\$87,798,809</u>	<u>\$15,886,182</u>	<u>\$52,870,710</u>	<u>\$221,804,442</u>

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

	NAV practical expedient	Level 1	Level 2	Level 3	Total
Domestic equity	\$ 9,388,046	\$25,142,393	\$ -	\$ -	\$ 34,530,439
International equity	33,026,022	2,503,382	-	-	35,529,404
Global equity	-	12,993,215	-	-	12,993,215
Fixed income	-	25,205,498	-	3,085,269	28,290,767
Balanced	14,306,420	16,667,325	-	3,686,387	34,660,132
Hedge funds	15,739,971	-	15,934,422	2,311,045	33,985,438
Opportunistic	-	-	-	8,024,187	8,024,187
Private equity	-	-	-	21,813,812	21,813,812
Real assets	6,795,427	2,936,980	-	17,004,606	26,737,013
Total	<u>\$79,255,886</u>	<u>\$85,448,793</u>	<u>\$15,934,422</u>	<u>\$55,925,306</u>	<u>\$236,564,407</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 tables above have been retroactively restated to reflect the reporting of investments for which fair value is measured using the NAV as a practical expedient. At December 31, 2014, these investments were valued using Level 2 or Level 3 inputs. 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 statement of financial position.

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 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, 2015 and 2014. 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 of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance - December 31, 2014	\$55,925,306
Contributed capital	14,857,278
Distributions	(15,151,194)
Transfer to NAV practical expedient	(3,875,296)
Dividends and interest	1,966,604
Investment fees and related expenses	(1,632,928)
Realized gains	2,446,626
Unrealized losses	(1,665,686)
Balance - December 31, 2015	<u>\$52,870,710</u>

The liquidity and required future commitments of Level 2 and Level 3 investments as of December 31, 2015 are presented below:

Investment	Type and strategy	Fair value	Redemption frequency	Notice period	Future commitments
GMO GAAR	Balanced	\$ 2,873,441	Monthly	14 days	\$ -
Grosvenor Institutional Partners, L.P.	Hedge fund	15,886,182	Quarterly	70 Days	-
Orchard Landmark Limited	Hedge fund	2,450,655	Lock up	Aug. 2016	-
Perella Weinberg Partners ABV Opportunity Offshore Fund III B	Opportunistic	4,040,546	Upon dissolution	N/A	57,911
Apollo European Fund II	Opportunistic	2,925,219	Upon dissolution	N/A	1,380,882
Frontpoint Offshore Capital Finance Fund, L.P.	Opportunistic	597,060	Upon dissolution	N/A	457,603
Monroe Capital Senior Secured Direct Loan Fund, L.P.	Private equity	4,586,038	Upon dissolution	N/A	491,748
Warburg Pincus Private Equity XI	Private equity	3,840,363	Upon dissolution	N/A	630,000
Private Advisors Small Company Buyout Fund V, L.P.	Private equity	2,376,908	Upon dissolution	N/A	1,733,174
Siguler Guff Distressed Opportunities Fund IV, L.P.	Private equity	2,316,807	Upon dissolution	N/A	343,750
RCP Fund I Feeder, L.P.	Private equity	2,169,780	Upon dissolution	N/A	3,173,320
Industry Ventures Fund VI, L.P.	Private equity	2,015,185	Upon dissolution	N/A	316,500
Newstone Capital Partners II, L.P.	Private equity	1,983,517	Upon dissolution	N/A	1,037,290
Industry Ventures Fund VII, L.P.	Private equity	1,852,234	Upon dissolution	N/A	1,230,000
Siguler Guff Distressed Opportunities Fund III, L.P.	Private equity	1,764,241	Upon dissolution	N/A	120,000
Park Square Capital Credit Opportunities II, L.P.	Private equity	1,136,929	Upon dissolution	N/A	1,840,539

<b>Investment</b>	<b>Type and strategy</b>	<b>Fair value</b>	<b>Redemption frequency</b>	<b>Notice period</b>	<b>Future commitments</b>
Secondary Opportunities Fund III, L.P.	Private equity	933,569	Upon dissolution	N/A	4,188,683
Amberbrook V, LLC	Private equity	900,557	Upon dissolution	N/A	297,000
Permal Private Equity Opportunities III, L.P.	Private equity	836,506	Upon dissolution	N/A	236,250
Highbur Partners III, L.P.	Private equity	490,731	Upon dissolution	N/A	1,974,902
Monomoy Capital Partners III, L.P.	Private equity	-	Upon dissolution	N/A	5,000,000
First Reserve XII-A Parallel Vehicle L.P.	Real assets	1,594,189	Upon dissolution	N/A	259,814
Aether Real Assets II, L.P.	Real assets	3,307,398	Upon dissolution	N/A	1,604,372
Angelo Gordon Realty Fund VIII, L.P.	Real assets	1,954,293	Upon dissolution	N/A	410,505
Siguler Guff Distressed Real Estate Opportunities Fund II, L.P.	Real assets	2,722,570	Upon dissolution	N/A	2,300,000
Carlyle Realty Partners Fund VI, L.P.	Real assets	1,472,767	Upon dissolution	N/A	1,463,969
Aether Real Assets III, L.P.	Real assets	1,729,207	Upon dissolution	N/A	3,366,115
		<u>\$68,756,892</u>			<u>\$33,914,327</u>

The Health Foundation participates in certain investments requiring a total capital commitment from the Health Foundation of \$93,240,000. For the years ending December 31, 2015 and 2014, the Health Foundation funded capital contributions of \$17,857,278 and \$16,529,554, respectively. The cumulative capital contributions as of December 31, 2015 total \$59,325,673 with the remaining total commitment of \$33,914,327 to be funded periodically by the Health Foundation when capital calls are required through 2021.

## 5. GRANT PAYABLE

The Health Foundation had an outstanding grant payable of \$147,777 at December 31, 2014. 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 was paid in full during the year ended December 31, 2015.

## 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 1% and 2% rate on net investment income for the years ending December 31, 2015 and 2014, respectively. 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 \$98,000 and \$337,000 for the years ended December 31, 2015 and 2014, 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 \$92,934 and \$86,668 for the years ended December 31, 2015 and 2014, respectively.

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

Year ending December 31,	
2016	\$ 92,668
2017	93,607
2018	61,512
	<u>\$247,787</u>

Potential future grant commitments -

The Health Foundation has authorized potential future grant payments totaling \$5,313,731. 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, 2015, the Health Foundation has total capital commitments of \$33,914,327 (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 provided 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. Effective January 1, 2015, the Plan was amended to increase the employer contribution to 7% of employee gross wages. The Health Foundation's contributions to the Plan totaled \$126,104 and \$133,067 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014.

## **10. SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for excise taxes was approximately \$237,600 and \$226,500 for the years ended December 31, 2015 and 2014, respectively.

## **11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 1, 2016, 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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Wages	\$ 712,681	\$ 827,478
Professional services	242,436	312,478
Payroll taxes and employee benefits	213,613	178,851
Occupancy	87,531	85,814
Depreciation	70,238	71,484
Dues and subscriptions	28,270	25,459
Forms and supplies	25,408	28,020
Insurance	24,935	22,910
Meetings and seminars	24,401	44,112
Telephone	21,104	18,595
Travel	16,047	20,910
License fees	12,268	15,352
Repairs and maintenance	11,717	10,027
Postage and delivery	5,458	4,976
Equipment rental	5,403	854
Temporary help	99	21,435
	<u>\$ 1,501,609</u>	<u>\$ 1,688,755</u>

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