

GREATER ROCHESTER HEALTH FOUNDATION

FINANCIAL STATEMENTS
DECEMBER 31, 2018
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

**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 statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses 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 audit. We conducted our audit 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Greater Rochester Health Foundation's 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DeJoy, Knauf & Blood, LLP

July 9, 2019.

GREATER ROCHESTER HEALTH FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(with comparative totals as of December 31, 2017)

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,670,924	\$ 7,978,323
Other current assets	179,347	71,572
Total current assets	13,850,271	8,049,895
INVESTMENTS	217,279,655	242,669,043
PROPERTY AND EQUIPMENT:		
Leasehold improvements	290,268	280,321
Furniture and fixtures	231,603	231,603
Office equipment	214,718	173,326
Software	201,985	201,985
	938,574	887,235
Less - accumulated depreciation	(892,818)	(881,220)
	45,756	6,015
TOTAL ASSETS	\$ 231,175,682	\$ 250,724,953
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 358,540	\$ 450,637
Other current liabilities	126,606	132,149
Total current liabilities	485,146	582,786
COMMITMENTS		
NET ASSETS WITHOUT DONOR RESTRICTIONS	230,690,536	250,142,167
TOTAL LIABILITIES AND NET ASSETS	\$ 231,175,682	\$ 250,724,953

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

GREATER ROCHESTER HEALTH FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018	2017
INVESTMENT RETURN (LOSS), NET OF EXCISE TAXES:		
Investment return (loss), net	\$ (7,658,710)	\$ 33,345,782
Excise taxes	(191,000)	(335,000)
Total investment return (loss), net of excise taxes	(7,849,710)	33,010,782
OTHER SUPPORT:		
Donated services	123,000	-
EXPENSES:		
Program grants -		
Healthy futures	3,518,130	-
Opportunity	2,034,867	2,933,202
Clinical services for older adults	715,164	941,298
Neighborhood health status	618,780	722,911
Community health	583,017	509,088
Matching	88,825	111,000
Healthy weight	-	1,626,862
Other	296,400	351,908
Total program grants	7,855,183	7,196,269
Direct program -		
Healthy futures	687,314	256,169
Neighborhood health status	228,159	272,103
Opportunity	107,708	159,262
Clinical services for older adults	20,950	19,120
Healthy weight	-	643,368
Other	90,000	154,797
Total direct program	1,134,131	1,504,819
Program administrative	1,197,270	768,822
Total program expenses	10,186,584	9,469,910
General and administrative	1,538,337	1,481,829
Total expenses	11,724,921	10,951,739
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(19,451,631)	22,059,043
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	250,142,167	228,083,124
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	\$ 230,690,536	\$ 250,142,167

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

GREATER ROCHESTER HEALTH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018						
	Program			General and			
	Grants	Direct Program	Program Administrative	Total	Administrative	Total	2017
Grants and Direct Program:							
Healthy futures	\$ 3,518,130	\$ 687,314	\$ -	\$ 4,205,444	\$ -	\$ 4,205,444	\$ -
Opportunity	2,034,867	107,708	-	2,142,575	-	2,142,575	3,092,464
Neighborhood health status	618,780	228,159	-	846,939	-	846,939	995,014
Clinical services for older adults	715,164	20,950	-	736,114	-	736,114	960,418
Community health	583,017	-	-	583,017	-	583,017	509,088
Matching	88,825	-	-	88,825	-	88,825	111,000
Healthy weight	-	-	-	-	-	-	2,270,230
Other	296,400	90,000	-	386,400	-	386,400	608,077
Wages	-	-	580,844	580,844	739,227	1,320,071	1,334,201
Professional services	-	-	251,266	251,266	152,254	403,520	386,933
Payroll taxes and employee benefits	-	-	181,232	181,232	216,434	397,666	376,400
Placement fees	-	-	11,375	11,375	117,370	128,745	-
Contributed services	-	-	-	-	123,000	123,000	-
Dues and subscriptions	-	-	21,952	21,952	9,064	31,016	21,590
Occupancy	-	-	42,761	42,761	47,512	90,273	91,067
Meetings and seminars	-	-	25,706	25,706	25,917	51,623	26,084
Travel	-	-	21,542	21,542	19,872	41,414	31,149
Telephone	-	-	11,282	11,282	12,536	23,818	20,887
Charitable donations	-	-	8,126	8,126	15,579	23,705	31,939
Insurance	-	-	4,687	4,687	17,344	22,031	22,475
Forms and supplies	-	-	7,931	7,931	8,160	16,091	16,740
License fees	-	-	7,144	7,144	7,937	15,081	10,017
Depreciation	-	-	5,494	5,494	6,104	11,598	13,044
Repairs and maintenance	-	-	3,505	3,505	3,894	7,399	8,558
Equipment rental	-	-	3,384	3,384	3,761	7,145	7,241
Postage and delivery	-	-	1,272	1,272	1,413	2,685	2,278
Miscellaneous	-	-	7,767	7,767	10,959	18,726	4,845
	<u>\$ 7,855,183</u>	<u>\$ 1,134,131</u>	<u>\$ 1,197,270</u>	<u>\$ 10,186,584</u>	<u>\$ 1,538,337</u>	<u>\$ 11,724,921</u>	<u>\$ 10,951,739</u>

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

GREATER ROCHESTER HEALTH FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets without donor restrictions	\$ (19,451,631)	\$ 22,059,043
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Depreciation	11,598	13,044
Net realized and unrealized loss (gain) on investments	10,464,880	(31,120,229)
Increase in other current assets	(107,775)	(30,680)
(Decrease) increase in accounts payable	(92,097)	136,916
Decrease in other current liabilities	(5,543)	(21,617)
Total adjustments	10,271,063	(31,022,566)
Net cash used in operating activities	(9,180,568)	(8,963,523)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	100,263,020	70,274,161
Purchases of investments	(85,338,512)	(53,784,629)
Purchases of property and equipment	(51,339)	-
Net cash provided by investing activities	14,873,169	16,489,532
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,692,601	7,526,009
CASH AND CASH EQUIVALENTS, beginning of year	7,978,323	452,314
CASH AND CASH EQUIVALENTS, end of year	\$ 13,670,924	\$ 7,978,323

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

**GREATER ROCHESTER HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 (the “Board”) 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.

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, allocation of functional expenses and accrued excise taxes. Accordingly, actual results could differ from these estimates.

Cash and cash equivalents -

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

Financial instruments and credit risk -

Deposit concentration risk is managed by placing cash, money market accounts and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed federally insured limits or may include uninsured investments in money market mutual funds. To date, management has not experienced losses in any of these accounts.

Investments -

Investments are stated at fair value and purchases and sales are recorded on a trade or contract date basis. The estimated fair value of investments is based on quoted market prices, except for alternative investments, for which quoted market prices are not available. Alternative investments include private equity, marketable alternatives (including hedge funds), and real assets. The estimated fair value of certain alternative investments is based on the net asset value (“NAV”) of the fund provided by the general partner. Because certain alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market for such investments existed and differences could be material.

Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the period that such fluctuations occur. Realized gains or losses, unrealized gains or losses, interest income and dividends and investment management fees are reported in the statements of activities within investment return (loss), net.

Investment sales and purchases are recorded on a trade date basis, which may result in both investment receivables and payables on unsettled investment trades.

Fair value measurements -

Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date, under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the assets or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- Level 1* Quoted prices (unadjusted) in active markets for identical assets and liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Valuation based on observable inputs other than quoted prices within Level 1 that 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 that are unobservable and significant to the fair value measurement.

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.

NAV or its equivalent, such as member units or ownership interest in partners' capital, is used as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Property and equipment -

Property and equipment is recorded at cost, or fair value if donated. The general policy is to capitalize property and equipment in excess of \$1,000 with a useful life greater than one year. Costs associated with construction in progress are held until the asset is placed in service, at which point the asset is transferred out of construction in progress and depreciated over its useful life.

Depreciation and amortization are calculated using the straight-line method over the following useful lives:

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

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense was \$11,598 and \$13,044 for the years ended December 31, 2018 and 2017, 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.

Net assets -

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

At December 31, 2018 and 2017, all of the net assets of the Health Foundation are without donor restrictions.

Donated services -

Board members and other volunteers have donated significant amounts of time to support program activities and governance of the Health Foundation. No amounts have been recognized in the statement of activities since time contributed by these volunteers does not meet the criteria established by GAAP.

For the year ended December 31, 2018, the services of the interim President and CEO were donated by that individual. The estimated value of these contributed services was \$123,000 and is recorded in the accompanying financial statements.

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, 2018 and 2017, costs for program related advertising and communication activities were approximately \$73,000 and \$107,000, 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, 2018, the Health Foundation's federal and state annual returns are no longer subject to examination by the respective taxing authorities for years prior to 2015.

Functional allocation of expenses -

The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Health Foundation are reported as expenses of those functional areas. Natural expenses attributable to more than one functional expense category are allocated based on cost allocation techniques deemed appropriate for the expense incurred. Such techniques may include time estimates from management personnel, full time equivalents by functional area and other usage patterns established by the policies and procedures of the Health Foundation.

Change in accounting principle -

For the year ended December 31, 2018, the Health Foundation adopted Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). ASU 2016-14 changes the reporting model for not-for-profit entities and adds required disclosures which include the following:

- The prior three categories of unrestricted, temporarily and permanently restricted net assets were modified to be 1) *without* donor restrictions and 2) *with* donor restrictions. The existence and purpose of any board designated assets within net assets without donor restrictions must be disclosed.
- Quantitative and qualitative disclosures are required regarding the liquidity and availability of financial resources.
- The reporting of expenses by both function and natural classification with a description of the nature of expenses that are allocated between programs and supporting services and the specific methods used for those allocations.
- Investment returns are reported net of any related expenses and the disclosure of investment expenses is no longer required.

The adoption of ASU 2016-14 requires retrospective application for the 2017 comparative information. The Health Foundation has opted to not disclose liquidity and availability of financial resources information for 2017 as permitted in the year of adoption of ASU 2016-14. In addition, the Health Foundation changed its presentation of its net asset classes and expanded the footnote disclosures as required by ASU 2016-14. The adoption of ASU 2016-14 resulted in no changes to total net assets or to the change in net assets.

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:

	<u>2018</u>	<u>2017</u>
Domestic equity	\$ 47,649,320	\$ 61,913,336
International equity	44,347,794	54,027,248
Fixed income	44,659,607	38,519,316
Hedge funds	22,734,350	23,874,483
Opportunistic	16,981,208	19,047,003
Private equity	27,881,165	24,440,378
Real assets	13,026,211	20,847,279
Total	<u>\$217,279,655</u>	<u>\$242,669,043</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 and international 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 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

Assets measured at fair value on a recurring basis at the measurement date of December 31, 2018 are presented below:

	NAV practical expedient	Level 1	Level 2	Level 3	Total
Domestic equity	\$ -	\$ 47,649,320	\$ -	\$ -	\$ 47,649,320
International equity	22,990,046	21,357,748	-	-	44,347,794
Fixed income	-	44,659,607	-	-	44,659,607
Hedge funds	10,573,172	-	12,161,178	-	22,734,350
Opportunistic	3,001,346	-	-	13,979,862	16,981,208
Private equity	-	-	-	27,881,165	27,881,165
Real assets	87,419	-	-	12,938,792	13,026,211
Total	<u>\$ 36,651,983</u>	<u>\$ 113,666,675</u>	<u>\$ 12,161,178</u>	<u>\$ 54,799,819</u>	<u>\$ 217,279,655</u>

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	11,520,404	-	12,354,079	-	23,874,483
Opportunistic	2,968,982	-	-	16,078,021	19,047,003
Private equity	-	-	-	24,440,378	24,440,378
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>

The fair value of Level 1 assets, including domestic and international equity and fixed income, 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 Level 2 assets, including a hedge fund are obtained from the net asset value provided by the investment manager of the fund.

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 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, 2018 and 2017. 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, 2017	\$ 56,694,741
Contributed capital	6,079,934
Distributions	(12,054,097)
Dividends and interest	1,375,233
Investment return, net	2,704,008
Balance - December 31, 2018	<u>\$ 54,799,819</u>

The liquidity and required future commitments of Level 2 and Level 3 investments as of December 31, 2018 are presented below:

Investment	Type and strategy	Fair value	Redemption frequency	Notice period	Future commitments
Grosvenor Institutional Partners, L.P.	Hedge fund	\$12,161,178	Quarterly	70 days	\$ -
RCP Fund I Feeder, L.P.	Opportunistic	4,277,072	Upon dissolution	N/A	-
Monroe Capital Senior Secured Direct Loan Fund, L.P.	Opportunistic	3,388,331	Upon dissolution	N/A	491,748
Park Square Capital Credit Opportunities II (USD), L.P.	Opportunistic	2,552,893	Upon dissolution	N/A	832,869
Perella Weinberg Partners ABV Opportunity Offshore Fund III B	Opportunistic	1,975,948	Upon dissolution	N/A	-
Apollo European Fund II	Opportunistic	1,428,067	Upon dissolution	N/A	891,540
OHA Strategic Credit Fund II (Offshore), L.P.	Opportunistic	351,190	Upon dissolution	N/A	3,700,000
Frontpoint - SJC Offshore Capital Finance Fund, L.P.	Opportunistic	6,361	Upon dissolution	N/A	457,603
Private Advisors Small Company Buyout Fund V, L.P.	Private equity	3,872,982	Upon dissolution	N/A	518,345
Secondary Opportunities Fund III, L.P.	Private equity	3,868,032	Upon dissolution	N/A	-
Warburg Pincus Private Equity XI Highbar Partners III, L.P.	Private equity	3,809,614	Upon dissolution	N/A	-
Private Advisors Small Company Coinvestment Fund, L.P.	Private equity	3,395,336	Upon dissolution	N/A	1,760,000
Private Advisors Small Company Coinvestment Fund, L.P.	Private equity	3,107,189	Upon dissolution	N/A	2,370,000
Industry Ventures Secondary Fund VII, L.P.	Private equity	2,995,110	Upon dissolution	N/A	270,000
Industry Ventures Fund VIII, L.P.	Private equity	1,559,579	Upon dissolution	N/A	1,800,000
Industry Ventures Fund VI, L.P.	Private equity	1,367,443	Upon dissolution	N/A	240,000
Siguler Guff Distressed Opportunities Fund IV, L.P.	Private equity	1,081,551	Upon dissolution	N/A	212,500
Monomoy Capital Partners III, L.P.	Private equity	810,518	Upon dissolution	N/A	3,920,889
Newstone Capital Partners II, L.P.	Private equity	726,866	Upon dissolution	N/A	207,959
Siguler Guff Distressed Opportunities Fund III, L.P.	Private equity	710,549	Upon dissolution	N/A	120,000
Amberbrook V, LLC	Private equity	347,514	Upon dissolution	N/A	278,533
Glouston Private Equity Opportunities III, L.P.	Private equity	228,882	Upon dissolution	N/A	236,250
Aether Real Assets III, L.P.	Real assets	4,097,767	Upon dissolution	N/A	1,157,743

Investment	Type and strategy	Fair value	Redemption frequency	Notice period	Future commitments
Siguler Guff Distressed Real Estate Opportunities Fund II, L.P.	Real assets	\$ 3,423,591	Upon dissolution	N/A	\$ 902,500
Aether Real Assets II, L.P.	Real assets	3,175,024	Upon dissolution	N/A	586,066
First Reserve XII-A Parallel Vehicle L.P.	Real assets	1,072,942	Upon dissolution	N/A	-
AG Realty Fund VIII, L.P.	Real assets	825,264	Upon dissolution	N/A	385,447
Carlyle Realty Partners Fund VI, L.P.	Real assets	344,204	Upon dissolution	N/A	1,644,658
		<u>\$66,960,997</u>			<u>\$22,984,650</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, 2018 and 2017, the Health Foundation funded capital contributions of \$4,485,667 and \$8,678,004, respectively. The cumulative capital contributions as of December 31, 2018 total \$83,765,350 with the remaining total commitment of \$22,984,650 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, 2018 and 2017. 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 tax expense was approximately \$191,000 and \$335,000 for the years ended December 31, 2018 and 2017, 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 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 \$97,418 and \$98,308 for the years ended December 31, 2018 and 2017, respectively.

In June 2019, the Health Foundation entered into a non-cancelable lease agreement for new office space which commences by February 2020. The lease has an initial term of ten years and contains two renewal options, each for a period of five years.

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

Year ending December 31,	
2019	\$ 106,497
2020	120,059
2021	101,973
2022	101,934
2023	101,934
Thereafter	594,615
	<u>\$1,127,012</u>

Potential future grant commitments -

The Health Foundation has authorized potential future grant payments totaling \$5,430,947. 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, 2018, the Health Foundation has total capital commitments of \$22,984,650 (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 \$129,264 and \$128,533 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

9. LIQUIDITY

By charter and founding principles, the Health Foundation exists to deploy its assets - both principal and income - according to the Board of Director's assessment of community needs that fall within the scope of its mission. Because the Health Foundation is a private foundation for federal tax law purposes, it will generally seek to spend as "qualifying distributions" in each year at least the statutorily mandated percentage, currently 5%, of the average fair market value for the preceding year's investment assets.

At December 31, 2018, the Health Foundation's financial assets available within one year to meet general expenditures include:

Cash and cash equivalents	\$ 13,670,924
Investments	<u>217,279,655</u>
Total financial assets	<u>230,950,579</u>
Less financial assets unavailable for general expenditures due to liquidity restrictions:	
Investments - Level 3	<u>(54,799,819)</u>
Financial assets available to meet expenditures within one year	<u>\$176,150,760</u>

The Health Foundation structures its investment policy such that liquid investments are more than adequate to fund general expenditures. The Health Foundation has Level 3 investments which are subject to a lock up period extending beyond one year (see Note 4). Additionally, certain investments require further capital commitments which the Health Foundation may be called upon to fund within the next year (see Note 4).

10. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for excise taxes was approximately \$241,000 and \$260,000 for the years ended December 31, 2018 and 2017, respectively.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 9, 2019, which is the date the financial statements were available to be issued.