

Saint Francis Foundation

Financial Statements
and Supplementary Information

June 30, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Saint Francis Foundation
San Francisco, California

Opinion

We have audited the accompanying financial statements of Saint Francis Foundation (a California nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Francis Foundation as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Saint Francis Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Foundation has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 326, *Financial Instruments - Credit Losses*, as of July 1, 2023. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Saint Francis Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Saint Francis Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Saint Francis Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 23 - 24 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Armanino^{LLP}
Irvine, California

December 6, 2024

Saint Francis Foundation
Statement of Financial Position
June 30, 2024

ASSETS

Cash and cash equivalents	\$ 6,181,866
Accounts receivable	50,250
Unconditional promises to give	133,199
Investments in single investor fund	108,438,277
Investments in marketable securities	34,172
Prepaid expenses and other assets, net	57,648
Beneficial interest in charitable remainder trust, net	2,765,079
Right-of-use operating asset, net	<u>162,748</u>
 Total assets	 <u><u>\$ 117,823,239</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 378,603
Accrued expenses	114,462
Due to Saint Francis Memorial Hospital	33,837
Annuity contracts payable	10,121
Grants payable to community	130,000
Grants payable to Saint Francis Memorial Hospital, net	4,556,250
Funds held for Saint Francis Memorial Hospital	4,042,261
Operating lease liability	<u>166,233</u>
Total liabilities	<u><u>9,431,767</u></u>
 Net assets	
Without donor restrictions	64,279,925
With donor restrictions	<u>44,111,547</u>
Total net assets	<u><u>108,391,472</u></u>
 Total liabilities and net assets	 <u><u>\$ 117,823,239</u></u>

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

Saint Francis Foundation
Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Contributions	\$ 125,815	\$ 53,299	\$ 179,114
Corporate grants	12,400	17,102	29,502
Bequests	263,315	-	263,315
In-kind contributions	2,400	-	2,400
Other revenue	168	-	168
Total support	404,098	70,401	474,499
Net investment gain	6,117,101	4,045,428	10,162,529
Change in value of beneficial interest in charitable remainder trust	-	305,545	305,545
Net assets released from restriction	4,524,560	(4,524,560)	-
Total support and income	11,045,759	(103,186)	10,942,573
Functional expenses			
Program services	2,367,062	-	2,367,062
Support services			
General and administrative	639,341	-	639,341
Fundraising	715,748	-	715,748
Total support services	1,355,089	-	1,355,089
Total functional expenses	3,722,151	-	3,722,151
Change in net assets	7,323,608	(103,186)	7,220,422
Net assets, beginning of year	56,956,317	44,214,733	101,171,050
Net assets, end of year	\$ 64,279,925	\$ 44,111,547	\$ 108,391,472

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

Saint Francis Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services	Support Services		Total Support Services	Total
		General and Administrative	Fundraising		
Program grants	\$ 2,009,289	\$ -	\$ -	\$ -	\$ 2,009,289
Personnel expenses	306,957	306,258	286,547	592,805	899,762
Professional fees	10,681	214,646	300,435	515,081	525,762
Facilities rental	24,049	24,049	27,055	51,104	75,153
Supplies	581	581	1,144	1,725	2,306
Donor mailings	-	656	35,931	36,587	36,587
Minor equipment and software	10,409	13,721	20,092	33,813	44,222
Insurance	5,096	33,746	5,729	39,475	44,571
Staff training, travel and parking	-	23,196	21,072	44,268	44,268
Photography	-	-	4,631	4,631	4,631
Printing and design collateral	-	1,865	2,689	4,554	4,554
Dues and subscriptions	-	4,234	933	5,167	5,167
Advertising	-	330	6,795	7,125	7,125
Interest	-	5,717	-	5,717	5,717
Miscellaneous	-	10,342	2,695	13,037	13,037
	<u>\$ 2,367,062</u>	<u>\$ 639,341</u>	<u>\$ 715,748</u>	<u>\$ 1,355,089</u>	<u>\$ 3,722,151</u>

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

Saint Francis Foundation
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash flows from operating activities	
Change in net assets	\$ 7,220,422
Adjustments to reconcile change in net assets to net cash used in operating activities	
Net realized and unrealized gain on investments	(9,576,777)
Change in value of beneficial interest in charitable remainder trust	(305,545)
Reduction in the carrying amount of operating right-of-use asset	71,735
Changes in operating assets and liabilities	
Accounts receivable	(47,130)
Unconditional promises to give	616,801
Prepaid expenses and other assets, net	(13,052)
Accounts payable	350,550
Accrued expenses	(47,710)
Due to Saint Francis Memorial Hospital	33,096
Annuity contracts payable	(4,467)
Grants payable to community	130,000
Grants payable to Saint Francis Memorial Hospital, net	(2,043,124)
Funds held for Saint Francis Memorial Hospital	(257,746)
Operating lease liability	(70,810)
Net cash used in operating activities	<u>(3,943,757)</u>
Cash flows from investing activities	
Distributions from single investor fund	4,750,000
Net purchases of investments	<u>(434,990)</u>
Net cash provided by investing activities	<u>4,315,010</u>
Net increase in cash and cash equivalents	371,253
Cash and cash equivalents, beginning of year	<u>5,810,613</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,181,866</u></u>

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

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

1. NATURE OF OPERATIONS

Saint Francis Foundation (the "Foundation") is a non-profit organization governed under the laws of the State of California. The mission of the Foundation is to raise funds and make grants that support and enhance the ability of Saint Francis Memorial Hospital (the "Hospital") in San Francisco, California to deliver exceptional healthcare services and compassionate care to its patients and to the communities the hospital serves.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Foundation reports information regarding its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions - The portion of net assets available for use in general operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions - The portion of net assets subject to donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, this is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 326, *Financial Instruments - Credit Losses* ("FASB ASU 326"), which significantly changed how entities measured credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. The most significant change in the standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses.

The Foundation adopted FASB ASU 326 on July 1, 2023. The impact of the adoption was not considered material to the financial statements.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions 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 the revenue and expenses during the reporting period. Significant accounting estimates reflected in the Foundation's financial statements include the valuation of investments, the valuation of receivables, the risk-free rate of leases and the functional allocation of expenses. Actual results may differ from those estimates.

Concentration of credit risks

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, unconditional promises to give, and investments. Risk associated with cash and cash equivalents are mitigated by banking with credit worthy institutions. Such balances with any one institution may, at times, be in excess of Federal Deposit Insurance Corporation insured amounts (currently \$250,000 per depositor). The Foundation also holds uninsured money market accounts. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

Concentrations of credit risk with respect to unconditional promises to give are limited due to the financial stability of the donors.

Certain underlying funds held by the Saint Francis Fund, L.P. may concentrate their investments in a single industry, sector, or country. Concentration of investments entails greater risk than an investment in a fund that invests its assets in numerous industries, sectors, or countries. A fund may be vulnerable to financial, economic, political, or other developments in the industry or country in which it invests. As a result, an underlying fund's net assets may fluctuate more widely in value than those of a fund investing in a number of different industries, sectors, or countries.

The Foundation had one vendor, the Hospital, that accounted for 92% of accounts payable at June 30, 2024. The Foundation had one vendor, the Hospital, that accounted for 67% of vendor purchases for the year ended June 30, 2024.

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

The Foundation recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses in accordance with FASB ASU 326. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and the Foundation's assessment of current conditions and reasonable and supportable expectation of future economic conditions. The Foundation assesses collectibility by pooling receivables where similar characteristics exist based on how long a receivable balance has been outstanding. As of June 30, 2024, there was no allowance for credit losses.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs used to measure fair value (Level 1, Level 2, and Level 3).

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the 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.

Level 3 - Inputs to the valuation methodology 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In accordance with the authoritative guidance on fair value measurements and disclosures, as a practical expedient, an entity holding investments in certain entities that calculate net asset value ("NAV") per share or its equivalent for which the fair value is not readily determinable is permitted to measure the fair value of such investments on the basis of that NAV or its equivalent without adjustment. Investments measured at fair value based on NAV are not required to be categorized within the fair value hierarchy.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

Investments in Single Investor Fund

The Foundation is a limited partner in Saint Francis Foundation, L.P. (the "Fund"), a Single Investor Fund (see Note 4). As a limited partner holding 99.9% interest in the Fund, the Foundation determined that it did not meet the requirements of control in order to consolidate the Fund in accordance with U.S. GAAP. The Foundation elected to use the equity method to record the investment in the Fund at fair value using the NAV of the Fund.

Liquidation of the Single Investor Fund is subject to the terms of the partnership agreement.

Investments in marketable securities

Investments in marketable securities are reported at fair value. The fair values are based upon quoted market prices. Changes in fair values are reported in the statement of activities.

Beneficial interest in charitable remainder trust, net

The Foundation is the beneficiary of one charitable remainder trust. The terms of the agreement provide that at the time of the donor's death, the Foundation is to be distributed an agreed upon amount of the remaining trust assets based on the agreements. The Foundation's beneficial interest in charitable remainder trust is valued at fair value.

Revenue recognition

Unconditional contributions are recorded at their fair value as net assets without donor restrictions or net assets with donor restrictions, depending on the absence or existence of donor-imposed restrictions, as applicable. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Foundation reports support and revenues from donations without donor-imposed restrictions in the period received. Conditional contributions received before they are earned are recorded as deferred revenue.

Conditional contributions and grants contain barriers related to occurrence of qualifying expenditures, or other stipulations, and a right of return or release, and are not recognized until the conditions are substantially met. The Foundation receives a government reimbursement grant from California Office of Emergency Services ("CalOES") for the Hospital's Rally Family Visitation Program which is considered a conditional grant. The Foundation has elected a simultaneous release option to account for these grants. Therefore, they are recorded as support without donor restrictions upon satisfaction of the barriers. In the event amounts are received and have not been expended, the Foundation records such amounts as grant advances until earned.

Promises to give are reviewed for collectibility, and reserves for uncollectible amounts are established when needed.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed goods and services

Donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, that require a specialized skill and which the Foundation would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

Funds held for Saint Francis Memorial Hospital

The Foundation holds funds for the Saint Francis Memorial Hospital and many of the Foundation's fundraising efforts increase the assets held on behalf of the Hospital. Since the Hospital does not participate in governance and is unable to influence the decisions of the Foundation, the Foundation does not consider itself financially interrelated with the Hospital. Contributions received on behalf of the Hospital are recorded as a liability.

Grants

Grants are recognized as expenses when the unconditional promise to give is approved by the Board of Directors. Grants scheduled for payment in excess of one year are measured at the present value of future payments.

Functional expenses

Costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses are allocated to program and supporting services based on the purpose of each expense, services provided for each program, and the respective usage of assets. Accordingly, certain costs have been allocated to program services, general and administrative, and fundraising costs based on employee time estimates, square footage, or other appropriate usage factors.

Income tax status

The Foundation has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under the California Revenue Code Section 23701(d). Accordingly, it has not provided for income taxes in these financial statements. As of June 30, 2024, the Foundation has no uncertain tax positions.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Foundation leases an office in San Francisco, California. The Foundation determines if an arrangement is a lease at inception. The Foundation's lease is included as operating lease right-of-use ("ROU") asset and operating lease liability on the statement of financial position. ROU assets represent the Foundation's rights to use an underlying asset for the lease term and the lease liabilities represent the Foundation's obligation to make the lease payments arising from the lease. Operating ROU assets and operating lease liabilities are recognized at the lease commencement date, based on the present value of the lease payments over the lease term. The Foundation uses a risk-free rate based on the information available at commencement date in determining the present value of the lease payments. The operating ROU asset also includes any lease payments made and excludes lease incentives. The Foundation's lease terms may include options to extend or terminate the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give totaled \$133,199 as of June 30, 2024, and are scheduled to be collected within one year.

4. INVESTMENTS

Investments consist of the following as of June 30, 2024:

Investments in single investor fund	\$ 108,438,277
Investments in marketable securities	<u>34,172</u>
	<u>\$ 108,472,449</u>

The Foundation invested in the Fund, and is the sole limited partner. The general partner, an unrelated third party, owns 0.1% of the Fund and manages the Fund's daily operations.

The Fund is intended to serve as a single investor fund for the administrative convenience of the Foundation.

The Fund will generally seek to achieve long term equity-like returns through broadly diversifying by asset class, investment manager, geography, economic sector, and security, through an allocation of its assets among unaffiliated limited partnerships, unaffiliated limited liability companies, unaffiliated private equity and/or venture capital funds, including offshore funds, other investment entities and/or separate accounts managed pursuant to investment management agreements (collectively, the "Underlying Funds"), as well as publicly-traded stocks, mutual funds and pooled funds.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

4. INVESTMENTS (continued)

Due to market volatility, the investment portfolios of the Foundation may experience declines in value.

The Fund has commitments of \$47,172,500 to underlying private equity funds as of June 30, 2024, of which \$10,803,016 remains unfunded. The unfunded amounts captures prior contributions made by the Foundation prior to inception of the Partnership. These underlying funds are expected to be liquidated in 0-10 years unless terminated earlier or extended longer as permitted in the underlying funds' partnership agreement.

The composition of investments held in the Fund as of June 30, 2024, is as follows:

Commingled Funds:	
Global excluding U.S. Common Stock	4.80 %
U.S. Common Stock	15.90
Hedge Funds:	
Diversifiers	22.20
Fixed income	1.60
Global excluding U.S. Common Stock	6.70
Bonds:	
Corporate Bonds	2.90
Treasury Bonds	2.80
Municipal Bonds	1.30
Exchange Traded Funds:	
U.S. Common Stock	5.10
Mutual Funds	
Global excluding U.S. Common Stock	1.40
Fixed Income	6.10
Private Equity Funds	
Private Equity Funds	4.70
Private Natural Resources	7.70
Private Real Estate	3.10
Private Venture Capital	8.10
Money Market Mutual Funds	
State Street US Government Money Market	1.10
Cash Pending	4.50

Net investment income consisted of the following for the year ended June 30, 2024:

Dividends and interest	\$ 1,023,107
Net realized and unrealized gains	<u>9,576,777</u>
	10,599,884
Less: investment management fees	<u>(437,355)</u>
	<u><u>\$ 10,162,529</u></u>

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

5. BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST, NET

The Foundation has a beneficial interest in a charitable remainder trust. The fair value of the charitable remainder trust's assets is based on the fair value of the Foundation's 43% share of the trust assets, a 5% annual expected distribution to the donors, the donor's life expectancy of 5.6 years, and a 5.6% discount rate. The present value of future benefits expected to be received by the Foundation for the charitable remainder trust was estimated to be \$2,765,079 at June 30, 2024.

6. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Fixed income securities held for gift annuities	\$ 34,172	\$ -	\$ -	\$ 34,172
Beneficial interest in charitable remainder trust	-	-	<u>2,765,079</u>	<u>2,765,079</u>
	<u>\$ 34,172</u>	<u>\$ -</u>	<u>\$ 2,765,079</u>	2,799,251
Investments in single investor fund measured at NAV (a)				<u>108,438,277</u>
				<u>\$111,237,528</u>

(a) investment is measured at fair value using the NAV per share (or its equivalent) and therefore have not been classified in the fair value hierarchy. The fair value amounts presented in this table is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The table below includes a roll-forward of the amounts for the year ended June 30, 2024 (including the change in fair value), classified by the Foundation within level 3 of the fair value hierarchy.

Balance, beginning of year	\$ 2,459,534
Changes in value	<u>305,545</u>
Balance, end of year	<u>\$ 2,765,079</u>

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

6. FAIR VALUE MEASUREMENTS (continued)

The fair value of the beneficial interest in the charitable remainder trust is determined by calculating the estimated future payments using a discount rate as disclosed in Note 5, and applicable mortality tables. Total gains and losses for the beneficial interest in charitable remainder trust is included in the change in value of beneficial interest in charitable remainder trusts in the statement of activities.

The following table summarizes the investment measured at fair value using NAV per share:

<u>Product</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Single Investor Fund (b)	\$ 108,438,277	\$10,803,016	Quarterly	60 days prior to end of fiscal quarter

(b) Includes a balanced portfolio of investment in the U.S. equity securities, foreign equity securities, fixed income securities, U.S. alternative investments, foreign alternative investments, and money market funds. The Fund's investment strategy is intended to produce results that earn an average annual inflation-adjusted (real) total return of at least 5% over the long-term, net of all investment management fees and operating expenses. The fair value of this investment has been estimated using the NAV of the Fund.

7. LEASES

The Foundation has a lease for office space that expires August 2026 and is included in the ROU lease asset in the accompanying statement of financial position as of June 30, 2024.

ROU lease asset - operating consisted of the following:

Right-of-use asset, net	<u>\$ 162,748</u>
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Future maturities of lease liability are as follows:

<u>Year ending June 30,</u>	
2025	\$ 78,160
2026	79,794
2027	<u>13,344</u>
	171,298
Less: discount to present value	<u>(5,065)</u>
	<u>\$ 166,233</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

7. LEASES (continued)

Weighted-average remaining term of operating lease	2.17 years
Weighted-average discount rate of operating lease	2.88%

8. ANNUITY CONTRACTS PAYABLE

The Foundation holds a charitable gift annuity that provides for fixed payments to a designated annuity beneficiary over their respective lifetime. Annuity contracts payable have been recognized at present value, using a discount rate of 4.5%, of the estimated future payments to be paid over the life expectancies of the annuitants using the 1983 Standard Annuity Reserve Tables. Assets received in conjunction with such charitable gift annuities were recorded at their fair value at the date of receipt.

9. GRANTS PAYABLE TO SAINT FRANCIS MEMORIAL HOSPITAL, NET

Grants authorized but unpaid as of June 30, 2024, are reported as liabilities. The following is a summary of grants authorized and payable as of June 30, 2024.

Future maturities of grants payable are as follows:

To be paid in less than one year	\$ 3,229,975
To be paid in one to five years	<u>1,400,029</u>
	<u>4,630,004</u>
Less: Present value discount	<u>(73,754)</u>
	<u><u>\$ 4,556,250</u></u>

10. FUNDS HELD FOR SAINT FRANCIS MEMORIAL HOSPITAL

The Foundation acts as a fiscal agent for Saint Francis Memorial Hospital. There were no administrative fees charged for these services during the year ended June 30, 2024.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

10. FUNDS HELD FOR SAINT FRANCIS MEMORIAL HOSPITAL (continued)

Funds held for the Hospital consisted of the following:

	<u>Endowed funds</u>	<u>Other</u>	<u>Total</u>
Balance, beginning of year	\$ 2,075,571	\$ 2,224,436	\$ 4,300,007
Funds received	-	788,077	788,077
Releases	-	(1,178,395)	(1,178,395)
Transfers	(836,936)	836,936	-
Investment return	<u>132,572</u>	<u>-</u>	<u>132,572</u>
Balance, end of year	<u>\$ 1,371,207</u>	<u>\$ 2,671,054</u>	<u>\$ 4,042,261</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2024:

Subject to expenditure for specified purpose:		
Pierotti fund		\$ 19,478,467
Sports medicine		20,748
Community benefit		15,030
Other funds		<u>89,392</u>
		<u>19,603,637</u>
Subject to passage of time:		
Beneficial interest in charitable remainder trust		<u>2,765,079</u>
		<u>2,765,079</u>
Accumulated endowment earnings subject to appropriation:		
Other restricted funds		298,159
Unrestricted as to purpose		<u>6,981,502</u>
		<u>7,279,661</u>
Perpetual in nature - subject to spending policy and appropriations:		
Funds to be used for the benefit of the Hospital		436,016
Earnings unrestricted as to purpose		<u>14,027,154</u>
		<u>14,463,170</u>
		<u>\$ 44,111,547</u>

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released for donor-designated program expenses or time restrictions incurred during the year ended June 30, 2024, is as follows:

Endowment restricted funds	\$ 1,920,815
Other restricted funds	<u>2,603,745</u>
	<u>\$ 4,524,560</u>

12. ENDOWMENT

The Foundation's endowment consists of several individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Foundation's Board of Directors has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction, perpetual in nature:

- (a) the original value of gifts donated to the permanent endowment,
- (b) the original value of subsequent gifts to the permanent endowment, and
- (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the Foundation diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

12. ENDOWMENT (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. There were no such deficiencies as of June 30, 2024.

Endowment spending policy

Under this policy, the endowment assets are invested in a manner that is intended to produce results that earn an average annual inflation-adjusted (real) total return of at least 5%, net of all investment management fees and operating expenses over the long term. The actual return in any given year may vary from this amount. To satisfy its long-term and rate-of-return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's annual spending rate from the endowment increased from 4% to 5% on May 7, 2024. The spending rate is 5% of the average market value, calculated over the twelve quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. The Foundation has flexibility to appropriate more than the 5% spending rate in any one year based on additional consideration of program needs, general economic conditions and if the evaluation of the selected spending rate indicates exercise of prudence based on the judgment of management and the Board of Directors. Certain endowment gifts are designated for specific purposes, the income from which (included in the spending rate) is spent in accordance with those designations.

Some endowments may have donor restrictions that further limit appropriation levels. Donor wishes will be honored and may supersede UPMIFA guidelines, which is permitted by UPMIFA. Currently, the Foundation manages two endowments (Antoinette and Warren Howell Endowment and the John D. Stoddard Endowment) with these exceptions. In these two cases, the donor instructions state that the actual income generated by the fund must be expended during the year to avoid adding it to the principal and at no time may the principal be invaded. The principal must be preserved in perpetuity.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

12. ENDOWMENT (continued)

Endowment composition

The Foundation's endowment net assets with donor restrictions consisted of the following as of June 30, 2024:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 14,463,170
Accumulated investments gains since inception	<u>7,279,661</u>
	<u>\$ 21,742,831</u>

Changes in endowment net assets for the year ended June 30, 2024, is as follows:

Balance, beginning of year	\$ 21,532,970
Net investment gain	2,130,676
Appropriation for expenditures	<u>(1,920,815)</u>
Balance, end of year	<u>\$ 21,742,831</u>

13. RETIREMENT PLAN

In 2022, the Foundation established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code. Each participant is able to defer a portion of their annual compensation up to the statutory maximums. The Foundation is not required to make contributions but can make discretionary contributions to the plan on behalf of the employees. Discretionary contributions totaling \$19,544 were made for the year ended June 30, 2024.

14. LIQUIDITY AND AVAILABILITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Foundation also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs and operations. In addition, the Foundation receives support without donor restrictions; such support, along with investment income without donor restrictions and appropriated earnings from gifts with donor restrictions, has historically represented approximately 50% of total annual expenditures.

The Foundation considers investment income without donor restrictions, appropriated earnings from contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments made.

Saint Francis Foundation
Notes to Financial Statements
June 30, 2024

14. LIQUIDITY AND AVAILABILITY (continued)

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses, plus an amount that represents the expected payments for approved grant commitments.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year comprise the following as of June 30, 2024:

Cash and cash equivalents	\$ 6,181,866
Accounts receivable	50,250
Unconditional promises to give	133,199
Investments in single investor fund	108,438,277
Investments in marketable securities	34,172
Beneficial interest in charitable remainder trust, net	<u>2,765,079</u>
	117,602,843
Single investor fund securities with various lock-up and redemption restrictions	(81,060,383)
Beneficial interest in charitable remainder trust, net	(2,765,079)
Funds held for Saint Francis Memorial Hospital	(4,042,261)
Held for endowments	<u>(21,742,831)</u>
	<u>\$ 7,992,289</u>

15. SUBSEQUENT EVENTS

The Foundation has evaluated events subsequent to June 30, 2024, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 6, 2024, the date the financial statements were available to be issued. Although the Foundation is independent of the Hospital, University of California, San Francisco ("UCSF") purchased the Hospital, and this public merger closed on August 1, 2024. The Hospital has since been renamed as UCSF Health Saint Francis Hospital. The Foundation will remain independent and is currently building sustainable relationships with the new administration.

SUPPLEMENTARY INFORMATION

Saint Francis Foundation
Schedule of Grant Awards
For The Year Ended June 30, 2024

Grant name	Grants Payable		Distributed	Grants returned to the fund during the fiscal year	Grants Payable June 30, 2024
	July 1, 2023	Awards, net			
Final Arrangement Assistance for Lower-Income Families	\$ 560	\$ -	\$ -	\$ -	\$ 560
Vocera communication system for SFMH Burn Unit Grant	360,500	-	(305,710)	-	54,790
Pulmonary Rehabilitation Services Grant Program	34,325	-	(420)	-	33,905
ED Safe Rooms (Pass Through)	-	200,000	-	-	200,000
ED Safe Rooms	600,000	-	(103,364)	-	496,636
BHU Remodel for Safety and Improved Patient Experience	119,000	-	(103,343)	-	15,657
Burn Unit, Pediatric Burn Patient Anti-Elopement System - Design Phase	93,990	-	(62,870)	-	31,120
Outreach & collaboration with SRO's and providers in the Tenderloin neighborhood	502	-	-	-	502
Clothing purchase for discharged patients	13,866	-	(963)	-	12,903
Burn Unit Shower Bed-Tub Room Repair	-	90,000	(86,278)	-	3,722
Lab Services Coagulation Analyzers	-	111,543	(15,600)	-	95,943
Behavioral Health Unit Nursing Station Barrier Project	-	500,000	(151,003)	-	348,997
The Gender Institute Physical Space Build-out Project	-	500,000	(154,708)	-	345,292
Moy's Hero Scholarship	8,309	15,000	(16,133)	-	7,176
Gender Institute daVinci xi8 surgical robot	2,212,664	-	(575,338)	-	1,637,326
Sierra Health Foundation MAT Gender Institute (Pass Through)	-	221,798	(181,269)	-	40,529
Merck Grant (Pass Through)	-	90,909	(27,386)	-	63,523
Cigna Grant (Pass Through)	-	100,000	(38,582)	-	61,418
Doctor's Donor Design Phase	-	80,000	(51,745)	-	28,255
Burn Unit Anti-Elopement Design Phase	-	80,000	-	-	80,000
Behavioral Health Unit Renovation and Nurses Barrier Project	-	300,000	-	-	300,000
Burn Unit Fund for Fitted Garments for Burn Patients	-	60,000	-	-	60,000
ED Ultrasound Replacement	-	58,000	(20,450)	-	37,550
Burn Unit Additional GE telemetry monitor upgrades	-	40,000	(12,630)	-	27,370
Gender Institute Annual Symposium	-	34,000	-	-	34,000
Surgical Acute Avasure Remote Tele Program	-	33,209	-	-	33,209
American Burn Association Annual Conference in Chicago	-	11,500	(12,442)	-	(942)
Gender Institute Buildout	-	550,000	-	-	550,000
SF CHC Annual Gala Sponsorship	-	5,000	-	-	5,000
SF CHC TRANSCARE Project	-	100,000	(50,000)	-	50,000
Education Department Conference	-	9,500	-	-	9,500
Leadership Prodigy: Mastering Essentials for Excellence Program	-	8,600	-	-	8,600
Spiritual Care Comfort Care Carts	-	4,680	(644)	-	4,036
Hyde Street Community Service Community Aging and Disability Assessment	-	150,000	(75,000)	-	75,000
OutpatientBurn Clinic Cynergy Vascular Laser	150,000	-	(148,422)	(1,578)	-
Sonopet- Gender Confirmation facial surgery Grant	25,334	-	(6,721)	(18,613)	-
Stroke Center Cerebrovascular Imaging Platform	47,500	-	(47,500)	-	-
Gender Institute Buildout Architectural Plans	163,000	-	(163,000)	-	-
Gender Institute Surgical Equipment Phalloplasty	267,212	-	(46,555)	(220,657)	-
Behavioral Health Unit Clothing for Dispatching Patients	5,000	-	(4,938)	(62)	-
Burn Unit Outpatient Clinic Remodel Proposal Development	10,000	-	(9,273)	(727)	-
Perioperative Services to Replace End of Life Equipment (table for Spinal Surgery, Gurneys, Uretero/Cytoscopes, GI Scopes, Rapid Blood Infuser)	503,725	-	(489,685)	(14,040)	-
Burn Nurse Training Program	397,252	-	-	(397,252)	-
Burn Unit and ICU Bed Replacements	370,937	-	(363,518)	(7,419)	-
Saint Francis Memorial Hospital Emergency Department Ambulance Door replacement	28,440	-	(28,440)	-	-
Neurology Department EEG Machine	26,571	-	(26,571)	-	-

Saint Francis Foundation
Schedule of Grant Awards
For The Year Ended June 30, 2024

	Grants Payable July 1, 2023	Awards, net	Distributed	Grants returned to the fund during the fiscal year	Grants Payable June 30, 2024
Respiratory Care (Burn and ICU) Q-NRG + Metabolic Monior	20,156	-	(18,888)	(1,268)	-
Radiology New Mobile Digital X-ray Machine	125,000	-	(121,635)	(3,365)	-
GE Central Station upgrade for ED, CCU, Burn and ICU	100,000	-	(100,000)	-	-
Clinical Laboratory, Blood Bank Analyzer	80,000	-	(65,175)	(14,825)	-
Burn OP Clinic, Design for Electric Upgrade for Cyanosure Laser	75,390	-	(75,390)	-	-
Belmont Rapid Blood Infusers	85,000	-	(80,029)	(4,971)	-
Burn OP Clinic CO2 Laser Feasibility	47,000	-	(38,573)	-	8,427
Gender Institute Physical Space required permitting, reviews and documentation approvals	40,000	-	(40,000)	-	-
Employee Barbecue for Hospital Week	19,525	-	(9,028)	(10,497)	-
Gender Institute Gen I Symposium FY2023	30,000	-	(4,432)	(25,568)	-
Powered Liposuction Microaire Device Surgery Department SFMH FY2023	25,500	-	(20,422)	(5,078)	-
Nurses Week 2023	10,780	-	(10,780)	-	-
Burn Unit Training National Meeting of the American Burn Association (ABA) FY 2023	942	-	-	(942)	-
BHU Patient Clothing Fund	5,000	-	-	(5,000)	-
Annual Wound and Ostomy Conference for St. Francis Memorial Wound Care Team	1,984	-	(1,965)	(19)	-
Lab Microbiology Interface	100,000	-	-	(100,000)	-
Enhanced Doctors door entrance	41,910	-	(41,910)	-	-
San Francisco Community Health Center TRANSCARE FY21-24	50,000	-	(50,000)	-	-
San Francisco Community Health Center street based medical care	75,000	-	(75,000)	-	-
Hyde St Community services Brain Injury Migraine Assessment	110,000	-	(110,000)	-	-
Maitri Compassionate Care Affirmation Center FY2023	50,000	-	(50,000)	-	-
Hyde Street Community Services Hospital Liaison for Mental Health	67,500	-	(67,500)	-	-
Emergency and Critical Care Nursing Units Trauma Education FY2023	-	31,000	-	(31,000)	-
Surgery Cell Saver Units	-	51,000	(48,153)	(2,847)	-
Public Health Institute CA Bridge Navigator Program Extension 2023	-	25,000	(25,000)	-	-
Burn Unit Certified Burn Nurse (CBRN) Exam Voucher FY2024	-	8,000	(7,905)	(95)	-
Power Pro XT Equipment	-	23,053	(21,268)	(1,785)	-
Nurse's Week FY2024	-	20,000	(19,891)	(109)	-
American Burn Association Annual Conference in Chicago FY2024	-	6,000	(6,000)	-	-
Western Regional Burn Conference in Lake Tahoe, California	-	15,000	(12,489)	(2,511)	-
Clinic By the Bay Capital Campaign	-	30,000	(30,000)	-	-
Urban Alchemy Game Changers Campaign	-	10,000	(10,000)	-	-
Salvation Army The Way Out Initiative	-	10,000	(10,000)	-	-
Lyon Martin Community Health Services Forever Home Campaign	-	150,000	(150,000)	-	-
SF Pride 2024 Sponsorship of Human Rights Program	-	10,000	(10,000)	-	-
Maitri Compassionate Care Affirmation Center FY2023	-	30,000	(30,000)	-	-
Larkin Street Youth Services Wellness Program FY2023	-	250,000	(250,000)	-	-
	<u>\$ 6,599,374</u>	<u>\$ 4,022,792</u>	<u>\$ (4,991,934)</u>	<u>\$ (870,228)</u>	<u>\$ 4,760,004</u>