

**Saint Francis Foundation**

Financial Statements  
and Supplementary Information

June 30, 2023



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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, 2023, 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, 2023, 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.

### **Correction of Misstatements**

As discussed in Note 3 to the financial statements, a misstatement resulting in understatement of amounts previously reported as net assets without donor restrictions as of June 30, 2022 was corrected by the Foundation during the year ended June 30, 2023. Accordingly, the beginning net assets with donor restrictions and the beginning net assets without donor restrictions balances were restated in the accompanying statement of activities. Our opinion is not modified with respect to this 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 page 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<sup>LLP</sup>  
Irvine, California

January 24, 2024

Saint Francis Foundation  
Statement of Financial Position  
June 30, 2023

ASSETS

Cash	\$ 5,810,613
Accounts receivable	3,120
Unconditional promises to give, net	750,000
Investments in single investor fund	103,177,455
Investments in marketable securities	33,227
Prepaid expenses and other asset	44,596
Beneficial interest in charitable remainder trusts, net	2,459,534
Right-of-use operating assets	<u>234,483</u>
 Total assets	 <u><u>\$ 112,513,028</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 28,053
Accrued expenses	162,172
Due to Saint Francis Memorial Hospital	741
Annuity contracts payable	14,588
Grants payable to Saint Francis Memorial Hospital	6,599,374
Funds held for Saint Francis Memorial Hospital	4,300,007
Operating lease liability	<u>237,043</u>
Total liabilities	<u>11,341,978</u>
 Commitments	
Net assets	
Without donor restrictions	56,956,319
With donor restrictions	<u>44,214,731</u>
Total net assets	<u>101,171,050</u>
 Total liabilities and net assets	 <u><u>\$ 112,513,028</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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support			
Contributions	\$ 333,635	\$ 5,750	\$ 339,385
Corporate grants	71,841	-	71,841
Bequests	416,709	601,500	1,018,209
In-kind contributions	37,643	-	37,643
Other revenue	<u>95,288</u>	<u>-</u>	<u>95,288</u>
Total support	955,116	607,250	1,562,366
Net investment gain	2,159,646	1,440,731	3,600,377
Change in value of beneficial interest in charitable remainder trusts	-	349,041	349,041
Net assets released from restriction	<u>2,196,508</u>	<u>(2,196,508)</u>	<u>-</u>
Total support and income	<u>5,311,270</u>	<u>200,514</u>	<u>5,511,784</u>
Functional expenses			
Program services	<u>3,089,621</u>	<u>-</u>	<u>3,089,621</u>
Support services			
General and administrative	694,014	-	694,014
Fundraising	<u>1,013,513</u>	<u>-</u>	<u>1,013,513</u>
Total support services	<u>1,707,527</u>	<u>-</u>	<u>1,707,527</u>
Total functional expenses	<u>4,797,148</u>	<u>-</u>	<u>4,797,148</u>
Change in net assets	514,122	200,514	714,636
Net assets, beginning of year, as previously reported	51,487,161	48,969,253	100,456,414
Reclassification of net assets (see Note 3)	<u>4,955,036</u>	<u>(4,955,036)</u>	<u>-</u>
Net assets, beginning of year, as restated	<u>56,442,197</u>	<u>44,014,217</u>	<u>100,456,414</u>
Net assets, end of year	<u>\$ 56,956,319</u>	<u>\$ 44,214,731</u>	<u>\$ 101,171,050</u>

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

Saint Francis Foundation  
Statement of Functional Expenses  
For the Year Ended June 30, 2023

	Program Services	Support Services		Total Support Services	Total
		General and Administrative	Fundraising		
Program grants	\$ 2,705,007	\$ -	\$ -	\$ -	\$ 2,705,007
In kind	-	723	34,948	35,671	35,671
Personnel expenses	332,878	334,353	275,008	609,361	942,239
Professional fees	9,586	265,142	182,435	447,577	457,163
Facilities rental	24,490	19,347	59,800	79,147	103,637
Food and beverage	-	7,727	145,684	153,411	153,411
Supplies	532	532	6,332	6,864	7,396
Donor mailings	-	871	29,283	30,154	30,154
Minor equipment and software	7,775	4,105	18,902	23,007	30,782
Insurance	4,849	33,615	5,455	39,070	43,919
Equipment lease	-	755	30,177	30,932	30,932
Staff training, travel and parking	5,504	8,997	6,725	15,722	21,226
Photography	-	670	43,950	44,620	44,620
Printing and design collateral	-	2,027	621	2,648	2,648
Dues and subscriptions	-	2,963	721	3,684	3,684
Advertising	-	115	100	215	215
Lease amortization	-	7,703	-	7,703	7,703
Reduction in value of artwork	-	-	164,500	164,500	164,500
Miscellaneous	(1,000)	4,369	8,872	13,241	12,241
	<u>\$ 3,089,621</u>	<u>\$ 694,014</u>	<u>\$ 1,013,513</u>	<u>\$ 1,707,527</u>	<u>\$ 4,797,148</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, 2023

Cash flows from operating activities	
Change in net assets	\$ 714,636
Adjustments to reconcile change in net assets to net cash used in operating activities	
Net realized and unrealized gain on investments	(3,664,345)
Change in value of beneficial interest in charitable remainder trusts	(349,041)
Reduction in value of artwork	164,500
Reduction in the carrying amount of operating right-of-use assets	69,748
Changes in operating assets and liabilities	
Accounts receivable	42,398
Unconditional promises to give, net	(464,672)
Prepaid expenses and other asset	23,100
Accounts payable	7,748
Accrued expenses	67,992
Due to Saint Francis Memorial Hospital	(51,426)
Annuity contracts payable	(1,393)
Grants payable to Saint Francis Memorial Hospital	601,302
Funds held for Saint Francis Memorial Hospital	(1,344,245)
Operating lease liability	(67,188)
Net cash used in operating activities	<u>(4,250,886)</u>
Cash flows from investing activities	
Distribution from single investor fund	14,700,000
Net (purchases) proceeds from investments	<u>(5,500,969)</u>
Net cash provided by investing activities	<u>9,199,031</u>
Net increase in cash	4,948,145
Cash, beginning of year	<u>862,468</u>
Cash, end of year	<u><u>\$ 5,810,613</u></u>

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

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

1. NATURE OF OPERATIONS

Saint Francis Foundation (the "Foundation") is a non-profit corporation organized under the laws of the State of California. The mission of the Foundation is to support and improve healthcare generally, including without limitation, to support Saint Francis Memorial Hospital (the "Hospital") in San Francisco, California, and to engage in any other charitable activities.

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.

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 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.

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of credit risks (continued)

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.

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.

Fair value measurements

Fair value is defined as the exchange price that would be received for an assets 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 participatns 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.

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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.

*Investment 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 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 trusts

The Foundation is the beneficiary of two charitable remainder trusts. 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 trusts is valued at fair value.

Property and equipment

Property and equipment in excess of \$2,000 purchased with estimated useful lives in excess of one year are capitalized at cost. Donated assets are capitalized at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method using an estimated useful life of 5 years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 collectability, and reserves for uncollectible amounts are established when needed.

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.

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right of use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840. The adoption of ASC 842 on July 1, 2022 did not have a material impact on the Foundation's financial statements. The Foundation recognized a ROU asset of \$304,231 and an operating lease liability of \$237,043.

The Foundation elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Foundation leases buildings and offices in San Francisco, California. The Foundation determines if an arrangement is a lease at inception. The Foundation's leases are included as operating lease ROU assets and operating lease liabilities 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 assets also include 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. CORRECTION OF ERROR

During the year ended June 30, 2023, the Foundation identified a misstatement resulting in an understatement of net assets without donor restrictions totaling \$4,955,036 and an overstatement of net assets with donor restrictions totaling \$4,955,036 as previously reported. The error was a result of not recognizing releases from restriction associated with grants awarded during the year ended June 30, 2022.

The effects of the correction of error on the financial statements as previously reported are as follows:

	As Previously Reported	Adjustment	As Restated
Net assets without donor restrictions at June 30, 2022	\$ 51,487,162	\$ 4,955,036	\$ 56,442,198
Net assets with donor restrictions at June 30, 2022	48,969,253	(4,955,036)	44,014,217
Total net assets at June 30, 2022	\$ 100,456,415	\$ -	\$ 100,456,415

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give total \$750,000 as of June 30, 2023 and are scheduled to be collected within one year.

5. INVESTMENTS

Investments consist of the following:

Investments in single investor fund	\$ 103,177,455
Investments in marketable securities	<u>33,227</u>
	<u>\$ 103,210,682</u>

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

5. INVESTMENTS (continued)

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.

The Fund has commitments of \$42,672,500 to underlying private equity funds as of June 30, 2023, of which \$8,756,387 remains unfunded. The unfunded amounts captures prior contributions made by the Foundation prior to inception of the Fund. These underlying funds are expected to be liquidated in 0-11 years unless terminated earlier or extended longer as permitted in the underlying funds' partnership agreement.



Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

5. INVESTMENTS (continued)

The composition of investments held in the Fund is as follows:

Commingled Funds:	
Global excluding U.S. Common Stock	6.40 %
U.S. Common Stock	5.80
Hedge Funds:	
Diversifiers	17.30
Fixed income	2.50
Global excluding U.S. Common Stock	6.30
Growth	3.60
Marketable Real Assets	3.20
U.S. Common Stock	5.40
Bonds:	
Corporate Bonds	2.30
Treasury Bonds	2.00
Municipal Bonds	1.30
Exchange Traded Funds:	
U.S. Common Stock	4.30
Mutual Funds	
Global excluding U.S. Common Stock	2.30
Fixed Income	7.30
Marketable Real Assets	0.60
Private Equity Funds	
Private Equity Funds	5.60
Private Natural Resources	6.00
Private Real Estate	2.40
Private Venture Capital	9.80
Venture Capital/Private Equity Fund of Funds	0.01
Money Market Mutual Funds	
First American Treasury Obligation	1.40

Net investment income (loss) consisted of the following for the year ended June 30, 2023:

Dividends and interest	\$ 1,012,543
Net realized and unrealized gains	<u>3,074,749</u>
	4,087,292
Less: investment management fees	<u>(486,915)</u>
	<u><u>\$ 3,600,377</u></u>

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

5. INVESTMENTS (continued)

Net investment income recognized as:

Without donor restrictions	\$ 2,159,646
With donor restrictions	<u>1,440,731</u>
	<u><u>\$ 3,600,377</u></u>

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

6. BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Foundation has a beneficial interest in two different charitable remainder trusts. The fair value of the first 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 6 years, and a 4.2% discount rate. The present value of future benefits expected to be received by the Foundation for the first charitable remainder trust was estimated to be \$2,459,534 at June 30, 2023. The present value of future benefits for the second charitable remainder trust had a present value of future benefits of \$0, and was not recorded in the statement of financial position.

7. 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, 2023:

	Level 1	Level 2	Level 3	Total
Fixed income securities held for gift annuities	\$ 33,227	\$ -	\$ -	\$ 33,227
Beneficial interest in charitable remainder trusts	<u>-</u>	<u>-</u>	<u>2,459,534</u>	<u>2,459,534</u>
	<u><u>\$ 33,227</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,459,534</u></u>	2,492,761
Investments in single investor fund measured at NAV (a)				<u>103,177,455</u>
				<u><u>\$105,670,216</u></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.

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

7. FAIR VALUE MEASUREMENTS (continued)

The table below includes a roll-forward of the amounts for the year ended June 30, 2023 (including the change in fair value), classified by the Foundation within level 3 of the fair value hierarchy.

Balance, beginning of year	\$ 2,110,493
Changes in value	<u>349,041</u>
Balance, end of year	<u>\$ 2,459,534</u>

The fair value of the beneficial interest in the charitable remainder trusts is determined by calculating the estimated future payments using a discount rate as disclosed in Note 6, and applicable mortality tables. Total gains and losses for the beneficial interest in charitable remainder trusts 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:

Product	Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Single Investor Fund (b)	\$ 103,177,455	None	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.

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. 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, 2023.

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

9. 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	\$ 2,087,399	\$ 3,556,853	\$ 5,644,252
Funds received	-	271,881	271,881
Releases	-	(1,688,381)	(1,688,381)
Transfers	(84,083)	84,083	-
Investment return	<u>72,255</u>	<u>-</u>	<u>72,255</u>
Balance, end of year	<u>\$ 2,075,571</u>	<u>\$ 2,224,436</u>	<u>\$ 4,300,007</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2023:

Subject to expenditure for specified purpose:		
Pierotti Fund		\$ 19,351,859
Education		26,164
Sports medicine		20,748
Community benefit		15,030
Other funds		<u>108,427</u>
		<u>19,522,228</u>
Subject to passage of time:		
Beneficial interest in charitable remainder trusts		2,459,533
Unconditional promises to give		<u>700,000</u>
		<u>3,159,533</u>
Accumulated endowment earnings subject to appropriation:		
Other restricted funds		267,215
Unrestricted as to purpose		<u>6,802,585</u>
		<u>7,069,800</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>\$ 44,214,731</u>

Saint Francis Foundation  
Notes to Financial Statements  
June 30, 2023

10. 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, 2023 is as follows:

Appropriation of endowment earnings:	
Other restricted funds	\$ 872,316
Unrestricted as to purpose	<u>1,324,192</u>
	<u><u>\$ 2,196,508</u></u>

11. 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, 2023

11. 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, 2023.

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 is 4% of the average market value calculated over the prior twelve quarters through the fiscal year-end proceeding the fiscal year in which the distribution is planned. The Foundation has flexibility to appropriate more than the 4% 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.

Endowment composition

The Foundation's endowment net assets with donor restrictions consisted of the following at June 30, 2023:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 14,463,170
Accumulated investments gains	<u>749,603</u>
	<u>\$ 15,212,773</u>

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11. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the year ended June 30, 2023 is as follows:

Balance, beginning of year	\$ 21,655,684
Net investment gain	749,603
Appropriation for expenditures	<u>(872,317)</u>
Balance, end of year	<u>\$ 21,532,970</u>

12. IN-KIND CONTRIBUTIONS

The Foundation received approximately \$38,000 of in-kind donations during the year ended June 30, 2023. The full in-kind donation was for wine that was provided at the Hob Nob event.

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 \$24,142 were made for the year ended June 30, 2023.

14. LIQUIDITY AND AVAILABILITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It 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.

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

- Operating within a prudent range of financial soundness and stability,

Saint Francis Foundation  
Notes to Financial Statements  
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14. LIQUIDITY AND AVAILABILITY (continued)

- 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:

Cash	\$ 5,810,613
Accounts receivable	3,120
Unconditional promises to give, net	750,000
Investments in single investor fund	103,177,455
Investments in marketable securities	33,227
Beneficial interest in charitable remainder trusts, net	<u>2,459,534</u>
	112,233,949
Single investor fund securities with various lock-up and redemption restrictions	(76,694,730)
Beneficial interest in charitable remainder trusts, net	(2,459,534)
Funds held for Saint Francis Memorial Hospital	(4,300,007)
Held for endowments	<u>(21,532,970)</u>
	<u>\$ 7,246,708</u>

15. SUBSEQUENT EVENTS

The Foundation has evaluated events subsequent to June 30, 2023 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 24, 2024, the date the financial statements were available to be issued, and it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



SUPPLEMENTARY INFORMATION

Saint Francis Foundation  
Schedule of Grant Awards  
For The Year Ended June 30, 2023

Grant name	Grants Payable		Distributed	Grants	Grants Payable
	July 1, 2022	Awards, net		Completed Under Budget or Closed Funds	
Outpatient burn clinic cynergy vascular laser	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
OSI 11th floor flooring replacement	69,073	-	(69,073)	-	-
Asian & Pacific Islander Wellness Center dba San Francisco Community Health Center	150,000	-	(100,000)	-	50,000
Glide's ER to HRx Project	50,000	-	(50,000)	-	-
Sonopet - Gender confirmation facial surgery grant	166,561	-	(141,227)	-	25,334
Vocera communication system for SFMH Burn Unit Grt	360,500	-	-	-	360,500
Stryker joint power systems for perioperative bone procedures	811,875	-	(727,975)	(83,900)	-
SFCHC Trauma street based medical care Tenderloin Dist.	225,000	-	(150,000)	-	75,000
SFMH Fund - Sonopet - Gender confirmation facial surgery Grant	68,364	-	(68,364)	-	-
Stroke Center Cerebrovascular Imaging Platform	47,500	-	-	-	47,500
Gender institute buildout architectural plans	81,000	163,000	(81,000)	-	163,000
Larkin Street Youth Homelessness	300,000	-	(300,000)	-	-
Gender institute surgical equipment phalloplasty	795,600	-	(528,388)	-	267,212
Gender Institute daVinci xi8 surgical robot	2,623,000	-	(410,336)	-	2,212,664
Hyde St Community services brain injury migraine assessment	-	200,000	(90,000)	-	110,000
Perioperative services to replace end of life equipment	-	503,725	-	-	503,725
Burn nurse training program	-	397,252	(14,059)	-	383,193
Burn unit and ICU bed replacements	-	370,937	-	-	370,937
Curry senior center tech center buildout	-	150,000	(150,000)	-	-
Lyon-Martin Community Health clinic space	-	150,000	(150,000)	-	-
Radiology new mobile digital X-Ray machine	-	125,000	-	-	125,000
GE central station upgrade for ED, CCU, burn and ICU	-	100,000	-	-	100,000
Clinical laboratory, blood bank analyzer	-	80,000	-	-	80,000
Burn OP Clinic, design for electric upgrade for cyanosure laser	-	75,390	-	-	75,390
Belmont rapid blood infusers	-	85,000	-	-	85,000
Burn OP Clinic CO2 laser feasibility	-	47,000	-	-	47,000
Required permitting, reviews, and documentation approvals for Gender Institute physical space	-	40,000	-	-	40,000
ED Safe Room	-	600,000	-	-	600,000
BHU remodel for safety and improved patient experience	-	119,000	-	-	119,000
Lab microbiology interface	-	100,000	-	-	100,000
Burn unit, pediatric burn patient anti-elopement system - design phase	-	93,990	-	-	93,990
Enhanced doctors door entrance	-	41,910	-	-	41,910
Maitri Compassionate Care Affirmation Center	-	100,000	(50,000)	-	50,000
Hospital liaison provided by Hyde Street Community Services	-	135,000	(67,500)	-	67,500
Lyon-Martin Community Health Services QTI Mental Health expansion	-	100,000	(100,000)	-	-
Other grants	99,599	304,789	(143,731)	(5,138)	255,519
	<u>\$ 5,998,072</u>	<u>\$ 4,081,993</u>	<u>\$ (3,391,653)</u>	<u>\$ (89,038)</u>	<u>\$ 6,599,374</u>