

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Financial Statements

December 31, 2020 and 2019

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Ellis Hospital Foundation, Inc.  
(d/b/a The Foundation for Ellis Medicine):

We have audited the accompanying financial statements of Ellis Hospital Foundation, Inc. (d/b/a The Foundation for Ellis Medicine), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees  
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### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ellis Hospital Foundation, Inc. (d/b/a The Foundation for Ellis Medicine) as of December 31, 2020 and 2019, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As more fully described in note 2 to the financial statements, Ellis Hospital Foundation, Inc. may be materially impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Our opinion is not modified with respect to this matter.

*Fust Charles Chambers LLP*

May 7, 2021

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Balance Sheets

December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,533,002	897,975
Pledges receivable, net	3,606,693	1,104,483
Prepaid expenses and other assets	16,997	11,440
Investments	14,660,876	12,353,301
Pooled income and gift annuity funds	647,572	600,724
Beneficial interest in perpetual trusts	<u>1,668,311</u>	<u>1,525,622</u>
Total assets	<u>\$ 22,133,451</u>	<u>16,493,545</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	17,570	26,298
Annuities and life beneficiary obligations	72,517	80,671
Due to Ellis Hospital	<u>1,531,988</u>	<u>714,055</u>
Total liabilities	<u>1,622,075</u>	<u>821,024</u>
Contingencies and uncertainties (note 2)		
Net assets:		
Without donor restrictions	3,488,976	4,233,227
With donor restrictions	<u>17,022,400</u>	<u>11,439,294</u>
Total net assets	<u>20,511,376</u>	<u>15,672,521</u>
Total liabilities and net assets	<u>\$ 22,133,451</u>	<u>16,493,545</u>

See accompanying notes to the financial statements.

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Statement of Activities

Year ended December 31, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>Revenues:</b>			
Contributions	\$ 1,713,799	6,446,256	8,160,055
Events	243,501	-	243,501
Donated services	6,000	-	6,000
Interest and dividends	106,343	124,984	231,327
Net realized gains on sale of investments	997,605	1,386,992	2,384,597
Change in net unrealized gains and losses on investments	(542,635)	(1,132,981)	(1,675,616)
Change in value of split interest agreements	(36,094)	142,689	106,595
Net assets released from restriction	<u>1,384,834</u>	<u>(1,384,834)</u>	<u>-</u>
Total revenues	<u>3,873,353</u>	<u>5,583,106</u>	<u>9,456,459</u>
<b>Expenses:</b>			
Contributions to Ellis Hospital and VNS	3,057,063	-	3,057,063
Fundraising events	145,008	-	145,008
Salaries and fringe benefits	714,898	-	714,898
Supplies and other expenses	<u>700,635</u>	<u>-</u>	<u>700,635</u>
Total expenses	<u>4,617,604</u>	<u>-</u>	<u>4,617,604</u>
Change in net assets	(744,251)	5,583,106	4,838,855
Net assets at beginning of year	<u>4,233,227</u>	<u>11,439,294</u>	<u>15,672,521</u>
Net assets at end of year	<u>\$ 3,488,976</u>	<u>17,022,400</u>	<u>20,511,376</u>

See accompanying notes to the financial statements.

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Statement of Activities

Year ended December 31, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 928,211	1,125,585	2,053,796
Events	542,390	-	542,390
Donated services	6,000	-	6,000
Interest and dividends	185,627	164,755	350,382
Net realized gains on sale of investments	388,582	42,880	431,462
Change in net unrealized gains and losses on investments	646,686	1,093,673	1,740,359
Change in value of split interest agreements	(27,795)	217,420	189,625
Net assets released from restriction	903,258	(903,258)	-
	<u>3,572,959</u>	<u>1,741,055</u>	<u>5,314,014</u>
Total revenues			
Expenses:			
Contributions to Ellis Hospital and VNS	2,560,705	-	2,560,705
Fundraising events	201,845	-	201,845
Salaries and fringe benefits	718,918	-	718,918
Supplies and other expenses	361,847	-	361,847
	<u>3,843,315</u>	<u>-</u>	<u>3,843,315</u>
Total expenses			
Change in net assets	(270,356)	1,741,055	1,470,699
Net assets at beginning of year	<u>4,503,583</u>	<u>9,698,239</u>	<u>14,201,822</u>
Net assets at end of year	<u>\$ 4,233,227</u>	<u>11,439,294</u>	<u>15,672,521</u>

See accompanying notes to the financial statements.

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,838,855	1,470,699
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized gains on sale of investments	(2,384,597)	(431,462)
Change in net unrealized gains and losses on investments	1,675,616	(1,740,359)
Change in value of split interest agreements	(106,595)	(189,625)
Provision for doubtful accounts	217,385	53,407
Change in assets and liabilities:		
Pledges receivable	(2,719,595)	53,573
Prepaid expenses and other assets	(5,557)	29,175
Accounts payable and accrued expenses	(8,728)	8,695
Annuities and life beneficiary obligations	(8,154)	(36,176)
Due to Ellis Hospital	817,933	12,418
	<u>2,316,563</u>	<u>(769,655)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Net purchases and sales of investments, pooled income and beneficial interest in perpetual trusts	(2,421,657)	2,094,802
Contributions for pooled income and gift annuity	50,000	10,000
	<u>(2,371,657)</u>	<u>2,104,802</u>
Net cash provided by (used in) investing activities		
Increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	(55,094)	1,335,147
Cash, cash equivalents and restricted cash and cash equivalents:		
Beginning of year	<u>2,022,881</u>	<u>687,734</u>
End of year	\$ <u><u>1,967,787</u></u>	<u><u>2,022,881</u></u>

See accompanying notes to the financial statements.

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Notes to Financial Statements

December 31, 2020 and 2019

(1) Description of Organization and Summary of Significant Accounting Policies

Ellis Hospital Foundation, Inc. (d/b/a The Foundation for Ellis Medicine) (the Foundation) was created in 1982 by the Trustees of Ellis Hospital, Inc. to seek philanthropic support and to acknowledge, steward and recognize all contributions to Ellis Hospital, now known as Ellis Medicine (the Hospital).

Contributions received and amounts raised were approximately \$8.2 million and \$2.1 million in 2020 and 2019, respectively, through gifts from individuals, organizations, corporations and foundations. Amounts raised in 2020 included amounts for a new capital campaign. In early 2020, the Foundation conducted a feasibility study to determine the viability of holding a major capital campaign to support future strategic plans of the Hospital. More than 65 people were interviewed and overwhelmingly supported a \$25M campaign over five years to support three initiatives: cancer care, mental health services, and expanded operating rooms. The Generations of Health Campaign was officially launched in July 2020. The Hospital's Board of Directors and Executive Leadership are fully committed to the success of the campaign.

An active planned giving program has also generated significant contributions through bequests, charitable gift annuities and trusts. In addition, the Foundation conducts several special events annually to raise funds, make new friends and to expand community visibility for Ellis Medicine. During 2020 and 2019, the Foundation raised approximately \$98,000 and \$341,000, respectively, for special events in exchange for goods or services.

A long history of generosity has supported healthcare in the community. In the coming years, that commitment and philanthropic support will continue to be essential to the future of Ellis Medicine and healthcare in our community.



**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Notes to Financial Statements

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

Following is a summary of the Foundation's significant accounting policies:

(a) Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared consistent with the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958, which addressed the accounting for not-for-profit organizations. In accordance with the provisions of the ASC 958, net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are amounts not subject to donor imposed stipulations and include undesignated net assets available for operations and board designated net assets. The Foundation Board of Trustees has approved a plan to invest certain funds without donor restrictions and purpose designate the funds for certain projects and initiatives. The amounts designated are considered non-expendable for operations without the approval of the Foundation's Board of Trustees. Net assets with donor restrictions are those that are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature and are limited by donors to a specific time period or purpose. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

The Foundation considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimated or to identify matters that require additional disclosure. These financial statements were available for issuance on May 7, 2021 and subsequent events have been evaluated through that date.

(b) New Accounting Pronouncement

On January 1, 2020, the Foundation adopted Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement* (Topic 820), *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The new standard applies to all entities that are required to make disclosures about recurring or nonrecurring fair value measurements. The objective of this ASU is to improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying and adding certain disclosures. The adoption of the ASU was applied retrospectively to prior periods and did not have a material impact on the financial statements.

**ELLIS HOSPITAL FOUNDATION, INC.**  
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Notes to Financial Statements

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(c) Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingencies and reported amounts of revenues and expenses. Such estimates and assumptions include the discount rate and the allowance for uncollectible pledges. These estimates and assumptions are based on management's best estimates and judgement. Management evaluates its estimates and assumptions on an ongoing bases using historical experience and other factors, including the current economic environment, and believes such estimates and assumptions to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

(d) Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents, excluding amounts included in the restricted, pooled income and gift annuity funds. The Foundation considers restricted cash and cash equivalents as those funds having donor restrictions or whose use is limited by board designation.

The reconciliation of cash, cash equivalents, and restricted cash and cash equivalents within the balance sheets that comprise the amount reported on the statements of cash flows at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,533,002	897,975
Investments	<u>434,785</u>	<u>1,124,906</u>
Total cash, cash equivalents and restricted cash and cash equivalents	\$ <u><u>1,967,787</u></u>	<u><u>2,022,881</u></u>

Restricted cash and cash equivalents included in cash and cash equivalents and investments on the balance sheets represents contributions received subject to donor-imposed restrictions or have been purpose designated by the Board of Trustees.

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Notes to Financial Statements

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(e) Investments

Investments are measured at fair value in the balance sheets. Investment income or loss (including net realized and change in net unrealized gains or losses on investments, interest and dividends) is included as a component of the change in net assets without donor restrictions unless the income or loss is restricted by law or donor.

(f) Investment Risks

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying balance sheets and statements of activities.

(g) Pooled Income and Gift Annuity Funds

The Foundation has a pooled income fund whereby a donor makes an irrevocable contribution to the fund but the donor receives the investment income earned on the fund. The fair value of the assets contributed is recorded on the Foundation's financial statements at the time of the gift and a contribution is recognized for the present value of the asset based on the life expectancy of the donor. The difference is recognized as accounts payable and accrued expenses and is amortized over the life of the donor.

The Foundation also has a gift annuity fund. The investments are recorded at fair value at the time the gift is made. Contribution revenue is recognized after recording liabilities for the present value of the estimated future payments to be made to the beneficiary.

(h) Beneficial Interest in Perpetual Trusts

In 2007, the Hospital Board resolved that all contributions should be received by the Foundation for stewardship and recording. Contributions include amounts received from trust arrangements resulting from bequests from donors. The Foundation records a beneficial interest in these trusts equal to the share contributed to benefit the Hospital. These trusts have been recorded as net assets with donor restrictions, and periodic distributions from the trusts are recorded as changes in value of split interest agreements that increase net assets without donor restrictions or net assets with donor restrictions, according to the donor's wishes. When the beneficial interest is remeasured at fair value, an adjustment will be recognized to reflect the change in net assets with donor restrictions.

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Notes to Financial Statements

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(i) Donor-Restricted Gifts/Pledges Receivable

Gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

An allowance for uncollectible pledges is estimated by management based on periodic reviews of the collectibility of pledges receivables considering historical experience and prevailing economic conditions.

(j) Contributions and Distributions

In accordance with the by-laws of the Foundation, gifts, grants and bequests received by the Foundation are to be used to benefit the Hospital or VNS. In the absence of donor restrictions, the Foundation has discretionary control over the amounts to be distributed, the timing of such distributions, and the purpose for which such funds are to be used. The Foundation has distributed funds to the Hospital and VNS during 2020 and 2019 for the purchase of medical equipment, capital improvements, scholarships and awards, and to fund certain operating expenses.

(k) Donated Services

Donated services consist of office space contributed by the Hospital.

(l) Income Taxes

The Foundation is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than fifty percent likely of being realized upon settlement. Changes in recognition in measurement are reflected in the period in which the change in judgement occurs. The Foundation did not recognize the effect of any uncertain income tax positions in either 2020 or 2019. The tax years open to examination by federal and New York State taxing authorities are 2017 through 2020.

(m) Concentration of Credit Risk

The Foundation maintains cash balances in depositories, which, at times, may exceed the Federal Deposit Insurance Corporation limits.

**ELLIS HOSPITAL FOUNDATION, INC.**  
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Notes to Financial Statements

(2) COVID-19 Pandemic

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and future results of operations. Management is actively monitoring the global and local situation's impact on its financial condition, liquidity, operations and workforce. Since March 2020, the Foundation has had to delay or restructure certain events as a result of the COVID-19 pandemic and its impact on New York State and Schenectady County regulations.

On March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, and increased limitations on qualified charitable contributions. The CARES Act also appropriated funds for the Small Business Association Paycheck Protection Program (PPP) loans.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. The law provides continuing funding for the government and additional pandemic relief provisions. The pandemic relief includes, among other provisions, funding for additional PPP loans and enhancements and extensions of other CARES Act provisions.

On March 11, 2021, the American Rescue Plan Act of 2021 (ARP) was signed into law to further assist in the United States' recovery from the economic and health effects of the COVID-19 pandemic. The ARP stimulus provisions expand upon many of the measures in the CARES Act and CAA, including relief for small businesses. The Foundation is evaluating the relevant provisions of the ARP for participation consideration.

The Foundation’s Board of Directors and Executive Leadership continue to monitor the provisions and guidelines of the pandemic relief legislation relative to applicability to the Foundation’s eligibility.

Given the daily evolution of the COVID-19 pandemic and the continued response to curb its spread, the Foundation cannot estimate the length or gravity of the impact of the COVID-19 pandemic, at this time. If the pandemic continues, it may have a material adverse effect on the results of future operations, financial position and liquidity.

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Notes to Financial Statements

(3) Liquidity and Availability of Financial Assets

Financial assets available within one year for general expenditure were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,533,002	897,975
Pledges receivable, net	<u>729,175</u>	<u>131,177</u>
Total	<u>\$ 2,262,177</u>	<u>1,029,152</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Amounts held in investments are subject to donor restriction or have been purpose designated by the Board of Trustees. Amounts purpose designated by the Board of Trustees approximated \$3,131,000 and \$3,174,000 at December 31, 2020 and 2019, respectively. While the Foundation does not intend to spend board designated amounts for purposes other than as designated, the amounts could be made available for current operations upon approval of the Board of Trustees.

(4) Pledges Receivable

Pledges receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Pledges receivable - events	\$ 11,700	83,999
Pledges receivable - with donor restrictions	3,777,336	864,948
Pledges receivable - without donor restrictions	<u>152,885</u>	<u>290,708</u>
Gross pledges receivable	3,941,921	1,239,655
Less:		
Allowance for uncollectible pledges	(260,063)	(113,966)
Present value discount on pledges	<u>(75,165)</u>	<u>(21,206)</u>
Total pledges, net	<u>\$ 3,606,693</u>	<u>1,104,483</u>

**ELLIS HOSPITAL FOUNDATION, INC.**  
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Notes to Financial Statements

(4) Pledges Receivable, Continued

The expected collection of pledges receivable is as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 2,267,849	412,648
Greater than one year	<u>1,674,072</u>	<u>827,007</u>
	<u>\$ 3,941,921</u>	<u>1,239,655</u>

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from .13% to 2.51%, based on the U.S. Treasury constant maturities rate applicable to the term of the pledge as of the pledge date.

(5) Investments

Investments, pooled income and gift annuity funds, and beneficial interest in perpetual trusts, carried at fair value, are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 434,785	1,124,906
Mutual funds	980,317	4,031,095
Exchange traded funds	6,533,906	-
Fixed income securities	5,360,184	1,135,262
Common stocks	1,999,256	6,662,762
Beneficial interest in perpetual trusts	<u>1,668,311</u>	<u>1,525,622</u>
	<u>\$ 16,976,759</u>	<u>14,479,647</u>

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.
- Level 2 inputs are observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 inputs are unobservable inputs that are used when little or no market data is available. Significant management judgement or estimation is likely involved in the determination of fair value.

**ELLIS HOSPITAL FOUNDATION, INC.**  
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Notes to Financial Statements

(5) Investments, Continued

Fair value for common stocks, mutual funds and exchange-traded funds are based on quoted market prices. For certain fixed income securities held by the Foundation, the Foundation utilizes matrix pricing from a third party pricing vendor to determine fair value pricing. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security. Investments included in Level 3 represent beneficial interest in perpetual trusts in which the investments are held by outside trustees and for which the Foundation has no ability to redeem its interest in the perpetual trusts. The Foundation only records its prorated share of the trust in the accompanying financial statements.

The following tables present the Foundation's investments that are measured at fair value at December 31, on a recurring basis. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Foundation's investments, with the exception of the beneficial interest in perpetual trusts, are redeemable subject to one day's notice.

	2020			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments and pooled income and gift annuity funds:				
Cash and cash equivalents	\$ 434,785	434,785	-	-
Mutual funds:				
Domestic	874,578	874,578	-	-
International	105,739	105,739	-	-
Exchange-traded funds:				
Domestic	6,069,149	6,069,149		
International	464,757	464,757		
Fixed income:				
Corporate bonds - domestic	1,226,409	-	1,226,409	-
U.S. government obligations	3,691,341	3,691,341	-	-
Municipal government obligations	50,511	50,511	-	-
Certificates of deposit	391,923	391,923	-	-
Common stocks:				
Domestic	1,999,256	1,999,256	-	-
Beneficial interest in perpetual trusts	<u>1,668,311</u>	<u>-</u>	<u>-</u>	<u>1,668,311</u>
<b>Total</b>	<u><u>\$ 16,976,759</u></u>	<u><u>14,082,039</u></u>	<u><u>1,226,409</u></u>	<u><u>1,668,311</u></u>



**ELLIS HOSPITAL FOUNDATION, INC.**  
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Notes to Financial Statements

(5) Investments, Continued

	2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments and pooled income and gift annuity funds:				
Cash and cash equivalents	\$ 1,124,906	1,124,906	-	-
Mutual funds:				
Domestic	2,296,037	2,296,037	-	-
International	1,735,058	1,735,058	-	-
Fixed income:				
Corporate bonds - domestic	1,135,262	49,323	1,085,939	-
Common stocks:				
Domestic	6,212,660	6,212,660	-	-
International	450,102	450,102	-	-
Beneficial interest in perpetual trusts	1,525,622	-	-	1,525,622
Total	\$ 14,479,647	11,868,086	1,085,939	1,525,622

(6) Due to Ellis Hospital

The Hospital provides financial services to the Foundation. Amounts charged to the Foundation by the Hospital totalled approximately \$37,000 and \$40,000 during 2020 and 2019, respectively. The Foundation has a net payable in the amount of approximately \$1,532,000 and \$714,000 to the Hospital at December 31, 2020 and 2019, respectively.

(7) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Restricted for purchase of equipment and capital improvements	\$ 7,270,583	2,119,332
Restricted for general healthcare services	2,027,947	1,677,714
Restricted for health education and research	735,576	774,659
Restricted for School of Nursing scholarships and services	788,079	830,624
Restricted for pooled income fund	3,044	3,044
Restricted for charitable gift annuity	427,908	408,347
	\$ 11,253,137	5,813,720

**ELLIS HOSPITAL FOUNDATION, INC.**  
(d/b/a The Foundation for Ellis Medicine)

Notes to Financial Statements

(7) Net Assets with Donor Restrictions, Continued

Net assets with donor restrictions whose use by the Foundation has been limited by donors to be maintained in perpetuity for which the investment income may be utilized are as follows:

	<u>2020</u>	<u>2019</u>
Healthcare services	\$ 5,083,360	4,944,822
Health education	228,722	228,722
Purchase of equipment and capital improvements	181,579	181,579
School of Nursing scholarships	275,602	270,451
	<u>\$ 5,769,263</u>	<u>5,625,574</u>

The following table summarizes the changes in net assets with donor restrictions whose use by the Foundation has been limited by donors to be maintained in perpetuity.

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 5,625,574	5,354,154
Contributions	1,000	54,000
Change in value of split interest agreements	142,689	217,420
Endowment net assets, end of year	<u>\$ 5,769,263</u>	<u>5,625,574</u>

Net assets with donor restrictions include earnings from the donor restricted endowment of approximately \$2,729,000 and \$2,629,000 at December 31, 2020 and 2019, respectively. These amounts remain after expenditures limited by NYPMIFA guidelines which govern the Foundation spending policy.

During 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the following donor restricted purposes:

	<u>2020</u>	<u>2019</u>
Purchase of equipment and capital improvements	\$ 752,486	539,463
Healthcare services	378,311	88,103
Health education and research	114,127	72,496
School of Nursing scholarships and services	129,961	128,401
Split interest agreements	9,949	74,795
	<u>\$ 1,384,834</u>	<u>903,258</u>

**ELLIS HOSPITAL FOUNDATION, INC.**  
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Notes to Financial Statements

(7) Net Assets with Donor Restrictions, Continued

*(a) Interpretation of Relevant Law*

The Foundation is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA or Act) which provides clear standards of fund management for those charged with governance of institutional or endowment funds. Among its various provisions, it requires that those responsible for managing institutional funds adopt a written investment policy; requires diversification of investments; and provides institutions with a process by which donor restrictions can be lifted. The Act allows an institution to determine the appropriate level of endowment expenditure, subject to donor-imposed restrictions expressed in the gift instrument. However, it establishes a rebuttable presumption of imprudence if such expenditure in any year is greater than 7% of the fair market value of an endowment fund.

The Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the application donor gift instrument at the time the accumulation is added to the fund, if any.

*(b) 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 NYPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of such nature shall reduce net appreciation of the funds in net assets with donor restrictions to the extent that donor imposed restrictions on net appreciation of the funds have not been met before the loss occurs. Any remaining deficiencies shall reduce net assets without donor restrictions. There were no such deficiencies at December 31, 2020 or 2019.

*(c) Return Objectives, Strategies, Spending Policy and Investment Objectives*

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. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that meet or exceed asset classes respective benchmarks over a market cycle of 3 years. To satisfy its long-term rate of return objectives, 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 to achieve its long-term return objectives within prudent risk constraints.

In 2020 and 2019, the Foundation expended 4% and 5%, respectively, of the five-year average market value of the endowment funds to purchase capital assets and to support healthcare services based on the donor's intent.

**ELLIS HOSPITAL FOUNDATION, INC.**  
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Notes to Financial Statements

(8) Functional Expenses

The Foundation provides general program services to the Hospital and VNS and services in accordance with donor restrictions. Expenses presented by both nature and function related to providing these services are as follows for the years ended December 31:

	2020			
	<u>Program services</u>	<u>Fundraising</u>	<u>Administrative and general</u>	<u>Total</u>
Contributions to Ellis				
Hospital and VNS	\$ 3,057,063	-	-	3,057,063
Fundraising events	-	145,008	-	145,008
Salaries and fringe benefits	-	398,835	316,063	714,898
Supplies and other expenses	-	612,299	88,336	700,635
	<u>\$ 3,057,063</u>	<u>1,156,142</u>	<u>404,399</u>	<u>4,617,604</u>
	2019			
	<u>Program services</u>	<u>Fundraising</u>	<u>Administrative and general</u>	<u>Total</u>
Contributions to Ellis				
Hospital and VNS	\$ 2,560,705	-	-	2,560,705
Fundraising events	-	201,845	-	201,845
Salaries and fringe benefits	-	396,634	322,284	718,918
Supplies and other expenses	-	238,562	123,285	361,847
	<u>\$ 2,560,705</u>	<u>837,041</u>	<u>445,569</u>	<u>3,843,315</u>

The financial statements report certain categories of expenses that are attributable to more than one functional expense category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The salaries and fringe benefits are allocated based on an estimate of time and effort incurred.