

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

Financial Statements

December 31, 2023 and 2022



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and 2022, and the related statements of activities and cash flows for the years 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 Ellis Hospital Foundation, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Ellis Hospital Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Ellis Hospital Foundation, Inc.'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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 Ellis Hospital Foundation, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ellis Hospital Foundation, Inc.'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.



June 28, 2024

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

Balance Sheets

December 31, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,164,877	1,478,109
Pledges receivable, net	3,749,152	4,450,130
Prepaid expenses and other assets	86,408	113,758
Investments	15,646,723	13,541,809
Pooled income and gift annuity funds	403,655	392,345
Beneficial interest in perpetual trusts	1,650,085	1,448,516
Cash surrender value of insurance policy	319,489	-
	<hr/>	<hr/>
Total assets	\$ <u>23,020,389</u>	<u>21,424,667</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable and accrued expenses	37,028	189,539
Annuities and life beneficiary obligations	35,365	44,887
Deferred revenue	25,000	60,453
Due to Ellis Hospital	186,968	1,081,615
	<hr/>	<hr/>
Total liabilities	<u>284,361</u>	<u>1,376,494</u>
 Net assets:		
Without donor restrictions	4,275,395	3,317,112
With donor restrictions	18,460,633	16,731,061
	<hr/>	<hr/>
Total net assets	<u>22,736,028</u>	<u>20,048,173</u>
	<hr/>	<hr/>
Total liabilities and net assets	\$ <u>23,020,389</u>	<u>21,424,667</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, 2023

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues:			
Contributions of cash and other financial assets \$	945,322	2,240,935	3,186,257
Contributions of nonfinancial assets	113,515	319,489	433,004
Events	507,462	-	507,462
Interest and dividends	217,956	131,401	349,357
Net realized gains (losses) on sale of investments	218,319	(44,401)	173,918
Change in net unrealized gains and losses on investments	702,943	889,095	1,592,038
Change in value of split interest agreements	(30,949)	201,569	170,620
Net assets released from restriction	<u>2,008,516</u>	<u>(2,008,516)</u>	<u>-</u>
Total revenues	<u>4,683,084</u>	<u>1,729,572</u>	<u>6,412,656</u>
Expenses:			
Contributions to Ellis Hospital	2,049,406	-	2,049,406
Fundraising events	346,014	-	346,014
Salaries and fringe benefits	690,391	-	690,391
Supplies and other expenses	<u>638,990</u>	<u>-</u>	<u>638,990</u>
Total expenses	<u>3,724,801</u>	<u>-</u>	<u>3,724,801</u>
Change in net assets	958,283	1,729,572	2,687,855
Net assets at beginning of year	<u>3,317,112</u>	<u>16,731,061</u>	<u>20,048,173</u>
Net assets at end of year	<u>\$ 4,275,395</u>	<u>18,460,633</u>	<u>22,736,028</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, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues:			
Contributions of cash and other financial assets \$	1,344,161	2,596,744	3,940,905
Contributions of nonfinancial assets	347,250	-	347,250
Events	475,644	-	475,644
Interest and dividends	121,089	107,250	228,339
Net realized losses on sale of investments	(16,320)	(1,114)	(17,434)
Change in net unrealized gains and losses on investments	(1,314,503)	(1,177,504)	(2,492,007)
Change in value of split interest agreements	(35,851)	(412,618)	(448,469)
Net assets released from restriction	<u>3,070,758</u>	<u>(3,070,758)</u>	<u>-</u>
Total revenues	<u>3,992,228</u>	<u>(1,958,000)</u>	<u>2,034,228</u>
Expenses:			
Contributions to Ellis Hospital	3,568,217	-	3,568,217
Fundraising events	261,371	-	261,371
Salaries and fringe benefits	744,798	-	744,798
Supplies and other expenses	<u>757,071</u>	<u>-</u>	<u>757,071</u>
Total expenses	<u>5,331,457</u>	<u>-</u>	<u>5,331,457</u>
Change in net assets	(1,339,229)	(1,958,000)	(3,297,229)
Net assets at beginning of year	<u>4,656,341</u>	<u>18,689,061</u>	<u>23,345,402</u>
Net assets at end of year	<u>\$ 3,317,112</u>	<u>16,731,061</u>	<u>20,048,173</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,687,855	(3,297,229)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contribution of life insurance policy	(319,489)	-
Net realized (gains) losses on sale of investments	(173,918)	17,434
Change in net unrealized gains and losses on investments	(1,592,038)	2,492,007
Change in value of split interest agreements	(170,620)	448,469
Provision for doubtful accounts	51,550	53,000
Change in assets and liabilities:		
Pledges receivable	649,428	(665,136)
Prepaid expenses and other assets	27,350	(102,328)
Accounts payable and accrued expenses	(152,511)	134,740
Annuities and life beneficiary obligations	(9,522)	(12,142)
Deferred revenue	(35,453)	(22,047)
Due to Ellis Hospital	(894,647)	295,482
	<u>67,985</u>	<u>(657,750)</u>
Net cash provided by (used in) operating activities		
Cash flows provided by (used in) investing activities -		
Net purchases and sales of investments, pooled income and beneficial interest in perpetual trusts	<u>(364,563)</u>	<u>662,267</u>
Increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	(296,578)	4,517
Cash, cash equivalents and restricted cash and cash equivalents:		
Beginning of year	<u>1,930,424</u>	<u>1,925,907</u>
End of year	<u>\$ 1,633,846</u>	<u>1,930,424</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, 2023 and 2022

(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 \$3.6 million and \$4.3 million in 2023 and 2022, respectively, through gifts from individuals, organizations, corporations and foundations. Amounts raised in 2023 and 2022 included amounts for a 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 2023 and 2022, the Foundation raised approximately \$238,000 and \$214,000, respectively.

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 June 28, 2024 and subsequent events have been evaluated through that date.

(b) New Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which provides guidance for accounting for credit losses on financial instruments. The ASU introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments and trade receivables and modifies the impairment model for available-for-sale debt securities. The Foundation adopted the ASU on January 1, 2023 using a modified retrospective approach. The adoption of the ASU did not have a material impact on the financial statements.

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

(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 basis 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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,164,877	1,478,109
Investments	<u>468,969</u>	<u>452,315</u>
 Total cash, cash equivalents and restricted cash and cash equivalents	 \$ <u><u>1,633,846</u></u>	 <u><u>1,930,424</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.

For available for sale debt securities, the Foundation evaluates all investments in an unrealized loss position on a regular basis, and more frequently when economic or market conditions warrant such evaluation. If the Foundation has the intent to sell the security or it is more likely than not that the Foundation will be required to sell the security, the security is written down to fair value and the entire loss is recorded. If either of the above criteria is not met, the Foundation evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Foundation may consider various factors including the extent to which fair value is less than cost, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments, adverse conditions specifically related to the security, the lack of historical credit losses and reasonable supportable forecasts. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the cost basis. Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when the Foundation believes an available for sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no allowance for credit loss related to these securities. At December 31, 2022, the Foundation did not have any other-than-temporarily impaired investment securities.

(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.

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

(g) Pooled Income and Gift Annuity Funds

Through December 2023, the Foundation had a pooled income fund whereby a donor made an irrevocable contribution to the fund but the donor received the investment income earned on the fund. The fair value of the assets contributed were recorded on the Foundation's financial statements at the time of the gift and a contribution was recognized for the present value of the asset based on the life expectancy of the donor. The difference was recognized as accounts payable and accrued expenses and was 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.

(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. Conditional contributions received are recognized as revenue when conditions have been met. Amounts received prior to meeting donor conditions are recorded as deferred revenue.

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.

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

(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. 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.

(k) Contributions of Nonfinancial Assets

In 2023, the Foundation received a restricted contribution of a life insurance policy from a donor. The policy's fair value was determined based on the cash surrender value of the policy. In 2022, the Foundation received a property directly from a donor. The property's fair value was determined based on the subsequent sale price of the property.

The Foundation receives contributions of in-kind occupancy from the Hospital. The Foundation estimated the fair value based on the estimated cost of similar space and square footage occupied. In-kind occupancy is recorded as supplies and other expenses and included in administrative and general functional expenses.

The Foundation also received other miscellaneous goods and services during 2023 and 2022. The fair value is estimated based on actual cost of the goods or services provided.

Contributions of nonfinancial assets recognized within the statements of activities are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Occupancy	\$ 36,000	36,000
Insurance policy	319,489	-
Property	-	300,000
Other miscellaneous	<u>77,515</u>	<u>11,250</u>
Total	<u>\$ 433,004</u>	<u>347,250</u>

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

(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 have any uncertain income tax positions in either 2023 or 2022. The tax years open to examination by federal and New York State taxing authorities are 2020 through 2023.

(m) Concentration of Credit Risk

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

(2) Liquidity and Availability of Financial Assets

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,164,877	1,478,109
Pledges receivable, net	<u>13,228</u>	<u>580,472</u>
Total	\$ <u>1,178,105</u>	<u>2,058,581</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 \$3,710,000 and \$3,283,000 at December 31, 2023 and 2022, 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.

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

Notes to Financial Statements

(3) Pledges Receivable

Pledges receivable consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Pledges receivable - events	\$ 45,499	40,177
Pledges receivable - with donor restrictions	4,139,344	4,503,735
Pledges receivable - without donor restrictions	<u>20,039</u>	<u>405,617</u>
Gross pledges receivable	4,204,882	4,949,529
Less:		
Allowance for uncollectible pledges	(327,623)	(320,015)
Present value discount on pledges	<u>(128,107)</u>	<u>(179,384)</u>
Total pledges receivable, net	<u>\$ 3,749,152</u>	<u>4,450,130</u>

The scheduled collection of pledges receivable is as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 1,714,871	2,227,288
Greater than one year	<u>2,490,011</u>	<u>2,722,241</u>
	<u>\$ 4,204,882</u>	<u>4,949,529</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 0.28% to 5.07% based on the U.S. Treasury constant maturity rate applicable to the term of the pledge as of the pledge date.

(4) Investments, Pooled Income and Gift Annuity Funds

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 468,969	452,315
Mutual funds	495,112	459,261
Exchange traded funds	9,631,264	7,538,300
Fixed income securities	5,455,033	4,480,599
Common stocks	-	1,003,679
Beneficial interest in perpetual trusts	<u>1,650,085</u>	<u>1,448,516</u>
	<u>\$ 17,700,463</u>	<u>15,382,670</u>

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

Notes to Financial Statements

(5) Fair Value of Financial Instruments

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.

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. The cash surrender value of life insurance is the amount the Foundation can realize upon surrender of the policy, therefore, carrying value approximates fair value. 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.

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

Notes to Financial Statements

(5) Fair Value of Financial Instruments, Continued

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

	2023			
	<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 \$	468,969	468,969	-	-
Mutual funds:				
Domestic	428,269	428,269	-	-
International	66,843	66,843	-	-
Exchange-traded funds:				
Domestic	8,826,216	8,826,216	-	-
International	805,048	805,048	-	-
Fixed income:				
Corporate bonds - domestic	1,943,198	-	1,943,198	-
U.S. government obligations	3,368,094	3,368,094	-	-
Municipal government obligations	143,741	143,741	-	-
Beneficial interest in perpetual trusts	1,650,085	-	-	1,650,085
Cash surrender value of insurance policy	319,489	-	319,489	-
 Total	 <u>\$ 18,019,952</u>	 <u>14,107,180</u>	 <u>2,262,687</u>	 <u>1,650,085</u>

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

Notes to Financial Statements

(5) Fair Value of Financial Instruments, Continued

	2022			
	Total	Level 1	Level 2	Level 3
Investments and pooled income and gift annuity funds:				
Cash and cash equivalents \$	452,315	452,315	-	-
Mutual funds:				
Domestic	385,260	385,260	-	-
International	74,001	74,001	-	-
Exchange-traded funds:				
Domestic	7,397,523	7,397,523	-	-
International	140,777	140,777	-	-
Fixed income:				
Corporate bonds - domestic	1,760,634	-	1,760,634	-
U.S. government obligations	2,580,982	2,580,982	-	-
Municipal government obligations	138,983	138,983	-	-
Common stocks:				
Domestic	1,003,679	1,003,679	-	-
Beneficial interest in perpetual trusts	1,448,516	-	-	1,448,516
Total	\$ 15,382,670	12,173,520	1,760,634	1,448,516

(6) Due to Ellis Hospital

The Hospital provides financial services to the Foundation. Amounts charged to the Foundation by the Hospital totaled approximately \$41,000 during 2023 and 2022. The Foundation has a net payable in the amount of approximately \$187,000 and \$1,082,000 to the Hospital at December 31, 2023 and 2022, respectively.

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

Notes to Financial Statements

(7) Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Restricted for purchase of equipment and capital improvements	\$ 5,621,974	5,376,540
Restricted for general healthcare services	4,515,799	3,588,040
Restricted for health education and research	1,056,557	1,061,572
Restricted for School of Nursing scholarships and services	669,695	676,060
Restricted for pooled income fund	-	3,044
Restricted for charitable gift annuity	311,977	322,337
Restricted in perpetuity	<u>6,284,631</u>	<u>5,703,468</u>
	<u>\$ 18,460,633</u>	<u>16,731,061</u>

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>2023</u>	<u>2022</u>
Healthcare services	\$ 5,608,103	5,030,383
Health education	228,722	228,722
Purchase of equipment and capital improvements	181,579	181,579
School of Nursing scholarships	<u>266,227</u>	<u>262,784</u>
	<u>\$ 6,284,631</u>	<u>5,703,468</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>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 5,703,468	5,915,086
Contributions	379,595	201,000
Change in value of split interest agreements	<u>201,568</u>	<u>(412,618)</u>
Endowment net assets, end of year	<u>\$ 6,284,631</u>	<u>5,703,468</u>

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 include earnings from the donor restricted endowment of approximately \$2,798,000 and \$2,123,000 at December 31, 2023 and 2022, respectively. These amounts remain after expenditures limited by NYPMIFA guidelines which govern the Foundation spending policy.

During 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the following donor restricted purposes:

	<u>2023</u>	<u>2022</u>
Purchase of equipment and capital improvements	\$ 1,101,019	2,378,218
Healthcare services	706,474	454,825
Health education and research	87,497	38,340
School of Nursing scholarships and services	95,092	96,301
Split interest agreements	18,434	103,074
	<u>\$ 2,008,516</u>	<u>3,070,758</u>

(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.

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

Notes to Financial Statements

(7) Net Assets with Donor Restrictions, Continued

(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, 2023 or 2022.

(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 2023 and 2022, the Foundation expended 7% and 3%, 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.

(8) Functional Expenses

The Foundation provides general program services to the Hospital 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:

	2023			
	<u>Program services</u>	<u>Fundraising</u>	<u>Administrative and general</u>	<u>Total</u>
Contributions to Ellis Hospital	\$ 2,049,406	-	-	2,049,406
Fundraising events	-	346,014	-	346,014
Salaries and fringe benefits	-	344,270	346,121	690,391
Supplies and other expenses	-	497,236	141,754	638,990
	\$ 2,049,406	1,187,520	487,875	3,724,801

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

Notes to Financial Statements

(8) Functional Expenses, Continued

	2022			
	<u>Program services</u>	<u>Fundraising</u>	<u>Administrative and general</u>	<u>Total</u>
Contributions to Ellis Hospital	\$ 3,568,217	-	-	3,568,217
Fundraising events	-	261,371	-	261,371
Salaries and fringe benefits	-	410,167	334,631	744,798
Supplies and other expenses	-	619,501	137,570	757,071
	<u>\$ 3,568,217</u>	<u>1,291,039</u>	<u>472,201</u>	<u>5,331,457</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.