

**THE HENRY W. GRADY HEALTH
SYSTEM FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2021

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Henry W. Grady Health System Foundation, Inc.

Opinion

We have audited the accompanying statements of The Henry W. Grady Health System Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2021, 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 The Henry W. Grady Health System Foundation, Inc. as of December 31, 2021, 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 The Henry W. Grady Health System Foundation, Inc. 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.

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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 consolidated 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 the 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 the 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Warren Averett, LLC

Atlanta, Georgia
April 18, 2022

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS		
	2021	2020
Cash and cash equivalents	\$ 31,465,761	\$ 32,609,450
Investments	3,451,670	3,507,942
Accounts receivable	15,648	1,825
Prepaid expenses	311,245	166,148
Unconditional promises to give	6,431,762	10,880,713
Property and equipment	186,303	207,150
TOTAL ASSETS	\$ 41,862,389	\$ 47,373,228
LIABILITIES AND NET ASSETS		
	2021	2020
Accounts payable	\$ 81,014	\$ 49,395
Accounts payable – Hospital	203,269	734,272
Deferred rent	369,323	337,745
Deferred revenue	25,260	113,800
TOTAL LIABILITIES	678,866	1,235,212
NET ASSETS		
Without donor restrictions		
Undesignated	10,269,880	7,727,752
Board designated	41,378	393,237
Total net assets without donor restrictions	10,311,258	8,120,989
With donor restrictions		
Restricted by purpose or time	30,854,652	37,999,414
Restricted in perpetuity	17,613	17,613
Total net assets with donor restrictions	30,872,265	38,017,027
TOTAL NET ASSETS	41,183,523	46,138,016
TOTAL LIABILITIES AND NET ASSETS	\$ 41,862,389	\$ 47,373,228

See notes to the financial statements.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(with comparative totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 1,718,371	\$ 6,664,526	\$ 8,382,897	\$ 14,226,544
Investment income – undesignated	10,168	-	10,168	18,695
Investment (loss) gain – designated	(120,126)	-	(120,126)	329,864
Hospital support	2,237,646	-	2,237,646	1,827,600
Gifts in-kind	91,042	301,368	392,410	32,095
Special events	1,972,290	-	1,972,290	584,650
Other revenues – undesignated	374,969	-	374,969	581,279
Other revenues – designated	41,378	-	41,378	63,373
Net assets released from restrictions	14,110,656	(14,110,656)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	<u>20,436,394</u>	<u>(7,144,762)</u>	<u>13,291,632</u>	<u>17,664,100</u>
EXPENSES				
Program services				
Support to Grady Health System	8,713,068	-	8,713,068	17,949,518
Health and medical programs	5,976,672	-	5,976,672	9,757,025
Total program expenses	<u>14,689,740</u>	<u>-</u>	<u>14,689,740</u>	<u>27,706,543</u>
Support services				
Management and general	1,485,633	-	1,485,633	1,732,784
Fundraising	2,070,752	-	2,070,752	1,205,982
Total support services	<u>3,556,385</u>	<u>-</u>	<u>3,556,385</u>	<u>2,938,766</u>
TOTAL EXPENSES	<u>18,246,125</u>	<u>-</u>	<u>18,246,125</u>	<u>30,645,309</u>
CHANGES IN NET ASSETS	2,190,269	(7,144,762)	(4,954,493)	(12,981,209)
NET ASSETS AT:				
BEGINNING OF YEAR,	<u>8,120,989</u>	<u>38,017,027</u>	<u>46,138,016</u>	<u>59,119,225</u>
END OF YEAR	<u>\$ 10,311,258</u>	<u>\$ 30,872,265</u>	<u>\$ 41,183,523</u>	<u>\$ 46,138,016</u>

See notes to the financial statements.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(with comparative totals for 2020)

	2021						2020
	Support to Grady Health System	Health and Medical Programs	Total Program Services	Management and General	Fundraising	Total	
Capital contributions to GMHC	\$ 7,938,911	\$ -	\$ 7,938,911	\$ -	\$ -	\$ 7,938,911	\$ 15,983,846
Gifts to GMHC	461,827	-	461,827	-	-	461,827	313,990
Professional services	-	1,200,267	1,200,267	356,326	17,820	1,574,413	3,036,120
Personnel costs	-	3,740,930	3,740,930	661,189	1,104,862	5,506,981	8,300,988
Employee emergency funds	161,167	-	161,167	-	-	161,167	1,669,565
Patient support	-	162,929	162,929	-	-	162,929	188,317
Event expense	-	-	-	-	948,070	948,070	274,692
Conferences, meetings and travel	-	308,432	308,432	6,397	-	314,829	115,016
Supplies	-	463,224	463,224	4,917	-	468,141	223,490
Occupancy	-	-	-	214,304	-	214,304	216,645
Technology	-	-	-	70,963	-	70,963	89,831
Depreciation and amortization	-	-	-	27,891	-	27,891	36,952
Miscellaneous	151,163	100,890	252,053	143,646	-	395,699	195,857
	<u>\$ 8,713,068</u>	<u>\$ 5,976,672</u>	<u>\$ 14,689,740</u>	<u>\$ 1,485,633</u>	<u>\$ 2,070,752</u>	<u>\$ 18,246,125</u>	<u>\$ 30,645,309</u>

See notes to the financial statements.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (4,954,493)	\$ (12,981,209)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	27,891	36,952
Unrealized loss (gain) on investments	122,418	(163,346)
Decrease (increase) in assets:		
Accounts receivable	(13,823)	101,731
Unconditional promises to give	4,448,951	11,240,880
Prepaid expenses	(145,097)	(67,491)
(Decrease) increase in liabilities:		
Accounts payable	(499,384)	(530,711)
Deferred rent	31,578	18,938
Deferred revenue	(88,540)	91,300
Net cash used in operating activities	(1,070,499)	(2,252,956)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	(7,044)	-
Investments, net	(66,146)	(85,164)
Net cash used in investing activities	(73,190)	(85,164)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,143,689)	(2,338,120)
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	32,609,450	34,947,570
END OF YEAR	\$ 31,465,761	\$ 32,609,450

See notes to the financial statements.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1. DESCRIPTION OF BUSINESS

The Henry W. Grady Health System Foundation, Inc. (the Foundation) was incorporated on May 13, 1993, as a not-for-profit organization for the purpose of promoting the developing quality health care for the Fulton DeKalb Hospital Authority (the Authority) doing business as Grady Health System. In May 2008 the hospital operations were transferred to the Grady Memorial Hospital Corporation (GMHC or the Hospital) but the relationship with the hospital operations continued.

The major source of support for ongoing services is contributions from the general public. The major programs funded by the Foundation on a recurring basis are the health and medical programs of GMHC including the Women and Infant Center, the Grady Cancer Center, Behavioral Health Services and Emergency Services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities at year-end. Net assets, revenues, expenses, gains and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Board Designated – Net assets without donor restriction that are designated by the Board of Directors (the Board) to be held for endowment or other specified purposes. The Board can elect to remove these designations in the future.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time. Additionally, net assets subject to donor-imposed stipulations that the Foundation maintain them permanently. Earnings from the Foundation's net assets held in perpetuity are restricted by donors to be used for GMHC programs.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounting for Contributions

The Foundation records contributions at the date of the gift. Donated investments are recorded at their fair value on the date donated. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated by the donor for specific purposes or for use in a future period are reported as an increase to net assets with donor restrictions.

Restrictions on contributions expire when a purpose or time restriction is accomplished. Upon satisfaction, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying statement of activities as net assets released from restrictions. Net assets with donor restrictions include the principal amount of contributions accepted with the stipulation from the donors that the principal be maintained in perpetuity.

Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in restricted support at the time of receipt and as net assets released from restrictions upon satisfaction of the donor restriction.

Unconditional Promises to Give

Unconditional promises to give are recorded as received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the Foundation used a risk free discount rate for the years ended December 31, 2021 and 2020. An allowance for uncollectible promises to give is provided based on management's evaluation of potential uncollectible promises receivable at year end.

At December 31, 2021, 46% of the unconditional promises to give balance was attributable to three donors. At December 31, 2020, 60% of the unconditional promises to give balance was attributable to three donors.

In-kind Contributions

Contributed goods and services are recognized if they create or enhance nonfinancial assets or if they require specialized skills and would typically be purchased if not provided by donation. Contributed goods and services for the years ended December 31, 2021 and 2020 amounted to approximately \$392,000 and \$32,000, respectively.

Revenue Recognition

Revenue for meeting registration and seminars is recognized as services are performed.

Deferred Revenue

Deferred revenue at December 31, 2021 and 2020 represents special event sponsorships for events in the subsequent year.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months at inception or origination. The carrying value of cash and cash equivalents approximates fair value.

Investments

Investments are carried at fair value in accordance with FASB ASC 958, *Investments – Debt and Equity Securities for Not-for-Profit Organizations* and FASB ASC 820. Under FASB ASC 820, fair value measurements are disclosed by level within the fair value hierarchy. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in markets that are not active or based on valuation models for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Level 3 investments include situations where there is little, if any, market activity for the investments. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

All of the Foundation's investments are Level 1 investments.

Accounts Receivable

Management evaluates the collectability of accounts receivable annually. In the opinion of management, as of December 31, 2021 and 2020 all accounts receivable were collectible and no allowance for uncollectible receivables was necessary.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are recorded at cost or at fair value, if donated; and are depreciated using straight-line methods over their estimated useful lives. The estimated useful life for furniture, fixtures and computer equipment is five years. Leasehold improvements are amortized over the life of the lease.

Fair Value of Financial Instruments

Financial instruments, primarily cash, receivables and accounts payable are reported at values which the Foundation believes are not significantly different from fair values. Management believes no significant credit risk exists with respect to any of its financial instruments.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Uninsured Cash Balances

The Foundation maintains cash balances in various financial institutions. Deposit accounts at each of the institutions are insured up to \$250,000, by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2021 and 2020 the Foundation exceeded the FDIC insured limits at financial institutions by approximately \$31,000,000 and \$33,000,000, respectively, which is the amount of the Foundation's exposure to credit loss. The Foundation has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, personnel costs have been allocated among the program and supporting services benefited based on estimates of time and effort.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is classified as an organization which is not a private foundation under Section 509(a) of the IRC. The Foundation qualifies for the charitable contribution deduction.

Comparative Information

The amounts shown for the year ended December 31, 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021 and present summarized totals only. Accordingly, the 2020 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 presentation. These reclassifications had no effect on net assets as previously reported.

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between December 31, 2021 and April 18, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, increasing transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the effects that the provisions of ASU No. 2016-02 will have on the Foundation's financial statements.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2021 are as follows:

<u>For the Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 5,008,073
2023	1,351,250
2024	<u>260,000</u>
Total	6,619,323
Less: Discount to net present value	(48,675)
Allowance for doubtful accounts	<u>(138,886)</u>
Net unconditional promises to give	<u><u>\$ 6,431,762</u></u>

Unconditional promises to give with due dates extending beyond one year are discounted based on U.S. Treasury security rates for similar term investments. At December 31, 2021 applicable rates for three and five year T-Bills were 0.97% and 1.25%, respectively. Amortization of the discount is reported in the Statement of Activities as contribution income.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

4. INVESTMENTS

The Foundation's investments at December 31, 2021 and 2020 are comprised of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
United States				
Money Market Funds	\$ 166,671	\$ 166,671	\$ 100,525	\$ 100,525
High Yield Mutual Funds	1,303,245	1,332,994	1,303,245	1,385,739
Common Collective Trust Funds	1,890,259	1,952,005	1,890,259	2,021,678
	<u>\$ 3,360,175</u>	<u>\$ 3,451,670</u>	<u>\$ 3,294,029</u>	<u>\$ 3,507,942</u>

Investment income for the years ended December 31, 2021 and 2020 is composed of:

	2021	2020
Interest income, net of fees	\$ 12,460	\$ 185,213
Unrealized (loss) gain on investments	(122,418)	163,346
Net investment income	<u>\$ (109,958)</u>	<u>\$ 348,559</u>

The Board has designated a portion of the income from investments to be used towards GMHC programs. See Note 7 for further explanation.

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 and 2020 is summarized as follows:

	2021	2020
Computer equipment	\$ 101,580	\$ 94,536
Furniture and fixtures	203,097	203,097
Leasehold improvements	236,285	236,285
	540,962	533,918
Less accumulated depreciation and amortization	<u>(354,659)</u>	<u>(326,768)</u>
	<u>\$ 186,303</u>	<u>\$ 207,150</u>

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$27,891 and \$36,952, respectively.

**THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

6. RELATED PARTY TRANSACTIONS

Hospital Support

The Hospital provides staff assistance and certain other related services to the Foundation. Salaries, benefits, and other administrative expenses incurred by the Foundation and subsidized by the Hospital for the years ended December 31, 2021 and 2020 amounted to \$2,237,646 and \$1,827,600, respectively. The Foundation has recognized these expenses as management and general expense and a corresponding amount has been recorded in the Statement of Activities as Hospital support.

Support to the Hospital

As of December 31, 2021 and 2020, approximately \$203,000 and \$734,000, respectively, was due to the hospital related to program disbursements.

7. RESTRICTED AND DESIGNATED NET ASSETS

The components of the restricted net assets as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Subject to Expenditures for Specific Purposes		
Capital improvements for GMHC	\$ 22,143,696	\$ 29,921,452
Various programs for GMHC	8,710,956	8,077,962
	<u>\$ 30,854,652</u>	<u>\$ 37,999,414</u>
Subject to Restriction in Perpetuity		
Endowment fund	<u>\$ 17,613</u>	<u>\$ 17,613</u>

Donor restricted net assets include \$6,379,012 in net assets that are also time restricted as follows:

<u>For the Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 4,813,515
2023	1,312,880
2024	252,617
	<u>\$ 6,379,012</u>

**THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

7. RESTRICTED AND DESIGNATED NET ASSETS – CONTINUED

Net assets with donor restrictions released from restrictions during the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Capital improvements for GMHC	\$ 7,880,281	\$ 15,866,870
Various programs for GMHC	<u>6,230,375</u>	<u>11,602,336</u>
	<u>\$ 14,110,656</u>	<u>\$ 27,469,206</u>

Designated Net Assets

The Board has designated that any investment income that is generated on donor restricted funds should be used for program purposes that are in line with the underlying gift's restrictions. In addition, the Board has designated that revenue from seminars be used for the GMHC department that assisted with the seminar. Total Board designated net assets as of December 31, 2021 and 2020 were \$41,378 and \$393,237, respectively.

8. LEASE COMMITMENTS

The Foundation has obligations under various non-cancelable operating leases for office space and equipment. Future minimum lease payments are as follows:

<u>For the Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 236,497
2023	243,001
2024	249,684
2025	256,550
2026	263,605
Thereafter	<u>786,588</u>
Total	<u>\$ 2,035,925</u>

Rental expense under operating leases for the years ended December 31, 2021 and 2020 was approximately \$216,000 and \$220,000, respectively. During 2018 the office space lease was modified and amended to expand the lease space and extend the lease term to October 2029. The modified and amended lease provides for certain incentives including a construction allowance of \$236,285. In accordance with FASB ASC 840, *Operating Leases*, the total payments and incentives are recognized as rent expense on a straight-line basis over the life of the lease. Deferred rent amounted to \$369,323 and \$337,745 at December 31, 2021 and 2020, respectively.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

9. CONDITIONAL GRANTS

In February 2015 the Foundation was awarded a \$10,000,000 grant by The Marcus Foundation, Inc. (Marcus) to support the Marcus Stroke and Neuroscience Center Multidisciplinary Outpatient Center Expansion. The grant provides for semiannual reimbursements. As of December 31, 2020, the Foundation had received \$10,000,000 and disbursed \$9,450,000 of the grant. During 2021 the Foundation remitted the remaining funds to the Hospital.

10. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one-year, perpetual endowments and accumulated earnings net of appropriations within one year or because the governing board has set aside the funds for specific contingency reserves and projects or a long-term investment as Board designated endowments.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 31,465,761	\$ 32,609,450
Investments	3,451,670	3,507,942
Current portion of pledges receivable	5,008,073	9,088,445
Accounts receivable	<u>15,648</u>	<u>1,825</u>
Financial assets, at year end	<u>39,941,152</u>	<u>45,207,662</u>
Less: Assets unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Purpose and time restrictions	30,854,652	37,999,414
Adjusted for: long-term contributions receivable	<u>(1,423,689)</u>	<u>(1,792,268)</u>
	29,430,963	36,207,146
Restricted in perpetuity	17,613	17,613
Board designations	<u>41,378</u>	<u>393,237</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,451,198</u>	<u>\$ 8,589,666</u>

The Foundation is substantially supported by contributions. As a result of its current capital campaign, the majority of its contributions are restricted. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to donors. Therefore, certain financial assets may not be available for general expenditures within one year. 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 come due. The Foundation invests cash in excess of daily requirements in money market funds, fixed income securities and mutual funds.