

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
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DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Henry W. Grady Health System Foundation, Inc. (the Foundation), which are comprised of the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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.

Opinion

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited The Henry W. Grady Health System Foundation, Inc.'s, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the 2019 statement of financial position and statements of activities and cash flows have been restated to correct a misstatement. Our opinion is not modified with respect to that matter.

Warren Averett, LLC

Atlanta, Georgia
April 13, 2021

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS		
	2020	2019 (restated)
Cash and cash equivalents	\$ 32,609,450	\$ 34,947,570
Investments	3,507,942	3,259,432
Accounts receivable	1,825	103,556
Prepaid expenses	166,148	98,657
Unconditional promises to give	10,880,713	22,121,593
Property and equipment	207,150	244,102
TOTAL ASSETS	\$ 47,373,228	\$ 60,774,910
LIABILITIES AND NET ASSETS		
	2020	2019 (restated)
Accounts payable	\$ 49,395	\$ 605,910
Accounts payable – Hospital	734,272	708,468
Deferred rent	337,745	318,807
Deferred revenue	113,800	22,500
TOTAL LIABILITIES	1,235,212	1,655,685
NET ASSETS		
Without donor restrictions		
Undesignated	7,727,752	4,108,727
Board designated	393,237	476,432
Total net assets without donor restrictions	8,120,989	4,585,159
With donor restrictions		
Restricted by purpose or time	37,999,414	54,516,453
Restricted in perpetuity	17,613	17,613
Total net assets with donor restrictions	38,017,027	54,534,066
TOTAL NET ASSETS	46,138,016	59,119,225
TOTAL LIABILITIES AND NET ASSETS	\$ 47,373,228	\$ 60,774,910

See notes to the financial statements.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total (restated)</u>
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 3,279,617	\$ 10,946,927	\$ 14,226,544	\$ 15,537,289
Investment income – undesignated	18,695	-	18,695	17,105
Investment income – designated	329,864	-	329,864	292,986
Hospital support	1,827,600	-	1,827,600	2,352,503
Gifts in-kind	26,855	5,240	32,095	46,793
Special events	584,650	-	584,650	2,353,799
Other revenues – undesignated	581,279	-	581,279	74,801
Other revenues – designated	63,373	-	63,373	183,446
Net assets released from restrictions	27,469,206	(27,469,206)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	<u>34,181,139</u>	<u>(16,517,039)</u>	<u>17,664,100</u>	<u>20,858,722</u>
EXPENSES				
Program services				
Support to Grady Health System	2,132,580	-	2,132,580	1,400,945
Health and medical programs	25,251,527	-	25,251,527	25,859,880
Other	331,025	-	331,025	493,617
Total program expenses	<u>27,715,132</u>	<u>-</u>	<u>27,715,132</u>	<u>27,754,442</u>
Support services				
Management and general	1,972,032	-	1,972,032	2,251,517
Fundraising	958,145	-	958,145	1,981,545
Total support services	<u>2,930,177</u>	<u>-</u>	<u>2,930,177</u>	<u>4,233,062</u>
TOTAL EXPENSES	<u>30,645,309</u>	<u>-</u>	<u>30,645,309</u>	<u>31,987,504</u>
CHANGES IN NET ASSETS	3,535,830	(16,517,039)	(12,981,209)	(11,128,782)
NET ASSETS AT:				
BEGINNING OF YEAR,				
AS PREVIOUSLY REPORTED	3,861,637	53,784,066	57,645,703	70,248,007
ADJUSTMENT	723,522	750,000	1,473,522	-
BEGINNING OF YEAR ADJUSTED	<u>4,585,159</u>	<u>54,534,066</u>	<u>59,119,225</u>	<u>70,248,007</u>
END OF YEAR	<u>\$ 8,120,989</u>	<u>\$ 38,017,027</u>	<u>\$ 46,138,016</u>	<u>\$ 59,119,225</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, 2020
(with comparative totals for 2019)**

	2020							2019
	Program Services			Total Program Services	Management and General	Fundraising	Total	
Support to Grady Health System	Health and Medical Programs	Other						
Grants to GMHC	\$ 2,073,805	\$ 17,054,520	\$ -	\$ 19,128,325	\$ -	\$ -	\$ 19,128,325	\$ 24,059,057
Professional services	-	888,963	310,191	1,199,154	786,791	31,420	2,017,365	2,022,477
Personnel costs	-	6,830,283	-	6,830,283	570,835	899,870	8,300,988	3,109,414
Patient support	-	186,217	-	186,217	-	-	186,217	651,939
Event expense	-	-	-	-	-	26,855	26,855	341,855
Conferences, meetings and travel	-	96,864	10,948	107,812	10,653	-	118,465	406,942
Supplies	-	133,206	4,166	137,372	81,196	-	218,568	321,919
Occupancy	-	-	-	-	218,003	-	218,003	275,396
Technology	-	-	-	-	93,951	-	93,951	135,618
Depreciation and amortization	-	-	-	-	36,950	-	36,950	27,548
Miscellaneous	58,775	61,474	5,720	125,969	173,653	-	299,622	635,339
	<u>\$ 2,132,580</u>	<u>\$ 25,251,527</u>	<u>\$ 331,025</u>	<u>\$ 27,715,132</u>	<u>\$ 1,972,032</u>	<u>\$ 958,145</u>	<u>\$ 30,645,309</u>	<u>\$ 31,987,504</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, 2020 AND 2019

	2020	2019 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (12,981,209)	\$ (11,128,782)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	36,952	27,548
Unrealized gain on investments	(163,346)	(156,883)
Decrease (increase) in assets:		
Accounts receivable	101,731	22,455
Unconditional promises to give	11,240,880	3,410,498
Prepaid expenses	(67,491)	(21,538)
(Decrease) increase in liabilities:		
Accounts payable	(530,711)	880,712
Deferred rent	18,938	82,522
Deferred revenue	91,300	(229,797)
	<u>(2,252,956)</u>	<u>(7,113,265)</u>
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	-	(7,592)
Investments, net	(85,164)	(98,815)
	<u>(85,164)</u>	<u>(106,407)</u>
Net cash used in investing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,338,120)	(7,219,672)
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	<u>34,947,570</u>	<u>42,167,242</u>
END OF YEAR	<u>\$ 32,609,450</u>	<u>\$ 34,947,570</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Leasehold improvements financed through office lease agreement	<u>\$ -</u>	<u>\$ 236,285</u>

See notes to the financial statements.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 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, 2020 AND 2019

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 FASB ASC 820, *Fair Value Measurements and Disclosures*, the Foundation used a risk free discount rate for the years ended December 31, 2020 and 2019. 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, 2020, 60% of the unconditional promises to give balance was attributable to three donors. At December 31, 2019, 50% of the unconditional promises to give balance was attributable to two 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, 2020 and 2019 amounted to approximately \$32,000 and \$47,000, respectively, for other services and donated items.

Revenue Recognition

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

Deferred Revenue

Deferred revenue at December 31, 2020 and 2019 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, 2020 AND 2019

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. Valuation adjustments and block discounts are not applied to Level 1 securities. 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.

Management evaluates the collectability of accounts receivable annually. In the opinion of management, as of December 31, 2020 and 2019 all accounts receivable were collectible and no allowance for uncollectible receivables was necessary.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized at cost. Donated assets are recorded at their fair value at the date of donation based on an attestation signed by the donor. Property and equipment are depreciated using the straight-line method over 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, 2020 AND 2019

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, 2020 and 2019 the Foundation exceeded the FDIC insured limits at financial institutions by approximately \$33,000,000 and \$34,000,000, 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, 2019 in the accompanying financial statements are included to provide a basis for comparison with 2020 and present summarized totals only. Accordingly, the 2019 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, 2019, 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.

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between December 31, 2020 and April 13, 2021, 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, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Standards

In February 2016 the FASB issued ASU 2016-02, *Leases*, to increase transparency and improve comparability by requiring entities to recognize assets and liabilities on the statements of financial position for all leases, with certain exceptions. In addition, through improved disclosure requirements, the standard update will enable users of financial statements to further understand the amount, timing, and uncertainty of cash flows arising from leases. The new guidance will be effective for the Foundation for the fiscal year ending December 31, 2022; however, early adoption is permitted. Entities are allowed to apply the modified retrospective approach: (1) retrospectively to each prior reporting period presented in the financial statements with the cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented; or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. Management is currently evaluating the impact of adopting ASU 2016-02 on the Foundation's financial position, results of activities, cash flows and related disclosures.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2020 are as follows:

<u>For the Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 9,088,445
2022	1,149,639
2023	751,250
2024	<u>155,000</u>
Total	11,144,334
Less: Discount to net present value	(45,535)
Allowance for doubtful accounts	<u>(218,086)</u>
Net unconditional promises to give	<u>\$ 10,880,713</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.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

4. INVESTMENTS

The Foundation's investments at December 31, 2020 and 2019 are comprised of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
United States				
Money Market Funds	\$ 100,525	\$ 100,525	\$ 154,283	\$ 154,283
High Yield Mutual Funds	1,303,245	1,385,739	1,302,150	1,319,287
Common Collective Trust Funds	1,890,259	2,021,678	1,752,432	1,785,862
	<u>\$ 3,294,029</u>	<u>\$ 3,507,942</u>	<u>\$ 3,208,865</u>	<u>\$ 3,259,432</u>

Investment income for the years ended December 31, 2020 and 2019 is composed of:

	2020	2019
Interest income, net of fees	\$ 185,213	\$ 153,208
Unrealized gain on investments	163,346	156,883
Net investment income	<u>\$ 348,559</u>	<u>\$ 310,091</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, 2020 and 2019 is summarized as follows:

	2020	2019
Computer equipment	\$ 94,536	\$ 94,536
Furniture and fixtures	203,097	203,097
Leasehold improvements	236,285	236,285
	533,918	533,918
Less accumulated depreciation and amortization	<u>(326,768)</u>	<u>(289,816)</u>
	<u>\$ 207,150</u>	<u>\$ 244,102</u>

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$36,952 and \$27,548, respectively.

**THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019 amounted to \$1,827,600 and \$2,352,503, 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.

Receivable from Hospital

As of December 31, 2019 a receivable from the Hospital totaling \$102,710, was recorded which represented amounts due from the Hospital related to the Marcus Foundation, Inc. advance that was received by the Foundation and disbursed to the Hospital during the year ended December 31, 2016. This amount was received in 2020. See Note 9 for further information.

Support to the Hospital

As of December 31, 2020 and 2019 approximately \$734,000 and \$708,000, 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, 2020 and 2019 are as follows:

	2020	2019
Subject to Expenditures for Specific Purposes		
Capital improvements for GMHC	\$ 29,921,452	\$ 46,267,407
Various programs for GMHC	8,077,962	8,249,046
	\$ 37,999,414	\$ 54,516,453
 Subject to Restriction in Perpetuity		
Endowment fund	\$ 17,613	\$ 17,613

Donor restricted net assets include \$10,630,713 in net assets that are also time restricted as follows:

For the Years Ending December 31,	Amount
2021	\$ 8,661,477
2022	1,101,183
2023	719,586
2024	148,467
	\$ 10,630,713

**THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

7. RESTRICTED AND DESIGNATED NET ASSETS – CONTINUED

Net assets with donor restrictions released from restrictions during the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Capital improvements for GMHC	\$ 15,866,870	\$ 20,057,332
Various programs for GMHC	11,602,336	6,904,357
	\$ 27,469,206	\$ 26,961,689

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, 2020 and 2019 were \$393,237 and \$476,732, 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:

For the Years Ending December 31,	Amount
2021	\$ 205,872
2022	236,497
2023	243,001
2024	249,684
2025	256,550
Thereafter	1,050,193
Total	\$ 2,241,797

Rental expense under operating leases for the years ended December 31, 2020 and 2019 was approximately \$220,000 and \$280,000, 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 \$337,745 and \$318,807 at December 31, 2020 and 2019, respectively.

THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. CONDITIONAL GRANTS

In February 2015 the Foundation was awarded two grants by The Marcus Foundation, Inc. (Marcus) totaling \$30,000,000. Both grants provide for semiannual reimbursements.

The first grant was for \$20,000,000 to support the expansion of the Marcus Trauma and Emergency Center as the final donor funds for the project. As of December 31, 2018, the Foundation had received from Marcus and disbursed to the Hospital the entire \$20,000,000 grant.

The second grant was for \$10,000,000 to support the Marcus Stroke and Neuroscience Center Multidisciplinary Outpatient Center Expansion. As of December 31, 2019, the Foundation had received and disbursed \$8,392,636 of the grant. During 2020 the Foundation received the remaining \$1,607,364 of grant funds available. As of December 31, 2020, the Foundation has approximately \$550,000 of the remaining funds left to remit to the Hospital.

10. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation's financial assets as of December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 32,609,450	\$ 34,947,570
Investments	3,507,942	3,259,432
Current portion of pledges receivable	9,088,445	11,182,025
Accounts receivable	1,825	103,556
Financial assets, at year end	<u>\$ 45,207,662</u>	<u>\$ 49,492,583</u>
Less: Assets unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Purpose and time restrictions	37,999,414	54,516,453
Adjusted for: long-term contributions receivable	<u>(1,792,268)</u>	<u>(10,939,568)</u>
	36,207,146	43,576,885
Restricted in perpetuity	17,613	17,613
Board designations	<u>393,237</u>	<u>476,432</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,589,666</u>	<u>\$ 5,421,653</u>

**THE HENRY W. GRADY HEALTH SYSTEM FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

10. LIQUIDITY AND FUNDS AVAILABLE – CONTINUED

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.

11. PRIOR PERIOD ADJUSTMENT

The Foundation restated the previously issued 2019 statement of financial position and statements of activities and cash flows due to an error in not recording a multi-year contribution of \$750,000 and unrestricted grant revenue of \$723,522. The correction is made in accordance with FASB ASC 250, *Accounting Changes and Error Corrections*. As a result of the correction, the following adjustments were recorded to reflect the restatement in the statement of financial position and statement of activities as of December 31, 2019.

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Unconditional promises to give	\$ 20,648,071	\$ 1,473,522	\$ 22,121,593
Contributions	14,063,767	1,473,522	15,537,289
Net assets with donor restrictions	53,766,453	750,000	54,516,453