

# Obici Healthcare Foundation, Inc.

Financial Statements

March 31, 2020 and 2019



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**OBICI HEALTHCARE FOUNDATION, INC.**

Table of Contents

	<u>Page</u>
Report of Independent Accountants	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors  
Obici Healthcare Foundation, Inc.  
Suffolk, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Obici Healthcare Foundation, Inc., which comprise the statement of financial position as of March 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Obici Healthcare Foundation, Inc., as of March 31, 2020, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

## **Prior Period Financial Statements**

The financial statements of Obici Healthcare Foundation, Inc. as of March 31, 2019, were audited by other auditors whose report dated September 25, 2019, expressed an unmodified opinion on those financial statements.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

September 28, 2020  
Glen Allen, Virginia

**OBICI HEALTHCARE FOUNDATION, INC.**

Statements of Financial Position  
March 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 2,828,363	\$ 5,919,595
Accrued interest and dividends receivable	4,025	11,445
Refundable excise taxes	-	66,730
Prepaid expenses	<u>21,850</u>	<u>78,985</u>
Total current assets	2,854,238	6,076,755
Investments	100,553,911	114,000,978
Property and equipment, net	1,408,282	1,499,577
Other assets	<u>682,240</u>	<u>682,340</u>
	<u>\$ 105,498,671</u>	<u>\$ 122,259,650</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of long-term debt	\$ 90,372	\$ 86,815
Accounts payable and accrued expenses	99,322	31,855
Excise taxes payable	40,701	-
Current portion of grants payable	<u>2,028,174</u>	<u>1,275,226</u>
Total current liabilities	2,258,569	1,393,896
Long-term debt, net of unamortized debt issuance costs		
less current portion	1,029,942	1,117,843
Grants payable, less current portion	2,105,252	-
Deferred federal excise taxes	<u>232,723</u>	<u>575,969</u>
Total liabilities	<u>5,626,486</u>	<u>3,087,708</u>
Net assets without donor restrictions	<u>99,872,185</u>	<u>119,171,942</u>
	<u>\$ 105,498,671</u>	<u>\$ 122,259,650</u>

See accompanying notes to financial statements.

**OBICI HEALTHCARE FOUNDATION, INC.**

Statements of Activities  
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues, net:		
Investment (loss) return, net	\$ (10,741,391)	\$ 4,311,261
Other gain (loss)	<u>9,445</u>	<u>(1,799)</u>
Total (losses) revenues, net	<u>(10,731,946)</u>	<u>4,309,462</u>
Expenses:		
Program services	8,069,739	4,201,898
Management and general	<u>685,022</u>	<u>659,279</u>
	8,754,761	4,861,177
Provision for excise tax benefit	<u>(186,950)</u>	<u>(17,613)</u>
Total expenses	<u>8,567,811</u>	<u>4,843,564</u>
Change in net assets	(19,299,757)	(534,102)
Net assets without donor restrictions, beginning of year	<u>119,171,942</u>	<u>119,706,044</u>
Net assets without donor restrictions, end of year	<u>\$ 99,872,185</u>	<u>\$ 119,171,942</u>

See accompanying notes to financial statements.

**OBICI HEALTHCARE FOUNDATION, INC.**

Statements of Functional Expenses  
Year Ended March 31, 2020

	Program services	Management and General	Total
Grant payments	\$ 7,090,468	\$ -	\$ 7,090,468
Program development	272,954	-	272,954
Communications	10,768	7,179	17,947
Salaries and benefits	557,378	371,585	928,963
Insurance	-	14,038	14,038
Utilities	11,528	7,685	19,213
Facility	2,731	58,936	61,667
Education and meeting	-	85,120	85,120
Office expenses	36,953	82,507	119,460
Depreciation	56,836	37,890	94,726
Interest on the building loan	30,123	20,082	50,205
	<u>\$ 8,069,739</u>	<u>\$ 685,022</u>	<u>\$ 8,754,761</u>

See accompanying notes to financial statements.

**OBICI HEALTHCARE FOUNDATION, INC.**

Statements of Functional Expenses, Continued  
Year Ended March 31, 2019

	Program services	Management and General	Total
Grant payments	\$ 3,380,960	\$ -	\$ 3,380,960
Program development	216,107	-	216,107
Communications	21,207	16,663	37,870
Salaries and benefits	449,896	347,811	797,707
Insurance	-	14,157	14,157
Utilities	11,635	9,142	20,777
Facility	2,493	58,384	60,877
Education and meeting	-	63,000	63,000
Office expenses	34,603	83,340	117,943
Depreciation	54,977	43,213	98,190
Interest on the building loan	30,020	23,569	53,589
	<u>\$ 4,201,898</u>	<u>\$ 659,279</u>	<u>\$ 4,861,177</u>

See accompanying notes to financial statements.



**OBICI HEALTHCARE FOUNDATION, INC.**

Statements of Cash Flows  
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (19,299,757)	\$ (534,102)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	94,726	98,190
Amortization of debt issuance costs	2,472	2,472
Loss on disposal of property and equipment	1,214	2,919
Investment loss (return), net	10,741,391	(4,801,035)
Deferred federal excise taxes	(343,246)	(81,267)
Change in operating assets and liabilities:		
Accrued interest and dividends receivable	7,420	(360)
Prepaid expenses	57,135	-
Refundable excise taxes	66,730	(17,730)
Other assets	100	(63,119)
Accounts payable and accrued expenses	67,467	(135,654)
Excise taxes payable	40,701	-
Grants payable	2,858,200	(206,439)
Net cash used in operating activities	<u>(5,705,447)</u>	<u>(5,736,125)</u>
Cash flows from investing activities:		
Purchase of investments	(19,735,688)	(19,944,984)
Proceeds from sale of investments	22,441,364	22,699,479
Purchase of property and equipment	(4,645)	(15,670)
Net cash provided by investing activities	<u>2,701,031</u>	<u>2,738,825</u>
Cash flows used in financing activities:		
Principal payments on long-term debt	<u>(86,816)</u>	<u>(83,785)</u>
Net change in cash and cash equivalents	(3,091,232)	(3,081,085)
Cash and cash equivalents, beginning of year	<u>5,919,595</u>	<u>9,000,680</u>
Cash and cash equivalents, end of year	<u>\$ 2,828,363</u>	<u>\$ 5,919,595</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 47,733</u>	<u>\$ 51,400</u>
Cash paid for excise taxes	<u>\$ 48,865</u>	<u>\$ 65,190</u>

See accompanying notes to financial statements.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements

#### 1. Nature of Organization:

Obici Healthcare Foundation, Inc. (the "Foundation") is a not-for-profit, nonstock health foundation incorporated in the Commonwealth of Virginia and organized as a private foundation since April 1, 2006. The Foundation provides assistance to those organizations working to meet community health needs in Suffolk, Virginia and surrounding communities, giving attention first to meeting unmet healthcare needs of the indigent and uninsured, and also including the support of programs which have been the primary purpose of preventing and reducing illness and disease. These activities are supported by income from the Foundation's investment portfolio.

During March 2020, a novel strain of coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization. The situation is evolving with various cities and countries around the world responding in different ways to address the outbreak. There are direct and indirect economic effects developing for various industries and individual companies throughout the world. Management will continue to monitor the impact COVID-19 has on the Foundation and reflect the consequences as appropriate in the Foundation's accounting and financial reporting.

#### 2. Summary of Significant Accounting Policies:

**Basis of Accounting:** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

**Basis of Presentation:** The Foundation reports its financial position and activities according to two classes of net assets as follows:

**Net Assets Without Donor Restrictions:** Net assets available for use in general operations and not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the Foundation's mission.

**Net Assets With Donor Restrictions:** Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that they must be maintained permanently by the Foundation to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation.

The Foundation has no net assets with donor restrictions for the years ended March 31, 2020 and 2019.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Cash and Cash Equivalents:** Cash and cash equivalents consist primarily of cash held in checking accounts, money market investments, and highly liquid investments with original maturities of three months or less.

**Investments:** Investments in equity securities with readily determinable fair values and all investments in exchange traded funds and equity mutual funds are carried at fair value determined by quoted market prices in the accompanying statements of financial position.

Nonreadily marketable investments, consisting primarily of investments in U.S. limited partnerships and corporations, foreign investment corporations and common collective trusts, are carried at net asset value ("NAV") per share as the practical expedient estimate of fair value if a) the underlying investment manager's calculation of NAV is fair value based and b) the NAV has been calculated as of the Foundation's fiscal year end date. Accordingly, such carrying values could differ materially from the values that would have been used had a ready market for the investments existed. The NAV provided by the managers are reviewed and evaluated by Foundation personnel for reasonableness.

Gains and losses on investments are recognized in the accompanying statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations. Investment transactions are recorded on a trade-date basis. Dividends are reported on the ex-dividend date. In computing the realized and unrealized gains or losses, cost has been determined on the specific identification method.

Dividend, interest, and other investment income are reported in the period earned as increases in net assets without donor restrictions unless the use of the income received is limited by donor-imposed restrictions.

**Debt Issuance Costs:** Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs are reported as a component of interest expense and is computed using the effective interest method.

**Property and Equipment:** Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets, which range from three to forty-five years. Routine maintenance and repairs are charged to expense when incurred.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Grants:** Grant expenditures are recognized in the period the grant is approved, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. Management determined the discount on future expected cash flows for grants payable at March 31, 2020 and 2019 was immaterial, therefore, no discount was considered necessary.

**Income Taxes:** The Foundation has been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and as a private foundation under Section 509(a) of the Code. In accordance with the Tax Reform Act of 1969 (the "Act"), the Foundation is subject to an excise tax on net investment income, including realized gains, as defined by the Act. The Act also requires that certain minimum distributions be made each year. The amount of these distributions is determined in accordance with a specified formula. Deferred federal excise taxes are computed based on the temporary differences between the financial statement carrying amounts and income tax basis of assets and liabilities using enacted federal excise tax rates in effect for the years in which the differences are expected to reverse. The temporary differences primarily consist of unrealized gains and losses on investments.

The Foundation has adopted financial reporting guidance related to accounting for uncertainty in income taxes, which prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in the Foundation's financial statements. The guidance also provides criteria on derecognition, classification, interest and penalties, disclosure and transition. The Foundation discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts and the Foundation's position, and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Foundation's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Foundation has completed its assessment and determined that there are no tax positions which would require recognition. The Foundation is not currently under audit by any tax jurisdiction.

**Functional Expense Allocation Methodology:** The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include communications, salaries and benefits, utilities, facility, portions of office expenses, depreciation and amortization, and interest on building loan. The expenses are allocated based on management's estimates of time and effort which correlates to the utilization of those expense categories.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**Concentration of Credit Risk:** Financial instruments which potentially subject the Foundation to concentrations of credit and/or market risk consist principally of cash and cash equivalents and investments. The Foundation places its temporary cash and money market accounts with creditworthy, high quality financial institutions. A significant portion of the funds are not insured by the Federal Deposit Insurance Corporation.

The Foundation has significant investments in equity securities and nonreadily marketable investments. Investments are made primarily by investment managers engaged by the Foundation, and the investments are monitored by management and the Investment Committee of the Board of Directors of the Foundation. As part of the fiduciary oversight of the investments, the Foundation's portfolio has been diversified in various investment categories in accordance with the Foundation's investment policy.

**Reclassifications:** Certain prior year balances have been reclassified to conform with current year presentation.

**Subsequent Events:** Management has evaluated subsequent events through September 28, 2020, the date the financial statements were available for issuance, and has determined that no additional disclosures are necessary.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 3. Investments:

The Foundation's investments at March 31, 2020 and 2019, are as follows:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Readily marketable investments:				
US equity securities	\$ 4,619,828	\$ 6,924,110	\$ 6,426,276	\$ 6,239,516
Exchange traded funds	5,818,423	8,547,178	1,315,549	2,047,284
Long-term:				
Limited partnership and corporations	42,627,498	36,570,302	47,942,047	36,929,729
Foreign investment corporations	47,488,162	36,900,467	58,317,106	40,464,921
	<u>\$ 100,553,911</u>	<u>\$ 88,942,057</u>	<u>\$ 114,000,978</u>	<u>\$ 85,681,450</u>

Change in net unrealized gains and losses included in change in net assets relating to assets held were (\$16,707,674) at March 31, 2020 and (\$4,542,275) at March 31, 2019.

#### 4. Fair Value Measurements:

Assets and liabilities recorded at fair value in the accompanying statements of financial position are categorized based upon a three-tier fair value hierarchy. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These tiers include the following:

- Level 1    Inputs to the valuation methodology are quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.
  
- Level 2    Quoted prices for similar instruments in active and inactive markets; model driven valuations with significant inputs and drivers derived from observable active markets; and inputs that are derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
  
- Level 3    Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 4. Fair Value Measurements, Continued:

The following discussion describes the valuation methodologies used for financial assets measured at fair value. Care should be exercised in deriving conclusions about the Foundation's financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset and does not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values of equity securities and exchange traded funds have been determined by the Foundation from observable market quotations. The Foundation's interest in the shares of common collective trusts, total partnerships and corporations and foreign investment corporations is recorded at the net asset value per share, as provided by external investment managers as the practical expedient estimate of fair value.

Certain investment managers of nonreadily marketable investments use investment strategies and techniques designed to achieve higher investment returns with lower volatility and low correlation to major market indices. These strategies and techniques, which include the use of leverage, futures and forward contracts, option agreements and other derivative instruments, create special risks and could increase the impact of adverse security price movements on the Foundation's investment portfolio. The Foundation had unfunded commitments related to limited partnerships and corporations currently invested in of \$16,411,605 at March 31, 2020 and \$15,178,006 at March 31, 2019, and committed to, but not invested in of \$1,000,000 at March 31, 2020 and \$2,600,000 at March 31, 2019. Nonreadily marketable investments also contain liquidity restrictions, which are as follows at March 31, 2020 and 2019:

**Limited Partnerships and Corporations:** At March 31, 2020, approximately 46% of these investments are eligible for redemption either on a daily, monthly or quarterly basis, subject to certain restrictions, which include a notice period of 48 hours to 60 days. Approximately 54% of these investments cannot be redeemed during the life of the partnerships. Approximately 21% of these investments have remaining lives ranging from 1 to 6 years and the life is unknown for the remaining approximately 33% of these investments. When the underlying assets are sold, the proceeds, less any incentives due to the partnerships' general partner, are to be distributed to the investors.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 4. Fair Value Measurements, Continued:

**Limited Partnerships and Corporations, Continued:** At March 31, 2019, approximately 53% of these investments are eligible for redemption either on a daily, monthly or quarterly basis, subject to certain restrictions, which include a notice period of 48 hours to 60 days. Approximately 1% of these investments are subject up to a 3 year lock-up period. These redemption restrictions lapsed in December, 2019 but automatically renewed for another 3 year period. Approximately 46% of these investments cannot be redeemed during the life of the partnerships. Approximately 34% of these investments have remaining lives ranging from 1 to 6 years and the life is unknown for the remaining approximately 12% of these investments. When the underlying assets are sold, the proceeds, less any incentives due to the partnerships' general partner, are to be distributed to the investors.

**Foreign Investment Partnerships and Corporations:** At March 31, 2020, approximately 46% of these investments are eligible for redemption either on a monthly, quarterly, annual or bi-annual basis, subject to certain restrictions, which include a notice period of 30 to 120 days. Approximately 48% of these investments are subject to a 1 to 3 year lock-up period, either on a rolling lock up basis or at set expiration dates. Approximately 6% of these investments cannot be redeemed during the life of the partnership. The life of these investments is unknown at this time. These redemption restrictions will lapse in March 2022.

At March 31, 2019, approximately 74% of these investments are eligible for redemption either on a monthly, quarterly, annual or bi-annual basis, subject to certain restrictions, which include a notice period of 30 to 120 days. Approximately 23% of these investments are subject to a 1 to 3 year lock-up period. One redemption restriction lapsed in September 2019, one in December 2019, one in February 2020, one in March 2020, and the others lapsed in April, 2019 but automatically renewed for another 3 year period. Approximately 3% of these investments cannot be redeemed during the life of the partnership. The life of these investments is unknown at this time.



## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 4. Fair Value Measurements, Continued:

The following tables present the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of March 31, 2020 and 2019.

	Assets at Fair Value as of March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
US equity securities:				
Small cap equity securities	\$ 4,619,828	\$ -	\$ -	\$ 4,619,828
Total US equity securities	4,619,828	-	-	4,619,828
Exchange traded funds				
Global equities	5,466,426	-	-	5,466,426
Oil and gas exploration and Production	351,997	-	-	351,997
Total exchange traded funds	5,818,423	-	-	5,818,423
Partnerships and corporations measured at net asset value: (a)				
Frontier markets equity	-	-	-	311,470
International closed end funds	-	-	-	2,474,129
Global equity securities	-	-	-	6,425,769
Global equity fund of hedge funds	-	-	-	-
US corporate credit	-	-	-	5,216,726
US micro-cap equity securities	-	-	-	2,808,795
US opportunistic value	-	-	-	3,111,069
US investment grade government and corporate	-	-	-	6,171,431
Private equity	-	-	-	5,692,771
Resources	-	-	-	2,482,714
Real estate	-	-	-	6,337,380
Small cap international equity	-	-	-	1,595,244
Total partnerships and corporations	-	-	-	42,627,498
Foreign investment corporations measured at net asset value: (a)				
ASEAN long-only equity	-	-	-	2,055,119
Brazil public/private equity	-	-	-	552,928
China long/short equity	-	-	-	4,258,539
Global long-only equity	-	-	-	9,752,471
Global distressed credit hedge	-	-	-	2,232,341
Global long/short equity hedge	-	-	-	8,792,919
Emerging markets long-only equity	-	-	-	1,433,555
European long-only equity	-	-	-	3,725,139
Japanese-focused long/short equity	-	-	-	2,794,223
Private equity	-	-	-	2,214,817
US long-only equity	-	-	-	2,933,685
US long/short opportunistic	-	-	-	3,848,130
US credit markets	-	-	-	2,894,296
Total foreign investment corporations	-	-	-	47,488,162
 Total assets at fair value	 \$ 10,438,251	 \$ -	 \$ -	 \$ 100,553,911

**OBICI HEALTHCARE FOUNDATION, INC.**

Notes to Financial Statements, Continued

**4. Fair Value Measurements, Continued:**

	Assets at Fair Value as of March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
US equity securities:				
Small cap equity securities	\$ 6,426,276	\$ -	\$ -	\$ 6,426,276
Total US equity securities	6,426,276	-	-	6,426,276
Exchange traded funds				
Oil and gas exploration and Production	1,315,549	-	-	1,315,549
Total exchange traded funds	1,315,549	-	-	1,315,549
Partnerships and corporations measured at net asset value: (a)				
International closed end funds	-	-	-	2,991,940
Global equity securities	-	-	-	8,139,759
Global equity fund of hedge funds	-	-	-	247,758
US corporate credit	-	-	-	6,621,122
US micro-cap equity securities	-	-	-	4,228,969
US opportunistic value	-	-	-	4,658,065
US investment grade government and corporate	-	-	-	10,011,825
Private equity	-	-	-	2,826,526
Resources	-	-	-	1,839,671
Frontier markets equity	-	-	-	438,495
Real estate	-	-	-	5,937,917
Total partnerships and corporations	-	-	-	47,942,047
Foreign investment corporations measured at net asset value: (a)				
ASEAN long-only equity	-	-	-	3,388,476
Brazil public/private equity	-	-	-	716,934
China long/short equity	-	-	-	3,568,473
Global long-only equity	-	-	-	8,484,561
Global distressed credit hedge	-	-	-	2,888,770
Global long/short equity hedge	-	-	-	9,523,222
Emerging markets long-only equity	-	-	-	1,994,887
European long-only equity	-	-	-	8,733,796
Japanese-focused long/short equity	-	-	-	3,323,419
Private equity	-	-	-	1,687,335
US long-only equity	-	-	-	1,833,663
US long/short opportunistic	-	-	-	7,030,738
US credit markets	-	-	-	5,142,832
Total foreign investment corporations	-	-	-	58,317,106
Total assets at fair value	\$ 7,741,825	\$ -	\$ -	\$ 114,000,978

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 4. Fair Value Measurements, Continued:

(a) In accordance with the amendments to Subtopic 820-10 from accounting standards update (“ASU”) 2015-07, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

#### 5. Property and Equipment:

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Building	\$ 1,616,468	\$ 1,616,468
Land improvements	432,748	432,748
Furniture and fixtures	186,052	186,052
Equipment	74,546	77,637
Land	102,507	102,507
Building improvements	<u>5,150</u>	<u>5,150</u>
	2,417,471	2,420,562
Less - accumulated depreciation	<u>(1,009,189)</u>	<u>(920,985)</u>
	<u>\$ 1,408,282</u>	<u>\$ 1,499,577</u>

Depreciation expense was \$94,726 for 2020 and \$98,190 for 2019.

#### 6. Federal Excise and Unrelated Business Income Taxes:

The Foundation is subject to an excise tax of 1% or 2% on its net investment income. The applicable excise tax rate is dependent upon the amount of qualifying distributions made by the Foundation and additional excise tax penalties may be assessed if certain minimum distributions are not made. For the year ended March 31, 2020, the Foundation did not meet the required minimum distribution by \$8,989, and as a result, the Foundation incurred an excise tax penalty of \$2,697. For the year ended March 31, 2019, the Foundation met the minimum distribution requirement and no excise penalty was incurred. The Foundation was subject to an excise tax rate of 2% for 2020 and 2019. A deferred federal excise tax liability is estimated based on cumulative net unrealized gains as of year-end.

The Foundation is also subject to unrelated business income tax (“UBIT”) on income from certain investments on both the federal and state level. There was no UBIT incurred for 2020 and 2019.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 7. Art Collection:

On April 1, 2006, Obici Health System contributed a collection of artwork to the Foundation appraised at approximately \$660,000. This amount is included as other assets on the accompanying statements of financial position.

#### 8. Long-Term Debt:

In 2010, the Foundation issued Economic Development Authority of the City of Suffolk Revenue Bonds (Obici Healthcare Foundation Inc.) Series 2010 in the amount of \$1,850,000. In January 2016, the bonds were reissued. The revised repayment schedule consists of monthly installments of principal and interest of \$11,107 and a final payment of \$701,608 due July 1, 2024. The note contains a fixed interest rate of 3.92% for the term of the bond. The bond is unsecured, however, any assets of the Foundation not already encumbered must be maintained free and clear of all liens, encumbrances and pledges. The bond also contains several financial covenants with which management determined the Foundation was in compliance at March 31, 2020 and 2019.

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the long-term debt. Amortization of these costs of \$2,472 in both 2020 and 2019 are reported as a component of interest expense, which is included in both program and management and general expenses on the accompanying statements of activities, over the term of the loan. Accumulated amortization was \$24,720 at March 31, 2020 and \$22,248 at March 31, 2019.

Future principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 90,372
2022	94,030
2023	97,836
2024	101,715
2025	<u>736,425</u>
	1,120,378
Current portion	(90,372)
Unamortized debt issuance costs	<u>(64)</u>
	<u>\$ 1,029,942</u>

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 9. Retirement Plan:

The Foundation has a qualified employee benefit 403(b) retirement plan intended to comply with all applicable federal laws and regulations, including the Code, as amended, and the Employee Retirement Income Security Act of 1974. The Foundation makes both matching and nonmatching discretionary contributions to the individual accounts of eligible employees. Contributions are based on compensation during the calendar year. The Foundation contributed \$33,685 during 2020 and \$31,045 during 2019. These amounts are included in salaries and benefits on the accompanying statements of functional expenses.

#### 10. Related Party Transactions:

During both 2020 and 2019, the Foundation had banking and investment relationships with a financial institution for which a Board Member also served on the regional advisory board. All of the Foundation's cash and money market accounts are held with this financial institution during 2019. As of March 31, 2020, only the Foundation's operating cash account remained at the financial institution. The financial institution also served as the custodian for the Foundation's investment portfolio through December 31, 2019. Management fees paid to the financial institution approximated \$88,450 during 2020 and \$98,000 during 2019.

During 2020, the Foundation awarded approximately \$193,251 in grants to related party organizations of various members of the Foundation's Board of Directors. These amounts are included in program expense on the accompanying statements of activities. At March 31, 2020, there was approximately \$30,000 in grants payable related to these organizations.

During 2019, the Foundation awarded approximately \$235,000 in grants to related party organizations of various members of the Foundation's Board of Directors. These amounts are included in program expense on the accompanying statements of activities. At March 31, 2019, there was approximately \$31,000 in grants payable related to these organizations.

#### 11. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure that are readily available within one year of March 31, 2020 and 2019 include:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,828,363	\$ 5,919,595
Actively traded investments	<u>10,438,251</u>	<u>7,741,825</u>
Total financial assets available within one year	<u>\$13,266,614</u>	<u>\$13,661,420</u>

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 11. Liquidity and Availability of Financial Assets, Continued:

The Foundation must annually pay out a minimum amount of 5% of the average fair value of its investment assets for the preceding year for charitable and administrative purposes in accordance with private foundation Internal Revenue Service requirements. The Foundation investment objectives have been aligned to meet the minimum distribution requirement. Also, the Foundation has additional investments that could provide liquidity, if necessary, but, has no plans to use those investments for operations in the near term.

#### 12. New Accounting Guidance:

**Recognition of Grant and Contribution Revenue:** In June 2018, FASB issued Accounting Standards Update (“ASU”) No. 2018-08, “Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made”, which presents a new methodology for determining whether a grant or contribution received or made by a not-for-profit entity should be accounted for as an exchange transaction or as a contribution. This ASU is effective for fiscal years beginning after December 15, 2018, for entities receiving contributions and fiscal years beginning after December 15, 2019, for entities providing contributions, with early adoption permitted.