

# Obici Healthcare Foundation, Inc.

Financial Statements

March 31, 2021 and 2020



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**OBICI HEALTHCARE FOUNDATION, INC.**

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## **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 statements of financial position as of March 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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, 2021 and 2020, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

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

September 28, 2021  
Glen Allen, Virginia

**OBICI HEALTHCARE FOUNDATION, INC.**

Statements of Financial Position  
March 31, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 7,758,618	\$ 2,828,363
Accrued interest and dividends receivable	66	4,025
Grant receivable	14,298	-
Refundable excise taxes	59,200	-
Prepaid expenses	<u>29,003</u>	<u>21,850</u>
Total current assets	7,861,185	2,854,238
Investments	133,753,189	100,553,911
Property and equipment, net	1,333,056	1,408,282
Other assets	<u>682,240</u>	<u>682,240</u>
	<u>\$ 143,629,670</u>	<u>\$ 105,498,671</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of long-term debt	\$ 94,030	\$ 90,372
Accounts payable and accrued expenses	86,997	99,322
Excise taxes payable	-	40,701
Current portion of grants payable	<u>2,081,925</u>	<u>2,028,174</u>
Total current liabilities	2,262,952	2,258,569
Long-term debt, net of unamortized debt issuance costs		
less current portion	935,975	1,029,942
Grants payable, less current portion	263,104	2,105,252
Deferred federal excise taxes	<u>707,910</u>	<u>232,723</u>
Total liabilities	4,169,941	5,626,486
Net assets without donor restrictions	<u>139,459,729</u>	<u>99,872,185</u>
	<u>\$ 143,629,670</u>	<u>\$ 105,498,671</u>

See accompanying notes to financial statements.

**OBICI HEALTHCARE FOUNDATION, INC.**

Statements of Activities  
Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues and support:		
Investment return (loss), net	\$ 44,300,644	\$ (10,741,391)
Grant revenue	31,828	-
Other	<u>247</u>	<u>9,445</u>
Total revenues (losses) and support	<u>44,332,719</u>	<u>(10,731,946)</u>
Expenses:		
Program services	3,594,120	8,069,739
Management and general	<u>580,828</u>	<u>685,022</u>
	4,174,948	8,754,761
Provision for excise tax expense (benefit)	<u>570,227</u>	<u>(186,950)</u>
Total expenses	<u>4,745,175</u>	<u>8,567,811</u>
Change in net assets	39,587,544	(19,299,757)
Net assets without donor restrictions, beginning of year	<u>99,872,185</u>	<u>119,171,942</u>
Net assets without donor restrictions, end of year	<u>\$ 139,459,729</u>	<u>\$ 99,872,185</u>

See accompanying notes to financial statements.

**OBICI HEALTHCARE FOUNDATION, INC.**

Statements of Functional Expenses  
Year Ended March 31, 2021

	Program Services	Management and General	Total
Grant payments	\$ 2,761,596	\$ -	\$ 2,761,596
Program development	183,560	-	183,560
Communications	9,577	5,930	15,507
Salaries and benefits	536,209	332,017	868,226
Insurance	-	14,071	14,071
Utilities	10,885	6,740	17,625
Facility	2,236	53,813	56,049
Education and meeting	-	50,998	50,998
Office expenses	13,900	70,103	84,003
Depreciation	48,958	30,314	79,272
Interest on the building loan	27,199	16,842	44,041
	<u>\$ 3,594,120</u>	<u>\$ 580,828</u>	<u>\$ 4,174,948</u>

See accompanying notes to financial statements.

**OBICI HEALTHCARE FOUNDATION, INC.**

Statements of Functional Expenses, Continued  
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 Cash Flows  
Years Ended March 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 39,587,544	\$ (19,299,757)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	79,272	94,726
Amortization of debt issuance costs	64	2,472
Loss on disposal of property and equipment	505	1,214
Investment (return) loss, net	(44,300,644)	10,741,391
Deferred federal excise taxes	475,187	(343,246)
Change in operating assets and liabilities:		
Accrued interest and dividends receivable	3,959	7,420
Grant receivable	(14,298)	-
Prepaid expenses	(7,153)	57,135
Refundable excise taxes	(59,200)	66,730
Other assets	-	100
Accounts payable and accrued expenses	(12,325)	67,467
Excise taxes payable	(40,701)	40,701
Grants payable	(1,788,397)	2,858,200
Net cash used in operating activities	(6,076,187)	(5,705,447)
Cash flows from investing activities:		
Purchase of investments	(29,945,091)	(19,735,688)
Proceeds from sale of investments	41,046,458	22,441,364
Purchase of property and equipment	(4,551)	(4,645)
Net cash provided by investing activities	11,096,815	2,701,031
Cash flows used in financing activities:		
Principal payments on long-term debt	(90,373)	(86,816)
Net change in cash and cash equivalents	4,930,255	(3,091,232)
Cash and cash equivalents, beginning of year	2,828,363	5,919,595
Cash and cash equivalents, end of year	\$ 7,758,618	\$ 2,828,363
Supplemental disclosures:		
Cash paid for interest	\$ 43,977	\$ 47,733
Cash paid for excise taxes	\$ 192,244	\$ 48,865

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.

#### 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. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as 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, 2021 and 2020.

**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.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

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

**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.

**Grants Payable:** 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. There were no conditional grants payable as of March 31, 2021 and 2020. 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, 2021 and 2020 was immaterial, therefore, no discount was considered necessary. Grants payable at March 31, 2021 are expected to be paid as follows: \$2,081,925 in 2022 and \$263,104 in 2023.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

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

**Contributions and Grants:** The Foundation recognizes contributions and grants when cash, securities or other assets; an unconditional promise to give; notice of a grant award; or a notification of a beneficial interest is received.

The Foundation's grant revenue is derived from a cost-reimbursable grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific grant provisions. The Foundation received cost-reimbursable grants with a gross amount of \$106,803 that have not been recognized at March 31, 2021 because qualifying expenditures have not yet been incurred.

**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.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

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

**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.

**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.

**Subsequent Events:** Management has evaluated subsequent events through September 28, 2021, 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, 2021 and 2020, are as follows:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Readily marketable investments:				
US equity securities	\$ -	\$ -	\$ 4,619,828	\$ 6,924,110
Exchange traded funds	2,809,249	2,138,684	5,818,423	8,547,178
Equity mutual funds	5,214,805	4,305,860	-	-
Long-term:				
Limited partnerships and corporations	63,464,733	40,925,166	42,627,498	36,570,302
Foreign investment corporations	<u>62,264,402</u>	<u>35,454,736</u>	<u>47,488,162</u>	<u>36,900,467</u>
	<u>\$ 133,753,189</u>	<u>\$ 82,824,446</u>	<u>\$ 100,553,911</u>	<u>\$ 88,942,057</u>

Change in net unrealized gains and losses included in change in net assets relating to assets held were \$39,316,889 at March 31, 2021 and (\$16,707,674) at March 31, 2020.

#### 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 \$17,040,606 at March 31, 2021 and \$16,411,605 at March 31, 2020, and committed to, but not invested in of \$2,020,000 at March 31, 2021 and \$1,000,000 at March 31, 2020.

Nonreadily marketable investments also contain liquidity restrictions, which are as follows at March 31, 2021 and 2020:

**Limited Partnerships and Corporations:** At March 31, 2021, approximately 47% 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 3% of these investments are subject up to a 3 year lock-up period, either on a rolling lock up basis or at set expiration dates. Approximately 50% of these investments cannot be redeemed during the life of the partnerships and have remaining lives ranging from 1 to 6 years. When the underlying assets are sold, the proceeds, less any incentives due to the partnerships' general partner, are to be distributed to the investors. These redemption restrictions will lapse in September 2022.

## OBICI HEALTHCARE FOUNDATION, INC.

### Notes to Financial Statements, Continued

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

**Limited Partnerships and Corporations, Continued:** 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 5 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.

**Foreign Investment Partnerships and Corporations:** At March 31, 2021, approximately 63% 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 27% of these investments are subject to a 1 to 2 year lock-up period, either on a rolling lock up basis or at set expiration dates. Approximately 10% 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 2024.

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.

## 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, 2021 and 2020.

	Assets at Fair Value as of			Total
	March 31, 2021			
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Exchange traded funds:				
Global equities	\$ 2,809,249	\$ -	\$ -	\$ 2,809,249
Total exchange traded funds	<u>2,809,249</u>	<u>-</u>	<u>-</u>	<u>2,809,249</u>
Equity mutual funds:				
US equities	<u>5,214,805</u>	<u>-</u>	<u>-</u>	<u>5,214,805</u>
Total equity mutual funds	<u>5,214,805</u>	<u>-</u>	<u>-</u>	<u>5,214,805</u>
Partnerships and corporations				
measured at net asset value: (a)				
China-focused long-only equity	-	-	-	1,779,134
International closed end funds	-	-	-	2,962,021
Global equity securities	-	-	-	9,510,409
US equity securities	-	-	-	2,877,010
US corporate credit	-	-	-	4,801,271
US micro-cap equity securities	-	-	-	5,685,815
US opportunistic value	-	-	-	3,532,215
US investment grade government and corporate	-	-	-	8,437,980
Frontier markets equity	-	-	-	529,090
Private equity	-	-	-	12,477,287
Resources	-	-	-	3,478,131
Real estate	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,394,370</u>
Total partnerships and corporations	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,464,733</u>
Foreign investment corporations				
measured at net asset value: (a)				
Brazil public/private equity	-	-	-	640,599
China long/short equity	-	-	-	4,432,054
Global long-only equity	-	-	-	17,067,188
Global distressed credit hedge	-	-	-	2,899,949
Global opportunistic hedge	-	-	-	758,614
Global long/short equity hedge	-	-	-	9,802,281
Emerging markets long-only equity	-	-	-	3,805,130
European long-only equity	-	-	-	3,285,788
Japanese-focused long/short equity	-	-	-	3,339,064
Private equity	-	-	-	4,318,524
US long-only equity	-	-	-	5,085,319
US long/short opportunistic	-	-	-	2,543,532
US credit markets	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,286,360</u>
Total foreign investment corporations	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,264,402</u>
Total assets at fair value	<u>\$ 8,024,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,753,189</u>

**OBICI HEALTHCARE FOUNDATION, INC.**

Notes to Financial Statements, Continued

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

	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	<u>4,619,828</u>	<u>-</u>	<u>-</u>	<u>4,619,828</u>
Exchange traded funds				
Global equities	5,466,426	-	-	5,466,426
Oil and gas exploration and Production	<u>351,997</u>	<u>-</u>	<u>-</u>	<u>351,997</u>
Total exchange traded funds	<u>5,818,423</u>	<u>-</u>	<u>-</u>	<u>5,818,423</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,595,244</u>
Total partnerships and corporations	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,627,498</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,894,296</u>
Total foreign investment corporations	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,488,162</u>
 Total assets at fair value	 <u>\$ 10,438,251</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 100,553,911</u>

## 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 statements of financial position.

#### 5. Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2021</u>	<u>2020</u>
Building	\$ 1,616,468	\$ 1,616,468
Land improvements	432,748	432,748
Furniture and fixtures	186,052	186,052
Equipment	75,512	74,546
Land	102,507	102,507
Building improvements	<u>5,150</u>	<u>5,150</u>
	2,418,437	2,417,471
Less - accumulated depreciation	<u>(1,085,381)</u>	<u>(1,009,189)</u>
	<u>\$ 1,333,056</u>	<u>\$ 1,408,282</u>

Depreciation expense was \$79,272 for 2021 and \$94,726 for 2020.

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

The Foundation was subject to an excise tax of 1% or 2% on its net investment income. The applicable excise tax rate was 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. The Further Consolidated Appropriations Act (the “Act”) replaced the two-tier 1.00% or 2.00% excise tax on net investment income with a flat 1.39% excise tax. The Act became effective for the 2021 tax year. In accordance with the Act, during 2021, excise tax on unrealized gains on investments was 1.39%. 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. The Foundation was subject to an excise tax rate of 2% for 2020. A deferred federal excise tax liability is estimated based on cumulative net unrealized gains as of year-end.

**OBICI HEALTHCARE FOUNDATION, INC.**

Notes to Financial Statements, Continued

**6. Federal Excise and Unrelated Business Income Taxes, Continued:**

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 2021 and 2020.

**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, 2021 and 2020.

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the long-term debt. Amortization of these costs of \$64 in 2021 and \$2,472 in 2020 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. These costs were fully amortized at March 31, 2021.

Future principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 94,030
2023	97,836
2024	101,715
2025	<u>736,424</u>
	1,030,005
Current portion	<u>(94,030)</u>
	<u>\$ 935,975</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 \$33,356 during 2021 and \$33,685 during 2020. These amounts are included in salaries and benefits on the accompanying statements of functional expenses.

#### 10. Related Party Transactions:

During 2021, the Foundation awarded approximately \$362,000 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 2021 statement of activities. At March 31, 2021, there was approximately \$200,000 in grants payable related to these organizations.

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 2020 statement of activities. At March 31, 2020, there was approximately \$30,000 in grants payable related to these organizations.

During 2020, the Foundation had banking and investment relationships with a financial institution for which a Board Member also served on the regional advisory board. 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, 2020. Management fees paid to the financial institution approximated \$88,450 during 2020.

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

Financial assets available for general expenditure that are readily available within one year of March 31, 2021 and 2020 include:

	<u>2021</u>	<u>2020</u>
Cash	\$ 7,758,618	\$ 2,828,363
Actively traded investments	<u>8,024,054</u>	<u>10,438,251</u>
Total financial assets available within one year	<u>\$15,782,672</u>	<u>\$13,266,614</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. Risks and Uncertainties:**

During March 2020, a novel strain of coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization. The situation continues to evolve with varying impacts to businesses and communities based on many factors. 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.