

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**

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**Financial Statements**

**December 31, 2004 and 2003**

**and**

**Report of Independent Auditors**

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**

**December 31, 2004**

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
The San Francisco General Hospital Foundation:

We have audited the accompanying statements of financial position of The San Francisco General Hospital Foundation as of December 31, 2004 and 2003 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The San Francisco General Hospital Foundation as of December 31, 2004 and 2003 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Pohl, McNabola, Berg & Company, LLP***  
***Certified Public Accountants***

San Francisco, California  
March 25, 2005

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2004 and 2003**

**ASSETS**

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents, primarily interest bearing	\$ 3,583,851	\$ 4,140,223
Grants receivable (Note 2)	2,470,907	638,614
Accounts receivable	283,807	7,683
Investments (Note 3)	279,448	232,621
Cash-board designated for a long-term investment	1,000,000	-
Inventory of books	8,761	8,761
Prepaid expenses	18,278	24,106
Furniture and equipment net of accumulated depreciation (Note 4)	14,780	24,013
Intangible assets net of accumulated depreciation (Note 10)	14,200	15,975
Total assets	<u>\$ 7,674,032</u>	<u>\$ 5,091,996</u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable	\$ 57,773	\$ 669
Sales tax payable	98,457	0
Funds held in custody for others (Note 8)	122,615	121,890
Accrued employee benefits	2,737	3,540
Total liabilities	<u>281,582</u>	<u>126,099</u>
Net assets:		
Unrestricted net assets		
undesignated net assets	308,782	80,658
board designated net assets	1,943,044	-
Total unrestricted net assets	<u>2,251,826</u>	<u>80,658</u>
Temporarily restricted (Note 6)	4,786,195	4,580,810
Permanently restricted	354,429	304,429
Total net assets	<u>7,392,450</u>	<u>4,965,897</u>
Total liabilities and net assets	<u>\$ 7,674,032</u>	<u>\$ 5,091,996</u>

see accompanying notes to financial statements

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2004 and 2003**

	.....2004.....				.....2003.....			
	Un- Restricted	Temporarily Restricted	Permanently Restricted	Total	Un- Restricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Government grants	\$ -	-	-	-	\$ 126,113	-	-	126,113
Donations, grants and bequests	851,845	3,731,089	50,000	4,632,934	(165,939)	997,733	50,000	881,794
Investment income (Note 3)	54,008	-	-	54,008	95,968	-	-	95,968
Hearts Project (net of expenses of : 2004, \$1,357,187; 2003, \$91,669)	1,509,950	-	-	1,509,950	433,357	-	-	433,357
Other income	19,499	-	-	19,499	16,981	-	-	16,981
Net assets released from restrictions for purpose (note 7)	3,525,704	(3,525,704)	-	-	1,577,017	(1,577,017)	-	-
<b>Total revenues and support</b>	<b>5,961,006</b>	<b>205,385</b>	<b>50,000</b>	<b>6,216,391</b>	<b>2,083,497</b>	<b>(579,284)</b>	<b>50,000</b>	<b>1,554,213</b>
Grants awarded to others	3,125,082	-	-	3,125,082	1,449,957	-	-	1,449,957
Operating expenses								
Program services	80,178	-	-	80,178	32,926	-	-	32,926
Management and general	359,915	-	-	359,915	450,362	-	-	450,362
Fundraising	224,663	-	-	224,663	238,981	-	-	238,981
<b>Total operating expenses</b>	<b>664,756</b>	<b>-</b>	<b>-</b>	<b>664,756</b>	<b>722,269</b>	<b>-</b>	<b>-</b>	<b>722,269</b>
<b>Total grants awarded to others and total operating expenses</b>	<b>3,789,838</b>	<b>-</b>	<b>-</b>	<b>3,789,838</b>	<b>2,172,226</b>	<b>-</b>	<b>-</b>	<b>2,172,226</b>
<b>Changes in net assets</b>	<b>2,171,168</b>	<b>205,385</b>	<b>50,000</b>	<b>2,426,553</b>	<b>(88,729)</b>	<b>(579,284)</b>	<b>50,000</b>	<b>(618,013)</b>
Net assets at beginning of year	80,658	4,580,810	304,429	4,965,897	169,387	5,160,094	254,429	5,583,910
<b>Net assets at end of year</b>	<b>\$ 2,251,826</b>	<b>4,786,195</b>	<b>354,429</b>	<b>7,392,450</b>	<b>\$ 80,658</b>	<b>4,580,810</b>	<b>304,429</b>	<b>4,965,897</b>

see accompanying notes to financial statements

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**

**Statements of Cash Flows**

**For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Changes in net assets	\$ 2,426,553	\$ (618,013)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donated securities	(84,774)	(72,595)
Realized and unrealized gains and losses	(18,044)	(45,808)
Depreciation and amortization expense	11,869	11,826
Net transfer in/out of funds held in custody for others	727	44,715
(Increase)/Decrease in:		
Grants receivable	(1,832,293)	(313,614)
Accounts receivable	(276,124)	2,130
Inventory	-	(576)
Prepaid expenses	5,828	(17,703)
Increase/(Decrease) in:		
Accounts payable	57,104	(24,883)
Sales tax payable	98,457	-
Accrued employee benefits	(803)	(5,503)
Net cash provided/(used) by operating activities	<u>388,500</u>	<u>(1,040,024)</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	(862)	(13,230)
Proceeds from sale of marketable securities	55,990	-
Purchase of website development cost	-	(17,750)
Net cash provided/(used) by investing activities	<u>55,128</u>	<u>(30,980)</u>
Net change in cash and equivalents	443,628	(1,071,004)
Cash and equivalents at beginning of year	<u>4,140,223</u>	<u>5,211,227</u>
Cash and equivalents at end of year	\$ <u>4,583,851</u>	\$ <u>4,140,223</u>
Supplemental cash flow information:		
Donated goods and services	\$ <u>46,970</u>	\$ <u>1,500</u>

see accompanying notes to financial statements

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**

**Statements of Functional Expenses**

**For the Years Ended December 31, 2004 and 2003**

	.....2004.....				.....2003.....			
	<b>Program</b>	<b>Management</b>			<b>Program</b>	<b>Management</b>		
	<b>Services</b>	<b>and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Services</b>	<b>and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 48,250	157,367	145,611	351,228	\$ 6,225	279,100	92,141	377,466
Payroll taxes	3,691	15,393	11,139	30,223	476	18,882	11,838	31,196
Employee benefits	2,188	16,415	12,928	31,531	799	6,689	2,763	10,251
Total personnel expenses	<u>54,129</u>	<u>189,175</u>	<u>169,678</u>	<u>412,982</u>	<u>7,500</u>	<u>304,671</u>	<u>106,742</u>	<u>418,913</u>
Conferences and education	-	4,236	-	4,236	250	14	-	264
Copy and printing	-	48,278	5,716	53,994	21,472	16,745	18,134	56,351
Depreciation and amortization	7,121	4,154	594	11,869	-	11,826	-	11,826
Direct mailing costs	-	-	6,466	6,466	-	-	3,739	3,739
Dues and subscriptions	-	1,459	1,061	2,520	-	1,782	-	1,782
Insurance	6,229	1,038	3,115	10,382	-	6,514	-	6,514
Occupancy	3,590	11,740	10,875	26,205	647	29,878	9,905	40,430
Office supplies	4,233	1,901	921	7,055	223	9,002	47	9,272
Other expenses	423	11,443	1,278	13,144	-	3,184	1,251	4,435
Other fundraising expenses	-	-	4,400	4,400	-	4,606	33,521	38,127
Postage and delivery	-	1,080	10,248	11,328	24	1,917	232	2,173
Professional services	-	79,881	-	79,881	2,000	37,342	62,637	101,979
Public relations	157	1,187	7,300	8,644	-	5,088	2,060	7,148
Telephone expense	1,082	3,540	1,672	6,294	-	12,569	-	12,569
Travel and parking expense	3,214	803	1,339	5,356	810	5,224	713	6,747
Total expenses	<u>\$ 80,178</u>	<u>359,915</u>	<u>224,663</u>	<u>664,756</u>	<u>\$ 32,926</u>	<u>450,362</u>	<u>238,981</u>	<u>722,269</u>

see accompanying notes to financial statements

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2004**

**1. Nature of Activities and Summary of Significant Accounting Policies**

(a) Nature of Activities

The San Francisco General Hospital Foundation (Foundation) is a nonprofit corporation incorporated in 1993 and located in San Francisco. The specific purpose of the Foundation is to raise funds to support health care and related activities at San Francisco General Hospital and Medical Center.

(b) Basis of Presentation

The Foundation presents the financial statements in accordance with Statement of Financial Accounting Standard No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a Statement of Cash Flows.

(c) Description of Net Assets

Unrestricted Net Assets

The portion of net assets that is neither temporarily nor permanently restricted by donor imposed restriction.

Temporarily Restricted Net Assets

The portion of net assets used by the Foundation that is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation.

Permanently Restricted Net Assets

The portion of net assets used by the Foundation that is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Foundation.

(d) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Contributions are recorded when received or pledged. Contributions are considered to be available for support of the Foundation's operations unless specifically restricted by the donor. The Foundation considers all pledges receivable fully collectible.

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**Notes to Financial Statements – continued**  
**December 31, 2004**

**1. Nature of Activities and Summary of Significant Accounting Policies – Continued**

(e) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) Investments

Investments are stated at fair value. Donated securities are recorded at fair value at date of gift. Gains and losses on securities sales are determined by the specific identification method. Transactions are recorded on the settlement date.

(g) Fixed Assets

Fixed assets with an estimated useful life in excess of one year are capitalized at cost; donated assets are capitalized at fair value at the date of receipt. Depreciation is computed using the straight-line method with estimated useful lives varying between two and seven years. The Foundation capitalizes fixed asset purchases in excess of \$500.

(h) Estimates

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

(i) Functional Allocation of Expenses

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by the Foundation's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

(j) Inventory

Inventory is stated at the lower of cost or market and consists of books held for sale.

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**Notes to Financial Statements - continued**  
**December 31, 2004**

**2. Grants Receivable**

Grants receivable at December 31, 2004 and 2003 consisted of the following:

	<u>2004</u>		<u>2003</u>
Avon	\$ 250,000	\$	-
Intel Corporation	-		125,000
Moore Foundation	1,469,344		-
Mount Zion Health Fund	86,000		86,000
San Francisco Foundation	-		37,500
The California Endowment Foundation	110,000		89,000
The Mary Wohlford Foundation	375,000		75,000
UCSF Fresno AHEC	-		126,114
Wells Fargo Bank	-		100,000
Zimmer, Inc.	<u>225,950</u>		<u>-</u>
Total grants receivable	2,516,294		638,614
Less imputed interest	<u>(45,387)</u>		<u>-</u>
Grants receivable-net present value	2,470,907		638,614
Less grants receivable-long term portion	<u>(849,848)</u>		<u>-</u>
Grants receivable-current portion	\$ <u>1,621,059</u>	\$	<u>638,614</u>

Long-term receivable is discounted using interest rate of 5.25%.

**3. Investments**

At December 31, 2004 and 2003, investments consisted of the following:

	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$ 4,881	4,245	\$ 4,881	3,884
Marketable Equity Securities	<u>217,715</u>	<u>275,203</u>	<u>185,350</u>	<u>228,737</u>
Total Investments	\$ <u>222,596</u>	<u>279,448</u>	\$ <u>190,231</u>	<u>232,621</u>

Net realized and unrealized gains in 2004 and 2003 amounted to \$18,044 and \$45,808, respectively. Interest and dividend income in 2004 and 2003 amounted to \$35,964 and \$50,160, respectively.

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**Notes to Financial Statements - continued**  
**December 31, 2004**

**4. Furniture and Equipment**

Furniture and equipment at December 31, 2004 and 2003 consisted of the following:

	<u>2004</u>		<u>2003</u>
Computer Equipment	\$ 42,852	\$	41,991
Office Equipment	18,750		18,750
Less accumulated depreciation	<u>(46,822)</u>		<u>(36,728)</u>
	\$ <u>14,780</u>	\$	<u>24,013</u>

**5. Income Taxes**

The Foundation is exempt from paying income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for such taxes in the accompanying financial statements. The Internal Revenue Service has ruled that the Foundation is not a private foundation.

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purpose:

	<u>2004</u>		<u>2003</u>
AIDS/HIV Programs	\$ 106,523	\$	3,892
Children's Programs	648,745		413,009
Education Programs	2,479,776		65,038
Lectureship Programs	94,848		391,823
Patient Care Programs	582,562		674,986
Volunteer's Programs	41,540		47,957
Hearts in San Francisco	-		433,331
Women's Programs	<u>832,201</u>		<u>2,550,774</u>
	\$ <u>4,786,195</u>	\$	<u>4,580,810</u>

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**Notes to Financial Statements - continued**  
**December 31, 2004**

**7. Net Assets Released from Restriction**

The Foundation raises temporarily restricted donations and acts as fiscal sponsor for projects providing goods and services at San Francisco General Hospital and Medical Center. The activities and balances in these projects have been combined and reported as temporarily restricted net assets in the accompanying financial statements. Temporarily restricted net assets can be released from restriction when the Foundation receives an approved disbursement request from the fund administrator. Net assets released from donors' restrictions by incurring expenses were as follows:

<u>Purpose Restriction</u>	<u>2004</u>	<u>2003</u>
AIDS/HIV Programs	\$ 98,446	\$ 49,695
Children's Programs	85,898	181,523
Education Programs	51,386	40,345
Lectureship Programs	113,691	27,750
Patient Care Programs	22,568	37,985
Hearts in San Francisco	433,331	91,669
Volunteer's Programs	6,417	50,000
Women's Programs	<u>2,713,967</u>	<u>1,098,050</u>
	\$ <u>3,525,704</u>	\$ <u>1,577,017</u>

**8. Funds Held in Custody for Others**

The Foundation acts as a fiscal agent for several projects providing services to the San Francisco General Hospital and Medical Center and affiliates. In return for providing such services, the Foundation charges a fiscal agent fee up to ten percent of the funds received. During 2004 and 2003 the Foundation received \$72,339 and \$128,533 and paid out \$71,612 and \$83,818 respectively.

**9. Concentration of Credit Risk**

The Foundation maintains its bank accounts at Golden Gate Bank, Charles Schwab and Wells Fargo Bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. On several occasions during 2004 and 2003, cash in the institution exceeded the federally insured limits. Amounts in excess of the FDIC limit totaled \$4,512,860 and \$3,793,457 as of December 31, 2004 and 2003, respectively.

**10. Intangible Assets**

Intangible assets consist of the costs to develop a website. The costs are amortized using the straight-line method over an estimated useful life of 10 years. Amortization expense was \$1775 in 2004 and 2003.

**THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION**  
**Notes to Financial Statements - continued**  
**December 31, 2004**

**11. Donated Goods and Services**

Products and services that would otherwise have been purchased are included in donations, grants and bequests in the accompanying statement of activities. Such donated goods and services for the years ended December 31, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
Rent	\$ 24,000	\$ 1,500
Professional Legal services	<u>22,970</u>	<u>-</u>
Total	\$ <u>46,970</u>	\$ <u>1,500</u>

**12. Reclassifications**

Certain amounts in the previously issued financial statements have been reclassified to conform to the current year presentation. Such reclassifications have no effect on changes in net assets as previously presented.