

The MetroHealth Foundation, Inc.

Financial Report
December 31, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
The MetroHealth Foundation, Inc
2500 Metrohealth Dr.
Cleveland, OH 44109

We have reviewed the *Independent Auditor's Report* of the MetroHealth Foundation, Inc, Cuyahoga County, prepared by RSM US LLP, for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The MetroHealth Foundation, Inc is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 30, 2021

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RSM US LLP

Independent Auditor's Report

Board of Directors
The MetroHealth Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The MetroHealth Foundation, Inc. (the Organization), a component unit of The MetroHealth System, which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
March 9, 2021

The MetroHealth Foundation, Inc.

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 3,453,688	\$ 3,353,432
Promises to give, net	5,163,191	6,742,817
Grants receivable	296,555	249,748
Investments, at fair value	72,896,573	63,459,662
Prepaid expenses	40,130	75,165
Other assets	519,492	514,424
Total assets	\$ 82,369,629	\$ 74,395,248
Liabilities and Net Assets		
Accounts payable	\$ 120,220	\$ 21,100
Deferred revenue	2,490	14,299
Refundable advance	18,160	172,200
Annuity payment obligations	331,154	347,122
Grants payable to related parties	1,904,853	1,769,739
Total liabilities	2,376,877	2,324,460
Net assets:		
Without donor restrictions	27,615,142	20,714,539
With donor restrictions	52,377,610	51,356,249
Total net assets	79,992,752	72,070,788
Total liabilities and net assets	\$ 82,369,629	\$ 74,395,248

See notes to financial statements.

The MetroHealth Foundation, Inc.

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Gifts and grants	\$ 6,430,723	\$ 6,959,835	\$ 13,390,558
In-kind contributions - related party	2,381,192	-	2,381,192
Miscellaneous income	272	257,634	257,906
Investment income, net	5,053,607	2,190,137	7,243,744
Loss on uncollectable pledges	-	(178,035)	(178,035)
Net assets released from restrictions	8,208,210	(8,208,210)	-
Total revenue and support	22,074,004	1,021,361	23,095,365
Expenses:			
Grantmaking program	11,976,667	-	11,976,667
Management and general	730,314	-	730,314
Fundraising	2,466,420	-	2,466,420
Total expenses	15,173,401	-	15,173,401
Increase in net assets	6,900,603	1,021,361	7,921,964
Net assets at beginning of year	20,714,539	51,356,249	72,070,788
Net assets at ending of year	\$ 27,615,142	\$ 52,377,610	\$ 79,992,752

See notes to financial statements.

The MetroHealth Foundation, Inc.

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Gifts and grants	\$ 1,148,367	\$ 5,902,657	\$ 7,051,024
In-kind contributions - related party	2,344,345	-	2,344,345
Miscellaneous income	1,084	315,946	317,030
Investment income, net	7,464,599	2,925,850	10,390,449
Recovery of bad debt expense	-	213,825	213,825
Net assets released from restrictions	4,666,956	(4,666,956)	-
Total revenue and support	15,625,351	4,691,322	20,316,673
Expenses:			
Grantmaking program	4,731,740	-	4,731,740
Management and general	749,499	-	749,499
Fundraising	2,212,333	-	2,212,333
Total expenses	7,693,572	-	7,693,572
Increase in net assets	7,931,779	4,691,322	12,623,101
Net assets at beginning of year	12,782,760	46,664,927	59,447,687
Net assets at ending of year	\$ 20,714,539	\$ 51,356,249	\$ 72,070,788

See notes to financial statements.

The MetroHealth Foundation, Inc.

Statement of Functional Expenses
Year Ended December 31, 2020

	Grantmaking	Management and General			Fundraising			Total
	Program	Operations	In-Kind	Total	Operations	In-Kind	Total	
Grants and other assistance	\$ 11,976,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,976,667
Salaries, wages and benefits	-	-	398,189	398,189	-	1,447,841	1,447,841	1,846,030
Catering and food service	-	3,995	35	4,030	6,080	135	6,215	10,245
Community outreach	-	25	-	25	-	-	-	25
Dues and licenses	-	7,828	-	7,828	24,792	-	24,792	32,620
Insurance	-	46,921	-	46,921	-	-	-	46,921
Miscellaneous	-	25,291	-	25,291	245	-	245	25,536
Plant operations	-	156	722	878	20	2,832	2,852	3,730
Postage	-	-	-	-	15,858	-	15,858	15,858
Printing services	-	-	-	-	48,368	-	48,368	48,368
Purchased services	-	137,646	1,756	139,402	490,234	6,890	497,124	636,526
Travel, training and seminars	-	583	79	662	1,966	310	2,276	2,938
Supplies	-	988	1,625	2,613	4,546	6,378	10,924	13,537
Occupancy and related overhead	-	-	104,475	104,475	-	409,925	409,925	514,400
Total expenses	\$ 11,976,667	\$ 223,433	\$ 506,881	\$ 730,314	\$ 592,109	\$ 1,874,311	\$ 2,466,420	\$ 15,173,401

See notes to financial statements.

The MetroHealth Foundation, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019

	Grantmaking	Management and General			Fundraising			Total
	Program	Operations	In-Kind	Total	Operations	In-Kind	Total	
Grants and other assistance	\$ 4,731,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,731,740
Salaries, wages and benefits	-	-	431,734	431,734	-	1,443,740	1,443,740	1,875,474
Catering and food service	-	12,796	623	13,419	39,791	2,283	42,074	55,493
Community outreach	-	100	-	100	113	-	113	213
Dues and licenses	-	8,854	-	8,854	25,024	-	25,024	33,878
Insurance	-	48,050	-	48,050	-	-	-	48,050
Miscellaneous	-	658	171	829	2,842	626	3,468	4,297
Plant operations	-	-	841	841	9,727	3,080	12,807	13,648
Postage	-	-	126	126	17,991	461	18,452	18,578
Printing services	-	-	-	-	65,448	-	65,448	65,448
Purchased services	-	143,604	3,464	147,068	222,805	12,692	235,497	382,565
Travel, training and seminars	-	2,668	1,596	4,264	8,184	5,849	14,033	18,297
Supplies	-	508	1,857	2,365	8,323	6,803	15,126	17,491
Occupancy and related overhead	-	-	91,849	91,849	-	336,551	336,551	428,400
Financing costs	-	-	-	-	-	-	-	-
Total expenses	\$ 4,731,740	\$ 217,238	\$ 532,261	\$ 749,499	\$ 400,248	\$ 1,812,085	\$ 2,212,333	\$ 7,693,572

See notes to financial statements.

The MetroHealth Foundation, Inc.

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

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 7,921,964	\$ 12,623,101
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions required to be maintained in perpetuity	(674,605)	(1,608,040)
Loss (recovery) on uncollectible pledges	178,035	(213,825)
Change in allowance for uncollectible pledges and present value discount	(580,003)	256,920
Actuarial loss (gain) on annuity payment obligations	18,788	(34,725)
Net realized and unrealized gains on investments	(6,260,607)	(9,158,371)
Interest and dividends restricted for reinvestments	(723,702)	(443,339)
(Increase) decrease in assets:		
Promises to give	1,937,540	(597,954)
Grant receivable	(46,807)	167,284
Prepaid expenses	35,035	(75,165)
Other assets	(5,068)	(51,123)
Increase (decrease) in liabilities:		
Accounts payable and other	99,121	(38,101)
Deferred revenue	(11,809)	14,299
Refundable advance	(154,040)	172,200
Grants payable to related party	135,114	(610,570)
Net cash provided by operating activities	1,868,956	402,591
Cash flows from investing activities:		
Proceeds from sale of investments	13,925,633	6,998,346
Purchase of investments	(17,101,937)	(8,989,083)
Net cash used in investing activities	(3,176,304)	(1,990,737)
Cash flows from financing activities:		
Interest and dividends restricted for reinvestment	723,702	443,339
Payments of annuity payment obligations	(34,756)	(35,242)
Proceeds from contributions required to be maintained in perpetuity	718,658	1,315,156
Net cash provided by financing activities	1,407,604	1,723,253
Increase in cash and cash equivalents	100,256	135,107
Cash and cash equivalents:		
Beginning	3,353,432	3,218,325
Ending	\$ 3,453,688	\$ 3,353,432

See notes to financial statements.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 1. Summary of Organization and Significant Accounting Policies

The MetroHealth Foundation, Inc. (the Foundation) is a not-for-profit organization. The Foundation's purpose is to raise charitable funds and receive grants for the support of projects and goals of The MetroHealth System (the System or MHS). Certain administrative and philanthropy services are provided to the Foundation by the System and are recorded by the Foundation as an in-kind contribution with a corresponding expense.

A summary of significant accounting policies is presented below:

Basis of presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958: *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Foundation is required to report net assets and revenues, expenses, gains and losses based upon the existence or absence of donor-imposed stipulations. In 2018, the Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements for Not-for-Profit Entities* and applied to both the December 31, 2020 and 2019 financial statements. Changes include net asset classification requirements and information presented in the financial statements and notes about the Foundation's liquidity, financial performance and cash flows. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets whose use is limited by donor- imposed time and/or purpose restrictions.

Functional allocation of expenses: The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy on a square footage basis, as well as salaries, wages and benefits, professional services, office expenses, and other, which are allocated on the basis of estimates of time and effort.

Tax status: The Foundation is an Ohio nonprofit corporation and was granted tax exempt status under Section 501(c) (3) of the Internal Revenue Code and is exempt from income tax on related income pursuant to Section 501(a) of the Code. The Foundation is required to pay income taxes on unrelated business income earned by the Foundation.

Income taxes: The FASB provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are more-likely than not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than not threshold would be recorded as a tax benefit or expense and liability in the current year. For the years ended December 31, 2020 and 2019, management has determined that there are no uncertain tax positions.

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 disclosures. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 1. Summary of Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For purposes of the financial statements, cash held in investment managed accounts are classified as investments. The Foundation maintains cash balances at banks, which are insured by the Federal Deposit Insurance Corporation. The Foundation's cash balance on deposit may exceed the insured amount from time to time.

Allowance for uncollectable pledges: The Foundation provides for an allowance for uncollectable pledges based on an estimate of the collectability of the identified receivables and reserves 5% of the outstanding pledges in accordance with policy. In addition, the Foundation writes-off outstanding pledges after twenty-four months without payment. The allowance is adjusted as information about specific accounts becomes available. The Foundation also compares current allowance amounts to prior collection and write-off experience.

Investments and investment income (loss): ASC 958 provides that certain investments are stated at fair value based upon quoted market prices and changes in unrealized gains and losses are reflected in the statement of activities. Investment income includes realized gains and losses (the difference between proceeds received and average cost), unrealized gains and losses, interest, dividends and fees. Investment income is reported as increases or decreases in net assets without donor restrictions unless a donor or law restricts their use.

Risks and uncertainties: The Foundation invests in a professionally managed portfolio that contains pooled funds and equity and fixed income investments. Such investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The investments in the pooled investment funds and limited partnership interest involve a high degree of risk, including the risk that the entire amount invested may be lost. The Foundation has allocated a portion of its assets to invest in pooled funds and partnership interests that invest in and actively trade securities and other financial instruments using a variety of strategies and investment techniques with significant risk characteristics, including the risks arising from the volatility of the equity, fixed income, commodity and currency markets, the risks of borrowings and short sales, and the risks arising from leverage associated with trading in equities, currencies and over-the-counter derivative markets, the liquidity of the derivative instruments and the risk of loss from counter-party defaults. No guarantee or representation is made that the investment program will be successful.

Annuity payment obligations: The Foundation is the beneficiary of several gift annuity agreements that are managed by third-party trustees. The assets held in trust are recorded at fair value at the date of initial recognition. At December 31, 2020 and 2019, total assets of \$613,972 and \$597,357, respectively, were held by the Foundation, which are included in investments on the statements of financial position. Under the terms of the agreements, the Foundation is required to pay periodic fixed payments to beneficiaries during their lifetimes. Upon death of the beneficiaries, the assets are to be retained for the Foundation's use. At December 31, 2020 and 2019, liabilities of \$331,154 and \$347,122, respectively, are reflected as obligations under annuity agreements. The liabilities represent the present value of the expected beneficiary payments calculated based on the estimated life of the beneficiary and a discount rate. The discount rate used to calculate the present value is 6%. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, unrestricted assets of the Foundation will be utilized to fund future payments.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 1. Summary of Organization and Significant Accounting Policies (Continued)

Contributions: The Foundation recognizes unconditional contributions as revenue in the period in which the pledge (promise to give) is received. Conditional promises to give are recorded when donor restrictions are substantially met. Gifts and grants revenue includes gifts in-kind that are recorded at fair value as of the donation date. Contributions are recorded as either without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, net assets with donor restrictions are classified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated services: Donated services are recognized as contributions in accordance with ASC 958, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Recently adopted accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Per ASU 2019-10, the new standard is now effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation adopted the new standard effective January 1, 2020, which did not have an effect on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Changes to Disclosure Requirements for Fair Value Measurement*. The objective of this statement is to modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. The statement is effective for all entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Foundation adopted the new standard effective January 1, 2020, which did not have an impact on the financial statements.

Recent accounting pronouncements: The FASB has issued the following pronouncement that has not yet been implemented by the Foundation:

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update clarify and improve presentation and disclosure of contributed nonfinancial assets. This ASU is effective for the Organization's annual reporting period ending December 31, 2022, and early adoption is permitted. The Foundation is currently evaluating the impact of the pending adoption of this standard on the financial statements.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through March 9, 2021, the date the financial statements were available to be issued.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 2. Promises to Give, Net

Pledge receivables are recorded at net present value less an allowance for uncollectable accounts and are due in future years at December 31 as follows:

	2020	2019
Less than one year	\$ 1,669,972	\$ 2,608,764
One to five years	3,060,620	3,889,822
Six to ten years	1,036,400	1,250,000
	<u>5,766,992</u>	<u>7,748,586</u>
Allowance for uncollectable pledges and present value discount	<u>(603,801)</u>	<u>(1,005,769)</u>
	<u>\$ 5,163,191</u>	<u>\$ 6,742,817</u>

Note 3. Fair Value Disclosures

Substantially all of the Foundation's assets and liabilities are considered financial instruments and are either already reflected at fair value or are short-term or replaceable on demand. Therefore, the carrying amounts approximate fair value.

The Foundation adopted applicable sections of the FASB ASC 820: *Fair Value Measurements and Disclosures for Financial Assets and Financial Liabilities*. In accordance with ASC 820, fair value is defined as the price the Foundation would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in a principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs), and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels listed below:

Level 1: Quoted prices in active markets for identical investments

Level 2: Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of the investments)

The input or methodology used for valuing investments is not necessarily an indication of the risk associated with maintaining those investments. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 3. Fair Value Disclosures (Continued)

There were no changes in valuation techniques in determining fair value of investments during the years ended December 31, 2020 and 2019.

The Level 1 securities are valued at quoted prices per share/unit, or other methods by which all significant inputs are observable, either directly or indirectly.

The Level 3 securities, are valued at fair value from reports provided by the investment managers and validated by management and its investment advisor. Accordingly specific valuation inputs are not disclosed. Because of the inherent uncertainty of the value terms, the fair values may differ significantly from values that would have been used had a ready market for these investments existed.

The following is a summary of the inputs used as of December 31 in valuing the Foundation's investments carried at fair value:

	2020			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 5,344,521	\$ -	\$ -	\$ 5,344,521
Common stock - private	-	-	1,000	1,000
Equity mutual funds:				
Foreign large blend	4,320,982	-	-	4,320,982
Foreign large growth	4,553,197	-	-	4,553,197
Diversified emerging markets	3,398,245	-	-	3,398,245
Large blend	16,940,986	-	-	16,940,986
Large growth	3,706,260	-	-	3,706,260
Large value	3,504,042	-	-	3,504,042
Mid-cap blend	2,924,302	-	-	2,924,302
Foreign small/mid growth	1,691,645	-	-	1,691,645
Small blend	1,625,077	-	-	1,625,077
Small growth	1,993,670	-	-	1,993,670
Fixed income mutual funds:				
Short-term bonds	2,631,551	-	-	2,631,551
Intermediate-term bonds	8,319,029	-	-	8,319,029
Multi-sector bond	2,124,252	-	-	2,124,252
World allocation	3,652,525	-	-	3,652,525
	<u>\$ 66,730,284</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>66,731,284</u>

Investments measured at net asset value:

Pooled investment hedge fund	3,201,678
Pooled investment fund	2,865,292
Limited partnership interest	98,319
Total	<u><u>\$ 72,896,573</u></u>

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 3. Fair Value Disclosures (Continued)

	2019			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,042,255	\$ -	\$ -	\$ 3,042,255
Common stock - private	-	-	1,000	1,000
Equity mutual funds:				
Foreign large blend	3,802,221	-	-	3,802,221
Foreign large growth	3,545,918	-	-	3,545,918
Diversified emerging markets	2,767,360	-	-	2,767,360
Large blend	12,820,625	-	-	12,820,625
Large growth	3,126,805	-	-	3,126,805
Mid-cap growth	-	-	-	-
Mid-cap blend	2,579,974	-	-	2,579,974
Foreign small/mid growth	1,469,951	-	-	1,469,951
Small blend	1,435,037	-	-	1,435,037
Small growth	1,486,577	-	-	1,486,577
Global real estate	1,277,509	-	-	1,277,509
Energy funds	1,234,333	-	-	1,234,333
Exchange traded funds:				
Short-term bonds	2,127,695	-	-	2,127,695
Intermediate-term bonds	8,543,897	-	-	8,543,897
Multi-sector bond	1,612,373	-	-	1,612,373
World allocation	3,761,273	-	-	3,761,273
	<u>\$ 58,059,327</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>58,060,327</u>

Investments measured at net asset value:

Pooled investment hedge fund	2,607,049
Pooled investment fund	2,665,611
Limited partnership interest	126,675
Total	<u><u>\$ 63,459,662</u></u>

There were no purchases of Level 3 assets during the years ended December 31, 2020 and 2019.

The Foundation is required to disclose the nature and risks of the investments recorded at net asset value. The pooled investment funds and limited partnership interest is measured by the net asset value per share practical expedient. The following table summarizes the nature and risk of these investments as of December 31, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment hedge fund	\$ 3,201,678	\$ -	Monthly	45 days
Pooled investment fund	2,865,292	-	Quarterly	95 days
Limited partnership interest	98,319	-	Quarterly	65 days
	<u>\$ 6,165,289</u>	<u>\$ -</u>		

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 3. Fair Value Disclosures (Continued)

The pooled investment hedge fund seeks securities in a company that is the target of a merger or acquisition in order to earn the difference between its current and future expected value.

The pooled investment fund seeks to produce attractive returns with relatively low volatility and correlation to traditional equity and fixed income benchmarks through its selection of portfolio managers and its allocations among various investment strategies.

The limited partnership interest provides capital appreciation consistent with the return characteristic of the alternative investment portfolios. The secondary objective is to provide capital appreciation with less volatility than that of the equity markets. Redemptions in the limited partnership interest are subject to limitations based upon requests in specific tender periods, currently the Foundation is limited to approximately 8% of the tender amounts requested.

Note 4. Investments

Investment income for the years ending December 31 consisted of the following:

	2020	2019
Interest and dividends	\$ 1,072,796	\$ 1,319,895
Net realized and unrealized gains	6,260,607	9,158,371
Less: investment management fees	(89,659)	(87,817)
	<u>\$ 7,243,744</u>	<u>\$ 10,390,449</u>

Note 5. Related Party Transactions

The System submits grant proposals to the Foundation. It also requests distributions of funds as expenses are incurred by the System that are consistent with the Foundation's fund purposes. Grant expenses of \$11,976,667 and \$4,731,740 were incurred for the years ended December 31, 2020 and 2019, respectively. Grants and distributions payable of \$1,404,853 and \$1,095,683 were due to the System for grants approved by the Foundation, but not yet paid, at December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, respectively, the Foundation also committed to a \$500,000 and \$674,056 grant to be paid to a related party of the System. The MetroHealth System provided in-kind support to the Foundation for 2020 and 2019 representing salaries and benefits, purchased services, rent and other expenses which are included in these financial statements in the amount of \$2,381,192 and \$2,344,345, respectively. Grants receivable includes \$125,000 and \$0, at December 31, 2020 and 2019, respectively, of amounts due from the System.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 6. Endowment Funds

The Foundation's endowment consists of approximately 75 individual funds established to support the mission of The MetroHealth System. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Foundation is subject to the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the Foundation

Underwater endowment funds: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations occurring shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs deemed prudent by the Board of Directors. No deficiencies of this nature exist as of December 31, 2020 and 2019.

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Foundation must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce results exceeding the price and yield results of the S&P 500 index, for the equity portion of the portfolio, while assuming a moderate level of investment risk.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 6. Endowment Funds (Continued)

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 36 months through the calendar year-end preceding the year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity and to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31 is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 16,204,973	\$ 16,204,973
Accumulated investment gains	-	10,916,666	10,916,666
Funds functioning as endowment funds	2,378,841	-	2,378,841
Total endowment funds	\$ 2,378,841	\$ 27,121,639	\$ 29,500,480

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 15,486,315	\$ 15,486,315
Accumulated investment gains	-	9,238,453	9,238,453
Funds functioning as endowment funds	3,811,731	-	3,811,731
Total endowment funds	\$ 3,811,731	\$ 24,724,768	\$ 28,536,499

Changes in endowment net assets for the years ended December 31 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	\$ 3,054,143	\$ 20,787,154	\$ 23,841,297
Investment loss, net	588,150	2,936,027	3,524,177
Contributions	173,648	1,315,156	1,488,804
Appropriations	(4,210)	(313,569)	(317,779)
Endowment net assets, December 31, 2019	3,811,731	24,724,768	28,536,499
Investment income, net	(137,293)	2,204,365	2,067,072
Contributions	9	718,658	718,667
Appropriations	(1,295,606)	(526,152)	(1,821,758)
Endowment net assets, December 31, 2020	\$ 2,378,841	\$ 27,121,639	\$ 29,500,480

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 7. Net Assets

Net assets without donor restrictions as of December 31, comprise the following:

	2020	2019
Net assets without donor restrictions:		
Operating	\$ 21,442,159	\$ 13,075,153
Funds functioning as endowment funds	2,378,841	3,811,731
Board designated	3,794,142	3,827,655
	<u>\$ 27,615,142</u>	<u>\$ 20,714,539</u>

Funds functioning as endowment consists of funds under the direction of the Board of Directors designated for the long-term benefit of the Foundation. Board designated funds represents unrestricted estate gifts in which the donor did not indicate a time horizon for spending. The board designated funds and funds functioning as endowment are both available for the future needs of the System and operating expenditures of the Foundation.

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Supporting Mission of The MetroHealth System	<u>\$ 19,809,962</u>	<u>\$ 19,638,429</u>
Subject to passage of time:		
Promises to give, restricted by donors, supporting		
Mission of The MetroHealth System	2,191,365	3,732,452
Split interest agreements	282,818	250,235
	<u>2,474,183</u>	<u>3,982,687</u>
Subject to Foundation's spending policy and appropriation:		
Original donor-restricted gift amount and amounts		
required to be maintained in perpetuity by donor	16,204,973	15,486,315
Accumulated investment gains	10,916,666	9,238,453
Promises to give, endowment restricted by donors, supporting		
Mission of The MetroHealth System	2,971,826	3,010,365
	<u>30,093,465</u>	<u>27,735,133</u>
Total net assets with donor restrictions	<u><u>\$ 52,377,610</u></u>	<u><u>\$ 51,356,249</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events by the donors totaling \$8,208,210 and \$4,666,956 for the years ended December 31, 2020 and 2019, respectively.

Grantmaking program: Grants made by the Foundation to support the mission of the System include payments for capital equipment, education, fundraising, patient programs, research, recruitment and other related activities.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 8. Financial Assets and Liquidity

The following table reflects the Foundation's financial assets reduced by amounts not available for general expenditures within one year as of December 31:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 3,453,688	\$ 3,353,432
Promises to give	5,163,191	6,742,817
Grant receivable	296,555	249,748
Investments	72,896,573	63,459,662
Financial assets, at year-end	81,810,007	73,805,659
Less those not available for general expenditures within one year:		
Promises to give, restricted by donors, supporting the mission of The MetroHealth System	(3,493,219)	(4,134,053)
Original donor-restricted gift, amounts required to be maintained in perpetuity by donor and accumulated investment gains	(27,121,639)	(24,724,768)
Less: earnings to be utilized within one year	625,000	610,081
Funds functioning as endowment funds	(2,378,841)	(3,811,731)
Less: funds functioning as endowment expected to be utilized within one year	-	1,331,396
Board-designated funds	(3,794,142)	(3,827,655)
Less: board-designated funds expected to be utilized within one year	450,000	450,000
Subject to expenditure for specified purpose	(12,809,962)	(13,888,428)
Investments held in annuity reserves	(613,972)	(597,357)
Financial assets available to meet cash needs for general expenditures within one year	\$ 32,673,232	\$ 25,213,144

The Foundation receives substantial donor restricted gifts to establish endowments that will exist in perpetuity and contributions with donor time and purpose restrictions. The income generated from donor restricted endowments may be donor-restricted or unrestricted as to use. In addition, the Foundation receives support without donor restrictions, investment income without donor restrictions and appropriated earnings from gifts with donor restrictions to fund its general expenditures.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining a sufficient level of asset liquidity, and
- Monitoring and maintaining reserves to provide reasonable assurance that long term grant commitments and obligations related to endowments with donor restrictions will continue to be met, ensuring the sustainability of the Foundation.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 8. Financial Assets and Liquidity (Continued)

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. The Foundation has board designated funds of \$3,794,142 and \$3,827,655 as of December 31, 2020 and 2019, respectively. Although the Foundation does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available, if necessary.

Note 9. Other Accomplishments

Donors occasionally make their gifts directly to The MetroHealth System. In 2020, The MetroHealth System's Department of Foundation and System Philanthropy was responsible for securing two grants from the Ohio Department of Health including \$615,000 for the Nurse-Family Partnership program and \$158,646 for the Compass program and coordinating multiple grants from the Ohio Department of Mental Health and Addiction Services totaling \$273,369 to help address the opioid crisis. The department also acquired in-kind donations for The MetroHealth System valued at more than \$265,000 related to the COVID-19 pandemic. These contributions are not recognized on the Foundation's financial statements.

In 2019, the MetroHealth System's Department of Foundation and System Philanthropy was responsible for coordinating a \$600,000 grant from the Ohio Department of Health for the Nurse-Family Partnership program and a \$51,938 grant from the Ohio Department of Mental Health and Addiction Services to help address the opioid crisis. The department also secured an in-kind donation valued at \$36,402 for the MetroHealth Driver's Rehabilitation Training Program. These contributions are not recognized on the Foundation's financial statements.

Note 10. Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. The extent to which COVID-19 impacts the Foundation will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Directors
The MetroHealth Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The MetroHealth Foundation, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities and changes in net assets and cash flows for the year then ended and the related notes to the financial statements (collectively, the financial statements), and have issued our report thereon dated March 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards* (Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Cleveland, Ohio
March 9, 2021

OHIO AUDITOR OF STATE KEITH FABER



THE METROHEALTH FOUNDATION

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 5/13/2021

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov