

**New York State Health Foundation**

Financial Statements

December 31, 2009



O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

## Independent Auditors' Report

### Board of Directors New York State Health Foundation

We have audited the accompanying statements of financial position of New York State Health Foundation (the "Foundation"), formerly The New York Charitable Asset Foundation, as of December 31, 2009 and 2008, and the related statements of activities and cash flows 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 New York State Health Foundation as of December 31, 2009 and 2008, 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule on page 11 is presented for the purpose of additional analysis and is not a required part of these basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*O'Connor Davies Munns & Dobbins, LLP*

New York, New York  
June 1, 2010

# New York State Health Foundation

## Statements of Financial Position

December 31,

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,815,635	\$ 8,981,563
Accrued investment income	470,185	1,064,076
Program related investments	1,188,592	1,188,592
Prepaid expenses	215,103	38,913
Prepaid federal excise tax	25,000	25,000
Investments	257,209,647	292,939,456
Deposits	54,842	54,842
Other Assets	146,227	-
Property and equipment, net	<u>413,323</u>	<u>174,031</u>
	<u>\$ 267,538,554</u>	<u>\$ 304,466,473</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 356,963	\$ 206,208
Grants payable, net	14,093,640	13,429,976
Deferred rent	33,169	39,153
Deferred federal excise tax	<u>1,134</u>	<u>352,050</u>
Total Liabilities	<u>\$ 14,484,906</u>	<u>\$ 14,027,387</u>
Net Assets	<u>253,053,648</u>	<u>290,439,086</u>
	<u>\$ 267,538,554</u>	<u>\$ 304,466,473</u>

See notes to financial statements

**New York State Health Foundation**

Statements of Activities

Years Ended December 31,

	2009	2008
<b>INVESTMENT INCOME</b>		
Interest and dividends	\$ 7,182,544	\$ 11,721,806
Net realized gain from sale of investments	8,042,444	222,203
	15,224,988	11,944,009
Less: Investment expense	744,491	414,154
Net Investment Income	14,480,497	11,529,855
<b>EXPENSES</b>		
Grants authorized	13,627,751	16,680,114
Program support, planning and development	2,880,432	2,665,512
Total Program Services	16,508,183	19,345,626
Operations and governance	556,024	503,177
Total Expenses	17,064,207	19,848,803
Change in Net Assets before Federal Excise		
Taxes and Unrealized (Loss) Gain on Investments	(2,583,710)	(8,318,948)
Provision for federal excise tax	210,916	(242,050)
Unrealized (loss) gain on investments	(35,012,644)	4,205,024
Change in Net Assets	(37,385,438)	(4,355,974)
<b>NET ASSETS</b>		
Beginning of year	290,439,086	294,795,060
End of year	\$ 253,053,648	\$ 290,439,086

See notes to financial statements

## New York State Health Foundation

### Statements of Cash Flows

Years Ended December 31,

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (37,385,438)	\$ (4,355,974)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	56,674	55,901
Loss on disposal of property and equipment	13,205	-
Realized gains from sale of investments	(8,042,444)	(222,203)
Unrealized loss (gain) on investments	35,012,644	(4,205,024)
Federal excise tax provision on unrealized investment gains	(350,916)	42,050
Changes in operating assets and liabilities		
Accrued investment income	593,891	821,349
Program related investment	-	(1,188,592)
Prepaid expenses	(176,190)	56,059
Prepaid excise tax	-	80,000
Other assets	(146,227)	-
Accounts payable and accrued expenses	150,755	2,764
Grants payable, net	663,664	6,834,339
Deferred rent	(5,984)	(775)
	<u>(9,616,366)</u>	<u>(2,080,106)</u>
Net Cash From Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(309,171)	(19,678)
Proceeds from sale of investments	146,695,007	6,329,703
Purchase of investments	(137,935,398)	-
	<u>8,450,438</u>	<u>6,310,025</u>
Net Cash From Investing Activities		
	<u>(1,165,928)</u>	<u>4,229,919</u>
Net Change in Cash and Cash Equivalents		
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>8,981,563</u>	<u>4,751,644</u>
End of year	<u>\$ 7,815,635</u>	<u>\$ 8,981,563</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Federal excise taxes paid	\$ 140,000	\$ 120,000

See notes to financial statements

# New York State Health Foundation

## Notes To Financial Statements

### 1. Organization

New York State Health Foundation, formerly The New York Charitable Asset Foundation, (the “Foundation”) is a New York not-for-profit corporation organized on October 25, 2002 under section 501(c)(3) of the Internal Revenue Code to pursue tax-exempt charitable purposes. The Foundation was formed as part of the conversion of Empire HealthChoice, Inc. (doing business as Empire Blue Cross & Blue Shield) to a for-profit corporation. Pursuant to the legislation authorizing the conversion, the Foundation received five percent of the stock of WellChoice, the holding company for Empire. The Foundation provides funding and grants for the health care-related needs of residents of the State of New York (“NYS”), including without limitation, (i) expansion of access to health care by extending health insurance coverage to NYS residents who cannot afford to purchase their own coverage or who have coverage that is inadequate to meet their needs, (ii) expansion and enhancement of access to health care by augmenting and creating health care programs that deliver services to populations that are unable to access health care or that improve public health, (iii) augmentation of its other program priorities by supporting programs that inform and educate New York State residents about public health issues and empower communities to address the issues by becoming more effective at identifying and articulating health care needs and implementing solutions, and (iv) conducting any and all lawful activities which may be useful in accomplishing the foregoing purposes.

Assets, liabilities and net assets of the New York State Health Foundation Trust (the “Trust”), a revocable trust, are included in the accompanying financial statements. The Foundation is the sole trustee and beneficiary of the Trust.

### 2. Summary of Significant Accounting Policies

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures 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.

#### *Basis of Presentation*

Classification of the Foundation’s net assets and its income and expenses are based on the existence or absence of donor imposed restrictions. At December 31, 2009 and 2008, all net assets of the Foundation were considered to be unrestricted.

# New York State Health Foundation

## Notes To Financial Statements

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of checking and money market accounts. The Foundation considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

#### ***Investments***

Investments are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

#### ***Property and Equipment***

Property and equipment are carried at cost and are depreciated using the straight-line method over the estimated useful life of the assets.

#### ***Grants***

The liability for grants and project appropriations payable is recognized when specific grants are authorized by the Board of Directors and the recipients have been notified.

#### ***Fair Value of Financial Instruments***

The Foundation follows Financial Accounting Standards Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

## New York State Health Foundation

### Notes To Financial Statements

#### 2. Summary of Significant Accounting Policies *(continued)*

##### *Accounting for Uncertainty in Income Taxes*

Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for periods prior to December 31, 2006.

##### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is June 1, 2010.

#### 3. Concentrations of Credit Risk

The Foundation's financial instruments that are potentially exposed to concentration of credit risk consist of cash, cash equivalents and investments. The Foundation places its cash and cash equivalents with quality financial institutions. The Foundation's investments consist entirely of marketable securities. The gold exchange traded fund represents interest in physical gold held by a custodial bank. Equity index or fixed income funds are in commingled vehicles organized as either Common Trust Funds or Exchange Traded Funds. At times, cash balances may be in excess of FDIC insurance limit. The Foundation routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. As a consequence, concentrations of credit risk are limited.

#### 4. Property and Equipment

Property and equipment consists of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ 438,138	\$ 239,074
Leasehold Improvements	<u>129,420</u>	<u>39,890</u>
	567,558	278,964
Less: accumulated depreciation	<u>154,235</u>	<u>104,933</u>
	<u>\$ 413,323</u>	<u>\$ 174,031</u>

During 2009 the Foundation removed from its books and records property and equipment with a cost of \$20,577 and accumulated depreciation of \$7,372.



## New York State Health Foundation

### Notes To Financial Statements

#### 5. Investments

The following are major categories of investments measured at fair value on a recurring basis at December 31, 2009 grouped by fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity index funds	\$ 44,878,919	\$ 26,982,432	\$ 71,861,351
Gold exchange trade funds	3,978,059	-	3,978,059
Fixed income funds	81,387,494	83,116,610	164,504,104
Corporate bonds	15,894,203	-	15,894,203
Taxable municipal bonds	<u>971,930</u>	<u>-</u>	<u>971,930</u>
	<u>\$ 147,110,605</u>	<u>\$ 110,099,042</u>	<u>\$ 257,209,647</u>

The following are major categories of investments measured at fair value on a recurring basis at December 31, 2008:

Index funds	\$ 52,756,836
Fixed income funds	<u>240,182,620</u>
	<u>\$292,939,456</u>

As of and for the year ended December 31, 2008 all of the Foundation's investments, bought, sold and held were Level 1 investments.

#### 6. Program Related Investments (PRIs)

During 2008, the Foundation made loans to two charitable organizations in total \$1,188,592 to assist in program related activities. PRIs, defined in IRC 4944(c), have a primary purpose of advancing the mission of the Foundation without a significant purpose of the production of income or the appreciation of property. PRIs are treated as charitable distributions on Internal Revenue Service Form 990-PF, the tax and information return filed by private foundations for minimum-distribution requirement purposes.

#### 7. Federal Excise Tax

The Foundation is exempt from Federal income taxes under Section 501(c)(3) and 509(a) of the Internal Revenue Code and has been further classified as a "private foundation." The Foundation is subject to an excise tax on its net investment income.

Excise taxes consist of two components: current taxes based upon net investment income and deferred taxes which arise from the difference between the tax cost of the investments and the fair value.

## New York State Health Foundation

### Notes To Financial Statements

#### 7. Federal Excise Tax *(continued)*

For the years ended December 31, Federal excise tax expense consisted of the following:

	<u>2009</u>	<u>2008</u>
Current	\$ 140,000	\$ 200,000
(Benefit) Deferred	<u>(350,916)</u>	<u>42,050</u>
	<u>\$ (210,916)</u>	<u>\$ 242,050</u>

#### 8. Grants Payable

The Foundation has entered into grant commitments with certain organizations. Payments to these organizations at December 31, 2009 and 2008 are to be made as follows:

	<u>2009</u>	<u>2008</u>
Less than one year	\$ 10,040,573	\$ 8,177,881
One to three years	<u>4,189,217</u>	<u>5,428,522</u>
	14,229,790	13,606,403
Less: present value discount	<u>136,150</u>	<u>176,427</u>
Grants payable, net	<u>\$ 14,093,640</u>	<u>\$ 13,429,976</u>

To reflect the time value of money, grants payable as of December 31, 2009 and 2008 were discounted to their present value using the prime rate of 3.25%.

#### 9. Retirement Plan

The Foundation maintains a 403(b) defined contribution plan, which covers all employees. The Foundation matched employee contributions up to 7.5% of their annual salary in 2009 and 6% in 2008. The Foundation made contributions totaling \$134,508 and \$65,170 to the plan for 2009 and 2008, respectively.

#### 10. Commitments

The Foundation has a lease agreement for its New York City office space that expires in 2012. In connection with the lease, the Foundation gave the landlord a deposit of \$54,842. In 2010, the Foundation entered into an agreement to sublease this space to a third party expiring in 2012. This agreement requires monthly payments to the Foundation of approximately \$10,000.

Subsequent to year end the Foundation entered into an agreement for new office space expiring 2027. In connection with the lease, the Foundation gave the landlord a deposit of \$45,333. The lease contains escalation clauses that provide for increase in payments

## New York State Health Foundation

### Notes To Financial Statements

#### 10. Commitments (*continued*)

resulting from increases in real estate taxes and certain other building expenses in excess of the base period amounts.

The future minimum rental payments under these lease agreements are:

2010	\$ 234,583
2011	693,388
2012	593,598
2013	544,000
2014	544,000
Thereafter	<u>4,856,333</u>
	<u>\$ 7,465,902</u>

Rent expense totaled \$224,654 and \$229,229 for 2009 and 2008, respectively.

**New York State Health Foundation**

Supplemental Information

December 31, 2009

**New York State Health Foundation**

Functional Allocation Of Expenses

Year Ended December 31, 2009

(With summarized totals for the year ended December 31, 2008)

	<u>Program Services</u>	<u>Operations and Governance</u>	<u>Investment</u>	<u>2009 Total</u>	<u>2008 Total</u>
Grants Authorized, net	\$ 13,627,751	\$ -	\$ -	\$ 13,627,751	\$ 16,680,114
Allocated expenses					
Salaries and wages	1,596,543	336,739	372,155	2,305,437	1,766,375
Payroll taxes and employee benefits	329,778	39,052	64,896	433,726	310,798
Legal fees		66,593	47,825	114,418	86,169
Accounting fees		53,094		53,094	38,010
Other professional fees	376,195		111,052	487,247	623,987
Depreciation	49,760	6,914		56,674	55,901
Occupancy	204,304	28,416	12,248	244,969	243,808
Travel and meetings	91,414		3,308	94,722	97,393
Printing and binding	18,672			18,672	24,730
Office expense	24,429	3,977	11,300	39,706	35,274
Telecommunications	46,060	6,400		52,460	42,142
Insurance	35,035	4,868		39,903	46,969
Postage and delivery	3,439	560	213	4,212	7,268
Outreach and public events	69,873	-	295	70,168	61,035
Repairs & Maintenance	32,998	4,585	-	37,583	-
Miscellaneous	<u>1,932</u>	<u>4,826</u>	<u>-</u>	<u>6,757</u>	<u>8,710</u>
Total Allocated Expenses	<u>2,880,432</u>	<u>556,024</u>	<u>623,292</u>	<u>4,059,748</u>	<u>3,448,569</u>
Direct investment expenses					
Manager fees	<u>-</u>	<u>-</u>	<u>121,199</u>	<u>121,199</u>	<u>134,274</u>
Total Direct Investment Expense	<u>-</u>	<u>-</u>	<u>121,199</u>	<u>121,199</u>	<u>134,274</u>
Total	<u>\$ 16,508,183</u>	<u>\$ 556,024</u>	<u>\$ 744,491</u>	<u>\$ 17,808,698</u>	<u>\$ 20,262,957</u>