

New York State Health Foundation

Financial Statements

December 31, 2020 and 2019

Independent Auditors' Report

To the Board of Directors of New York State Health Foundation

We have audited the accompanying financial statements of New York State Health Foundation (the "Foundation") which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities 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 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

**To the Board of Directors of
New York State Health Foundation**

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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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PKF O'Connor Davies, LLP

May 25, 2021

New York State Health Foundation

Statements of Financial Position

	December 31	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 16,579,553	\$ 8,299,695
Prepaid federal excise tax	73,975	73,901
Investments	316,892,151	304,833,490
Deposits and other assets	80,611	41,842
Property and equipment, net	<u>93,091</u>	<u>86,655</u>
	<u>\$ 333,719,381</u>	<u>\$ 313,335,583</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 357,802	\$ 241,734
Grants payable, net	4,976,601	5,500,576
Deferred rent	464,697	505,283
Deferred federal excise tax	<u>1,469,869</u>	<u>1,031,291</u>
Total Liabilities	7,268,969	7,278,884
Net assets without donor restrictions	<u>326,450,412</u>	<u>306,056,699</u>
	<u>\$ 333,719,381</u>	<u>\$ 313,335,583</u>

See notes to financial statements

New York State Health Foundation

Statements of Activities

	Year Ended December 31	
	2020	2019
REVENUE AND SUPPORT		
Investment Return		
Interest and dividends	\$ 3,249,068	\$ 4,214,517
Net realized gain from sale of investments	2,847,507	22,736,496
Unrealized gain on investments	31,536,122	27,965,604
(Less) direct investment expenses	(497,504)	(513,469)
Total Investment Return	37,135,193	54,403,148
Rental income	163,539	198,478
Total Revenue and Support	37,298,732	54,601,626
EXPENSES		
Program Services		
Grants authorized, net of rescinded/refunded amounts of \$165,390 and \$165,404, and present value discount of \$52,124 and (\$19,089)	11,162,701	7,958,845
Program support, planning and development	4,333,715	4,307,117
Total Program Services	15,496,416	12,265,962
Operations and Governance	770,099	769,302
Federal excise tax expense	638,504	275,962
Total Expenses	16,905,019	13,311,226
Change in Net Assets	20,393,713	41,290,400
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	306,056,699	264,766,299
End of year	\$ 326,450,412	\$ 306,056,699

See notes to financial statements

New York State Health Foundation

Statements of Cash Flows

	Year Ended	
	December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 20,393,713	\$ 41,290,400
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	21,804	31,941
Realized gain from sale of investments	(2,847,507)	(22,736,496)
Unrealized gain on investments	(31,536,122)	(27,965,604)
Deferred federal excise tax	438,578	106,407
Discount on grants payable	52,124	(19,089)
Deferred rent	(40,586)	(40,587)
Changes in operating assets and liabilities		
Prepaid federal excise tax	(74)	69,555
Deposits and other assets	(38,769)	(24,709)
Accounts payable and accrued expenses	116,068	34,032
Grants payable	(576,099)	(1,020,312)
Net Cash From Operating Activities	(14,016,870)	(10,274,462)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(28,240)	(15,437)
Proceeds from sale of investments	72,463,222	80,017,749
Purchase of investments	(50,138,254)	(64,690,847)
Net Cash From Investing Activities	22,296,728	15,311,465
Net Change in Cash and Cash Equivalents	8,279,858	5,037,003
CASH AND CASH EQUIVALENTS		
Beginning of year	8,299,695	3,262,692
End of year	\$ 16,579,553	\$ 8,299,695
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise taxes paid	\$ 200,000	\$ 100,000

See notes to financial statements

New York State Health Foundation

Notes to Financial Statements
December 31, 2020 and 2019

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 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) ("Empire") 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 NYS 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

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts. The Foundation considers all highly liquid debt instruments available for current use with a maturity date of three months or less at the date of purchase to be cash equivalents.

New York State Health Foundation

Notes to Financial Statements
December 31, 2020 and 2019

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

Fair Value of Financial Instruments

The Foundation follows U.S. GAAP 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.

The Foundation follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient.

Investment Valuation and Income Recognition

Investments are stated at fair value. 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.

Direct Investment Expenses

Investment expense on the statements of activities consists of fees paid directly to the Foundation's investment advisor as well as an allocation of direct internal costs that the Foundation incurs in the generation of investment return. These costs include salaries, benefits, travel and other costs associated with the officers and staff responsible for the development and execution of the Foundation's investment strategy as well as allocable costs associated with the internal investment management, supervising, selecting and monitoring of external investment management firms.

Property and Equipment

Property and equipment are carried at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of assets, which range from 3 to 5 years. Leasehold improvements are depreciated over the lesser of the life of the asset or the term of the lease. Physical assets acquired with costs in excess of \$1,000 and having a period of benefit in excess of one year are capitalized.

New York State Health Foundation

Notes to Financial Statements
December 31, 2020 and 2019

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

Grants

The liability for grants is recognized when specific grants are authorized by the Board of Directors and the recipients have been notified in an award letter. Discounts are provided on amounts due in more than one year from the date of the award.

Net Asset Presentation

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use is limited by donors to a specific time period or purpose or are limited by donors in perpetuity. As of December 31, 2020 and 2019 all net assets were without donor restrictions.

Functional Allocation of Expenses

The statements of activities present the expenses of the Foundation by certain classification. Refer to Note 9 for the classification of expenses by their functional allocation and policy for allocating such expenses.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2017.

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 May 25, 2021.

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 invests in exchange traded funds and collective trust 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.

New York State Health Foundation

Notes to Financial Statements
December 31, 2020 and 2019

4. Property and Equipment

Property and equipment consists of the following as of December 31:

	2020	2019
Furniture and equipment	\$ 536,100	\$ 534,751
Leasehold improvements	<u>187,182</u>	<u>160,291</u>
	723,282	695,042
Less: accumulated depreciation	<u>630,191</u>	<u>608,387</u>
	<u>\$ 93,091</u>	<u>\$ 86,655</u>

There were no disposals for the years ended December 31, 2020 and 2019.

5. Investments

The following are major categories of investments measured at fair value on a recurring basis at December 31, grouped by fair value hierarchy for those investments subject to categorization within such hierarchy:

	2020		
	Investments		
	Level 1	Measured at Net Asset Value (*)	Total
Exchange Traded Funds			
Equity fund	\$ 49,648,122	\$ -	\$ 49,648,122
Fixed income fund	114,691,576	-	114,691,576
Alternative Investments			
Collective trust funds	<u>-</u>	<u>152,552,453</u>	<u>152,552,453</u>
	<u>\$ 164,339,698</u>	<u>\$ 152,552,453</u>	<u>\$ 316,892,151</u>
	2019		
	Investments		
	Level 1	Measured at Net Asset Value (*)	Total
Exchange Traded Funds			
Equity fund	\$ 55,953,960	\$ -	\$ 55,953,960
Fixed income fund	116,178,064	-	116,178,064
Alternative Investments			
Collective trust funds	<u>-</u>	<u>132,701,466</u>	<u>132,701,466</u>
	<u>\$ 172,132,024</u>	<u>\$ 132,701,466</u>	<u>\$ 304,833,490</u>

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

New York State Health Foundation

Notes to Financial Statements
December 31, 2020 and 2019

5. Investments (continued)

Information regarding investments valued using NAV as practical expedient at December 31, 2020 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Collective trust funds (see "a" below)	<u>\$ 152,552,453</u>	<u>\$ -</u>	Daily	3 Days

- a. These assets are in a vehicle organized as a collective trust fund and the value of the Foundation's interest in this investment is reported by its respective fund manager. The fund is an index fund for domestic equities using the Russell 1000.

Investments organized as collective trust funds are considered alternative investments for financial reporting purposes. The Foundation believes that there is little risk regarding the valuation of these assets: all of the underlying investments comprise publicly traded securities where market values are readily available and have no restrictions on redemption by the Foundation. All of the investments may be redeemed daily.

As of December 31, 2020, two individual investments represented approximately 36% and 48% of total investments. As of December 31, 2019, two individual investments represented approximately 34% and 44% of total investments. All of these investments were in broadly diversified index funds.

6. 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 excise tax of 1.39% on its net investment income, as defined, for tax purposes.

Deferred taxes principally arise from the differences between the cost and fair value of investments. The Foundation provides for deferred federal excise tax on the net unrealized appreciation of the fair value of investments at the rate applicable for the following year. The rate used for December 31, 2020 and 2019 is 1.39%.

New York State Health Foundation

Notes to Financial Statements
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7. Grants Payable

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

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 4,054,641	\$ 3,753,960
One to three years	<u>976,132</u>	<u>1,852,912</u>
	5,030,773	5,606,872
Less: present value discount	<u>54,172</u>	<u>106,296</u>
Grants payable, net	<u><u>\$ 4,976,601</u></u>	<u><u>\$ 5,500,576</u></u>

To reflect the time value of money, grants payable as of December 31, 2020 and 2019 were discounted to the present value using the Kansas City Federal Reserve outstanding fixed-rate loans rate of 4.653% and 5.135%.

8. Liquidity and Availability of Financial Assets

The following reflect the Foundation's financial assets available as of December 31, 2020, to meet cash needs for general expenditures within one year of the date of the statement of financial position:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 16,579,553	\$ 8,299,695
Investments	<u>316,892,151</u>	<u>304,833,490</u>
Total Financial Assets Available Within One Year	<u><u>\$ 333,471,704</u></u>	<u><u>\$ 313,133,185</u></u>

The Foundation's working capital and cash flows are driven by its investment portfolio and investment return. As part of the Foundation's liquidity management strategy, the Foundation seeks to maintain adequate liquidity to meet its obligations, including planned expenditures as approved by the Board. The Foundation structures its financial assets to be available as its grant payments and other general liabilities come due. The Foundation's Chief Investment Officer coordinates with Foundation staff to anticipate liquidity needs.

Funds are withdrawn from the investment account as needed based on grants to be disbursed and other general operating expenses. None of the Foundation's financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the date of the statement of financial position.

New York State Health Foundation

Notes to Financial Statements December 31, 2020 and 2019

9. Expenses by Functional and Natural Classification

Expenses are presented by functional classification in alignment with the overall mission of the Foundation. Expenses are applied directly to a classification or allocated on a reasonable basis that is consistently applied. Salaries, benefits and payroll taxes are allocated according to employees' time spent on various activities related to each category. Other expenses that are allocated on the basis of time and effort are office expenses, insurance and occupancy. Expenses for the year ended December 31, 2020, consisted of the following:

	Program Services	Operations and Governance	Federal Excise Tax Expense	Total
Grants authorized, net	\$ 11,162,701	\$ -	\$ -	\$11,162,701
Salaries and wages	2,656,868	401,371	-	3,058,239
Payroll taxes and employee benefits	759,032	114,666	-	873,698
Legal fees	-	11,582	-	11,582
Accounting fees	-	36,917	-	36,917
Other professional fees	72,250	75,820	-	148,070
Depreciation	17,524	2,619	-	20,143
Occupancy	611,376	91,355	-	702,731
Travel and meetings	17,923	764	-	18,687
Printing and design	16,290	1,770	-	18,060
Office expenses and IT	132,554	14,406	-	146,960
Insurance	39,448	5,894	-	45,342
Outreach and public events	9,950	980	-	10,930
Miscellaneous	500	11,955	-	12,455
Current federal excise tax	-	-	199,926	199,926
Deferred federal excise tax	-	-	438,578	438,578
Total	<u>\$ 15,496,416</u>	<u>\$ 770,099</u>	<u>\$ 638,504</u>	<u>\$ 16,905,019</u>

Expenses for the year ended December 31, 2019, consisted of the following:

	Program Services	Operations and Governance	Federal Excise Tax Expense	Total
Grants authorized, net	\$ 7,958,845	\$ -	\$ -	\$ 7,958,845
Salaries and wages	2,440,097	362,665	-	2,802,762
Payroll taxes and employee benefits	780,298	115,973	-	896,271
Legal fees	-	1,726	-	1,726
Accounting fees	-	37,726	-	37,726
Other professional fees	90,610	75,495	-	166,105
Depreciation	25,668	3,835	-	29,503
Occupancy	596,431	89,119	-	685,550
Travel and meetings	98,763	43,228	-	141,991
Printing and design	26,961	1,517	-	28,478
Office expenses and IT	128,146	19,030	-	147,176
Insurance	34,903	5,215	-	40,118
Outreach and public events	85,240	1,326	-	86,566
Miscellaneous	-	12,447	-	12,447
Current federal excise tax	-	-	169,555	169,555
Deferred federal excise tax	-	-	106,407	106,407
Total	<u>\$ 12,265,962</u>	<u>\$ 769,302</u>	<u>\$ 275,962</u>	<u>\$ 13,311,226</u>

New York State Health Foundation

Notes to Financial Statements
December 31, 2020 and 2019

10. Retirement Plans

The Foundation maintains a 403(b) defined contribution plan, which covers all employees that meet eligibility requirements. The Foundation made contributions totaling \$352,456 and \$333,790 to the plan for 2020 and 2019. The Foundation also maintains a 457(b) plan that is limited to senior level management employees. The Foundation does not make contributions to the 457(b) plan.

11. Commitments

Lease Commitments

The Foundation has a lease for its office space in New York City expiring in February 2026. The lease contains escalation clauses that provide for increase in payments resulting from increases in real estate taxes and certain other building expenses in excess of the base period amounts. The Foundation's policy is to record base rent on a straight-line basis over the term of the lease.

The future minimum rental payments under the lease agreement are:

2021	\$ 654,500
2022	663,000
2023	663,000
2024	663,000
2025	663,000
Thereafter	<u>110,500</u>
	<u>\$ 3,417,000</u>

Rent expense totaled \$571,414 annually for both 2020 and 2019.

Rental Income

The Foundation leases part of this space to third parties. One lease agreement was renewable on a quarterly basis and was terminated in January 2021. The other lease was renewed on February 1, 2021, expiring on January 31, 2022. The future minimum rental payments to be received under these lease agreements are:

2021	\$ 108,726
2022	<u>8,811</u>
	<u>\$ 117,537</u>

New York State Health Foundation

Notes to Financial Statements
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12. COVID-19

The COVID-19 outbreak has resulted in substantial volatility in the global financial markets. The value of the Foundation's investments will continue to fluctuate in response to the changing market conditions. The effect, if any, that may be recognized in subsequent periods cannot be reasonably estimated.

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New York State Health Foundation

Supplementary Information

For the Year Ended December 31, 2020
(With Summarized Totals for the Year
Ended December 31, 2019)

New York State Health Foundation

Schedule of Expenses
 Year Ended December 31, 2020
 (with summarized totals for the year ended December 31, 2019)

	Program Services	Operations and Governance	Investment	2020 Total	2019 Total
Grants authorized, net	<u>\$ 11,162,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,162,701</u>	<u>\$ 7,958,845</u>
Allocated Expenses					
Salaries and wages	2,656,868	401,371	242,882	3,301,121	3,034,340
Payroll taxes and employee benefits	759,032	114,666	42,865	916,563	938,490
Legal fees	-	11,582	-	11,582	1,726
Accounting fees	-	36,917	-	36,917	37,726
Other professional fees	72,250	75,820	50,000	198,070	216,105
Depreciation	17,524	2,619	1,661	21,804	31,941
Occupancy	611,376	91,355	57,940	760,671	742,194
Travel and meetings	17,923	764	1,634	20,321	143,652
Printing and design	16,290	1,770	-	18,060	28,478
Office expenses and IT	132,554	14,406	12,131	159,091	158,711
Insurance	39,448	5,894	-	45,342	40,118
Outreach and public events	9,950	980	795	11,725	87,361
Miscellaneous	500	11,955	-	12,455	12,447
Total Allocated Expenses	<u>4,333,715</u>	<u>770,099</u>	<u>409,908</u>	<u>5,513,722</u>	<u>5,473,289</u>
Direct Investment Expenses					
Manager fees	-	-	87,596	87,596	116,599
Total	<u>\$ 15,496,416</u>	<u>\$ 770,099</u>	<u>\$ 497,504</u>	<u>\$ 16,764,019</u>	<u>\$ 13,548,733</u>

See independent auditors' report