

# Assurance

## Healthy Communities Foundation

### Audited Financial Statements

Years Ended December 31, 2020 and 2019

LOCAL  
KNOWLEDGE,  
GLOBAL  
EXPERTISE

**HEALTHY COMMUNITIES FOUNDATION  
AUDITED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Healthy Communities Foundation

We have audited the accompanying financial statements of Healthy Communities Foundation (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Communities 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.

*PKF Mueller*

Chicago, Illinois  
February 2, 2022

**HEALTHY COMMUNITIES FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

**ASSETS**

	2020	2019
Cash	\$ 480,619	232,446
Accounts receivable	22,654	20,000
Due from U.S. Treasury	-	671,174
Due from redemption of securities	1,351,781	-
Prepaid expenses and deposits	45,383	15,408
Investments	130,887,939	128,236,451
Property and equipment, net	596,149	5,954
Total assets	\$ 133,384,525	129,181,433

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accounts payable	\$ 213,515	69,588
Grants payable	250,500	376,658
Excise and unrelated business income taxes payable	-	67,105
Total liabilities	464,015	513,351

**Net assets:**

Without donor restrictions	132,920,510	128,668,082
Total liabilities and net assets	\$ 133,384,525	129,181,433

The accompanying notes are an integral part of the financial statements.

**HEALTHY COMMUNITIES FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Revenue, gains, and support:</b>		
Investment income, net	\$ 14,505,898	14,786,940
In-kind contributions	5,700	-
Miscellaneous income	<u>436</u>	<u>163,662</u>
Total revenue, gains, and support	<u>14,512,034</u>	<u>14,950,602</u>
<b>Expenses:</b>		
Program services	9,410,511	5,757,343
Management and general	<u>849,095</u>	<u>767,112</u>
Total expenses	<u>10,259,606</u>	<u>6,524,455</u>
Change in net assets	4,252,428	8,426,147
Net assets without donor restrictions, beginning of year	<u>128,668,082</u>	<u>120,241,935</u>
Net assets without donor restrictions, end of year	<u>\$ 132,920,510</u>	<u>128,668,082</u>

The accompanying notes are an integral part of the financial statements.

**HEALTHY COMMUNITIES FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Grants	\$ 8,530,238	-	8,530,238	5,086,142	-	5,086,142
Salaries and employee benefits	587,207	539,122	1,126,329	428,131	460,666	888,797
Professional fees	34,854	67,142	101,996	114,901	57,763	172,664
Excise and unrelated business income taxes	-	45,190	45,190	-	68,605	68,605
Other expense	<u>258,212</u>	<u>197,641</u>	<u>455,853</u>	<u>128,169</u>	<u>180,078</u>	<u>308,247</u>
Total expenses	<u>\$ 9,410,511</u>	<u>849,095</u>	<u>10,259,606</u>	<u>5,757,343</u>	<u>767,112</u>	<u>6,524,455</u>

The accompanying notes are an integral part of the financial statements.

**HEALTHY COMMUNITIES FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash provided by (applied to) operating activities:</b>		
Change in net assets	\$ 4,252,428	8,426,147
Adjustments to reconcile change in net assets to net cash applied to operating activities:		
Depreciation and amortization expense	56,130	3,082
Realized gains on sales of investments	(1,526,093)	(1,633,064)
Unrealized gains on sales of investments	(11,475,818)	(11,347,339)
Changes in:		
Accounts receivable	(2,654)	60,000
Due from U.S. Treasury	671,174	(671,174)
Prepaid expenses and deposits	(29,975)	1,286,511
Accounts payable	143,927	(53,758)
Grants payable	(126,158)	39,158
Excise and unrelated business income taxes payable	<u>(67,105)</u>	<u>(502,534)</u>
Net cash applied to operating activities	<u>(8,104,144)</u>	<u>(4,392,971)</u>
<b>Cash provided by (applied to) investing activities:</b>		
Purchases of property and equipment	(646,325)	-
Purchases of investments	(25,232,733)	(58,189,843)
Proceeds from sales of investments	35,583,156	58,342,310
Due from redemption of securities	<u>(1,351,781)</u>	<u>2,266,746</u>
Net cash provided by investing activities	<u>8,352,317</u>	<u>2,419,213</u>
Net increase (decrease) in cash and cash equivalents	248,173	(1,973,758)
Cash, beginning of year	<u>232,446</u>	<u>2,206,204</u>
Cash, end of year	<u>\$ 480,619</u>	<u>232,446</u>
<b>Other cash flow information:</b>		
Income taxes paid	<u>\$ 45,190</u>	<u>390,000</u>

The accompanying notes are an integral part of the financial statements.



**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 - NATURE OF OPERATIONS**

Healthy Communities Foundation (Foundation), formerly The Arthur Foundation and preceding that, the MacNeal Health Foundation, is a corporation organized under the Illinois General Not for Profit Corporation Act of 1986. The Foundation was originally funded by a \$100,000,000 contribution from the MacNeal Memorial Hospital Association as a result of the sale of the hospital it owned.

The Foundation is a not-for-profit organization that makes grants to other not-for-profit organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986 to promote health equity, quality, and access for all. Grants are given to organizations located within the Foundation's geographic target area or serving a significant percentage of the local population in these communities.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles applicable to not-for-profit organizations and in accordance with accounting principles generally accepted in the United States of America.

Investments

The Foundation invests in cash reserves, mutual funds, and other investments such as real estate, commodities, hedge funds, and private equity funds with a primary goal of preserving and increasing principal through diversification.

Investments are reported at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses, interest, and dividends) is reported net of external and direct internal investment expenses and is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Interest and dividend income is recorded on the accrual basis.

In addition, there are various investments with future lock-up periods and redemption notice periods, as well as unfunded commitments that are stated in Note 4.

The Foundation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term that will materially affect the amounts reported in the financial statements.

At December 31, 2020, the Foundation had amounts due from the redemption of securities of \$1,351,781. These redemptions were executed prior to year-end and represent the return of investor principal to the Foundation. There were no outstanding redemptions at December 31, 2019.

**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Property and Equipment

Property and equipment have been recorded at cost if purchased or at fair value at time of donation if received as a gift. The Foundation capitalizes property and equipment over \$2,500 that have a useful life of more than one year. Depreciation and amortization of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Leasehold improvements are amortized over the term of the lease. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. The useful lives of property and equipment for purposes of computing depreciation and amortization are as follows:

Computer equipment and software	5 years
Furniture and fixtures	5 years
Leasehold improvements	6 years

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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 subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support and Expenses

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation did not receive any contributions during the years ended December 31, 2020 and 2019.

**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Support and Expenses, Continued

The Foundation reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Foundation recognizes contributed services at their fair value if the services have value to the Foundation and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. The Foundation recognized contributed services of \$5,700 for the year ended December 31, 2020, no contributed services were recorded for the year ended December 31, 2019.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Functional 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 detail of expenses by function. Accordingly, certain costs have been allocated among the programs and management and general activities.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, and professional fees, which are allocated on the basis of estimates of time and effort. Other expenses are allocated in proportion to the full-time equivalent personnel benefited by those expenses.

Income Taxes

The Foundation has been determined to be exempt from income tax under provisions of the IRC Sections 501(a) and 501(c)(3).

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Concentration of Credit Risk

The Foundation maintains its cash in bank deposits which at times, may exceed federally insured limits. The Foundation believes it is not exposed to significant credit risk on these accounts.

Change in Accounting Principles – Fair Value Measurement

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which modifies certain disclosure requirements for reporting fair value measurements. The Foundation adopted this guidance on a retrospective basis as of January 1, 2020 and has adjusted the presentation in these financial statements accordingly. The adoption did not have a material impact on the Foundation's disclosures related to fair value measurements.

New Accounting Standard – Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases in the statements of financial position. The ASUs are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the methods of adoption allowed and the effect that adoption is expected to have on its financial position, changes in net assets, cash flows, and related disclosures.

Management Evaluation of Going Concern

In accordance with accounting principles generally accepted in the United States of America, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Foundation's ability to continue as a going concern for the one-year period from the date the financial statements were available to be issued. Management's evaluation did not identify any conditions or events that raise substantial doubt about the Foundation's ability to continue as a going concern for the period from February 2, 2022 to February 2, 2023.

Subsequent Events

Subsequent events have been evaluated through February 2, 2022, the date that the financial statements were available to be issued.

**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash	\$ 480,619	232,446
Accounts receivable	22,654	20,000
Due from U.S. Treasury	-	671,174
Due from redemption of securities	1,351,781	-
Investments	<u>130,887,939</u>	<u>128,236,451</u>
Total financial assets	<u>132,742,993</u>	<u>129,160,071</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 132,742,993</u>	<u>129,160,071</u>

As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in the Foundation's investment portfolio. The Foundation keeps approximately 70% of its total investments in funds with daily liquidity. The Foundation's goal is to maintain available financial assets sufficient to meet 60 days of general operating funds in cash and will make withdrawals from the investment portfolio as needed or in order to meet the obligations of its annual grant portfolio in accordance with minimum distribution requirements.

**NOTE 4 - FAIR VALUE MEASUREMENTS**

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access at the measurement date.
- Level 2      Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED**

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

**Investment Level 1 Inputs** - Fair value were determined using quoted prices in active markets for identical assets that the Foundation has the ability to access.

**Investments in Entities that Calculate Net Asset Value per Share** - The Foundation holds shares or interests in investment companies at year end whereby the fair value of investment of the investment held is estimated based on the net asset value (NAV) per share (or its equivalent) of the investment company.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED**

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2020 and 2019:

	<b>Assets at Fair Value as of December 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Money market funds	\$ 3,810,738	-	-	3,810,738
Mutual funds - equity focused	56,105,477	-	-	56,105,477
Mutual funds - fixed income focused	28,140,087	-	-	28,140,087
Assets measured at NAV <sup>(a)</sup>				
Hedge funds - equity focused	-	-	-	16,314,789
Hedge funds - fixed-income focused	-	-	-	16,844,025
Hedge funds - multi-strategy	-	-	-	184
Commodity funds	-	-	-	97,909
Real estate partnerships	-	-	-	1,236,079
Private equity funds	-	-	-	8,338,651
<b>Total investments</b>	<b><u>\$ 88,056,302</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>130,887,939</u></b>

	<b>Assets at Fair Value as of December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Money market funds	\$ 1,282,391	-	-	1,282,391
Mutual funds - equity focused	46,740,036	-	-	46,740,036
Mutual funds - fixed income focused	40,003,783	-	-	40,003,783
Assets measured at NAV <sup>(a)</sup>				
Hedge funds - equity focused	-	-	-	18,155,495
Hedge funds - fixed-income focused	-	-	-	16,677,660
Hedge funds - multi-strategy	-	-	-	5,114
Commodity funds	-	-	-	614,716
Real estate partnerships	-	-	-	2,076,456
Private Equity Funds	-	-	-	2,680,800
<b>Total investments</b>	<b><u>\$ 88,026,210</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>128,236,451</u></b>

<sup>(a)</sup> Investments that are measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

**HEALTHY COMMUNITIES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED**

For the years ended December 31, 2020 and 2019, there were no significant transfers into or out of Level 3.

**Investments Measured Using the Net Asset Value per Share Practical Expedient**

The following table summarizes investments measured at fair value based on the NAV per share practical expedient as of December 31, 2020 and 2019.

<u>December 31, 2020</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Equity focused <sup>(b)</sup>	\$ 16,314,789	1,247,256	Monthly, quarterly, annually, triannually, or at general partner's discretion	5-90 days; n/a
Fixed income focused <sup>(c)</sup>	16,844,025	8,681,283	Monthly, quarterly At general partner's discretion or upon dissolution of fund	30-90 days; n/a
Multi-strategy <sup>(d)</sup>	184	-	As deals realize	60 days
Commodity funds <sup>(e)</sup>	97,909	3,041,463	At general partner's discretion	n/a
Real estate partnerships <sup>(f)</sup>	1,236,079	147,613	At general partner's discretion or upon dissolution of fund	n/a
Private equity funds <sup>(g)</sup>	<u>8,338,651</u>	<u>9,521,348</u>	At general partner's discretion	30 days; n/a
Total	<u>\$ 42,831,637</u>	<u>22,638,963</u>		



**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED**

<u>December 31, 2019</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Equity focused <sup>(b)</sup>	\$ 18,155,495	1,352,492	Monthly, quarterly Annually, triannually, or at general partner's discretion	5-90 days; n/a
Fixed income focused <sup>(c)</sup>	16,677,660	770,946	Monthly, quarterly At general partner's discretion or upon dissolution of fund	30-90 days; n/a
Multi-strategy <sup>(d)</sup>	5,114	-	As deals realize	60 days
Commodity funds <sup>(e)</sup>	614,716	3,085,683	At general partner's discretion	n/a
Real estate partnerships <sup>(f)</sup>	2,076,456	270,677	At general partner's discretion or upon dissolution of fund	n/a
Private equity funds <sup>(g)</sup>	<u>2,680,800</u>	<u>8,122,716</u>	At general partner's discretion	30 days; n/a
Total	<u>\$ 40,210,241</u>	<u>13,602,514</u>		

<sup>(b)</sup> This category includes hedge funds that invest in a variety of equity-focused strategies, including securities of domestic and foreign publicly traded companies. The fair values of the underlying investments in this category have been estimated using their respective net asset values. Investments totaling \$868,361 were subject to a three-year rolling lockup expiring June 30, 2023 for the year ended December 31, 2020, however, the fund to which this relates entered into liquidation effective June 30, 2020 and is pending dissolution of assets. For the year ended December 31, 2019, investments totaling \$4,012,201 were subject to lockup, which expired on June 30, 2020.

<sup>(c)</sup> This category includes hedge funds that invest in a variety of fixed-income focused strategies, including distressed and below-investment-grade debt securities, mortgage-backed securities, asset-backed securities, corporate bonds, unconstrained or opportunistic bonds, collateralized debt obligations and commodities. The fair values of the investments in this category have been estimated using their respective net asset values. For year ended December 31, 2020, investments in the amount of \$1,167,529 and \$1,008,670 are subject to a 25% investor level and fund level gate, respectively. For the year ended December 31, 2019, investments in the amount of \$1,091,120 and \$975,949 were subject to a 25% investor level and fund level gate, respectively.

**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED**

- (d) This category includes hedge funds that invest using a multiple-strategy approach, including short-term deposits, publicly traded equity and debt securities, asset-backed and mortgage-backed securities, derivative instruments, convertible bonds and options, emerging markets, arbitrage securities, equity restructurings, and residential and commercial real estate assets. The fair values of the investments in this category have been estimated using their respective net asset values. For years ended December 31, 2020 and 2019, investments totaling \$184 and \$5,114, respectively, are subject to a 10% holdback upon redemption, which is paid after the completion of the audited financial statements for the year in which the redemption was made.
- (e) This category includes funds that are invested in natural commodities, including coal mines and methane. The fair values of the investments in this category have been estimated using their respective net asset values. These funds are expected to terminate within two to seven years.
- (f) This category includes funds that invest in a variety of real estate ventures, including limited partnerships, LLC's, and private real estate investment trusts. The types of real estate include offices, apartments, industrial buildings, and other commercial real estate properties primarily located in the United States of America. The fair values of the investments in this category have been estimated using their respective net asset values. One investment with a value of \$415,319 and \$780,339 for the years ended December 31, 2020 and 2019, respectively, will terminate upon such time as reasonably necessary to wind down the affairs of the partnership after the date of which all of the partnership's investments in the underlying funds have been liquidated.
- (g) This category includes funds that invest in a variety of private equity strategies, including health care, media, technology, and venture capital. The fair values of the investments in this category have been estimated using their respective net asset values. These funds have lock-up periods ranging from five to seven years or one year after all of the investments have been disposed. One investment in the amount of \$278,550 and \$397,408 for years ended December 31, 2020 and 2019, respectively, is in a fund that is currently in liquidation and pending the dissolution of assets.

For investments whose fair values are estimated based on NAV per share (or its equivalent) above there were no investment restrictions of greater than one year for the years ended December 31, 2020 and 2019.

**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Computer equipment and software	\$ 32,462	32,462
Furniture and fixtures	45,186	45,186
Leasehold improvements	646,325	-
	723,973	77,648
Less accumulated depreciation and amortization	(127,824)	(71,694)
 Total property and equipment, net	 \$ 596,149	 5,954

Depreciation and amortization expense included in other expense on the statements of functional expenses was \$56,130 and \$3,082 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 6 - FEDERAL TAXES AND MINIMUM REQUIRED DISTRIBUTIONS**

In accordance with the applicable provisions of the IRC of 1986, as amended (the Code), the Foundation is subject to an excise tax on net investment income, including realized gains, as defined in the Code. Federal excise tax expense for the years ended December 31, 2020 and 2019 was estimated to be \$45,190 and \$68,605, respectively. In addition, the Foundation is subject to unrelated business income tax on a portion of the income provided by certain investment partnerships. The Foundation had no federal unrelated business income tax expenses for the years ended December 31, 2020 and 2019.

For the year ended December 31, 2019, the Foundation had a \$671,174 receivable related to the overpayment of taxes in the prior year. For the year ended December 31, 2019, the Foundation had excise and unrelated business income taxes payable of \$67,105. For the year ended December 31, 2020, the Foundation did not have a payable or receivable related to excise and unrelated business income taxes.

The Code requires that certain minimum distributions be made in accordance with a specific formula. The Foundation has met the minimum distribution requirements for the years ended December 31, 2020 and 2019.

**NOTE 7 - GRANTS**

The Foundation had no conditionally approved future commitments for the years ended December 31, 2020 and 2019. In addition, the Foundation reserves the right to cancel a grant at any time if it determines that the organization receiving the grant is not administering the project and grant funds in accordance with the proposal approved by the Foundation's board.

**NOTE 8 - OPERATING LEASES**

The Foundation is obligated under operating leases, primarily for office space and office equipment which expire on various dates through 2026. Additionally, the office space lease requires the Foundation to be responsible for the real estate taxes, all utilities, repairs and maintenance of the facilities, and adequate insurance on the facilities.

**HEALTHY COMMUNITIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 8 - OPERATING LEASES, CONTINUED**

Total rent expense under all operating leases amounted to approximately \$50,428 and \$42,120 for the years ended December 31, 2020 and 2019, respectively, and is included with other expenses in the statements of functional expenses.

The aggregate future minimum lease commitment on these leases as of December 31, 2020 is as follows:

2021	\$	49,325
2022		48,000
2023		48,000
2024		48,702
2025		50,166
Thereafter		<u>25,464</u>
Total		<u>\$ 269,657</u>

**NOTE 9 - RETIREMENT PLAN**

Effective January 1, 2020, the Foundation sponsored a 401(k) retirement plan (Plan). The Foundation contributes a discretionary profit sharing amount of eligible employees' salaries, as well as a stated contribution amount of 15% of eligible employees' salaries in the form of a safe harbor contribution. The Plan also allows for employee salary deferral contributions. The Foundation expenses contributions to the Plan as incurred. Employer contributions for the year ended December 31, 2020 totaled \$117,645.

During the year ended December 31, 2019, the Foundation utilized simplified employee pension individual retirement accounts (SEP IRAs) for all employees. There were \$94,721 in contributions to the SEP IRAs for the year ended December 31, 2019.

**NOTE 10 - IMPACT OF COVID-19**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America and the world. To date, the impact on the Foundation's operations and results has not been significant and management expects this to remain the case. Management continues to actively monitor the global situation in order to mitigate any potential future impact on the Foundation's changes in net assets and financial performance.