

# Healthy Communities Foundation

## Audited Financial Statements

*Years ended December 31, 2022 and 2021  
with Report of Independent Auditors*

Healthy Communities Foundation

Audited Financial Statements

Years ended December 31, 2022 and 2021

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## Report of Independent Auditors

Board of Directors  
Healthy Communities Foundation

### ***Opinion***

We have audited the financial statements of the Healthy Communities Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Other Matter***

The financial statements of the Foundation for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on January 13, 2023.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Park Ridge, Illinois  
March 8, 2024

# Healthy Communities Foundation

## Statements of Financial Position

As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash	\$ 539,316	\$ 7,144
Accounts receivable	-	1,300
Due from redemption of securities	1,791	112,548
Prepaid expenses and deposits	172,826	28,095
Investments	116,275,844	142,006,004
Property and equipment, net	<u>377,023</u>	<u>486,158</u>
Total assets	<u>\$ 117,366,800</u>	<u>\$ 142,641,249</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable	\$ 284,478	\$ 273,795
Grants payable	4,185,375	6,990,000
Excise and unrelated business income taxes payable	<u>99,636</u>	<u>31,538</u>
Total liabilities	4,569,489	7,295,333
Net Assets:		
Without donor restrictions	<u>112,797,311</u>	<u>135,345,916</u>
Total net assets	<u>112,797,311</u>	<u>135,345,916</u>
Total liabilities and net assets	<u>\$ 117,366,800</u>	<u>\$ 142,641,249</u>

See accompanying notes to the financial statements.

Healthy Communities Foundation

Statements of Activities

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenue, gains and support:</b>		
Investment (loss)/income, net	\$ (15,104,105)	\$ 19,275,654
Miscellaneous income	<u>-</u>	<u>108,591</u>
Total revenue, gains and support	(15,104,105)	19,384,245
<b>Expenses:</b>		
Program services	6,369,282	15,896,833
Management and general	<u>1,075,218</u>	<u>1,062,006</u>
Total expenses	<u>7,444,500</u>	<u>16,958,839</u>
Change in net assets	(22,548,605)	2,425,406
Net assets without donor restrictions, beginning of year	<u>135,345,916</u>	<u>132,920,510</u>
Net assets without donor restrictions, end of year	<u>\$ 112,797,311</u>	<u>\$ 135,345,916</u>

See accompanying notes to the financial statements.

Healthy Communities Foundation

Statements of Functional Expenses

Years ended December 31, 2022 and 2021

	2022			2021		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Grants	\$ 4,971,685	\$ -	\$ 4,971,685	\$ 14,959,296	\$ -	\$ 14,959,296
Salaries and employee benefits	1,027,113	670,104	1,697,217	638,354	536,304	1,174,658
Professional fees	56,957	73,284	130,241	81,571	76,924	158,495
Excise tax	-	99,636	99,636	-	260,776	260,776
Other expense	313,527	232,194	545,721	217,612	188,002	405,614
Total expenses	<u>\$ 6,369,282</u>	<u>\$ 1,075,218</u>	<u>\$ 7,444,500</u>	<u>\$ 15,896,833</u>	<u>\$ 1,062,006</u>	<u>\$ 16,958,839</u>

See accompanying notes to the financial statements.

# Healthy Communities Foundation

## Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (22,548,605)	\$ 2,425,406
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	109,135	109,991
Realized gains on sales of investments	(2,093,364)	(13,247,583)
Unrealized losses (gains) on investments	17,523,729	(3,929,227)
Changes in operating assets and liabilities:		
Accounts receivable	1,300	21,354
Prepaid expense and deposits	(144,731)	17,288
Accounts payable	10,683	60,280
Grants payable	(2,804,625)	6,739,500
Excise and unrelated business income taxes payable	68,098	31,538
Net cash from operating activities	<u>(9,878,380)</u>	<u>(7,771,453)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(33,306,344)	(66,460,653)
Proceeds from sales of investments	43,606,139	72,519,398
Due from redemption of securities	110,757	1,239,233
Net cash from investing activities	<u>10,410,552</u>	<u>7,297,978</u>
Net change in cash and cash equivalents	532,172	(473,475)
Cash, beginning of year	<u>7,144</u>	<u>480,619</u>
Cash, end of year	<u>\$ 539,316</u>	<u>\$ 7,144</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for taxes	<u>\$ -</u>	<u>\$ 260,776</u>

See accompanying notes to the financial statements.



# Healthy Communities Foundation

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### **Note 1 - Nature of Operations**

Healthy Communities Foundation (the 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.

#### *Cash*

Cash includes amounts in demand deposit accounts. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits as prescribed by law. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant financial risk on cash.

#### *Investments*

The Foundation invests in mutual funds, and other investments such as real estate partnerships, commodity funds, 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.

# Healthy Communities Foundation

## Notes to the Financial Statements (Continued)

### **Note 2 - Significant Accounting Policies (Continued)**

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, 2022, the Foundation had amounts due from the redemption of securities of \$1,791. There were \$112,548 outstanding redemptions at December 31, 2021. These redemptions were executed prior to year-end and represent the return of investor principal to the Foundation.

#### *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, or both, 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.

## Healthy Communities Foundation

### Notes to the Financial Statements (Continued)

#### **Note 2 - Significant Accounting Policies (Continued)**

##### *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, 2022 and 2021.

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.

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.

##### *Grants Payable*

Grants are recorded as grants payable upon approval by the Board. Conditional grants that are subject to satisfaction of prior conditions by the intended recipients are not reflected in the financial statements. There were no conditional grants as of December 31, 2022 and 2021.

## Healthy Communities Foundation

### Notes to the Financial Statements (Continued)

#### **Note 2 - Significant Accounting Policies (Continued)**

##### *Income Taxes*

The Foundation follows guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. Where tax positions do not meet the "more likely than not" test, no tax benefit is recorded.

The Foundation is exempt from the payment of income taxes on their exempt activities under section 501(c)(3) of the IRC as a private foundation as described in section 509(a). All domestic private foundations must calculate their distributable amount annually. The Foundation's distributable amount is the amount of qualifying distributions based upon certain criteria that needs to be granted by the end of the succeeding year to avoid an excise tax for failure to distribute income. See Note 6 for more information.

Management has concluded that the Foundation has properly maintained their exempt status as of December 31, 2022.

##### *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.

##### *Subsequent Events*

Subsequent events have been evaluated through March 8, 2024, which is the date the financial statements were available to be issued.

##### *Reclassifications*

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

## Healthy Communities Foundation

### Notes to the Financial Statements (Continued)

#### 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>2022</u>	<u>2021</u>
Cash	\$ 539,316	\$ 7,144
Accounts receivable	-	1,300
Due from redemption of securities	1,791	112,548
Investments	116,275,844	142,006,004
Investments subject to redemption restrictions within one year	<u>(25,677,337)</u>	<u>(21,149,231)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 91,139,614</u>	<u>\$ 120,977,765</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.

## Healthy Communities Foundation

### Notes to the Financial Statements (Continued)

#### **Note 4 - Fair Value Measurements (Continued)**

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.

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, 2022 and 2021.

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.

Investment Level 2 Inputs - Fair values of corporate, federal, and agency bonds reflect closing prices reported in the active markets in which the securities are traded. Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing.

Alternative Investments and Assets Measured at NAV- The Foundation holds shares or interests in alternative investment funds at year end whereby the fair value of the investment held is typically estimated based on the net asset value (NAV) per share (or its equivalent) when the fund meets the criteria to use the NAV practical expedient under GAAP.

For alternative investments where the NAV practical expedient is not available (Level 3 Inputs), the Foundation considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, and overall market conditions in its determination of fair value. As of December 31, 2022 and 2021, no adjustments were made to the valuations provided by the underlying private investment companies.

## Healthy Communities Foundation

### Notes to the Financial Statements (Continued)

#### Note 4 - Fair Value Measurements (Continued)

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.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2022 and 2021:

<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market funds	\$ 1,399,937	\$ -	\$ -	\$ 1,399,937
Mutual funds	36,788,860	-	-	36,788,860
Separately managed accounts	21,026,334	4,032,255	-	25,058,589
Alternative investments				
Hedge funds	-	-	3,496,598	3,496,598
Commodity funds	-	-	72,076	72,076
Private equity funds	-	-	157,978	157,978
Assets measured at NAV*				
Hedge funds	-	-	-	21,893,463
Real estate partnerships	-	-	-	466,926
Private equity funds	-	-	-	26,941,417
<b>Total investments</b>	<b><u>\$ 59,215,131</u></b>	<b><u>\$ 4,032,255</u></b>	<b><u>\$ 3,726,652</u></b>	<b><u>\$ 116,275,844</u></b>
<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market funds	\$ 3,430,794	\$ -	\$ -	\$ 3,430,794
Mutual funds	54,532,532	-	-	54,532,532
Separately managed accounts	28,194,891	5,288,059	-	33,482,950
Alternative investments				
Hedge funds	-	-	3,478,174	3,478,174
Commodity funds	-	-	97,909	97,909
Private equity funds	-	-	195,576	195,576
Assets measured at NAV*				
Hedge funds	-	-	-	26,600,963
Real estate partnerships	-	-	-	843,686
Private equity funds	-	-	-	19,343,420
<b>Total investments</b>	<b><u>\$ 86,158,217</u></b>	<b><u>\$ 5,288,059</u></b>	<b><u>\$ 3,771,659</u></b>	<b><u>\$ 142,006,004</u></b>

\* - 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 the Financial Statements (Continued)

#### Note 4 - Fair Value Measurements (Continued)

For the years ended December 31, 2022 and 2021, there were no significant transfers into or out of Level 3.

The following table summarizes changes in level 3 assets measured at fair value on a recurring basis:

Balance at January 1, 2021	\$ 3,400,762
Investment gain, net	<u>370,897</u>
Balance at December 31, 2021	3,771,659
Investment loss, net	<u>(45,007)</u>
Balance at December 31, 2022	<u><u>\$ 3,726,652</u></u>

#### *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, 2022 and 2021.

<u>2022</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Hedge funds (a)	\$ 21,893,463	\$ 150,000	Monthly or quarterly	30, 45, 60, or 90 days
Real estate partnerships (b)	466,926	48,613	Illiquid	n/a
Private equity funds (c)	<u>26,941,417</u>	<u>14,389,027</u>	Illiquid	n/a
Total	<u><u>\$ 49,301,806</u></u>	<u><u>\$ 14,587,640</u></u>		
<u>2021</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Hedge funds (a)	\$ 26,600,963	\$ -	Monthly or quarterly	30, 45, 60, or 90 days
Real estate partnerships (b)	843,686	147,613	Illiquid	n/a
Private equity funds (c)	<u>19,343,420</u>	<u>17,912,757</u>	Illiquid	n/a
Total	<u><u>\$ 46,788,069</u></u>	<u><u>\$ 18,060,370</u></u>		

(a) This category includes hedge funds that invest in a variety of strategies, including securities of domestic and foreign publicly traded companies, 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 underlying investments in this category have been estimated using their respective net asset values. One investment in the amount of \$316,507 and \$272,984 for years ended December 31, 2022 and 2021, respectively, is in a fund that is currently in liquidation and pending the dissolution of assets.



## Healthy Communities Foundation

### Notes to the Financial Statements (Continued)

#### Note 4 - Fair Value Measurements (Continued)

For the years ended December 31, 2022 and 2021, the following redemption gates were in place for hedge funds:

	2022	2021
25% investor-level gate	\$ 8,080,657	\$ 8,272,478
10% fund-level gate	1,814,999	1,827,343
25% fund-level gate	1,001,103	1,081,290
	\$ 10,896,759	\$ 11,181,111

(b) 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 \$0 and \$376,799 for the years ended December 31, 2022 and 2021, 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.

(c) 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. One investment in the amount of \$0 and \$147,419 for years ended December 31, 2022 and 2021, respectively, is in a fund that is currently in liquidation and pending the dissolution of assets.

The schedule below lists the remaining number of years until the private equity funds are expected to be dissolved without extension, allowing the Foundation to withdraw its investment:

	< 1 year	1 - 5 years	6 - 10 years	Total
Private equity funds	\$ 1,888,984	\$ 4,110,723	\$ 21,099,688	\$ 27,099,395

## Healthy Communities Foundation

### Notes to the Financial Statements (Continued)

#### Note 5 - Property and Equipment

Property and equipment at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Computer equipment and software	\$ 10,401	\$ 10,401
Furniture and fixtures	949	949
Leasehold improvements	<u>646,325</u>	<u>646,325</u>
	657,675	657,675
Less accumulated depreciation and amortization	<u>(280,652)</u>	<u>(171,517)</u>
	<u><u>\$ 377,023</u></u>	<u><u>\$ 486,158</u></u>

Depreciation and amortization expense included in other expense on the statements of functional expenses was \$109,135 and \$109,991 for the years ended December 31, 2022 and 2021, 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. In addition, the Foundation is subject to unrelated business income tax on a portion of the income provided by certain investment partnerships. Federal excise tax and unrelated business income tax expense for the years ended December 31, 2022 and 2021 was estimated to be \$99,636 and \$260,776, respectively.

Effective December 31, 2019, Bill H.R. 1865 was signed, simplifying the excise tax rate on net investment income by repealing the reduced tax provisions of §4940 where certain distribution requirements are met. This act replaced the two-tiered system (1% and 2% rates) with a flat rate of 1.39% for tax years starting after December 20, 2019. Therefore, the tax was provided for at a rate of 1.39% for the years ending December 31, 2022 and 2021.

For the years ended December 31, 2022 and 2021, respectively, the Foundation had unrelated business income and excise tax payable in the amount of \$99,636, and \$31,538.

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, 2022 and 2021.

## Healthy Communities Foundation

### Notes to the Financial Statements (Continued)

#### **Note 7 - Retirement Plan**

The Foundation sponsors 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, 2022 and 2021 totaled \$166,374 and \$122,895, respectively.