

The MetroHealth Foundation, Inc.

Financial Report
December 31, 2023

OHIO AUDITOR OF STATE
KEITH FABER



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Governing Board
The MetroHealth Foundation, Inc.
2500 Metrohealth Drive
Cleveland, Ohio 44109

We have reviewed the *Independent Auditor's Report* of the The MetroHealth Foundation, Inc., Cuyahoga County, prepared by RSM US LLP, for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

April 22, 2024

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RSM US LLP

Independent Auditor's Report

Finance and Investment Committee
The MetroHealth Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The MetroHealth Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 within one year after the date that the financial statements are issued or 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
March 14, 2024

The MetroHealth Foundation, Inc.

Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 3,220,760	\$ 4,368,876
Promises to give, net	4,215,953	5,075,339
Grants receivable	310,473	49,072
Investments, at fair value	79,384,552	68,028,151
Prepaid expenses	27,993	-
Other assets	363,234	359,972
	<u>363,234</u>	<u>359,972</u>
Total assets	\$ 87,522,965	\$ 77,881,410
Liabilities and Net Assets		
Accounts payable	\$ 54,651	\$ 67,180
Annuity payment obligations	296,452	305,531
Grants payable to related party	921,911	656,636
Total liabilities	<u>1,273,014</u>	<u>1,029,347</u>
Net assets:		
Without donor restrictions	28,794,460	24,510,142
With donor restrictions	57,455,491	52,341,921
Total net assets	<u>86,249,951</u>	<u>76,852,063</u>
Total liabilities and net assets	\$ 87,522,965	\$ 77,881,410

See notes to financial statements.

The MetroHealth Foundation, Inc.

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Gifts and grants	\$ 1,351,142	\$ 6,343,386	\$ 7,694,528
In-kind contributions—related party	3,837,540	-	3,837,540
Special event revenue, net	-	50,002	50,002
Miscellaneous income	714	42,383	43,097
Investment income, net	6,910,472	3,738,539	10,649,011
Gain on uncollectable pledges	-	28,037	28,037
Net assets released from restrictions	5,088,777	(5,088,777)	-
Total revenue and support	17,188,645	5,113,570	22,302,215
Expenses:			
Grantmaking program	8,497,591	-	8,497,591
Management and general	850,549	-	850,549
Fundraising	3,556,187	-	3,556,187
Total expenses	12,904,327	-	12,904,327
Increase in net assets	4,284,318	5,113,570	9,397,888
Net assets at beginning of year	24,510,142	52,341,921	76,852,063
Net assets at ending of year	<u>\$ 28,794,460</u>	<u>\$ 57,455,491</u>	<u>\$ 86,249,951</u>

See notes to financial statements.

The MetroHealth Foundation, Inc.

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Gifts and grants	\$ 4,530,000	\$ 6,370,085	\$ 10,900,085
In-kind contributions—related party	3,583,572	-	3,583,572
In-kind contributions—other	22,260	19,250	41,510
Special event revenue, net	894,411	21,000	915,411
Miscellaneous income	853	175,696	176,549
Investment loss, net	(8,078,313)	(4,439,751)	(12,518,064)
Loss on uncollectable pledges	-	(11,099)	(11,099)
Net assets released from restrictions	5,608,106	(5,608,106)	-
Total revenue and support	6,560,889	(3,472,925)	3,087,964
Expenses:			
Grantmaking program	8,985,549	-	8,985,549
Management and general	787,827	-	787,827
Fundraising	4,234,422	-	4,234,422
Total expenses	14,007,798	-	14,007,798
Decrease in net assets	(7,446,909)	(3,472,925)	(10,919,834)
Net assets at beginning of year	31,957,051	55,814,846	87,771,897
Net assets at ending of year	<u>\$ 24,510,142</u>	<u>\$ 52,341,921</u>	<u>\$ 76,852,063</u>

See notes to financial statements.

The MetroHealth Foundation, Inc.

Statement of Functional Expenses
Year Ended December 31, 2023

	Grantmaking	Management and General			Fundraising			Total
	Program	Operations	In-Kind	Total	Operations	In-Kind	Total	
Grants and other assistance	\$ 8,497,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,497,591
Salaries, wages and benefits	-	-	471,032	471,032	-	2,441,970	2,441,970	2,913,002
Catering and food service	-	6,992	352	7,344	24,198	1,987	26,185	33,529
Community outreach	-	161	-	161	306	-	306	467
Dues and licenses	-	5,687	-	5,687	32,002	-	32,002	37,689
Insurance	-	50,675	-	50,675	-	-	-	50,675
Miscellaneous	-	267	-	267	5,629	-	5,629	5,896
Plant operations	-	-	767	767	1,545	4,324	5,869	6,636
Postage	-	17	-	17	10,343	-	10,343	10,360
Printing services	-	-	-	-	33,913	-	33,913	33,913
Purchased services	-	154,849	-	154,849	186,969	-	186,969	341,818
Travel, training and seminars	-	2,953	215	3,168	20,606	1,215	21,821	24,989
Supplies	-	11,326	2,209	13,535	20,758	12,469	33,227	46,762
Occupancy and related overhead	-	-	143,047	143,047	-	757,953	757,953	901,000
Total expenses	\$ 8,497,591	\$ 232,927	\$ 617,622	\$ 850,549	\$ 336,269	\$ 3,219,918	\$ 3,556,187	\$ 12,904,327

See notes to financial statements.

The MetroHealth Foundation, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2022**

	Grantmaking	Management and General			Fundraising			Total
	Program	Operations	In-Kind	Total	Operations	In-Kind	Total	
Grants and other assistance	\$ 8,985,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,985,549
Salaries, wages and benefits	-	-	383,156	383,156	-	2,349,771	2,349,771	2,732,927
Catering and food service	-	10,483	470	10,953	188,298	2,906	191,204	202,157
Community outreach	-	351	-	351	157	-	157	508
Dues and licenses	-	17,169	-	17,169	30,587	-	30,587	47,756
Insurance	-	53,080	-	53,080	-	-	-	53,080
Miscellaneous	-	186	4	190	116,023	26	116,049	116,239
Plant operations	-	4,577	576	5,153	57,469	3,565	61,034	66,187
Postage	-	44	-	44	6,310	-	6,310	6,354
Printing services	-	142	-	142	26,605	-	26,605	26,747
Purchased services	-	159,168	20,056	179,224	524,486	27,249	551,735	730,959
Travel, training and seminars	-	20,414	100	20,514	10,127	622	10,749	31,263
Supplies	-	775	1,945	2,720	170,716	12,036	182,752	185,472
Occupancy and related overhead	-	-	115,131	115,131	-	707,469	707,469	822,600
Total expenses	\$ 8,985,549	\$ 266,389	\$ 521,438	\$ 787,827	\$ 1,130,778	\$ 3,103,644	\$ 4,234,422	\$ 14,007,798

See notes to financial statements.

The MetroHealth Foundation, Inc.

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 9,397,888	\$ (10,919,834)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Contributions required to be maintained in perpetuity	(497,281)	(746,401)
(Gain) loss on uncollectible pledges	(28,037)	11,099
Change in allowance for uncollectible pledges and present value discount	(91,379)	14,465
Actuarial loss on annuity payment obligations	22,225	22,394
Net realized and unrealized (gains) losses on investments	(8,984,719)	13,658,974
Dividends and interest restricted for reinvestments	(542,050)	(438,863)
(Increase) decrease in assets:		
Promises to give	560,301	(64,910)
Grant receivable	(261,401)	147,422
Prepaid expenses	(27,993)	46,310
Other assets	(3,262)	23,539
Increase (decrease) in liabilities:		
Accounts payable	(12,529)	39,300
Deferred revenue	-	(960)
Refundable advance	-	(9,040)
Grants payable to related party	265,275	(10,938)
Net cash (used in) provided by operating activities	(202,962)	1,772,557
Cash flows from investing activities:		
Proceeds from sale of investments	12,649,194	7,758,063
Purchase of investments	(15,020,876)	(8,814,348)
Net cash used in investing activities	(2,371,682)	(1,056,285)
Cash flows from financing activities:		
Dividends and interest restricted for reinvestments	542,050	438,863
Payments of annuity payment obligations	(31,304)	(31,304)
Proceeds from contributions required to be maintained in perpetuity	915,782	791,682
Net cash provided by financing activities	1,426,528	1,199,241
(Decrease) increase in cash and cash equivalents	(1,148,116)	1,915,513
Cash and cash equivalents:		
Beginning	4,368,876	2,453,363
Ending	\$ 3,220,760	\$ 4,368,876

See notes to financial statements.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 1. Summary of Organization and Significant Accounting Policies

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

A summary of significant accounting policies is presented below:

Basis of presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958: Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Foundation is required to report net assets and revenues, expenses, gains and losses based upon the existence or absence of donor-imposed stipulations. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

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

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

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

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

Income taxes: The FASB provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense and liability in the current year. For the years ended December 31, 2023 and 2022, management has determined that there are no uncertain tax positions.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

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

Cash and cash equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For purposes of the financial statements, cash held in investment managed accounts are classified as investments. The Foundation maintains cash balances at banks, which are insured by the Federal Deposit Insurance Corporation. At December 31, 2023 and 2022, the Foundation's cash accounts exceeded federally insured limits by \$261,740 and \$4,118,876, respectively.

Allowance for uncollectable pledges: The Foundation provides for an allowance for uncollectable pledges based on an estimate of the collectability of the identified receivables and reserves 5% of the outstanding pledges in accordance with policy. In addition, the Foundation writes-off outstanding pledges after 24 months without payment. The allowance is adjusted as information about specific accounts becomes available. The Foundation also compares current allowance amounts to prior collection and write-off experience.

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

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

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

Annuity payment obligations: The Foundation is the beneficiary of several gift annuity agreements that are managed by third-party trustees. The assets held in trust are recorded at fair value at the date of initial recognition. At December 31, 2023 and 2022, total assets of \$534,118 and \$504,350, respectively, were held by the Foundation, which are included in investments on the statements of financial position. Under the terms of the agreements, the Foundation is required to pay periodic fixed payments to beneficiaries during their lifetimes. Upon death of the beneficiaries, the assets are to be retained for the Foundation's use. At December 31, 2023 and 2022, liabilities of \$296,452 and \$305,531, respectively, are reflected as obligations under annuity agreements. The liabilities represent the present value of the expected beneficiary payments calculated based on the estimated life of the beneficiary and a discount rate. The discount rate used to calculate the present value is 6%. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, net assets without donor restrictions of the Foundation will be utilized to fund future payments.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

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

Contributions: The Foundation recognizes unconditional contributions as revenue in the period in which the pledge (promise to give) is received. Conditional promises to give are recorded when donor restrictions are substantially met. Gifts and grants revenue includes gifts in-kind that are recorded at fair value as of the donation date. Contributions are recorded as either without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, net assets with donor restrictions are classified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Conditional promises to give at December 31, 2023 and 2022 are \$4,233,676 and \$1,000,725, respectively. The conditional promises to give for both years consist of nonfederal grants to be used for mission-related activities.

Contribution concentrations: Contributions received from two and a single donor amounted to \$2,141,538 and \$2,000,000, which represents approximately 28% and 18% of total contributions at December 31, 2023 and 2022, respectively.

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

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through March 14, 2024, the date the financial statements were available to be issued.

Note 2. Promises to Give, Net

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

	2023	2022
Less than one year	\$ 1,592,010	\$ 1,474,254
One to five years	2,788,945	3,640,136
Six to ten years	270,233	515,600
	<u>4,651,188</u>	<u>5,629,990</u>
Allowance for uncollectable pledges and present value discount	(435,235)	(554,651)
	<u>\$ 4,215,953</u>	<u>\$ 5,075,339</u>

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 3. Fair Value Disclosures

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

Level 1: Quoted prices in active markets for identical investments

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

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

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

There were no changes in valuation techniques in determining fair value of investments during the years ended December 31, 2023 and 2022.

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

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

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 3. Fair Value Disclosures (Continued)

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

	2023			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 6,425,998	\$ -	\$ -	\$ 6,425,998
Common stock—private	-	-	1,000	1,000
Equity mutual funds:				
Foreign large blend	4,961,934	-	-	4,961,934
Foreign large growth	8,083,355	-	-	8,083,355
Diversified emerging markets	4,015,704	-	-	4,015,704
Large blend	22,373,434	-	-	22,373,434
Mid-cap blend	2,439,309	-	-	2,439,309
Foreign small/mid growth	2,377,222	-	-	2,377,222
Small blend	1,944,305	-	-	1,944,305
Small growth	1,852,430	-	-	1,852,430
Fixed income mutual funds:				
Short-term bonds	3,837,800	-	-	3,837,800
Intermediate-term bonds	15,363,584	-	-	15,363,584
	<u>\$ 73,675,075</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>73,676,075</u>
Investments measured at net asset value (a):				
Pooled investment hedge fund				3,508,291
Pooled investment fund				2,169,856
Limited partnership interest				30,330
Total				<u>\$ 79,384,552</u>

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 3. Fair Value Disclosures (Continued)

	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 5,476,198	\$ -	\$ -	\$ 5,476,198
Common stock—private	-	-	1,000	1,000
Equity mutual funds:				
Foreign large blend	4,052,922	-	-	4,052,922
Foreign large growth	6,322,639	-	-	6,322,639
Diversified emerging markets	3,600,119	-	-	3,600,119
Large blend	18,137,663	-	-	18,137,663
Mid-cap blend	2,081,070	-	-	2,081,070
Foreign small/mid growth	2,062,094	-	-	2,062,094
Small blend	1,688,399	-	-	1,688,399
Small growth	1,691,407	-	-	1,691,407
Fixed income mutual funds:				
Short-term bonds	3,325,667	-	-	3,325,667
Intermediate-term bonds	10,852,145	-	-	10,852,145
Multi-sector bond	2,570,623	-	-	2,570,623
	<u>\$ 61,860,946</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>61,861,946</u>
Investments measured at net asset value (a):				
Pooled investment hedge fund				3,467,794
Pooled investment fund				2,605,165
Limited partnership interest				93,246
Total				<u>\$ 68,028,151</u>

- a. In accordance with U.S. GAAP, certain investments that are measured using the net asset value (NAV) (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the fair value of investments as disclosed in the statements of financial position.

There were no purchases of Level 3 assets during the years ended December 31, 2023 and 2022.

The Foundation is required to disclose the nature and risks of the investments recorded at NAV. The pooled investment funds and limited partnership interest are measured by the NAV per share practical expedient. The following tables summarize the nature and risk of these investments as of December 31, 2023 and 2022:

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment hedge fund	\$ 3,508,291	\$ -	Monthly	45 days
Pooled investment fund	2,169,856	-	Quarterly	95 days
Limited partnership interest	30,330	-	Quarterly	65 days
	<u>\$ 5,708,477</u>	<u>\$ -</u>		

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 3. Fair Value Disclosures (Continued)

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment hedge fund	\$ 3,467,794	\$ -	Monthly	45 days
Pooled investment fund	2,605,165	-	Quarterly	95 days
Limited partnership interest	93,246	-	Quarterly	65 days
	<u>\$ 6,166,205</u>	<u>\$ -</u>		

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

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

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

Note 4. Investments

Investment income (loss) for the years ended December 31 consisted of the following:

	2023	2022
Dividends and interest	\$ 1,753,497	\$ 1,230,464
Net realized and unrealized gains (losses)	8,984,719	(13,658,974)
Less investment management fees	(89,205)	(89,554)
	<u>\$ 10,649,011</u>	<u>\$ (12,518,064)</u>

Note 5. Related-Party Transactions

The System submits grant proposals to the Foundation. It also requests distributions of funds as expenses are incurred by the System that are consistent with the Foundation's fund purposes. Grant expenses of \$8,497,591 and \$8,985,549 were incurred for the years ended December 31, 2023 and 2022, respectively. Grants and distributions payable of \$921,911 and \$656,636 were due to the System for grants approved by the Foundation, but not yet paid, at December 31, 2023 and 2022, respectively. The MetroHealth System provided in-kind support to the Foundation for 2023 and 2022 representing salaries, wages and benefits, occupancy and other expenses which are included in these financial statements in the amount of \$3,837,540 and \$3,583,572, respectively. Grants receivable includes \$199,107 and \$26,800, at December 31, 2023 and 2022, respectively, of amounts due from the System.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 6. Endowment Funds

The Foundation's endowment consists of approximately 84 individual funds established to support the mission of The MetroHealth System. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

Underwater endowment funds: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations occurring shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs deemed prudent by the Board of Directors. No deficiencies of this nature exist as of December 31, 2023 and 2022.

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

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

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 6. Endowment Funds (Continued)

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

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 19,875,771	\$ 19,875,771
Accumulated investment gains	-	11,632,743	11,632,743
Funds functioning as endowment funds	2,597,503	-	2,597,503
Total endowment funds	<u>\$ 2,597,503</u>	<u>\$ 31,508,514</u>	<u>\$ 34,106,017</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 18,959,989	\$ 18,959,989
Accumulated investment gains	-	8,126,835	8,126,835
Funds functioning as endowment funds	2,292,927	-	2,292,927
Total endowment funds	<u>\$ 2,292,927</u>	<u>\$ 27,086,824</u>	<u>\$ 29,379,751</u>

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 6. Endowment Funds (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$ 2,662,466	\$ 31,197,047	\$ 33,859,513
Investment loss, net	(365,158)	(4,439,124)	(4,804,282)
Contributions	-	791,682	791,682
Appropriations	(4,381)	(462,781)	(467,162)
Endowment net assets, December 31, 2022	2,292,927	27,086,824	29,379,751
Investment income, net	309,000	4,044,628	4,353,628
Contributions	-	915,782	915,782
Appropriations	(4,424)	(538,720)	(543,144)
Endowment net assets, December 31, 2023	<u>\$ 2,597,503</u>	<u>\$ 31,508,514</u>	<u>\$ 34,106,017</u>

Note 7. Net Assets

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

	2023	2022
Net assets without donor restrictions:		
Operating	\$ 15,276,888	\$ 11,583,465
Funds functioning as endowment funds	2,597,503	2,292,927
Board designated	10,920,069	10,633,750
	<u>\$ 28,794,460</u>	<u>\$ 24,510,142</u>

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

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 7. Net Assets (Continued)

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

	<u>2023</u>	<u>2022</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Supporting Mission of The MetroHealth System	\$ 21,493,358	\$ 19,980,940
Subject to passage of time:		
Promises to give, restricted by donors, supporting Mission of The MetroHealth System	2,103,238	2,567,138
Split interest agreements	237,666	198,818
	<u>2,340,904</u>	<u>2,765,956</u>
Subject to Foundation's spending policy and appropriation:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	19,875,771	18,959,989
Accumulated investment gains	11,632,743	8,126,835
Promises to give, endowment restricted by donors, supporting Mission of The MetroHealth System	2,112,715	2,508,201
	<u>33,621,229</u>	<u>29,595,025</u>
Total net assets with donor restrictions	<u>\$ 57,455,491</u>	<u>\$ 52,341,921</u>
	<u>2023</u>	<u>2022</u>
Satisfaction of purpose and time restrictions—supporting Mission of The MetroHealth System	<u>\$ 5,088,777</u>	<u>\$ 5,608,106</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events by the donors totaling \$5,088,777 and \$5,608,106 for the years ended December 31, 2023 and 2022, respectively.

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

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 8. Financial Assets and Liquidity

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

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 3,220,760	\$ 4,368,876
Promises to give	4,215,953	5,075,339
Grant receivable	310,473	49,072
Investments	79,384,552	68,028,151
Financial assets, at year-end	<u>87,131,738</u>	<u>77,521,438</u>
Less those not available for general expenditures within one year:		
Promises to give, restricted by donors, supporting the mission of The MetroHealth System	(2,623,943)	(3,601,085)
Original donor-restricted gift, amounts required to be maintained in perpetuity by donor and accumulated investment gains	(31,508,514)	(27,086,824)
Less earnings to be utilized within one year	675,000	675,000
Funds functioning as endowment funds	(2,597,503)	(2,292,927)
Board-designated funds	(10,920,069)	(10,633,750)
Less board-designated funds expected to be utilized within one year	450,000	450,000
Subject to expenditure for specified purpose	(21,493,358)	(19,980,940)
Less purpose-restricted funds expected to be released within one year	7,500,000	5,500,000
Investments held in annuity reserves	(534,118)	(504,350)
	<u>(61,052,505)</u>	<u>(57,474,876)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,079,233</u>	<u>\$ 20,046,562</u>

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

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

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

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 8. Financial Assets and Liquidity (Continued)

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. The Foundation has board designated funds of \$10,920,069 and \$10,663,750 as of December 31, 2023 and 2022, respectively. Although the Foundation does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available, if necessary.

Note 9. Other Accomplishments

Donors occasionally make their gifts directly to The MetroHealth System. In 2023, The MetroHealth System's Office of Strategic Philanthropy and Community Engagement (the department) was responsible for securing two grants from the Ohio Department of Health including \$763,000 to support the Nurse-Family Partnership program and \$156,000 for an improvement zone project in the Buckeye neighborhood. The department also secured four pieces of art valued at \$250,000 for the Center of Arts in Health.

In 2022, The MetroHealth System's Office of Strategic Philanthropy and Community Engagement was responsible for coordinating five grants from the Ohio Department of Health including \$755,125 for the Nurse-Family Partnership program, \$350,000 for MetroHealth's Institute for H.O.P.E., \$158,646 and \$264,925 for the Compass program, and \$4,488,545 to significantly expand services for our School Health program. The department also secured \$120,090 from the ADAMHS Board of Cuyahoga County to support a sober living house for pregnant women and secured the donation of a new CR-V from Honda of Middleburg Heights for our rehabilitation driving program.

These contributions are not recognized on the Foundation's financial statements.

Note 10. Special Event

In November 2023, the Foundation hosted nearly 300 guests at the Cleveland Heritage Medal Ceremony (Heritage). The Cleveland Heritage Medal is bestowed upon individuals whose significant contributions through leadership, collaboration and service have left an indelible mark on all spheres of the Cleveland community.

In October 2022, the Foundation hosted nearly 350 guests at GALA2022 (GALA). Proceeds from the GALA were raised to support capital, patient care, education, research, recruitment, and other expenses as directed by the Foundation Board of Directors to support The MetroHealth System's significant transformation.

The Heritage activity consisted of the following for the year ended December 31, 2023:

	2023				
	Revenue	Direct Benefit Expense to Donors	Special Event Revenue, Net	Fundraising Expense	Net Event Loss
Heritage	\$ 106,000	55,998	50,002	51,210	\$ (1,208)

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Note 10. Special Event (Continued)

The GALA activity consisted of the following for the year ended December 31, 2022:

	2022				
	Revenue	Direct Benefit Expense to Donors	Special Event Revenue, Net	Fundraising Expense	Net Event Income
Gala	\$ 1,031,728	116,317	915,411	473,199	\$ 442,212

Note 11. In-Kind Contributions

For the years ended December 31, contributed nonfinancial assets recognized in the statements of activities and changes in net assets included:

	2023	2022
Salaries, wages and benefits	\$ 2,913,002	\$ 2,732,927
Catering and food service	2,339	3,377
Miscellaneous	-	30
Plant operations	5,090	4,141
Purchased services	-	47,305
Travel, training and seminars	1,431	722
Supplies	14,678	13,980
Occupancy and related overhead	901,000	822,600
	<u>\$ 3,837,540</u>	<u>\$ 3,625,082</u>

The Foundation recognized nonfinancial assets within revenue, the majority included salaries, wages and benefits, purchased services and occupancy and related overhead, which were provided to support the Foundation's administrative and fundraising efforts. The Foundation utilized all contributed nonfinancial assets in operations. All contributed nonfinancial assets, except for \$0 and \$19,250 of professional services received in 2023 and 2022, respectively, to support a fundraising event, were without donor-imposed restrictions.

The values of salaries, wages and benefits were based on actual payroll, benefits and payroll taxes paid by the System for Foundation employees. In addition, purchased services are valued and reported at the estimated fair value of similar services. Lastly, the value of occupancy and related overhead is based on a square footage allocation of direct costs incurred by the System for the building, utility and building operating costs for space occupied by the Foundation.

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

Independent Auditor's Report

Finance and Investment Committee
The MetroHealth Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of The MetroHealth Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2023, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 14, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

Cleveland, Ohio
March 14, 2024

OHIO AUDITOR OF STATE KEITH FABER



THE METROHEALTH FOUNDATION

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/2/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov