

Hennepin Health Foundation
A Component Unit of Hennepin
Healthcare System, Inc.

Financial Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Hennepin Health Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Hennepin Health Foundation (HHF), a component unit of Hennepin Healthcare System, Inc., as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise HHF's basic financial statements as listed in the table of contents.

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 HHF as of December 31, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

RSM US LLP

Duluth, Minnesota
February 25, 2021

Hennepin Health Foundation
A Component Unit of Hennepin Healthcare System, Inc.

Statements of Net Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,615,546	\$ 502,549
Accounts receivable	18,700	41,881
Receivable from related parties	9,000	35,426
Investments	713,201	1,510,542
Assets limited as to use:		
Cash and cash equivalents	7,538,354	11,971,954
Contributions and grants receivable, net	5,333,291	5,349,181
Investments	15,145,854	12,246,886
Total assets limited as to use	28,017,499	29,568,021
Non-depreciable capital assets, art collection	785,846	783,727
Total assets	\$ 34,159,792	\$ 32,442,146
Liabilities and Net Position		
Liabilities:		
Grants payable, related parties	\$ 533,178	\$ 634,824
Payable to related parties	3,179,321	129,863
Accounts payable and other	18,167	52,432
Total liabilities	3,730,666	817,119
Net position:		
Net investment in capital assets	785,846	783,727
Restricted:		
Expendable	23,889,557	26,957,777
Nonexpendable	4,127,942	2,610,244
Unrestricted	1,625,781	1,273,279
Total net position	30,429,126	31,625,027
Total liabilities and net position	\$ 34,159,792	\$ 32,442,146

See notes to financial statements.

Hennepin Health Foundation
A Component Unit of Hennepin Healthcare System, Inc.

Statements of Revenue, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenue:		
Contributions	\$ 2,497,956	\$ 2,106,670
Grants and contracts	4,113,643	5,857,651
Noncash contributions	4,070,988	3,142,835
Special events	90,671	450,366
Commissions	106,636	139,457
Other income	426,673	496,008
Total operating revenue	11,306,567	12,192,987
Operating expenses:		
Grants and disbursements	10,873,248	3,912,437
Personnel expense	2,391,831	2,311,760
Supplies and services	1,153,848	1,467,269
Facility	116,982	116,869
Other	223,244	533,110
Total operating expenses	14,759,153	8,341,445
(Loss) income from operations	(3,452,586)	3,851,542
Nonoperating gains, investment income, net	2,100,822	2,491,184
Total nonoperating revenue	2,100,822	2,491,184
(Loss) income before contributions	(1,351,764)	6,342,726
Contributions to permanent endowment	155,863	339,479
Change in net position	(1,195,901)	6,682,205
Net position:		
Beginning of year	31,625,027	24,942,822
End of year	\$ 30,429,126	\$ 31,625,027

See notes to financial statements.

Hennepin Health Foundation
A Component Unit of Hennepin Healthcare System, Inc.

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Contributions	\$ 2,511,727	\$ 2,309,155
Grants	4,113,643	2,292,046
Special events	90,671	450,366
Other revenues	476,280	821,043
Other payments	(223,244)	(531,460)
Commissions	106,636	139,457
Paid for grants	(3,854,448)	(3,682,224)
Paid to suppliers	(3,696,926)	(731,512)
Net cash (used in) provided by operating activities	(475,661)	1,066,871
Cash flows provided by noncapital financing activities, contributions to permanent endowments	155,863	339,479
Cash flows used in capital financing activities, purchases of capital assets	-	(5,022)
Cash flows from investing activities:		
Purchase of investments	(732,284)	(410,812)
Sale of investments	138,317	102,296
Investment earnings received	593,162	616,898
Net cash (used in) provided by investing activities	(805)	308,382
Net (decrease) increase in cash and cash equivalents	(320,603)	1,709,710
Cash and cash equivalents:		
Beginning of year, including cash and cash equivalents limited as to use: 2020 \$11,971,954; 2019 \$9,586,371	12,474,503	10,764,793
End of year, including cash and cash equivalents limited as to use: 2020 \$7,538,354; 2019 \$11,971,954	\$ 12,153,900	\$ 12,474,503
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	\$ (3,452,586)	\$ 3,851,542
Changes in assets and liabilities related to operating activities:		
Accounts receivable	49,607	345,735
Grants and contributions receivable	13,771	(3,363,120)
Grants payable	(101,646)	230,214
Payable to related parties	3,049,458	43,649
Accounts payable and other	(34,265)	(41,149)
Net cash (used in) provided by operating activities	\$ (475,661)	\$ 1,066,871
Supplemental disclosures of noncash investing, capital and financing activities:		
Noncash contributions	\$ 4,070,988	\$ 3,142,835
Donated artwork	\$ 2,119	\$ 350

See notes to financial statements.

Hennepin Health Foundation
A Component Unit of Hennepin Healthcare System, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: Hennepin Health Foundation (HHF) is a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3). Hennepin Healthcare System, Inc. (HHS) is the sole member of HHF. HHS is a public corporation and a component unit of Hennepin County (the County), Minnesota.

HHF supports the mission of HHS, Minnesota's largest public safety net and academic medical center where no one is turned away due to lack of insurance or inability to pay. HHS is home to the largest and busiest trauma center in the state, and trains the majority of the physicians, nurses and other clinicians who care for the citizens of Minnesota. HHS's hospital and clinics deliver more than 92,815 emergency and urgent care visits and more than 585,180 clinic visits a year, even during the COVID pandemic. HHF raises and administers philanthropic support for HHS and its research arm, Hennepin Healthcare Research Institute (HHRI), in the following functional areas:

Innovations in patient care: Programs funded in this area help to improve the patient and family experience, reduce barriers to health care access, assist with social determinants of health, and launch innovation in care delivery. Examples of funded activities include: Volunteer Services, Inspire Arts Program, Children's Literacy, Redleaf Center for Family Healing, renovations to patient and family waiting areas, and a variety of specific department funds for urgent patient needs. HHF provides support for MVNA home health and in home hospice services which provided more than 17,000 home health visits in 2020.

Trauma and critical care: This area provides funding to patient care services related to HHS's Level 1 Trauma designation. Funded programs include patient comfort in traumatic brain injury, the burn unit, stroke, heart health, poison control and toxicology care, care during and after transplant, and care in dealing with the effects of domestic violence, sexual assault, and child abuse and neglect. Operating the largest, multi-chamber Hyperbaric Oxygen (HBO) Chamber in the state, the HBO provided over 4,000 treatments in 2020. The Regional Poison Information Center for Minnesota, North and South Dakota, managed at HHS, handled over 61,000 calls in 2020.

Educating the workforce of tomorrow: HHS is the state's primary training center for physicians, nurses, ancillary care, pre-hospital emergency personnel and other health professions. Funded programs include: the development of a health sciences education center to improve the quality of instruction and learning for trainees in the medicine, nursing and allied health professions, a scholarship program to assist employees in non-patient care areas in entering health careers, various ongoing training funds for hospital departments and clinics, a fund to support emergency medicine residency education and the Hennepin Medical History Center which collects, preserves and interprets the history of HHS, Metropolitan Medical Center and its organizational predecessors.

Research: Searching for new ways to improve care is a commitment voiced in the mission of HHS, where medical research directed by HHRI leads to breakthroughs in medical treatment and disease prevention. HHRI is the third largest nonprofit medical research organization in Minnesota and it ranks in the top 10% of all institutions receiving research funding from the National Institutes of Health. As its philanthropic partner, HHF raises funds to support its research endeavors ranging from addiction and kidney disease to traumatic brain injury.

Hennepin Health Foundation
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Notes to Financial Statements

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

Reporting entity: In accordance with Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, HHS has included HHF as a blended component within their financial statements. HHS is the sole corporate member of HHF. Accounting principles generally accepted in the United States of America require that the financial reporting entity include 1) the primary government and 2) organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, there are no other organizations or agencies whose financial statements should be combined and presented with these basic financial statements.

Accounting basis and standards: The financial statements of HHF have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as GAAP for state and local governments.

HHF recognizes revenues and expenses on the accrual basis of accounting using the economic resources measurement focus. Revenue is recognized when earned and expenses are recognized when a liability has been incurred. Under this basis of accounting, all assets and liabilities associated with HHF are included in the statements of net position.

In order to ensure observation and restrictions placed on the use of the resources available to HHF, the accounts of HHF are maintained in accordance with the principals of fund accounting. This is the procedure by which resources of various purposes are classified for accounting purposes into funds that are in accordance with activities or purposes stated. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined to report by classification and only the net position is shown.

Cash and cash equivalents: Cash and cash equivalents include highly liquid investments with a maturity of three months or less and HHF's share of the cash management pool of Hennepin County. The pool is a cash equivalent (see Note 2).

Assets limited as to use: Assets limited as to use include assets restricted by donors for specific purposes.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and recognized in nonoperating gains, investment income, net in the statements of revenue, expenses and changes in net position (see Note 4).

Accounts receivable: Accounts receivable are recorded at net realizable value. HHF provides an allowance for uncollectible accounts using the reserve method, which is based on management judgment considering historical information. Accounts more than 90 days past due are individually analyzed for collectability. In addition, an allowance is provided for other accounts when a significant pattern of uncollectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At December 31, 2020 and 2019, management determined that an allowance was not warranted.

Hennepin Health Foundation
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Notes to Financial Statements

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

Contributions and grants receivable: Contributions receivable are unconditional promises to give. Contributions and grants receivable are recorded, net of an allowance for uncollectable accounts, at the time of the gift. Conditional promises to give are not recorded as revenue until such time as the conditions are substantially met. Contributions and grants receivable that are expected to be collected in greater than one year are recorded at the present value of the amounts expected to be collected using a discount rate reflective of the market and conditions at the time of the gift. Amortization of the discount is included in contribution revenue. HHF provides an allowance for uncollectable accounts using the reserve method, which is based on management judgment considering historical information. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

Art collection: HHF has pieces of art located throughout HHS. The art is valued at cost or fair value at the date of the purchase or donation. HHF typically only records pieces that are originals and signed prints. HHF set its capitalization threshold for pieces at \$300.

Furniture and equipment: All expenditures for equipment exceeding \$1,000 are capitalized at cost. Contributed items are recorded at fair value at date of donation. Depreciation is computed through the use of the straight-line method over the assets' estimated useful lives.

Grants payable: Unconditional grants are recorded as expense when approved by HHF's Board of Directors.

Grants and contributions: Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses. There were none restricted to capital acquisitions as of December 31, 2020 and 2019.

Functional expenses: The cost of services provided and expenses are allocated to program, fundraising and management and general services based on identification of both direct and indirect expenses:

	2020	Percent	2019	Percent
Program services:				
Hennepin Healthcare System, Inc.	\$ 11,771,760		\$ 5,227,555	
Hennepin Healthcare Research Institute	160,267		29,580	
Special events	145,036		493,196	
Total program services	<u>12,077,063</u>	82%	<u>5,750,331</u>	69%
Fundraising	1,589,811	11	1,656,376	20
Management and general	1,092,279	7	934,738	11
	<u>\$ 14,759,153</u>	100%	<u>\$ 8,341,445</u>	100%

Noncash contributions: Goods and services donated to HHF are recorded at fair value as determined by management at the time of receipt.

Hennepin Health Foundation
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Notes to Financial Statements

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

Net position: The net investment in capital assets consists of capital assets, net of accumulated depreciation and any outstanding borrowings used to finance the purchase or construction of these assets. Restricted expendable net position are amounts that must be used for a particular purpose, as specified by creditors, grantors, donors, or contributors external to HHF. Restricted nonexpendable net position are amounts that represent donors' fund principal that must be maintained in perpetuity. Unrestricted net position are amounts that do not meet the definition of the other components of net position described above. Restricted expendable net position is available for the following donor-imposed purposes as of December 31:

	2020	2019
Innovations in patient care	\$ 20,816,570	\$ 24,334,197
Educating the workforce of tomorrow	2,183,203	1,978,144
Critical care mission	669,309	469,873
Research	13,963	16,529
Special events	206,512	159,034
	<u>\$ 23,889,557</u>	<u>\$ 26,957,777</u>

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets (including artwork) and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Income taxes: HHF has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC) and Minnesota Statute and corresponding tax codes and, therefore, the financial statements do not include a provision for income taxes. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

HHF's 2017–2020 tax years are open for examination by federal and state taxing authorities. HHF files as a tax exempt organization; should that status be challenged in the future, all years since inception would be subject to review by the Internal Revenue Service.

Reclassifications: Certain prior year amounts on the financial statements have been reclassified to conform to the December 31, 2020 presentation. These reclassifications had no effect on the change in net position or total net position as previously reported.

Note 2. Interest in Hennepin County Investment Pool

The County's Office of Budget and Finance is responsible for the treasury function of all the County's deposits and investments held by its funds. Cash from all funds is pooled for deposit and investment purposes. At December 31, 2020 and 2019, HHF comprised \$12,131,800 or 1.08% and \$12,474,503 or 1.30%, respectively, of the County's total cash and investments. As of December 31, 2020, a majority of the pool's investments were invested in U.S. government and agency issues, with the remainder invested in repurchase agreements and money market funds. Detailed information about the County's deposits with financial institutions, repurchase agreements, interest rate risk, credit risk, concentration of credit risk, and custodial credit risk can be obtained directly from the County's 2020 financial statements. Investment earnings and losses are allocated based on average monthly cash balances.

Hennepin Health Foundation
A Component Unit of Hennepin Healthcare System, Inc.

Notes to Financial Statements

Note 3. Concentrations

Financial instruments that potentially subject HHF to concentrations of credit risk consist principally of pledges and grants receivable. HHF had approximately 92% of its contributions and grants receivable balance from two grantors/donors at December 31, 2020.

Note 4. Investments

Fair value: HHF categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1:** Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.
- Level 2:** Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- Level 3:** Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

HHF uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

Hennepin Health Foundation
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Notes to Financial Statements

Note 4. Investments (Continued)

The following table presents the fair value hierarchy for the investments of assets measured at fair value on a recurring basis as of December 31:

	2020			
	Level 1	Level 2	Level 3	Total
Mutual funds—bonds:				
Short term	\$ 1,530,927	\$ -	\$ -	\$ 1,530,927
Intermediate term	4,476,827	-	-	4,476,827
Mutual funds—equities:				
Small Cap	782,141	-	-	782,141
Mid Cap	1,174,169	-	-	1,174,169
Large Cap	4,706,244	-	-	4,706,244
International	3,062,046	-	-	3,062,046
Total investments at fair value	<u>\$ 15,732,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,732,354</u>
Cash and cash equivalents				126,701
Total investments				<u>\$ 15,859,055</u>
	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds—bonds:				
Short term	\$ 1,262,391	\$ -	\$ -	\$ 1,262,391
Intermediate term	3,947,180	-	-	3,947,180
Mutual funds—equities:				
Small Cap	615,107	-	-	615,107
Mid Cap	733,051	-	-	733,051
Large Cap	5,236,462	-	-	5,236,462
International	1,932,845	-	-	1,932,845
Total investments at fair value	<u>\$ 13,727,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>13,727,036</u>
Cash and cash equivalents				30,392
Total investments				<u>\$ 13,757,428</u>

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting HHF's exposure to interest rate risk, HHF's investment policy states there will be a long-term investment pool and near term investment pool. Near term pool is invested with Hennepin County Treasury Department in fixed income securities with an average weighted maturity of 3.3 years. The long-term investment pool is invested in mutual funds.

Hennepin Health Foundation
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Notes to Financial Statements

Note 4. Investments (Continued)

As of December 31, 2020, HHF had the following investments and maturities:

	Carrying Amount	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years
Mutual funds—bonds	\$ 6,007,754	\$ 6,007,754	\$ -	\$ -	\$ -
Mutual funds—equities	9,724,600				
Cash and cash equivalents	126,701				
	<u>\$ 15,859,055</u>				

As of December 31, 2019, HHF had the following investments and maturities:

	Carrying Amount	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years
Mutual funds—bonds	\$ 5,209,571	\$ 5,209,571	\$ -	\$ -	\$ -
Mutual funds—equities	8,517,465				
Cash and cash equivalents	30,392				
	<u>\$ 13,757,428</u>				

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. HHF does not have a policy specific to investment credit risk.

As of December 31, 2020 and 2019, the investments, as rated by Moody's, had the following ratings:

Type of Investment	2020		2019	
	Carrying Amount	Quality Rating	Carrying Amount	Quality Rating
Mutual funds—bonds	\$ 6,007,754	AAA-BB	\$ 5,209,571	AAA-BB
Not rated:				
Mutual funds—equities	9,724,600		8,517,465	
Cash and cash equivalents	126,701		30,392	
Total investments	<u>\$ 15,859,055</u>		<u>\$ 13,757,428</u>	

Concentration of risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. HHF's investment policy does not limit the type of investment but does establish asset allocation targets.

As of December 31, 2020 and 2019, not more than 5% of HHF's total investments were invested in securities of any one issuer, excluding securities issued or guaranteed by the U.S. government, mutual funds, and external investment pools or other pooled investments.

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Notes to Financial Statements

Note 4. Investments (Continued)

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the fund will not be able to recover the value or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in HHF's name and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in HHF's name. HHF's investment policy does not limit the value of investments that may be held by an outside party. At December 31, 2020 and 2019, HHF's investments had no custodial credit risk exposure.

Note 5. Contributions and Grants Receivable

Contributions and grants receivable consists of grants from foundations and contributions from individuals and foundations. The discount rate used was 4% for December 31, 2020 and 2019.

Pledges and grants receivable as of December 31, 2020 and 2019, are as follows:

	2020	2019
Receivable in less than one year	\$ 2,286,178	\$ 1,884,365
Receivable in one to five years	3,271,500	3,682,499
Receivable in more than five years	-	-
Total pledges and grants receivable	<u>5,557,678</u>	<u>5,566,864</u>
Less allowance for doubtful accounts	10,000	10,000
Less discount on long-term receivables	214,387	207,683
Net pledges and grant receivable	<u>\$ 5,333,291</u>	<u>\$ 5,349,181</u>

Note 6. Endowment

Restricted nonexpendable net position totaled \$4,127,942 and \$2,610,244 as of December 31, 2020 and 2019, respectively, with several new endowments established in 2020, such as the Ron Mehring Endowment for HIV and Aging and the Mark W. Mahowald Lectureship.

Hennepin Health Foundation
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Notes to Financial Statements

Note 6. Endowment (Continued)

Interpretation of relevant law: The Board of Directors of HHF have interpreted the Minnesota Prudent Management of Institutional Funds Act (MPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HHF classifies as restricted nonexpendable net position the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in restricted nonexpendable net position is classified as restricted expendable net position until expended by HHF in a manner consistent with the donor's intent. In accordance with MPMIFA, HHF considers the following factors in making a determination to expend or accumulate donor-restricted endowment fund earnings:

- The purposes of HHF and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies
- Other available financial resources

Spending policy, objectives and strategies: HHF has adopted investment and spending policies for permanently restricted cash contributions that attempt to provide a predictable stream of funding to programs, while maintaining purchasing power. The annual investment withdrawal is calculated at 4% of the three-year quarterly average of the investment market values at September 30. All earnings from these funds are reflected as restricted expendable net position until appropriated for program expenditures.

Endowment net position composition by type as of December 31, 2020 and 2019, is as follows:

	2020		
	Restricted Expendable	Restricted Nonexpendable	Total
Donor-restricted endowment funds	\$ 30	\$ 4,127,942	\$ 4,127,972
	2019		
	Restricted Expendable	Restricted Nonexpendable	Total
Donor-restricted endowment funds	\$ 30	\$ 2,610,244	\$ 2,610,274

Hennepin Health Foundation
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Notes to Financial Statements

Note 6. Endowment (Continued)

The changes in endowment net position for the years ended December 31, 2020 and 2019, are as follows:

	2020		
	Restricted Expendable	Restricted Nonexpendable	Total
Endowment investments, beginning	\$ 30	\$ 2,610,244	\$ 2,610,274
Investment gain, net	-	370,296	370,296
Contributions and additions	-	1,151,432	1,151,432
Appropriations	-	(4,030)	(4,030)
Endowment investments, ending	<u>\$ 30</u>	<u>\$ 4,127,942</u>	<u>\$ 4,127,972</u>

	2019		
	Restricted Expendable	Restricted Nonexpendable	Total
Endowment investments, beginning	\$ 30	\$ 1,911,529	\$ 1,911,559
Investment gain, net	-	359,236	359,236
Contributions and additions	-	339,479	339,479
Endowment investments, ending	<u>\$ 30</u>	<u>\$ 2,610,244</u>	<u>\$ 2,610,274</u>

Hennepin Health Foundation
A Component Unit of Hennepin Healthcare System, Inc.

Notes to Financial Statements

Note 7. Related-Party Transactions

In-kind contributions: HHS employs all HHF personnel and, therefore, provides all salaries, employee benefits and administrative costs for those personnel. For the years ended December 31, 2020 and 2019, salaries and benefits paid by HHS totaled \$2,391,831 and \$2,311,760, respectively.

HHS provides computer usage, office supplies, and professional services utilized by HHF, which totaled \$635,386 and \$588,399 for the years ended December 31, 2020 and 2019, respectively.

HHS supports HHF by providing space for the general office and for collections of the Hennepin Historical Center and the Inspire Arts Program. The total estimated support of space was \$116,980 and \$116,710 for the years ended December 31, 2020 and 2019, respectively.

Contributions: HHF supports HHS with monies given to maintain programs, provide urgent needs, assist in patient care and provide seed money for new initiatives. For the years ended December 31, 2020 and 2019, HHF disbursed \$10,712,980 and \$3,882,857, respectively, to HHS.

HHF serves as the fundraising portal of the HHS campus, including its research partner HHRI. HHF dedicates a portion of its fundraising efforts to assist HHRI in providing startup and bridge funding for medical research. HHF distributed \$160,267 and \$29,580 to HHRI for the years ended December 31, 2020 and 2019, respectively.

For the year ended December 31, 2020, HHS disbursed \$1,000,000 to HHF.

Due to/due from related party: HHF owed HHS \$3,152,146 and \$117,054 as of December 31, 2020 and 2019, respectively.

The County owed HHF \$9,000 and \$35,426 as of December 31, 2020 and 2019, respectively.

HHF owed HHRI \$27,175 and \$12,809 as of December 31, 2020 and 2019, respectively.