

**Hennepin Health Foundation
d/b/a Hennepin Healthcare
Foundation
A Component Unit of Hennepin Healthcare
System, Inc.**

Financial Report
December 31, 2023

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statements of net position	3
Statements of revenue, expenses and changes in net position	4
Statements of cash flows	5
Notes to financial statements	6-15



Independent Auditor's Report

RSM US LLP

Board of Directors
Hennepin Health Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hennepin Health Foundation d/b/a Hennepin Healthcare Foundation (HHF), a component unit of Hennepin Healthcare System, Inc., as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise HHF's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HHF as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof 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 HHF 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 HHF's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 HHF'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 HHF'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.

Required Supplementary Information

Management has omitted the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of the HHF'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 HHF'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 HHF's internal control over financial reporting and compliance.

RSM US LLP

Davenport, Iowa
March 25, 2024

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

Statements of Net Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 859,951	\$ 217,220
Accounts receivable	86,700	32,700
Receivable from related parties	41,876	983,543
Investments	1,324,808	997,034
Assets limited as to use:		
Cash and cash equivalents	22,352,166	13,679,465
Contributions and grants receivable, net	734,698	3,390,327
Investments	16,308,108	14,142,750
Total assets limited as to use	39,394,972	31,212,542
Nondepreciable capital assets, art collection	1,119,486	992,519
Total assets	\$ 42,827,793	\$ 34,435,558
Liabilities and Net Position		
Liabilities:		
Grants payable, related parties	\$ 756,028	\$ 1,097,902
Accounts payable	76,282	40,886
Payable to related parties	399,881	87,183
Total liabilities	1,232,191	1,225,971
Net position:		
Net investment in capital assets	1,119,486	992,519
Restricted:		
Expendable	34,079,457	27,501,552
Nonexpendable	5,315,515	3,710,990
Unrestricted	1,081,144	1,004,526
Total net position	41,595,602	33,209,587
Total liabilities and net position	\$ 42,827,793	\$ 34,435,558

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, 2023 and 2022

	2023	2022
Operating revenue:		
Contributions	\$ 4,087,288	\$ 4,042,862
Grants and contracts	5,953,065	7,727,674
Noncash contributions	4,010,708	3,900,314
Special events	342,987	77,750
Commissions	113,706	104,897
Other income	391,741	316,557
Total operating revenue	14,899,495	16,170,054
Operating expenses:		
Grants and disbursements	5,260,142	10,756,497
Personnel expense	3,182,563	2,938,031
Supplies and services	1,430,215	1,155,584
Facility	251,249	229,544
Other	557,186	294,150
Total operating expenses	10,681,355	15,373,806
Income from operations	4,218,140	796,248
Nonoperating gains (losses), investment income (loss), net	2,983,010	(3,128,989)
Total nonoperating revenue (expenses)	2,983,010	(3,128,989)
Income (loss) before contributions	7,201,150	(2,332,741)
Contributions to permanent endowment	1,184,865	27,991
Change in net position	8,386,015	(2,304,750)
Net position:		
Beginning of year	33,209,587	35,514,337
End of year	\$ 41,595,602	\$ 33,209,587

See notes to financial statements.

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

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

	2023	2022
Cash flows from operating activities:		
Contributions	\$ 6,742,916	\$ 5,235,586
Grants	6,522,791	7,727,674
Special events	342,987	77,750
Other revenues	337,741	316,558
Other payments	(557,186)	(294,051)
Commissions	113,706	104,897
Paid for grants	(4,917,377)	(10,084,195)
Paid to suppliers	(817,922)	(964,967)
Net cash provided by operating activities	7,767,656	2,119,252
Cash flows provided by noncapital financing activities, contributions to permanent endowments	1,143,465	27,991
Cash flows used in capital financing activities, purchases of capital assets	(126,967)	(62,760)
Cash flows from investing activities:		
Purchase of investments	(1,147,757)	(948,646)
Sale of investments	600,000	7,308
Investment earnings received	1,079,035	399,410
Net cash provided by (used) in investing activities	531,278	(541,928)
Net increase in cash and cash equivalents	9,315,432	1,542,555
Cash and cash equivalents:		
Beginning of year, including cash and cash equivalents limited as to use: 2023 \$13,679,465; 2022 \$10,644,826	13,896,685	12,354,130
End of year, including cash and cash equivalents limited as to use: 2023 \$22,352,166; 2022 \$13,679,465	\$ 23,212,117	\$ 13,896,685
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 4,218,140	\$ 796,248
Changes in assets and liabilities related to operating activities:		
Accounts receivable	(54,000)	(5,000)
Receivable from related parties	941,667	(980,543)
Grants and contributions receivable	2,655,629	2,178,366
Grants payable	(341,874)	672,302
Payable to related parties	312,698	(561,182)
Accounts payable and other	35,396	19,061
Net cash provided by operating activities	\$ 7,767,656	\$ 2,119,252
Supplemental schedule of noncash investing, capital and financing activities:		
Noncash contributions	\$ 4,010,708	\$ 3,900,314
Net change in unrealized gains and losses on investments	\$ 2,043,993	\$ (3,680,172)
Donated artwork	\$ 1,104	\$ 32,880
Donated stock	\$ 41,400	\$ -

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 d/b/a Hennepin Healthcare 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 92,000 emergency and urgent care visits and more than 675,000 clinic visits a year. 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. New in 2022, the Pediatric Mobile Health unit provided care for approximately 2,200 patients.

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 5,100 treatments in 2023. The Regional Poison Information Center for Minnesota, North and South Dakota, managed at HHS, handled over 59,000 calls in 2023.

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: Talent Garden Program with Youth Summits exposing Black and LatinX youth to future careers in medicine, a scholarship program to assist employees in nonpatient 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
A Component Unit of Hennepin Healthcare System, Inc.

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 (GAAP) 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 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 GAAP as applied to governmental units. The 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 principles 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 the 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 (losses), investment income (loss), 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, 2023 and 2022, management determined that an allowance was not warranted.

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 (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. There was no furniture and equipment as of December 31, 2023 and 2022.

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 no amounts restricted to capital acquisitions for the years ended December 31, 2023 and 2022.

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:

	2023	Percent	2022	Percent
Program services:				
Hennepin Healthcare System, Inc.	\$ 6,625,228		\$ 11,800,482	
Hennepin Healthcare Research Institute	42,338		99,832	
Other organizations	137,046		75,000	
Special events	329,298		48,358	
Total program services	7,133,910	67%	12,023,672	78%
Fundraising	2,209,303	21	2,098,491	14
Management and general	1,338,142	12	1,251,643	8
	<u>\$ 10,681,355</u>	<u>100%</u>	<u>\$ 15,373,806</u>	<u>100%</u>

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
A Component Unit of Hennepin Healthcare System, Inc.

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:

	2023	2022
Innovations in patient care	\$ 23,240,902	\$ 20,406,754
Educating the workforce of tomorrow	7,208,125	4,775,249
Critical care mission	3,333,074	2,092,375
Research	33	12,285
Special events	296,987	214,889
	<u>\$ 34,079,121</u>	<u>\$ 27,501,552</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 2020–2023 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.

New accounting guidance: On January 1, 2023, HHF adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement required the recognition of certain subscription lease assets and liabilities for leases that were previously classified as operating leases. The standard did not have an impact on the HHF financial statements.

Note 2. Interest in Hennepin County Investment Pool

The County's Office of Budget and Finance (the County) 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, 2023 and 2022, HHF comprised \$21,681,085 and \$13,896,685, respectively, of the County's total cash and investments. As of December 31, 2023, 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 2023 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 56% of its contributions and grants receivable balance from three grantors/donors at December 31, 2023.

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.

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

	2023			
	Level 1	Level 2	Level 3	Total
Mutual funds—bonds:				
Short term	\$ 1,755,082	\$ -	\$ -	\$ 1,755,082
Intermediate term	4,980,648	-	-	4,980,648
Mutual funds—equities:				
Small cap	1,118,167	-	-	1,118,167
Mid cap	1,164,700	-	-	1,164,700
Large cap	5,272,266	-	-	5,272,266
International	3,113,808	-	-	3,113,808
Total investments at fair value	<u>\$ 17,404,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>17,404,671</u>
Cash and cash equivalents				228,245
Total investments				<u>\$ 17,632,916</u>

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

Notes to Financial Statements

Note 4. Investments (Continued)

	2022			
	Level 1	Level 2	Level 3	Total
Mutual funds—bonds:				
Short term	\$ 1,661,172	\$ -	\$ -	\$ 1,661,172
Intermediate term	4,132,316	-	-	4,132,316
Mutual funds—equities:				
Small cap	986,374	-	-	986,374
Mid cap	975,645	-	-	975,645
Large cap	4,611,206	-	-	4,611,206
International	2,600,142	-	-	2,600,142
Total investments at fair value	<u>\$ 14,966,855</u>	<u>\$ -</u>	<u>\$ -</u>	14,966,855
Cash and cash equivalents				172,929
Total investments				<u>\$ 15,139,784</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.

As of December 31, 2023, 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	\$ 6,735,730	\$ 6,735,730	\$ -	\$ -	\$ -
Mutual funds—equities	10,668,941				
Cash and cash equivalents	228,245				
	<u>\$ 17,632,916</u>				

As of December 31, 2022, 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	\$ 5,793,488	\$ 5,793,488	\$ -	\$ -	\$ -
Mutual funds—equities	9,173,367				
Cash and cash equivalents	172,929				
	<u>\$ 15,139,784</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.

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

Notes to Financial Statements

Note 4. Investments (Continued)

As of December 31, 2023 and 2022, the investments, as rated by Moody's, had the following ratings:

Type of Investment	2023		2022	
	Carrying Amount	Quality Rating	Carrying Amount	Quality Rating
Mutual funds—bonds	\$ 6,735,730	AAA-BB	\$ 5,793,488	AAA-BB
Not rated:				
Mutual funds—equities	10,668,941		9,173,367	
Cash and cash equivalents	228,245		172,929	
Total investments	<u>\$ 17,632,916</u>		<u>\$ 15,139,784</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, 2023 and 2022, 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.

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, 2023 and 2022, 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, 2023 and 2022.

Pledges and grants receivable as of December 31, 2023 and 2022, are as follows:

	2023	2022
Receivable in less than one year	\$ 722,898	\$ 3,217,313
Receivable in one to five years	22,800	191,448
Total pledges and grants receivable	745,698	3,408,761
Less allowance for doubtful accounts	10,000	10,000
Less discount on long-term receivables	1,000	8,434
Net pledges and grant receivable	<u>\$ 734,698</u>	<u>\$ 3,390,327</u>

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

Notes to Financial Statements

Note 6. Endowment

Restricted nonexpendable net position totaled \$5,315,851 and \$3,710,990 as of December 31, 2023 and 2022, respectively, with two new endowments established in 2021, the Immunotherapy and the Diversity in Research funds.

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, 2023 and 2022, is as follows:

	2023		
	Restricted Expendable	Restricted Nonexpendable	Total
Donor-restricted endowment funds	\$ -	\$ 5,315,515	\$ 5,315,515

	2022		
	Restricted Expendable	Restricted Nonexpendable	Total
Donor-restricted endowment funds	\$ -	\$ 3,710,990	\$ 3,710,990

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

Notes to Financial Statements

Note 6. Endowment (Continued)

The changes in endowment net position for the years ended December 31, 2023 and 2022, are as follows:

	2023		
	Restricted Expendable	Restricted Nonexpendable	Total
Endowment investments, beginning	\$ -	\$ 3,710,990	\$ 3,710,990
Investment gain, net	-	575,956	575,956
Contributions and additions	-	1,184,865	1,184,865
Appropriations	-	(156,296)	(156,296)
Endowment investments, ending	<u>\$ -</u>	<u>\$ 5,315,515</u>	<u>\$ 5,315,515</u>
	2022		
	Restricted Expendable	Restricted Nonexpendable	Total
Endowment investments, beginning	\$ 1,069	\$ 4,492,139	\$ 4,493,208
Investment gain, net	-	(653,264)	(653,264)
Contributions and additions	-	29,425	29,425
Appropriations	(1,069)	(157,310)	(158,379)
Endowment investments, ending	<u>\$ -</u>	<u>\$ 3,710,990</u>	<u>\$ 3,710,990</u>

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires HHF to retain as a fund of perpetual duration. As of December 31, 2023, the original gift values of \$1,245,000 and the fair values of \$1,099,875 and the deficiencies of \$145,125 were reported in nonexpendable net assets. No nonexpendable net assets were below original gift value in 2022. These deficiencies, which HHF believes are temporary, resulted from unfavorable market fluctuations. Appropriations during the year ended December 31, 2023, were made in accordance with the board of trustees underwater fund policy.

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, 2023 and 2022, salaries and benefits paid by HHS totaled \$3,182,563 and \$2,938,031, respectively.

HHS provides computer usage, office supplies and professional services utilized by HHF, which totaled \$555,545 and \$661,715 for the years ended December 31, 2023 and 2022, 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 \$204,011 and \$214,689 for the years ended December 31, 2023 and 2022, respectively.

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

Notes to Financial Statements

Note 7. Related-Party Transactions (Continued)

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, 2023 and 2022, HHF distributed \$5,080,758 and \$10,440,167, 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 \$42,338 and \$99,832 to HHRI for the years ended December 31, 2023 and 2022, respectively.

Due to/due from related party: As of December 31, 2023 and 2022, HHF owed HHS \$351,060 and \$934,960, respectively.

The County owed HHF \$41,876 and \$48,583 as of December 31, 2023 and 2022, respectively.

HHF owed HHRI \$48,821 and \$87,183 as of December 31, 2023 and 2022, respectively.