



San Antonio Medical Foundation

Financial Statements

For the Years Ended December 31, 2015 and 2014

San Antonio Medical Foundation

Financial Statements
For the Years Ended December 31, 2015 and 2014

San Antonio Medical Foundation

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Independent Auditor's Report

Board of Trustees
San Antonio Medical Foundation
San Antonio, Texas

We have audited the accompanying financial statements of San Antonio Medical Foundation (the Foundation), which comprise the Statements of Financial Position as of December 31, 2015 and 2014, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

June 7, 2016

Financial Statements

San Antonio Medical Foundation

Statements of Financial Position

<i>December 31,</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 788,077	\$ 530,346
Accounts receivable	22,175	-
Investments	6,815,884	7,024,492
Land	6,863,067	6,783,841
Land improvements, net	2,272,521	2,310,385
Furniture and equipment, net	46,589	52,376
Other assets	20,000	250
Total Assets	\$ 16,828,313	\$ 16,701,690
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,161	\$ 3,630
Grants payable	75,000	256,000
Deferred revenue	-	28,687
Total Liabilities	77,161	288,317
Net Assets		
Unrestricted:		
Board-designated for mission-related activities	500,000	500,000
Board-designated - operating reserve	750,000	750,000
Invested in property and equipment	9,182,177	9,146,602
Undesignated	5,346,092	4,981,525
Total Unrestricted	15,778,269	15,378,127
Temporarily restricted	466,628	528,991
Permanently restricted	506,255	506,255
Total Net Assets	16,751,152	16,413,373
Total Liabilities and Net Assets	\$ 16,828,313	\$ 16,701,690

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

San Antonio Medical Foundation
Statements of Activities and Changes in Net Assets

<i>Years ended December 31,</i>	2015	2014
Changes in Unrestricted Net Assets		
Revenue, Gains, and Other Support		
Contributions	\$ 78,999	\$ 63,024
In-kind contributions	37,830	42,929
Administrative fees	130,646	82,163
Easement fees	-	131,190
Lease income, net of direct expenses of \$24,388 for 2015 and \$19,785 for 2014	1,173,854	1,152,063
Fair value of leases in excess of lease rates	1,595,920	1,414,526
Interest and dividends	118,273	126,205
Realized and unrealized (loss) gain on investments	(285,935)	78,774
Net assets released from restrictions	30,000	10,000
Total Revenue, Gains, and Other Support	2,879,587	3,100,874
Expenses		
Program:		
Fair value of leases in excess of lease rates	1,595,920	1,414,526
Other	685,358	1,196,390
General and administrative	167,870	162,245
Fundraising	30,297	27,585
Total Expenses	2,479,445	2,800,746
Changes in Unrestricted Net Assets	400,142	300,128
Changes in Temporarily Restricted Net Assets		
Dividends and interest	18,901	12,297
Realized and unrealized (loss) gain on investments	(51,264)	1,211
Net assets released from restrictions	(30,000)	(10,000)
Changes in Temporarily Restricted Net Assets	(62,363)	3,508
Change in Net Assets	337,779	303,636
Net Assets, beginning of the year	16,413,373	16,109,737
Net Assets, end of year	\$ 16,751,152	\$ 16,413,373

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

San Antonio Medical Foundation

Statements of Functional Expenses

<i>Year ended December 31, 2015</i>	Program	General and Administrative	Fundraising	Total
Compensation	\$ 244,829	\$ 38,500	\$ 14,912	\$ 298,241
Consultants	510	34,536	-	35,046
Depreciation expense	32,738	8,730	2,183	43,651
Fair value of leases in excess of lease rates	1,595,920	-	-	1,595,920
Donations:				
Other	19,000	300	-	19,300
Wellness Coalition in-kind contribution	7,844	-	-	7,844
Insurance	8,887	2,948	-	11,835
Legal	3,500	-	-	3,500
Office:				
Other	-	26,899	-	26,899
In-kind office rent	22,789	5,098	2,099	29,986
Promotion	32,131	8	11,103	43,242
Properties maintenance	44,887	-	-	44,887
Health Issues Event	20,021	-	-	20,021
Medical Center Alliance	100,000	-	-	100,000
Trustee meetings	13,958	3,489	-	17,447
Wellness Coalition of San Antonio	100,000	-	-	100,000
Healthy Kids Initiative	34,264	-	-	34,264
Investment Management Fees	-	47,362	-	47,362
Total Expenses	\$ 2,281,278	\$ 167,870	\$ 30,297	\$ 2,479,445
<i>Year ended December 31, 2014</i>				
Compensation	\$ 228,624	\$ 36,237	\$ 13,940	\$ 278,801
Consultants	-	23,473	-	23,473
Depreciation expense	31,174	8,313	2,078	41,565
Fair value of leases in excess of lease rates	1,414,526	-	-	1,414,526
Donations:				
Other	32,000	300	-	32,300
Wellness Coalition in-kind contribution	15,689	-	-	15,689
Insurance	9,056	2,991	-	12,047
Legal	9,764	-	-	9,764
Office:				
Other	-	24,022	-	24,022
In-kind office rent	20,702	4,631	1,907	27,240
Promotion	27,410	2,503	9,660	39,573
Properties maintenance	51,800	-	-	51,800
Health Issues Event	2,326	-	-	2,326
Medical Center Alliance	100,000	-	-	100,000
Trustee meetings	8,845	8,845	-	17,690
Wellness Coalition of San Antonio	100,000	-	-	100,000
General Grants	559,000	-	-	559,000
Investment Management Fees	-	50,930	-	50,930
Total Expenses	\$ 2,610,916	\$ 162,245	\$ 27,585	\$ 2,800,746

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

San Antonio Medical Foundation

Statements of Cash Flows

<i>Years ended December 31,</i>	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ 337,779	\$ 303,636
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,651	41,565
Realized and unrealized loss(gain) on investments	337,199	(79,985)
(Increase) Decrease in accounts receivable	(22,175)	45,924
(Increase) Decrease in other assets	(19,750)	2,381
Increase (Decrease) in accounts payable and accrued liabilities	(1,469)	(580)
(Decrease) Increase in grants payable	(181,000)	256,000
(Decrease) Increase in deferred revenue	(28,687)	13,407
Net cash provided by operating activities	465,548	582,348
Cash Flows from Investing Activities		
Proceeds from sale/maturity of investments	405,959	261,894
Purchase of investments	(534,550)	(620,966)
Purchase of land improvements	(79,226)	(23,199)
Purchase of furniture and equipment	-	(1,229)
Net cash (used in) investing activities	(207,817)	(383,500)
Net Increase in Cash	257,731	198,848
Cash and Cash Equivalents, beginning of year	530,346	331,498
Cash and Cash Equivalents, end of year	\$ 788,077	\$ 530,346

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

San Antonio Medical Foundation

Notes to Financial Statements

1. Organization Purpose and Summary of Significant Accounting Policies

Organization Purpose

San Antonio Medical Foundation (the Foundation) is a nonprofit foundation organized under the laws of the state of Texas and operated for charitable, scientific, and educational purposes. The mission of the Foundation is to improve health care, advance biomedical science, and enhance community well-being, by providing leadership and active stewardship of land and other assets.

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting, which follows accounting principles generally accepted in the United States of America (GAAP).

Basis of Reporting

The Foundation's net assets are reported in the accompanying financial statements as described below:

Unrestricted - Portion of the net assets that are not subject to donor-imposed restrictions. Donor solicitations are to support the general purpose for which the Foundation was formed and, as such, all contributions are considered unrestricted for purposes of these financial statements.

Temporarily Restricted - Portion of the net assets that are subject to donor-imposed and/or time restrictions. When the restriction is met, the temporarily restricted net assets are reclassified as unrestricted net assets. Donor-restricted contributions, whose restrictions are met within the same year as received, are reported as unrestricted contributions.

Permanently Restricted - Portion of the net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled by a statement or otherwise removed by actions of the Foundation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, all highly liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents.

Investments

Investments are recorded at fair value based on quoted market prices in active markets.

San Antonio Medical Foundation

Notes to Financial Statements

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

Fair Value of Financial Instruments

The Foundation's financial instruments consist principally of cash and cash equivalents and short- and long-term marketable securities. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 - Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The fair value of the majority of the Foundation's cash equivalents and marketable securities was determined based on "Level 1" inputs. The Foundation believes that the recorded values of all the other financial instruments approximate their current fair values because of their nature and relatively short maturity dates or durations.

Property and Equipment

The Foundation follows the practice of capitalizing all purchases of land, building, and equipment in excess of \$1,000. Property and equipment are stated at cost if purchased, or at fair value at the date of contribution. Depreciation on building improvements and land improvements is calculated using the straight-line method over the estimated useful lives of the assets, which range from 15 to 40 years. Depreciation on furniture, fixtures, and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years. Land is held as estimated cost and no depreciation is recorded.

San Antonio Medical Foundation

Notes to Financial Statements

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

Contributions and Revenue Recognition

The Foundation reports all contributions as unrestricted support unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes, are reported as temporarily restricted support. Contributions are recorded as revenue upon receipt of the gift or receipt of an unconditional promise to give - whichever comes first.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Permanently restricted contributions are held in perpetuity. As specified by the donor, earnings from permanently restricted contributions are temporarily restricted until expensed for community healthcare needs.

In-kind contribution revenue is recognized for the value of certain ground leases, as explained in note 7 to these financial statements. Lease income is recognized in the period earned, with any advance payments by tenants recorded as deferred revenue.

Functional Expenses

These expenses have been allocated by specific identification and are allocated to the programs and activities to which they relate.

Income Taxes

The Foundation is a not-for-profit, Section 501(c)(3) organization. The Foundation accounts for uncertain tax positions, when applicable, through the provisions of ASC 740-10-25. Under ASC 740-10-25, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. At December 31, 2015, no uncertain tax positions have been identified, and the Foundation is no longer subject to tax examinations by tax authorities for the years prior to 2012. If applicable, interest and penalties related to uncertain tax positions will be recognized in income tax expense. For the years ended December 31, 2015 and 2014, the Foundation did not recognize any related interest or penalties.

Reclassifications

Certain amounts in the prior years presented have been reclassified to conform to the current year financial statement presentation. The reclassifications have no effect on previously reported changes in net assets.

San Antonio Medical Foundation

Notes to Financial Statements

2. Concentration of Risk

The Foundation maintains multiple bank accounts at certain financial institutions in San Antonio, Texas. From time to time, certain account balances exceeded the Federal Deposit Insurance Corporation (FDIC) insured maximum. The Foundation monitors the credit worthiness of these financial institutions to avoid unnecessary exposure to risk. Cash at December 31, 2015 and 2014 exceeded the FDIC limit by \$542,881 and \$249,907, respectively.

3. Investments

At December 31, the cost and fair value of investments were as follows:

2015	Fair Value	Cost
Money market funds	\$ 271,631	\$ 271,631
Fixed income mutual funds	626,756	658,603
Fixed income bonds	1,742,476	1,766,312
Fixed income ETFs	176,331	176,951
Common stocks	1,526,839	1,355,012
Equity mutual funds	1,890,744	2,032,633
Equity ETFs	581,107	613,023
Total	\$ 6,815,884	\$ 6,874,165

2014	Fair Value	Cost
Money market funds	\$ 239,761	\$ 239,761
Fixed income mutual funds	569,185	573,270
Fixed income bonds	1,751,501	1,736,924
Fixed income ETFs	253,351	254,689
Common stocks	1,656,004	1,322,505
Equity mutual funds	1,968,642	1,932,805
Equity ETFs	586,048	567,684
Total	\$ 7,024,492	\$ 6,627,638

San Antonio Medical Foundation

Notes to Financial Statements

4. Fair Values of Financial Instruments

In accordance with the fair value hierarchy described in note 1, the following tables show the fair value of the Foundation's financial assets that are required to be measured at fair value as of December 31:

<i>2015</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 271,631	\$ -	\$ -	\$ 271,631
Fixed income mutual funds	626,756	-	-	626,756
Fixed income bonds	1,742,476	-	-	1,742,476
Fixed income ETFs	176,331	-	-	176,331
Common stocks	1,526,839	-	-	1,526,839
Equity mutual funds	1,890,744	-	-	1,890,744
Equity ETFs	581,107	-	-	581,107
Total Assets at Fair Value	\$ 6,815,884	\$ -	\$ -	\$ 6,815,884

<i>2014</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 239,761	\$ -	\$ -	\$ 239,761
Fixed income mutual funds	569,185	-	-	569,185
Fixed income bonds	1,751,501	-	-	1,751,501
Fixed income ETFs	253,351	-	-	253,351
Common stocks	1,656,004	-	-	1,656,004
Equity mutual funds	1,968,642	-	-	1,968,642
Equity ETFs	586,048	-	-	586,048
Total Assets at Fair Value	\$ 7,024,492	\$ -	\$ -	\$ 7,024,492

San Antonio Medical Foundation

Notes to Financial Statements

5. Land and Improvements

At December 31, land included the carrying value of remaining acreage held by the Foundation. This land and its improvements represent approximately 287 undeveloped acres acquired from the following:

Land	2015	2014
Five Oaks, Inc.	\$ 71,030	\$ 71,030
Earl and Gladys Cooper	298,798	298,798
Florence B. McAlpine	80,712	69,388
Boyce Gaskin, Inc.	465,337	397,435
Norman and Avram Jacobson (Fawn Meadow)	2,367,921	2,367,921
RTC	31,756	31,756
Fannie Lee Denman	716,634	716,634
Cinnamon Hill	673,377	673,377
Valley Green Joint Venture (Fawn Meadow)	122,630	122,630
Maness Property	457,904	457,904
Hamilton Wolfe easement	1,576,968	1,576,968
Total Land	\$ 6,863,067	\$ 6,783,841

Land Improvements	2015	2014
Sewer project	\$ 79,375	\$ 79,375
Five Oaks	194,564	194,564
Gaskin	209,298	209,298
Landscaping - Ewing Halsell and Wurzbach	9,079	9,079
Cooper	167,363	167,363
Health Resources Cluster Project	228,645	228,645
Sid Katz Drive extension	154,121	154,121
Access road - Aldo's property improvements	10,379	10,379
Floyd Curl	906,127	906,127
Depreciable Improvements:		
Maness House	95,020	95,020
Denman House	82,870	82,870
Other:		
Aldo's property improvements	169,803	169,803
Walking trail	342,978	342,978
Total Land Improvements before Depreciation	2,649,622	2,649,622
Less: Accumulated depreciation	(377,101)	(339,237)
Net Land Improvements	\$ 2,272,521	\$ 2,310,385

San Antonio Medical Foundation

Notes to Financial Statements

6. Furniture and Equipment

At December 31, the Foundation had the following furniture and equipment:

	2015		2014
Furniture and Equipment			
Furniture and fixtures	\$ 8,431	\$	8,431
Equipment	16,940		16,940
Trail exercise equipment	61,657		61,657
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Total Furniture and Equipment before Depreciation	87,028		87,028
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Less: Accumulated depreciation	(40,439)		(34,652)
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Net Furniture and Equipment	\$ 46,589	\$	52,376

7. Value of Leases in Excess of Lease Rates

The Foundation arranges for leases of its property to organizations serving the San Antonio and South Texas community that strengthen the Medical Center. For purposes of determining the economic effect of these leases, the annual contributory value of ground leases, as estimated in a restricted appraisal report prepared by real estate appraisers, has been used to determine this economic benefit. The value of these leases, in excess of lease rates charged for the years ended December 31, 2015 and 2014, totaled \$1,595,920 and \$1,414,526, respectively. The estimated value of the leases is revalued every five years.

8. Office Lease

The Foundation pays no rent for its office space, but recognizes the fair value of the rent as in-kind contribution income and as in-kind office rent expense. These amounts totaled \$29,986 in 2015 and \$27,240 in 2014.

9. Leases to Others

In addition to leasing its land to various nonprofit institutions at nominal cost to the lessee, the Foundation leases a portion of its land to commercial businesses (some of which are medically affiliated).

The lease agreements contain minimum annual rental payments, with some leases having periodic adjustments based on the consumer price index. One lease generates additional lease payments based on a percentage of sales above a certain threshold. The leases vary in duration from month-to-month to 30 years, with most having renewable options. Some permit and zoning costs incurred by certain tenants during construction are refunded to the tenants by credits against future rental payments.

San Antonio Medical Foundation

Notes to Financial Statements

9. Leases to Others (Continued)

Approximate minimum payments to be received under non-cancelable long-term operating leases for the next five years, net of refundable credits, are as follows:

2016	\$ 1,138,463
2017	1,019,636
2018	1,019,636
2019	999,636
2020	999,636

10. Contingencies and Commitments

On July 1, 2002, the Foundation entered into an Infrastructure Participation Agreement (the Agreement) with the Medical Center Alliance for the purpose of planning and managing capital improvement initiatives within the Medical Center. The Agreement had a term of two years and automatically renews unless terminated. A two-year advance notice is required for termination of the Agreement. In 2015 and 2014, the Foundation paid \$100,000 per year under the Agreement. Future maximum assessments under the Agreement total \$100,000 in 2016.

The Foundation conditionally agreed to provide financial and in-kind support to an organization known as Wellness Coalition of San Antonio. The support agreement is for \$100,000 per year for 2014, 2015 and 2016.

The Foundation awarded Clarity Child Guidance Center (CCGC) a three-year grant in the amount of \$225,000 (\$75,000 for each of 2014, 2015, and 2016). The CCGC provides care for children's mental health from ages 3 to 17. The grant will help fund a capital building addition to include an additional 20 beds, along with space for additional inpatient services, to help meet a bed deficit in the region. Amounts due in future years are included in grants payable.

The foundation has conditionally committed to fund up to \$200,000 (to be paid in increments of \$100,000 or \$50,000) over a period of three years to the Ecumenical Center to be used for the meditation garden and future stages of the outdoor therapy areas and spaces. The payments of these grant amounts are contingent upon the Ecumenical Center raising matching funds. As of December 31, 2015 no amounts have been earned or recorded.

The Foundation has a line-of-credit with Broadway National Bank for \$3,000,000. The line-of-credit is renewed annually with interest payments due monthly. The expiration date and interest rate will be determined at the time the line-of-credit is used. The Foundation had no draws under the line-of-credit at December 31, 2015 and 2014.

San Antonio Medical Foundation

Notes to Financial Statements

11. Employee Retirement Plans

The Foundation has a simplified employee pension plan (the Plan) available to employees who are at least 18 years old and have completed six months of service. The cost of the Plan to the Foundation is a percentage of annual compensation as agreed to by the Board of Directors. Plan expense was \$35,148 and \$32,509 for the years ended December 31, 2015 and 2014, respectively.

The Foundation sponsors a 403(b) defined contribution plan. Contributions are made by the employees only and, therefore, there is no contribution by the Foundation.

12. Restricted Net Assets

Restricted net assets at December 31 were as follows:

	2015	2014
Temporarily Restricted		
Community healthcare needs	\$ 466,628	\$ 528,991
Permanently Restricted		
Methodist Hospital Foundation Endowment and other restricted contributions for community healthcare needs	\$ 506,255	\$ 506,255

13. Net Assets Released from Restrictions

Temporarily restricted net assets were released for the following purposes at December 31:

	2015	2014
Purpose Restrictions Accomplished		
Community healthcare needs	\$ 30,000	\$ 10,000

San Antonio Medical Foundation

Notes to Financial Statements

14. Endowment Funds

General Information

At December 31, 2015, the Foundation maintains approximately \$984,000 of endowment funds established for community healthcare needs. These endowments consist of both donor-restricted endowment contributions and accumulated earnings on those funds. The donor-restricted endowment funds fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the state of Texas with an effective date of September 1, 2007. This policy defines the Foundation's interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

Background

In July, 2006, the Uniform Law Commission (ULC) approved UPMIFA as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), which governed the investment and management of donor-restricted endowment funds by not-for-profit organizations. The major change of the new law is that UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund when there are no explicit donor stipulations. These guidelines require the organization to determine what constitutes prudent spending based upon consideration of the donor's intent that the endowment fund continues permanently, the purpose of the fund, and relevant economic factors. UPMIFA emphasizes the perpetuation of the purchasing power of the fund, not just the original dollars contributed to the fund.

Although UPMIFA does not require that a specified amount be set aside as principal, it assumes that an organization will preserve "principal" by maintaining the purchasing power of amounts contributed and will spend "income" by making distributions using a reasonable spending rate.

Endowment "Principal" Interpretation

The Foundation has interpreted UPMIFA 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, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment (the Principal). The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investment Objectives

Endowment investments were managed by SAAF through June 2014, based upon the investment policy described in the agreement between SAAF and the Foundation, and approved by the Board of Trustees of the Foundation. Endowment investments were transferred to USAA Trust Services and were managed by USAA beginning on July 2014, which was approved by the Board of Trustees of the Foundation in order to more appropriately align the investment mix with the Foundation's investment policy.

San Antonio Medical Foundation

Notes to Financial Statements

14. Endowment Funds (Continued)

Endowment Investment Objectives (Continued)

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.

Endowment "Income" Appropriation (Spending Policy)

The Foundation accrues capital appreciation or depreciation (realized and unrealized gains or losses) on endowment investments. Earned investment income (i.e. dividends and interest) is generally appropriated.

When the fair market value of the fund exceeds the permanently restricted amount, up to 5% of the fair market value may be appropriated in any year. This is calculated on the basis of market values determined at least quarterly, and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is to be made. These funds may only be appropriated and distributed in accordance with donor use restrictions.

In accordance with UPMIFA, in all its endowment spending activity, the Foundation will consider the following factors in making a determination to appropriate (spend) 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 and investment market 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, and
7. The investment policies of the Foundation

San Antonio Medical Foundation

Notes to Financial Statements

14. Endowment Funds (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

	Temporarily Restricted	Permanently Restricted		Total
Donor-restricted endowment funds	\$ 466,628	\$ 506,255	\$	972,883

Changes in Endowment Net Assets for the Year Ended December 31, 2015

	Temporarily Restricted	Permanently Restricted		Total
Endowment net assets, beginning of year	\$ 528,991	\$ 506,255	\$	1,035,246
Investment Return				
Interest and dividends	18,901	-		18,901
Net appreciation (realized and unrealized)	(51,264)	-		(51,264)
Total Investment Return	(32,363)	-		(32,363)
Contributions				
Appropriations of endowment assets for expenditure	(30,000)	-		(30,000)
Endowment Net Assets, End of Year	\$ 466,628	\$ 506,255	\$	972,883

San Antonio Medical Foundation

Notes to Financial Statements

14. Endowment Funds (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 528,991	\$ 506,255	\$ 1,035,246

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 525,483	\$ 506,255	\$ 1,031,738
Investment Return			
Interest and dividends	12,297	-	12,297
Net appreciation (realized and unrealized)	1,211	-	1,211
Total Investment Return	13,508	-	13,508
Contributions	-	-	-
Appropriations of endowment assets for expenditure	(10,000)	-	(10,000)
Endowment Net Assets, End of Year	\$ 528,991	\$ 506,255	\$ 1,035,246

15. Subsequent Events

The Foundation's management has evaluated events subsequent to December 31, 2015 and through June 7, 2016, which is the date the financial statements were available to be issued. Subsequent to year end, the Foundation entered into a purchase and sale agreement on one of their leased properties. Certain expenses are being capitalized during the due diligence process and will be recorded against any gain on sale of the property when completed.