



# San Antonio Medical Foundation

Financial Statements  
For the Years Ended December 31, 2016 and 2015

# **San Antonio Medical Foundation**

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Financial Statements  
For the Years Ended December 31, 2016 and 2015

# San Antonio Medical Foundation

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Tel: 210-342-8000  
Fax: 210-342-0866  
www.bdo.com

9901 IH-10, Suite 500  
San Antonio, TX 78230

## 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, 2016 and 2015, 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, 2016 and 2015, 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 6, 2017

## Financial Statements

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# San Antonio Medical Foundation

## Statements of Financial Position

<i>December 31,</i>	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 709,349	\$ 788,077
Accounts receivable	19,850	22,175
Investments	7,281,324	6,815,884
Land	6,914,118	6,863,067
Land improvements, net	2,234,157	2,272,521
Furniture and equipment, net	43,672	46,589
Other assets	29,477	20,000
<b>Total Assets</b>	<b>\$ 17,231,947</b>	<b>\$ 16,828,313</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,290	\$ 2,161
Grants payable	190,000	75,000
Deferred revenue	11,763	-
<b>Total Liabilities</b>	<b>204,053</b>	<b>77,161</b>
<b>Net Assets</b>		
<b>Unrestricted:</b>		
Board-designated for mission-related activities	500,000	500,000
Board-designated - operating reserve	750,000	750,000
Invested in property and equipment	9,191,947	9,182,177
Undesignated	5,611,328	5,346,092
<b>Total Unrestricted</b>	<b>16,053,275</b>	<b>15,778,269</b>
Temporarily restricted	468,364	466,628
Permanently restricted	506,255	506,255
<b>Total Net Assets</b>	<b>17,027,894</b>	<b>16,751,152</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,231,947</b>	<b>\$ 16,828,313</b>

*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>	2016	2015
<b>Changes in Unrestricted Net Assets</b>		
<b>Revenue, Gains, and Other Support</b>		
Contributions	\$ 73,375	\$ 78,999
In-kind contributions	40,100	37,830
Administrative fees	126,370	130,646
Lease income, net of direct expenses of \$20,956 for 2016 and \$24,388 for 2015	1,189,457	1,173,854
Fair value of leases in excess of lease rates	2,134,308	1,595,920
Interest and dividends	163,872	118,273
Realized and unrealized gain (loss) on investments	212,766	(285,935)
Net assets released from restrictions	48,500	30,000
<b>Total Revenue, Gains, and Other Support</b>	<b>3,988,748</b>	<b>2,879,587</b>
<b>Expenses</b>		
Program:		
Fair value of leases in excess of lease rates	2,134,308	1,595,920
Other	1,359,149	685,358
General and administrative	185,464	167,870
Fundraising	34,821	30,297
<b>Total Expenses</b>	<b>3,713,742</b>	<b>2,479,445</b>
<b>Changes in Unrestricted Net Assets</b>	<b>275,006</b>	<b>400,142</b>
<b>Changes in Temporarily Restricted Net Assets</b>		
Dividends and interest	23,621	18,901
Realized and unrealized (loss) gain on investments	26,615	(51,264)
Net assets released from restrictions	(48,500)	(30,000)
<b>Changes in Temporarily Restricted Net Assets</b>	<b>1,736</b>	<b>(62,363)</b>
<b>Change in Net Assets</b>	<b>276,742</b>	<b>337,779</b>
<b>Net Assets, beginning of the year</b>	<b>16,751,152</b>	<b>16,413,373</b>
<b>Net Assets, end of year</b>	<b>\$ 17,027,894</b>	<b>\$ 16,751,152</b>

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

# San Antonio Medical Foundation

## Statements of Functional Expenses

<i>Year ended December 31, 2016</i>	Program	General and Administrative	Fundraising	Total
Compensation	258,480	\$ 40,588	\$ 15,740	\$ 314,808
Consultants	3,799	46,019	-	49,818
Depreciation expense	33,177	8,847	2,212	44,236
Fair value of leases in excess of lease rates	2,134,308	-	-	2,134,308
Donations:				
Other	32,300	100	-	32,400
Insurance	8,890	3,130	-	12,020
Legal	26,996	-	-	26,996
Office:				
Other	-	36,452	-	36,452
In-kind office rent	30,476	6,817	2,807	40,100
Promotion	36,785	4,500	14,062	55,347
Properties maintenance	64,352	-	-	64,352
Health Issues Event	20,126	-	-	20,126
Medical Center Alliance	100,000	-	-	100,000
Bioscience Research Database	43,465	-	-	43,465
Collaborative Research Grants	262,250	-	-	262,250
Trustee meetings	15,303	3,826	-	19,129
Wellness Coalition of San Antonio	100,000	-	-	100,000
Healthy Kids Initiative	50,000	-	-	50,000
General Grants	272,750	-	-	272,750
Investment Management Fees	-	35,185	-	35,185
<b>Total Expenses</b>	<b>\$ 3,493,457</b>	<b>\$ 185,464</b>	<b>\$ 34,821</b>	<b>\$ 3,713,742</b>
 <i>Year ended December 31, 2015</i>				
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
General Grants	34,264	-	-	34,264
Investment Management Fees	-	47,362	-	47,362
<b>Total Expenses</b>	<b>\$ 2,281,278</b>	<b>\$ 167,870</b>	<b>\$ 30,297</b>	<b>\$ 2,479,445</b>

*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>	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 276,742	\$ 337,779
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,236	43,651
Realized and unrealized (gain) loss on investments	(239,381)	337,199
Change in operating assets and liabilities:		
Accounts receivable	2,325	(22,175)
Other assets	(9,477)	(19,750)
Accounts payable and accrued liabilities	129	(1,469)
Grants payable	115,000	(181,000)
Deferred revenue	11,763	(28,687)
<b>Net cash provided by operating activities</b>	<b>201,337</b>	<b>465,548</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale/maturity of investments	10,574,912	405,959
Purchase of investments	(10,800,971)	(534,550)
Purchase of land improvements	(51,051)	(79,226)
Purchase of furniture and equipment	(2,955)	-
<b>Net cash used in investing activities</b>	<b>(280,065)</b>	<b>(207,817)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(78,728)</b>	<b>257,731</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>788,077</b>	<b>530,346</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 709,349</b>	<b>\$ 788,077</b>

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

# San Antonio Medical Foundation

## Notes to Financial Statements

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### 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. Board designated amounts are considered unrestricted under GAAP.

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. Cash and equivalents that are part of long-term investments are shown within investments in accordance with the Foundation's policy.

# San Antonio Medical Foundation

## Notes to Financial Statements

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

#### *Investments*

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

#### *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. See Note 4.

#### *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

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### 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, 2016 and 2015, no uncertain tax positions have been identified. The Foundation is no longer subject to tax examinations by tax authorities for the years prior to 2013. If applicable, interest and penalties related to uncertain tax positions will be recognized in income tax expense. For the years ended December 31, 2016 and 2015, the Foundation did not recognize any related interest or penalties.

# San Antonio Medical Foundation

## Notes to Financial Statements

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

#### *Accounting Pronouncements issued but Not Yet Adopted or Currently in Effect*

##### *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

##### *Fair Value (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Equivalent)*

In May 2015, FASB issued ASU 2015-07, *Fair Value (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Equivalent)*, which allows for those entities that have elected the practical expedient to use the net asset value (NAV) as a measure of fair value and to no longer categorize these investments within the fair value hierarchy. The practical expedient criteria differ from the criteria used to categorize other fair value measurements within the hierarchy. A reporting entity should continue to disclose information on investments for which fair value is measured at NAV (or its equivalent) as a practical expedient to help users understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from NAV. The ASU is effective for the Foundation's fiscal years beginning after December 15, 2016, with early application permitted and should be applied retrospectively. The retrospective approach requires that an investment for which fair value is measured using the NAV practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Management is currently evaluating the impact of the ASU on its financial statements.

##### *Leases (Topic 842)*

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

# San Antonio Medical Foundation

## Notes to Financial Statements

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

#### *Accounting Pronouncements issued but Not Yet Adopted or Currently in Effect (Continued)*

##### Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include; (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Foundation's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their 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, 2016 and 2015 exceeded the FDIC limit by approximately \$470,000 and \$540,000, respectively. The Foundation did not incur any losses associated with this risk.

# San Antonio Medical Foundation

## Notes to Financial Statements

### 3. Investments

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

	2016	2015
Money market funds	\$ 302,864	\$ 271,631
Mutual funds	4,226,659	-
Corporate bonds	2,170,739	-
Municipal bonds	437,580	-
US treasury/agency securities	143,482	-
Fixed income mutual funds	-	626,756
Fixed income bonds	-	1,742,476
Fixed income ETFs	-	176,331
Common stocks	-	1,526,839
Equity mutual funds	-	1,890,744
Equity ETFs	-	581,107
<b>Total</b>	<b>7,281,324</b>	<b>\$ 6,815,884</b>

### 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:

<b>2016</b>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 302,864	\$ -	\$ -	\$ 302,864
Mutual funds	4,226,659	-	-	4,226,659
Corporate bonds	2,170,739	-	-	2,170,739
Municipal bonds	-	437,580	-	437,580
US treasury/agency securities	-	143,482	-	143,482
<b>Total Assets at Fair Value</b>	<b>\$ 6,700,262</b>	<b>\$ 581,062</b>	<b>\$ -</b>	<b>\$ 7,281,324</b>

# San Antonio Medical Foundation

## Notes to Financial Statements

### 4. Fair Values of Financial Instruments (Continued)

2015	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
<b>Total Assets at Fair Value</b>	<b>\$ 6,815,884</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,815,884</b>

### 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	2016	2015
Five Oaks, Inc.	\$ 71,030	\$ 71,030
Earl and Gladys Cooper	298,798	298,798
Florence B. McAlpine	131,763	80,712
Boyce Gaskin, Inc.	465,337	465,337
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
<b>Total Land</b>	<b>\$ 6,914,118</b>	<b>\$ 6,863,067</b>

# San Antonio Medical Foundation

## Notes to Financial Statements

### 5. Land and Improvements (Continued)

Land Improvements	2016	2015
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 improvements	82,870	82,870
Other:		
Aldo's property improvements	169,803	169,803
Walking trail	342,978	342,978
<b>Total Land Improvements before Depreciation</b>	<b>2,649,622</b>	<b>2,649,622</b>
<b>Less: Accumulated depreciation</b>	<b>(415,465)</b>	<b>(377,101)</b>
<b>Net Land Improvements</b>	<b>\$ 2,234,157</b>	<b>\$ 2,272,521</b>

### 6. Furniture and Equipment

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

	2016	2015
<b>Furniture and Equipment</b>		
Furniture and fixtures	\$ 10,163	\$ 8,431
Equipment	18,163	16,940
Trail exercise equipment	61,657	61,657
<b>Total Furniture and Equipment before Depreciation</b>	<b>89,983</b>	<b>87,028</b>
<b>Less: Accumulated depreciation</b>	<b>(46,311)</b>	<b>(40,439)</b>
<b>Net Furniture and Equipment</b>	<b>\$ 43,672</b>	<b>\$ 46,589</b>

# San Antonio Medical Foundation

## Notes to Financial Statements

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### 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, 2016 and 2015, totaled \$2,134,308 and \$1,595,920, 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 \$40,100 in 2016 and \$29,986 in 2015, which is included in in-kind contributions account on the statements of functional expenses.

### 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.

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:

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2017	\$	1,044,594
2018		1,044,594
2019		1,024,198
2020		1,024,198
2021		1,024,198

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# San Antonio Medical Foundation

## Notes to Financial Statements

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### 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 2016 and 2015, the Foundation paid \$100,000 per year under the Agreement. Future maximum assessments under the Agreement total \$100,000 in 2017.

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 2015 and 2016 which is included in other program expenses account on the statements of activities and changes in net assets.

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. The three-year grant has been fulfilled as of December 31, 2016.

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, 2016 conditions were met and the Foundation recorded \$100,000 in expenses, which is included in the other program expenses on the statements of activities and changes in net assets. There were no amounts earned or recorded in 2015.

The Foundation has committed to fund up to \$135,000 (to be paid in increments of \$45,000) over a period of three years to the Ronald McDonald House to be used for construction of certain amenities. Amounts due in future years are included in grants payable account in the statements of financial position.

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, 2016 and 2015.

### 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 \$35,655 and \$35,148 for the years ended December 31, 2016 and 2015, respectively, which is included in general and administrative account on the statements of activities and changes in net assets.

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.

# San Antonio Medical Foundation

## Notes to Financial Statements

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### 12. Restricted Net Assets

Restricted net assets at December 31 were as follows:

	2016	2015
Temporarily Restricted:		
Community healthcare needs	\$ 468,364	\$ 466,628
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:

	2016	2015
Purpose Restrictions Accomplished		
Community healthcare needs	\$ 48,500	\$ 30,000

### 14. Endowment Funds

#### *General Information*

At December 31, 2016, the Foundation maintains approximately \$955,000 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.

# San Antonio Medical Foundation

## Notes to Financial Statements

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### 14. Endowment Funds

#### *Background (Continued)*

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 USAA Trust Services beginning July 2014 through July 2016 at which time all investments were moved to Fidelity, 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.

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.

# San Antonio Medical Foundation

## Notes to Financial Statements

### 14. Endowment Funds (Continued)

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

#### *Endowment Net Asset Composition by Type of Fund as of December 31, 2016*

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 468,364	\$ 506,255	\$ 974,619

#### *Changes in Endowment Net Assets for the Year Ended December 31, 2016*

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 466,628	\$ 506,225	\$ 972,883
Investment Return			
Interest and dividends	23,621	-	23,621
Net appreciation (realized and unrealized)	26,615	-	26,615
Total Investment Return	50,236	-	50,236
Contributions			
Appropriations of endowment assets for expenditure	(48,500)	-	(48,500)
Endowment Net Assets, End of Year	\$ 468,364	\$ 506,255	\$ 974,619

# 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

### 15. Subsequent Events

The Foundation's management has evaluated events subsequent to December 31, 2016 and through June 6, 2017, which is the date the financial statements were available to be issued. Subsequent to year end, the Foundation closed on a purchase and sale agreement on one of their leased properties. Certain expenses were capitalized during the due diligence process and will be recorded against the gain on sale in the 2017 financial statements.