



San Antonio Medical Foundation and SAMF Fund

Consolidated Financial Statements
For the Years Ended December 31, 2018 and
2017

San Antonio Medical Foundation and SAMF Fund

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San Antonio Medical Foundation and SAMF Fund

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Independent Auditor's Report

Board of Trustees
San Antonio Medical Foundation and SAMF Fund
San Antonio, Texas

We have audited the accompanying consolidated financial statements of San Antonio Medical Foundation and SAMF Fund (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities and changes in net assets, consolidated functional expenses and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2018 and 2017, and the changes in their 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 10, 2019

Consolidated Financial Statements

San Antonio Medical Foundation
Consolidated Statements of Financial Position

<i>December 31,</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 544,734	\$ 531,341
Accounts receivable	42,936	-
Investments held for operations	12,247,902	12,837,163
Other assets	40,901	15,000
Land	6,667,457	6,786,669
Land improvements, net	2,222,982	2,193,444
Furniture and equipment, net	8,273	9,835
Investments held in perpetuity	997,426	1,075,600
Total Assets	\$ 22,772,611	\$ 23,449,052
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,674	\$ 2,161
Grants payable	-	45,000
Deferred revenue	12,163	25,848
Total Liabilities	13,837	73,009
Net Assets		
Without Donor Restrictions		
Board-designated for mission-related activities	500,000	500,000
Board-designated - operating reserve	750,000	750,000
Invested in property and equipment	8,898,712	8,989,948
Undesignated	11,612,636	12,060,495
Total Without Donor Restrictions	21,761,348	22,300,443
With Donor Restrictions	997,426	1,075,600
Total Net Assets	22,758,774	23,376,043
Total Liabilities and Net Assets	\$ 22,772,611	\$ 23,449,052

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

San Antonio Medical Foundation

Consolidated Statements of Activities and Changes in Net Assets

<i>Years ended December 31,</i>	2018	2017
Changes in Net Assets Without Donor Restrictions		
Revenue, Gains, and Other Support		
Contributions	\$ 57,850	\$ 61,822
In-kind contributions	49,750	47,910
Administrative fees	190,706	122,429
Lease income, net	1,094,050	1,121,647
Fair value of leases in excess of lease rates	2,341,977	2,132,375
(Loss) gain on sale of land	(26,310)	5,250,048
Gain on donation of land	-	6,175,613
Interest and dividends, net	267,787	215,432
Realized and unrealized (loss) gain on investments	(693,369)	1,083,814
Net assets released from restrictions	35,765	34,635
Total Revenue, Gains, and Other Support	3,318,206	16,245,725
Expenses		
Program:		
Fair value of leases in excess of lease rates	2,341,977	2,132,375
Donated land	-	6,200,000
Other	1,341,414	1,500,927
Total Program	3,683,391	9,833,302
General and administrative	140,563	131,766
Fundraising	33,347	33,489
Total Expenses	3,857,301	9,998,557
Changes in Net Assets Without Donor Restrictions	(539,095)	6,247,168
Changes in Net Assets With Donor Restrictions		
Dividends and interest	23,104	19,544
Realized and unrealized (loss) gain on investments	(65,513)	116,072
Net assets released from restrictions	(35,765)	(34,635)
Changes in Net Assets With Donor Restrictions	(78,174)	100,981
Change in Net Assets	(617,269)	6,348,149
Net Assets, beginning of the year	23,376,043	17,027,894
Net Assets, end of year	\$ 22,758,774	\$ 23,376,043

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

San Antonio Medical Foundation

Consolidated Statements of Functional Expenses

<i>Year ended December 31, 2018</i>	Program	General and Administrative	Fundraising	Total
Compensation	\$ 285,515	\$ 44,677	\$ 17,380	\$ 347,572
Consultants	-	38,357	-	38,357
Depreciation expense	33,251	8,867	2,217	44,335
Fair value of leases in excess of lease rates	2,341,977	-	-	2,341,977
Donations	25,750	400	-	26,150
Insurance	8,030	3,072	-	11,102
Legal	34,092	-	-	34,092
Office:				
Other	-	27,502	-	27,502
In-kind office rent	37,620	8,415	3,465	49,500
Promotion	31,014	4,500	10,285	45,799
Properties maintenance	46,184	-	-	46,184
Trustee meetings	19,093	4,773	-	23,866
Special event expense	11,321	-	-	11,321
Grants/ awards:				
Medical Center Alliance	100,000	-	-	100,000
Collaborative Research Grants	150,000	-	-	150,000
Healthy Kids Initiative	50,000	-	-	50,000
General grants	418,000	-	-	418,000
Marketing:				
Bioscience Research Database	2,520	-	-	2,520
STMC Awareness Campaign	89,024	-	-	89,024
Total Expenses	\$ 3,683,391	\$ 140,563	\$ 33,347	\$ 3,857,301
<i>Year ended December 31, 2017</i>				
Compensation	\$ 271,791	\$ 42,540	\$ 16,545	\$ 330,876
Consultants	-	44,061	-	44,061
Depreciation expense	33,277	8,874	2,218	44,369
Fair value of leases in excess of lease rates	2,132,375	-	-	2,132,375
Donated land	6,200,000	-	-	6,200,000
Donations	19,500	200	-	19,700
Insurance	8,890	3,037	-	11,927
Legal	5,383	-	-	5,383
Office:				
Other	-	21,528	-	21,528
In-kind office rent	36,411	8,145	3,354	47,910
Promotion	30,898	-	11,372	42,270
Properties maintenance	39,693	-	-	39,693
Trustee meetings	16,533	3,381	-	19,914
Special event expense	42,009	-	-	42,009
Grants/ awards:				
Medical Center Alliance	100,000	-	-	100,000
Collaborative Research Grants	403,750	-	-	403,750
Healthy Kids Initiative	51,000	-	-	51,000
General grants	125,000	-	-	125,000
Marketing:				
Bioscience Research Database	3,438	-	-	3,438
STMC Awareness Campaign	313,354	-	-	313,354
Total Expenses	\$ 9,833,302	\$ 131,766	\$ 33,489	\$ 9,998,557

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

San Antonio Medical Foundation
Consolidated Statements of Cash Flows

<i>Years ended December 31,</i>	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (617,269)	\$ 6,348,149
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	44,335	44,369
Realized and unrealized loss (gain) on investments	758,882	(1,199,886)
Loss (gain) on sale of land	26,310	(5,250,048)
Change in operating assets and liabilities:		
Accounts receivable	(42,936)	19,850
Other assets	(25,901)	14,477
Accounts payable and accrued liabilities	(487)	(129)
Grants payable	(45,000)	(145,000)
Deferred revenue	(13,685)	14,085
Net cash provided by (used in) operating activities	84,249	(154,133)
Cash Flows from Investing Activities		
Proceeds from sale/maturity of investments	498,675	284,414
Purchase of investments	(590,122)	(5,715,967)
Proceeds from sale of land	25,000	5,407,678
Purchase of furniture and equipment	(4,409)	-
Net cash used in investing activities	(70,856)	(23,875)
Net Increase (Decrease) in Cash and Cash Equivalents	13,393	(178,008)
Cash and Cash Equivalents, beginning of year	531,341	709,349
Cash and Cash Equivalents, end of year	\$ 544,734	\$ 531,341

Non-Cash Transactions

In December 2017, the Foundation donated a parcel of land with a carrying value of \$24,387. Gain on fair value of donated land amounting to \$6,175,613 which is offset by the fair value of the donation expense amounting to \$6,200,000 were included in the consolidated statements of changes in activities and changes in net assets.

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

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

1. Organization Purpose and Summary of Significant Accounting Policies

Organization Purpose

The San Antonio Medical Foundation (SAMF) 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.

SAMF Fund (Fund) is a nonprofit organization established in 2017 and was formed to support the charitable mission and purposes of SAMF. On January 1, 2018, certain real estate and investments were transferred from the SAMF to the Fund.

Basis of Presentation and Consolidation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements include the activities of SAMF and the Fund (collectively, the Foundation). All intercompany transactions have been eliminated in consolidation.

Basis of Reporting

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and mission related activities.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restriction. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulate purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of consolidated 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 consolidated 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 and SAMF Fund

Notes to Consolidated Financial Statements

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

Accounts Receivable

Accounts receivable represents amounts owed to the Foundation for leases. Management considers accounts receivable at December 31, 208 and 2017, to be fully collectible; accordingly no allowance for doubtful accounts has been recorded.

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 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, land improvements and furniture 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 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 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 at estimated cost and no depreciation is recorded.

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

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

Property and Equipment

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the assets. There were no indicators of asset impairment during the years ended December 31, 2018 and 2017, and accordingly, no impairment loss was recognized.

Contributions and Revenue Recognition

The Foundation reports all contributions as without donor restrictions 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 with donor restrictions. 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, with donor restrictions net assets are reclassified to without donor restrictions net assets and are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Administrative fees are recognized in the period earned.

In-kind contribution revenue is recognized for the value of certain ground leases, as explained in Note 8 to these financial statements. Lease income is recognized in the period earned, with any advance payments by tenants recorded as deferred revenue.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and consolidated statements of functional expenses. Accordingly, certain costs have been allocated between programs and supporting services benefited. The expenses that are allocated include depreciation and in-kind office rent which are allocated on a square footage basis, as well as compensation, promotion, special events and trustee meetings, which are allocated on the basis of estimates of time and effort. All other allocated costs are based on actual figures.

Income Taxes

The SAMF and Fund are not-for-profit, Section 501(c)(3) organizations. The SAMF and Fund account 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, 2018 and 2017, no uncertain tax positions have been identified. The SAMF and Fund are no longer subject to tax examinations by tax authorities for the years prior to 2015. If applicable, interest and penalties related to uncertain tax positions will be recognized in income tax expense. For the years ended December 31, 2018 and 2017, the SAMF and Fund did not recognize any related interest or penalties.

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

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

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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.

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.

Accounting Pronouncements Issued and Adopted

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

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

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

Accounting Pronouncements Issued and Adopted (Continued)

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

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 Foundation adopted the ASU for fiscal year ended December 31, 2018 and retroactively applied the standard to conform the December 31, 2017 presentation.

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, 2018 and 2017 exceeded the FDIC limit by approximately \$332,000 and \$470,000, respectively. The Foundation did not incur any losses associated with this risk.

3. Liquidity and Available Resources

Financial assets without donor or other restrictions limiting their use, and available for general expenditure within one year of statement of financial position date are comprised of the following:

Cash and cash equivalents	\$	544,734
Accounts receivable		42,936
Investments held for operations		12,247,902
Less: Board designated reserves		(1,250,000)

Total financial assets available to meet cash needs for general expenditure within one year	\$	11,585,572
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The Operating budget is approved annually by the Foundation's Executive Committee and Board. Adjustments to the budget during the year, if any, are also approved by the Executive Committee and/or Board. The Foundation regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As a part of the Foundation's liquidity management plan, cash in excess of \$300,000, if not required in the immediate future, are invested in accordance with the Board policy. The Board has designated \$750,000 for operating reserves and \$500,000 for mission related activities.

Annual income for SAMF comes primarily from long-term ground leases to mission-related entities and contributions. Ground leases have Consumer Price Index adjustments built in to stay current with inflation.

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

3. Liquidity and Available Resources (Continued)

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment fund are not available for general expenditures. See note 14.

4. Investments

At December 31, the fair value of investments, which are shown as investments held for operations and investments held in perpetuity in the consolidated statements of financial position, were as follows:

	2018	2017
Money market funds	\$ 397,099	\$ 393,714
Mutual funds	7,411,500	8,257,236
Corporate bonds	4,196,719	4,001,254
Municipal bonds	1,095,578	1,116,167
US treasury/agency securities	144,432	144,392
Total	\$ 13,245,328	\$ 13,912,763

5. 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>2018</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 397,099	\$ -	\$ -	\$ 397,099
Mutual funds	7,411,500	-	-	7,411,500
Corporate bonds	4,196,719	-	-	4,196,719
Municipal bonds	-	1,095,578	-	1,095,578
US treasury/agency securities	-	144,432	-	144,432
Total Assets at Fair Value	\$12,005,318	\$ 1,240,010	\$ -	\$ 13,245,328

<i>2017</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 393,714	\$ -	\$ -	\$ 393,714
Mutual funds	8,257,236	-	-	8,257,236
Corporate bonds	4,001,254	-	-	4,001,254
Municipal bonds	-	1,116,167	-	1,116,167
US treasury/agency securities	-	144,392	-	144,392
Total Assets at Fair Value	\$ 12,652,204	\$ 1,260,559	\$ -	\$ 13,912,763

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

6. Land and Improvements

Land included the carrying value of remaining acreage held by the Foundation. This land and its improvements represent approximately 206 undeveloped acres acquired from the following at December 31:

Land	2018	2017
Five Oaks, Inc.	\$ 55,618	\$ 55,618
Earl and Gladys Cooper	292,888	292,888
Florence B. McAlpine	28,701	28,701
Boyce Gaskin, Inc.	394,370	462,272
Norman and Avram Jacobson (Fawn Meadow)	2,348,367	2,367,921
RTC	-	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	\$ 6,667,457	\$ 6,786,669

Land Improvements	2018	2017
Sewer project	\$ 79,375	\$ 79,375
Five Oaks	194,564	194,564
Gaskin	277,201	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
Floyd Curl	906,127	906,127
Depreciable Improvements:		
Maness House	95,020	95,020
Denman improvements	82,870	82,870
Walking trail	342,978	342,978
Total Land Improvements before Depreciation	2,537,343	2,469,440
Less: Accumulated depreciation	(314,327)	(275,996)
Net Land Improvements	\$ 2,223,016	\$ 2,193,444

In February 2018, the Foundation sold a parcel of land with a carrying value of \$19,554. Gain on sale recognized in the consolidated statements of activities and changes in net assets amounted to \$5,446.

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

6. Land and Improvements (Continued)

In 2018, the Foundation disposed a parcel of land with carrying value of \$31,756. Loss on disposal recognized in the consolidated statements of activities and net assets amounted to \$31,756.

In April 2017, the Foundation sold a parcel of land and land improvements with a carrying value of \$133,243. Gain on sale recognized in the consolidated statements of activities and changes in net assets amounted to \$5,250,048 for the year ended December 31, 2017.

In December 2017, the Foundation donated a parcel of land with a carrying value of \$24,387 which had an appraised value of \$6,200,000. The gain on the donated land amounting to \$6,175,613, which was determined based on the level 3 input appraisal report. The gain and corresponding donation expense of \$6,200,000 were included in the consolidated statements of activities and changes in net assets.

7. Furniture and Equipment

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

	2018	2017
Furniture and fixtures	\$ 10,163	\$ 10,163
Equipment	22,571	18,163
Trail exercise equipment	61,657	61,657
Total Furniture and Equipment before Depreciation	94,391	89,983
Less: Accumulated depreciation	(86,152)	(80,148)
Net Furniture and Equipment	\$ 8,239	\$ 9,835

8. Fair 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. The Foundation records the economic benefit from these leases based on the appraisal reports prepared by real estate appraisers. These amounts estimate the fair value of the contributed leases. The value of these leases, in excess of lease rates charged for the years ended December 31, 2018 and 2017, totaled \$2,341,977 and \$2,132,375, respectively, which is included in fair value of leases in excess of lease rates account in the consolidated statements of activities and changes in net assets. The estimated value of the leases is revalued every five years at its fair value.

9. 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 \$49,500 in 2018 and \$47,910 in 2017, which is included in in-kind office rent account on the consolidated statements of functional expenses.

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

10. 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:

2018	\$	1,068,194
2019		1,068,194
2020		1,068,194
2021		1,068,194
2022		1,068,194

11. 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 2018 and 2017, the Foundation paid \$100,000 per year under the Agreement. Future maximum assessments under the Agreement total \$100,000 in 2019.

In 2015, the Foundation 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 were contingent upon the Ecumenical Center raising matching funds. As of December 31, 2018 and 2017, conditions were met and the Foundation recorded \$50,000 and \$100,000 in expenses, which is included in the other program expenses on the consolidated statements of activities and changes in net assets and also on general grants expenses on the statements of functional expenses. The three year agreement has been fulfilled as of December 31, 2018

In 2016, the Foundation 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. In 2018, the Foundation paid \$45,000, reducing the grants payable account in the prior year to zero. The three year agreement has been fulfilled as of December 31, 2018.

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 balance outstanding on the line-of-credit at December 31, 2018 and 2017.

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

12. 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 \$39,537 and \$37,117 for the years ended December 31, 2018 and 2017, respectively, which is included in general and administrative account on the consolidated 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.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

	2018	2017
Program activity	\$ 491,171	\$ 569,345
Endowment restricted in perpetuity	506,255	506,255
Total Net Assets With Donor Restrictions	\$ 997,426	\$ 1,075,600

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of events specified by the donors, or by a change in the restrictions specified by the donor. Amounts released from donor restrictions were as follows at December 31:

	2018	2017
Satisfaction of program restrictions	\$ 35,765	\$ 34,635

14. Endowment Funds

General Information

At December 31, 2018, the Foundation maintains approximately \$997,426 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.

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

14. Endowment Funds (Continued)

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 net assets with donor restrictions the original value of gifts donated to the endowment in perpetuity (the Principal). The remaining portion of the donor-restricted endowment fund that is not classified as held in perpetuity is classified as non-operating or without donor restrictions 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.

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

14. Endowment Funds (Continued)

Endowment "Income" Appropriation (Spending Policy) (Continued)

When the fair market value of the fund exceeds the amount restricted in perpetuity, 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

Endowment Net Asset Composition by Type of Fund as of December 31, 2018

	Without Donor Restrictions	With Donor Restrictions		Total
Donor-restricted endowment funds	\$ -	\$ 997,426	\$	997,426

Changes in Endowment Net Assets for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions		Total
Endowment net assets, beginning of year	\$ -	\$ 1,075,600	\$	1,075,600
Investment Return				
Interest and dividends	-	23,104		23,104
Net appreciation (depreciation)	-	(65,513)		(65,513)
Total Investment Return	-	(42,409)		(42,409)
Contributions				
Appropriations of endowment assets for expenditure	-	(35,765)		(35,765)
Endowment Net Assets, End of Year	\$ -	\$ 997,426	\$	997,426

San Antonio Medical Foundation and SAMF Fund

Notes to Consolidated Financial Statements

14. Endowment Funds (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,075,600	\$ 1,075,600

Changes in Endowment Net Assets for the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 974,619	\$ 974,619
Investment Return			
Interest and dividends	-	19,544	19,544
Net appreciation (realized and unrealized)	-	116,072	116,072
Total Investment Return	-	135,616	135,616
Contributions			
Appropriations of endowment assets for expenditure	-	(34,635)	(34,635)
Endowment Net Assets, End of Year	\$ -	\$ 1,075,600	\$ 1,075,600

15. Subsequent Events

The Foundation's management has evaluated events subsequent to December 31, 2018 and through June 10, 2019, which is the date the financial statements were available to be issued.