

**UNIVERSAL HEALTH CARE
FOUNDATION OF CONNECTICUT, INC.**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
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Maletta & Company

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Universal Health Care Foundation of CT, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Universal Health Care Foundation of CT, Inc., which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, statement of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Universal Health Care Foundation of CT, Inc. as of December 31, 2019 and 2018, and the changes in its net assets, statements of functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Maletta & Company", with a stylized flourish at the end.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
February 21, 2020

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	ASSETS	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 135,217	\$ 155,056
Investments	494,350	561,320
Prepaid expenses	18,023	31,305
Grants receivable	-	-
Other receivables	227,756	-
Total Current Assets	<u>875,346</u>	<u>747,681</u>
NONCURRENT ASSETS		
Investments	23,299,375	21,136,236
Property and equipment, net	21,335	34,054
Security deposit	5,000	5,000
Total Assets	<u>\$ 24,201,056</u>	<u>\$ 21,922,971</u>
LIABILITIES AND NET ASSETS		
	2019	2018
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 152,382	\$ 52,177
Grants payable	-	30,500
Accrued annual leave	26,172	28,420
Accrued payroll	21,898	17,707
Total Current Liabilities	<u>200,452</u>	<u>128,804</u>
Net Assets		
Without donor restrictions:		
Undesignated	700,029	645,309
Designated by the Board for quasi-endowment	23,299,375	21,136,236
	<u>23,999,404</u>	<u>21,781,545</u>
With Donor Restrictions:		
Purpose restrictions	1,200	12,622
	<u>1,200</u>	<u>12,622</u>
Total Net Assets	<u>24,000,604</u>	<u>21,794,167</u>
Total Liabilities and Net Assets	<u>\$ 24,201,056</u>	<u>\$ 21,922,971</u>

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
OPERATING REVENUES AND SUPPORT						
Investment return appropriated from quasi-endowment	\$ 1,310,680	\$ -	\$ 1,310,680	\$ 1,385,200	\$ -	\$ 1,385,200
Interest & dividend Income	18,238		18,238	10,146		10,146
Grant revenue	-	25,000	25,000	50,000	45,000	95,000
Contributions	27,506	5,000	32,506	75,579	5,000	80,579
Miscellaneous income	83		83	10,011		10,011
Net Assets released from restrictions	41,422	(41,422)	-	68,012	(68,012)	-
Total Operating Revenue and Support	1,397,929	(11,422)	1,386,507	1,598,948	(18,012)	1,580,936
OPERATING EXPENSES						
Management and general	187,202		187,202	219,436		219,436
Development	197,882		197,882	252,262		252,262
Public policy	916,895		916,895	980,194		980,194
Advocacy	39,561		39,561	53,373		53,373
Total Operating Expenses	1,341,540	-	1,341,540	1,505,265	-	1,505,265
RESULTS OF OPERATIONS	56,389	(11,422)	44,967	93,683	(18,012)	75,671

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENTS OF ACTIVITIES (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
NON-OPERATING REVENUES AND (EXPENSES)						
Investment Return, Net	\$ 3,473,818	\$ -	\$ 3,473,818	\$ (1,207,456)	\$ -	\$ (1,207,456)
Investment returns appropriated for current operations from quasi-endowment	(1,310,680)	-	(1,310,680)	(1,385,200)	-	(1,385,200)
Net Realized and Unrealized Gain/(Loss) on Investments	(1,668)	-	(1,668)	(2,627)	-	(2,627)
Total Non-Operating Revenue and (Expenses)	2,161,470	-	2,161,470	(2,595,283)	-	(2,595,283)
CHANGE IN NET ASSETS	2,217,859	(11,422)	2,206,437	(2,501,600)	(18,012)	(2,519,613)
NET ASSETS, BEGINNING OF YEAR	21,781,546	12,622	21,794,168	24,283,146	30,634	24,313,780
NET ASSETS, END OF YEAR	<u>\$ 23,999,404</u>	<u>\$ 1,200</u>	<u>\$ 24,000,604</u>	<u>\$ 21,781,546</u>	<u>\$ 12,622</u>	<u>\$ 21,794,167</u>

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Management & General	Development	Public Policy	Advocacy	Total
Wages	124,546	104,569	367,864	22,598	\$ 619,577
Payroll taxes	7,793	17,894	33,895	1,716	61,299
Fringe benefits	22,916	28,438	89,620	-	140,974
Conferences and seminars	263	1,223	5,459	-	6,945
Travel expenses	222	374	9,609	815	11,020
Board expenses	2,261	2,945	8,827	-	14,034
Grants	-	-	61,650	-	61,650
Legal Fees	644	805	2,516	-	3,966
Audit	2,194	2,742	8,564	-	13,500
Consultants	4,571	6,713	212,503	6,133	229,919
Legislative monitor	-	-	-	8,000	8,000
Technology	3,374	5,116	16,855	-	25,345
Printing and reproduction	23	29	2,360	-	2,413
Insurance	2,481	3,101	9,685	-	15,266
Facilities	11,464	14,328	44,755	-	70,547
Office operations	4,347	8,643	33,640	125	46,755
Meetings	104	962	2,592	174	3,832
Website	-	-	6,500	-	6,500
Total Expenses	<u>\$ 187,202</u>	<u>\$ 197,882</u>	<u>\$ 916,895</u>	<u>\$ 39,561</u>	<u>\$ 1,341,540</u>

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Management & General	Development	Public Policy	Advocacy	Total
Wages	\$ 122,323	\$ 151,106	\$ 382,656	\$ 10,488	\$ 666,573
Payroll taxes	9,588	11,844	29,992	822	52,246
Fringe benefits	44,047	33,560	132,142	-	209,749
Conferences and seminars	481	1,021	4,169	-	5,670
Travel expenses	142	1,708	12,654	722	15,225
Board expenses	14,862	-	-	-	14,862
Grants	-	-	85,594	-	85,594
Professional services	3,367	4,531	12,821	-	20,719
Consultants	-	2,450	118,836	1,276	122,563
Legislative monitoring	-	-	-	40,000	40,000
Technology	3,525	8,240	46,950	-	58,715
Recruitment	-	-	-	-	-
Printing and reproduction	392	9,350	3,330	-	13,072
Insurance	4,013	5,401	15,281	-	24,694
Facilities	11,526	15,512	43,890	-	70,927
Office operations	4,028	7,238	54,369	52	65,686
Meetings	1,143	303	6,311	-	7,757
Website	-	-	31,199	14	31,213
Total Expenses	<u>\$ 219,436</u>	<u>\$ 252,262</u>	<u>\$ 980,194</u>	<u>\$ 53,373</u>	<u>\$ 1,505,265</u>

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 2,206,437	\$ (2,519,613)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Depreciation	12,542	12,908
Unrealized (gain)/loss on investments	(1,668)	(2,627)
Net (Appreciation)/Depreciation in The Community	(2,163,138)	2,592,656
Foundation Investment Portfolio		
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expenses	13,282	(9,808)
(Increase) decrease in grants receivable	-	25,000
(Increase) decrease in other receivables	(227,756)	-
Increase (decrease) in accounts payable		
and accrued expenses	100,205	(29,620)
Increase (decrease) in grants payable	(30,500)	30,500
Increase (decrease) in accrued annual leave	(2,248)	(2,260)
Increase (decrease) in accrued payroll	4,191	2,715
Net Cash Provided by (Used in) Operating Activities	<u>(88,653)</u>	<u>99,851</u>
Cash Flows From Investing Activities:		
Purchases of property and equipment	-	-
Expense from disposal of property and equipment	177	-
Proceeds from sale of investments, net purchases	68,638	(71,445)
Net Cash Provided by (Used in) Investing Activities	<u>68,815</u>	<u>(71,445)</u>
Net Increase (Decrease) in Cash	(19,838)	28,406
Cash and Cash Equivalents, Beginning of Year	<u>155,056</u>	<u>126,650</u>
Cash and Cash Equivalents, End of Year	<u>\$ 135,217</u>	<u>\$ 155,056</u>

Cash paid for interest and income taxes was \$-0- for the years ended December 31, 2019 and 2018.

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 – NATURE OF ACTIVITIES

Universal Health Care Foundation of Connecticut, Inc. (UHCF) is a private, not-for-profit corporation established in 2000. UHCF was initially funded by a settlement from a lawsuit against Anthem Insurance Company over its merger with the not-for-profit Blue Cross and Blue Shield of Connecticut. UHCF's mission is to serve as a catalyst that engages people and communities in shaping a health system that provides universal access to quality care and promotes health in Connecticut. UHCF believes that health care is a fundamental right and that their work is part of a broader movement for social and economic justice.

The major activities of UHCF as reported in the accompanying Statements of Activities and Statements of Functional Expenses include:

Public Policy – research, education and grant making to support the achievement of universal access to quality, affordable health care; and

Advocacy – community organizing, coalition building, and grant making to increase community engagement in the achievement of universal access to quality, affordable health care.

UHCF is the supporting organization for the Connecticut Health Advancement & Research Trust, Inc., (CHART), which was established at the same time as UHCF. CHART is the sole member of UHCF, and selects all members of the board of directors for UHCF. The activities of UHCF described above serve to also fulfill the mission of CHART. In addition, UHCF may, from time to time, provide CHART with financial assistance in the form of in-kind donations, such as supplies or contracted services that benefit CHART as well as UHCF.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of UHCF is presented to assist in understanding UHCF's financial statements. The financial statements and notes are representations of UHCF's management, who are responsible for their integrity and objectivity.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted for not-for-profit organizations in the United States of America. Accordingly, the net assets of UHCF and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of UHCF's management and the board of directors, except for those assets contractually restricted by the regulatory agreement.

Net Assets with Donor Restrictions Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UHCF or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenues, including promises to give, are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor or grantor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decrease in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expirations of donor-imposed restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

Contributions - Contributions are recognized as revenues at the earlier of the receipt of an unconditional pledge or the receipt of cash or other assets received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

UHCF reports contributions as net assets with donor restrictions if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified as net assets without donor restrictions in the statement of activities. Donor-restricted contributions are initially reported as net assets with donor restrictions, even if it is anticipated that such restrictions will be met in the current reporting period.

Contributed Services and Materials - Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or; (2) require specialized skills provided by individuals possessing those skills and are services which would typically be purchased if not provided by donation, see Note 14.

Donated materials are recorded at their fair value at the date of receipt. UHCF reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, UHCF reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

Government Grants – Government grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

Entitlement to cost reimbursement grants and contracts is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance-based grants and contracts are conditioned on the attainment of specific performance goals and, therefore, support is recognized to the extent of performance achieved. Grant and contract receipts in excess of support recognized are presented as deferred grant support.

The amount of unexpended government grant funds is determined each year in accordance with the terms and conditions of the respective grant agreements and approved budgets. Surpluses so determined revert to the grantors and are returned in the subsequent year unless the funding source approves an alternative use for the funds. Any surplus would be classified as a current liability.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Tax Structure

Under provisions of the U.S. Internal Revenue Code, section 501(C)(3), UHCF is exempt from taxes on income, other than unrelated business income, and accordingly does not record a provision for income taxes on its related earnings. UHCF regularly reviews and evaluates its tax positions taken in previously filed informational returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based on the technical merits of such positions. Therefore, UHCF has concluded that no tax benefits or liabilities are required to be recognized.

For the years ended December 31, 2019 and 2018, UHCF did not have any unrelated business income. In addition, UHCF qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Cash and Cash Equivalents

UHCF considers demand deposits, short-term certificates of deposit, short-term highly liquid investments, and other investments with original maturity dates of three months or less at the date of purchase to be cash equivalents, except those held in investment accounts as part of UHCF's overall investment strategy.

UHCF's cash balances are insured by the Federal Deposit Insurance Corporation and/or National Credit Union Administration. At times, these balances may exceed the Federal insurance limits; however, UHCF has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2019 and 2018.

Investments

Investments in all publicly traded stock and fixed income securities are recorded at fair market value generally determined on the basis of quoted market values. Purchases and sales of securities are reflected on a trade-date basis. Realized gains and losses on sales of securities are based on average cost.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Expenses are recorded directly to program services or management and general categories based on specific identification. Certain costs have been allocated among program services and management and general categories.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wages, payroll taxes, benefits which are allocated on time and effort, as well as, conference & seminars, board expenses, professional services, technology, printing & reproduction, facilities and office operations, which are allocated on the basis of estimates of full time equivalents.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Advertising Expense

Advertising costs are expensed as they are incurred and are included in Communications in the accompanying Statements of Functional Expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

NOTE 3 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Cash and cash equivalents	\$ 135,217	\$ 155,056
Operating investments	494,350	561,320
Quasi-endowment spending-rate	1,386,644	1,310,673
	<u>\$ 2,016,211</u>	<u>\$ 2,027,049</u>

Our board-designated quasi-endowment of \$23,527,045 and \$21,136,236, respectively for the years ended December 31, 2019 and 2018 is subject to an annual spending rate of between 7 and 5 percent as described in Note 6. Although we do not intend to spend from this board-designated quasi-endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term operating investments.

NOTE 4 – INVESTMENTS

UHCF maintains investments in multiple investment management accounts. Investments in stocks and fixed income securities are valued based upon quoted market prices. Investments are subject to market fluctuations. The following schedule summarizes the investment balances (including accrued income) by investment managers as of December 31, 2019 and 2018.

	2019	
	Cost	Fair Value
The Community Foundation	\$ 20,696,266	\$ 23,299,375
PIMCO Funds	482,881	494,350
Totals	<u>\$ 21,179,147</u>	<u>\$ 23,793,725</u>

	2018	
	Cost	Fair Value
The Community Foundation	\$ 21,623,689	\$ 21,136,236
PIMCO Funds	548,359	561,320
Totals	<u>\$ 22,172,048</u>	<u>\$ 21,697,556</u>

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 – INVESTMENTS (CONT'D)

The following schedule summarizes net investment income for the years ended December 31, 2019.

	2019
Dividend income	\$ 98,493
Realized gain on sale of investments	495,488
Unrealized gain/(loss) on investments	3,089,070
Investment fees	(192,485)
Net investment income	<u>\$ 3,490,566</u>

The following schedule summarizes net investment income for the year ended December 31, 2018.

	2018
Dividend income	\$ 127,904
Realized gain on sale of investments	1,329,312
Unrealized gain/(loss) on investments	(2,480,836)
Investment fees	(176,317)
Net investment income	<u>\$ (1,199,937)</u>

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UHCF has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The asset's or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

The following table represents UHCF's investment assets measured at fair value on a recurring basis and their respective position in the fair value hierarchy as of December 31, 2019.

	2019			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 1,122,599	\$ 913,750	\$ 436,519	\$ -
Fixed income	2,650,994	1,298,987	1,352,007	-
Equities				
International	12,582,686	6,165,516	6,417,170	-
Domestic	-	-	-	-
Alternatives				
Hedged Equity	5,399,550	2,645,779	2,753,770	-
Private Assets	2,037,897	998,569	1,039,327	-
Investments as of December 31, 2018	<u>\$23,793,725</u>	<u>\$12,022,602</u>	<u>\$11,998,793</u>	<u>\$ -</u>

The following table represents UHCF's investment assets measured at fair value on a recurring basis and their respective position in the fair value hierarchy as of December 31, 2018

	2018			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 870,803	\$ 712,966	\$ 157,837	\$ -
Fixed income	3,118,787	1,528,206	1,590,581	-
Equities				
International	11,077,460	5,427,955	5,649,505	-
Domestic	-	-	-	-
Alternatives				
Hedged Equity	4,986,231	2,443,253	2,542,978	-
Private Assets	1,644,274	805,694	838,580	-
Investments as of December 31, 2017	<u>\$21,697,556</u>	<u>\$10,918,075</u>	<u>\$10,779,481</u>	<u>\$ -</u>

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The investments consist of the following types:

Short-term Investments: Investments consist of treasury securities with an average maturity of 120 days or less, checking accounts, and money market holdings with daily liquidity.

Fixed Income: Fixed income investments consist of both domestic and foreign issuances of debt instruments and include both government and corporate holdings. Domestically, the fixed income investments concentrate primarily on U.S. treasuries, including a separate account approach of Treasury Inflation Protected Securities (TIPS). Internationally, the fixed income strategy includes sovereign-issued, local-currency denominated debt holdings and a global fixed income approach that seeks a long-term, value-oriented approach in local-currency debt instruments.

Equities: Domestic and international equities, including international emerging market equities, are listed securities traded on public exchanges, at various market capitalizations, and are priced daily by the underlying managers. The equity investments accesses both domestic and international equities through institutional-class mutual funds, limited partnerships and separate accounts. Publicly traded domestic and international equities accessed through a limited partnership arrangement, while priced daily by the manager using Level 1 observable inputs, are contained in Level 2 and Level 3 investments due to their liquidity features.

Hedged Equity: This strategy involves equity investments, either long or short, in marketable and publicly traded equities. Traditionally, hedge funds purchase stocks that they perceive to be undervalued and sell stocks that they perceive to be overvalued. The research-intensive and quantitative efforts in identifying promising stocks to hold long in a portfolio may also provide short-sale opportunities, and for this reason many directional hedged equity funds often maintain both long and short portfolios in a fund-of-funds strategy.

Private Equity: This strategy consists of making equity capital available through a fund-of funds structure whereby the underlying investments in the specific companies are not quoted on a public exchange. Private equity consists of qualified investors and institutional funds that make investments directly into private companies or conduct buyouts of public companies. Private equity investments are made with a long-term perspective, or generally about ten years in duration.

The carrying amount of the investments is a reasonable fair value as of December 31, 2019 and 2018.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6 – QUASI-ENDOWMENT

As required by generally accepted accounting principles, net assets associated with quasi-endowment funds are classified and reported as board designated without donor restrictions.

	Without Donor Restrictions	With Donor Restrictions	Total
Investment Net Assets, January 1, 2018	\$ 23,728,892	\$ -	\$ 23,728,892
Contributions			-
Investment Return			-
Investment Income	117,756		117,756
Net Appreciation (Depreciation)	(1,325,213)		(1,325,213)
Total Investment Return	(1,207,457)	-	(1,207,457)
Amounts Appropriated for Expenditure	(1,385,200)	-	(1,385,200)
Investment Net Assets, December 31, 2018	<u>\$ 21,136,235</u>	<u>\$ -</u>	<u>\$ 21,136,235</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Investment Net Assets, January 1, 2019	\$ 21,136,236	\$ -	\$ 21,136,236
Investment Return			
Investment Income	80,254	-	80,254
Net Appreciation (Depreciation)	3,393,564	-	3,393,564
Total Investment Return	3,473,818	-	3,473,818
Amounts Appropriated for Expenditure	(1,310,680)	-	(1,310,680)
Investment Net Assets, December 31, 2019	<u>\$ 23,299,374</u>	<u>\$ -</u>	<u>\$ 23,299,374</u>

Return Objectives and Risk Parameters – UHCF has adopted investment and spending policies for quasi-endowment assets that attempt to provide a predictable stream of funding to programs supported by its quasi-endowments while seeking to maintain the purchasing power of its quasi-endowment assets. Under this policy, the quasi-endowment assets are invested in a manner that is intended to produce results that should achieve a rate of return in excess of inflation, assuming a reasonable level of risk. To satisfy the long-term rate of return objectives, UHCF relies on a total return strategy in which invested returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). UHCF 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy - UHCF employs a spending rule policy to maximize the flexibility, efficiency, and impact of the quasi-endowment management process. This fund utilization policy does not distinguish between investment yield and appreciation, but rather on the total return of the assets. UHCF has employed a spending rule policy that provides for an annual distribution within seven (7%) and five percent (5%) of a 20 quarter rolling market value of the Portfolio. The distribution rate is based on a total return approach and asset allocation plan that allows both investment income and realized and unrealized gains to be withdrawn for spending by the Foundation. This is consistent with UHCF's objective to maintain the purchasing power of the quasi-endowment assets for a specified time as well as provide investment return.

Appropriations made under this policy were, \$1,083,010 and \$1,385,200 for the years ended December 31, 2019 and 2018, respectively.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 – CONCENTRATION OF INCOME SOURCES

UHCF received approximately 100% and 100% of its revenues, gains and other support in the accompanying Statements of Activities from net investment income for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 – PROPERTY AND EQUIPMENT

UHCF follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$3,000. Depreciation is computed utilizing the straight-line method over the estimated useful life of the asset. Depreciation expense was \$12,542 and \$12,908 for the years ended December 31, 2019 and 2018, respectively.

	2019
Computer equipment	\$ 7,898
Office furniture	121,965
Office equipment	5,235
Telephone system	70,191
Leasehold improvements	6,291
Software	45,817
Total property and equipment at cost	257,397
Less: Accumulated depreciation	(236,062)
Property and equipment, net	\$ 21,335

	2018
Computer equipment	\$ 14,017
Office furniture	121,965
Office equipment	5,235
Telephone system	70,191
Leasehold improvements	6,291
Software	45,817
Total property and equipment at cost	263,516
Less: Accumulated depreciation	(229,462)
Property and equipment, net	\$ 34,054

NOTE 9 – EMPLOYEE BENEFIT PLAN

UHCF maintains the UHCF 401(k) Retirement Savings Plan (“the UHCF Plan”) created December 15, 2011. The UHCF Plan covers all eligible employees. Under the plan, UHCF has elected to contribute 7% of the gross salaries of all eligible employees. Employees are immediately vested in all UHCF contributions. Eligible employees can contribute elective deferrals up to maximum amount allowed by law.

For the years ended December 31, 2019 and 2018, UHCF contributed \$43,314 and \$46,686 to the retirement plans, respectively.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 10 – GRANTS PAYABLE

Grants payable consist of amounts awarded, but not paid, to not-for-profit groups to assist UHCF in implementing its vision of universal and affordable health care. As of December 31, 2019 and 2018, UHCF had grants payable totaling \$ - and \$30,500, respectively.

NOTE 11 – LEASES

UHCF has entered into several operating lease arrangements. UHCF leases office equipment and office space located at 290 Pratt Street, Meriden, CT 06450. UHCF had lease expenses of \$54,360 and \$49,090 for the years ended December 31, 2019 and 2018, respectively. The minimum annual future lease payments are as follows:

Years Ending December 31,		
2020	\$	53,148
2021		50,056
2022		-
2023		-
2024 & Thereafter		-

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods

Subject to expenditure for specified purpose:

Specific Purpose	2019	2018
Protect Our Care CT	\$ -	\$ 11,422
Voter Engagement	1,200	1,200
	<u>\$ 1,200</u>	<u>\$ 12,622</u>

Net Assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

Satisfaction of Purpose Restrictions	2019	2018
Protect Our Care CT	\$ 41,422	\$ 64,212
Voter Engagement	-	3,800
	<u>\$ 41,422</u>	<u>\$ 68,012</u>

All net assets released from restriction are released based on a specific purpose being met.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 – BOARD DESIGNATED FUNDS

The UCHF Board of Directors has designated the investment account assets of the organization to operate as a quasi-endowment. Quasi endowment assets attempt to provide a predictable stream of funding to programs and operations supported by its quasi-endowments. Board designated quasi-endowment assets totaled \$23,527,045 and \$21,136,236 as of December 31, 2019 and 2018, respectively.

NOTE 14 – CONTRIBUTED SERVICES AND MATERIALS

UHCF received the following contributed services and materials for the years ended December 31, 2019 and 2018. The amounts are recorded as contribution revenue in the statement of activities and are recorded as expenses by their natural classification in the statement of functional expenses.

	2019	2018
Services - Public Policy	\$ -	\$ 16,468
Material - Public Policy	15,160	30,861
	<u>\$ 15,160</u>	<u>\$ 47,329</u>

NOTE 15 – DATE OF MANAGEMENT'S REVIEW

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of UHCF through February 21, 2020, the date which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.