

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
(a California Nonprofit Corporation)
Financial Statements and Report of Independent Auditors
December 31, 2006 and 2005

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
December 31, 2006
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REPORT OF INDEPENDENT AUDITORS

Board of Directors
The San Francisco General Hospital Foundation:

We have audited the accompanying statements of financial position of The San Francisco General Hospital Foundation as of December 31, 2006 and 2005 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The San Francisco General Hospital Foundation as of December 31, 2006 and 2005 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PMB Helin Donovan, LLP
Certified Public Accountants

San Francisco, California
April 25, 2007

The San Francisco General Hospital Foundation

(a California Nonprofit Corporation)

Statements of Financial Position

As of December 31, 2006 and 2005

	<u>ASSETS</u>	
	<u>2006</u>	<u>2005</u>
Assets:		
Cash and cash equivalents, primarily interest bearing	\$ 7,478,765	\$ 6,789,826
Grants receivable (Note 2)	416,501	1,604,866
Accounts receivable	-	69,289
Investments (Note 3)	10,117	5,771
Inventory of books	45,157	61,531
Prepaid expenses	9,685	12,115
Furniture and equipment net of accumulated depreciation (Note 4)	11,389	8,960
Intangible assets net of accumulated depreciation (Note 10)	18,750	21,425
Total assets	<u>\$ 7,990,364</u>	<u>\$ 8,573,783</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:		
Accounts payable	\$ 51,837	\$ 48,977
Funds held in custody for others (Note 8)	125,094	134,199
Accrued employee benefits	23,258	17,888
Total liabilities	<u>200,189</u>	<u>201,064</u>
Net assets:		
Unrestricted		
Undesignated net assets	1,691,375	1,118,651
Board designated net assets	1,100,000	1,100,000
Total unrestricted	<u>2,791,375</u>	<u>2,218,651</u>
Temporarily restricted (Note 6)	4,644,371	5,799,639
Permanently restricted	354,429	354,429
Total net assets	<u>7,790,175</u>	<u>8,372,719</u>
Total liabilities and net assets	<u>\$ 7,990,364</u>	<u>\$ 8,573,783</u>

see accompanying notes to financial statements

The San Francisco General Hospital Foundation

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Statements of Activities

For the Years December 31, 2006 and 2005

2006.....			2005.....			
	Un- Restricted	Temporarily Restricted	Permanently Restricted	Total	Un- Restricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Donations, grants and bequests	\$ 650,327	2,223,737	-	2,874,064	\$ 591,813	2,609,403	-	3,201,216
Investment income (Note 3)	282,714	-	-	282,714	101,920	-	-	101,920
Sales (net of expenses of: 2006, \$53,004; 2005, \$32,863)	81,296	-	-	81,296	12,728	-	-	12,728
Special events (net of expenses of: 2006, \$456,447; 2005, \$41,899)	68,128	-	-	68,128	3,932	-	-	3,932
Other income	29,044	-	-	29,044	7,815	-	-	7,815
Net assets released from restrictions (note 7)	3,379,005	(3,379,005)	-	-	1,595,959	(1,595,959)	-	-
Total revenues and support	<u>4,490,514</u>	<u>(1,155,268)</u>	<u>-</u>	<u>3,335,246</u>	<u>2,314,167</u>	<u>1,013,444</u>	<u>-</u>	<u>3,327,611</u>
Grants awarded to others	<u>3,195,128</u>	<u>-</u>	<u>-</u>	<u>3,195,128</u>	<u>1,633,267</u>	<u>-</u>	<u>-</u>	<u>1,633,267</u>
Operating expenses								
Program services	82,280	-	-	82,280	73,603	-	-	73,603
Management and general	384,047	-	-	384,047	388,698	-	-	388,698
Fundraising	256,335	-	-	256,335	251,774	-	-	251,774
Total operating expenses	<u>722,662</u>	<u>-</u>	<u>-</u>	<u>722,662</u>	<u>714,075</u>	<u>-</u>	<u>-</u>	<u>714,075</u>
Total grants awarded to others and operating expenses	<u>3,917,790</u>	<u>-</u>	<u>-</u>	<u>3,917,790</u>	<u>2,347,342</u>	<u>-</u>	<u>-</u>	<u>2,347,342</u>
Changes in net assets	572,724	(1,155,268)	-	(582,544)	(33,175)	1,013,444	-	980,269
Net assets at beginning of year	2,218,651	5,799,639	354,429	8,372,719	2,251,826	4,786,195	354,429	7,392,450
Net assets at end of year	<u>\$ 2,791,375</u>	<u>4,644,371</u>	<u>354,429</u>	<u>7,790,175</u>	<u>\$ 2,218,651</u>	<u>5,799,639</u>	<u>354,429</u>	<u>8,372,719</u>

see accompanying notes to financial statements

The San Francisco General Hospital Foundation

(a California Nonprofit Corporation)

Statements of Cash Flows

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Changes in net assets	\$ (582,544)	\$ 980,269
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Bad debt expense	1,000	161,000
Donated securities	(111,430)	(585,685)
Realized and unrealized gains and losses	(555)	(7,694)
Depreciation and amortization expense	7,406	10,598
Net transfer in/out of funds held in custody for others	(9,105)	11,584
(Increase)/Decrease in:		
Grants receivable	1,187,365	705,041
Accounts receivable	69,289	214,518
Inventory	16,374	(52,770)
Prepaid expenses	2,430	6,163
Increase/(Decrease) in:		
Accounts payable	2,860	(107,253)
Accrued employee benefits	5,370	15,151
Net cash provided by operating activities	<u>588,460</u>	<u>1,350,922</u>
Cash flows from investing activities:		
Purchase of computer equipment	(7,159)	(3,003)
Proceeds from sale of marketable securities	107,638	867,056
Website development costs	-	(9,000)
Net cash provided by investing activities	<u>100,479</u>	<u>855,053</u>
Net change in cash and equivalents	688,939	2,205,975
Cash and equivalents at beginning of year	<u>6,789,826</u>	<u>4,583,851</u>
Cash and equivalents at end of year	<u>\$ 7,478,765</u>	<u>\$ 6,789,826</u>
Supplemental cash flow information:		
Donated goods and services	<u>\$ 167,164</u>	<u>\$ 24,000</u>
Donated securities	<u>\$ 111,430</u>	<u>\$ 585,685</u>

see accompanying notes to financial statements

The San Francisco General Hospital Foundation

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Statements of Functional Expenses

For the Years Ended December 31, 2006 and 2005

2006.....			2005.....			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 50,330	150,989	158,179	359,498	\$ 44,886	146,394	145,457	336,737
Payroll taxes	3,992	11,978	12,548	28,518	3,219	13,426	9,716	26,361
Employee benefits	6,008	24,581	24,035	54,624	3,522	21,220	16,018	40,760
Total personnel expenses	60,330	187,548	194,762	442,640	51,627	181,040	171,191	403,858
Conferences and education	-	2,295	-	2,295	-	2,990	-	2,990
Copy and printing	-	46,529	12,807	59,336	-	72,732	8,611	81,343
Depreciation and amortization	4,443	2,222	741	7,406	6,358	3,709	531	10,598
Direct mailing costs	-	-	11,740	11,740	-	-	7,898	7,898
Dues and subscriptions	-	917	1,145	2,062	-	1,304	948	2,252
Insurance	3,248	698	2,552	6,498	4,803	800	2,402	8,005
Occupancy	4,041	12,123	12,701	28,865	4,023	13,156	12,186	29,365
Office supplies	7,662	3,831	1,278	12,771	4,768	2,141	1,037	7,946
Other expenses	1,715	4,274	5,105	11,094	334	9,032	1,009	10,375
Other fundraising expenses	-	-	5,600	5,600	-	-	20,581	20,581
Postage and delivery	-	1,440	5,260	6,700	-	2,249	21,338	23,587
Professional services	-	118,862	-	118,862	-	97,788	-	97,788
Public relations	-	785	-	785	65	495	3,044	3,604
Telephone expense	150	449	471	1,070	283	927	438	1,648
Travel and parking expense	691	2,074	2,173	4,938	1,342	335	560	2,237
Total expenses	\$ 82,280	384,047	256,335	722,662	\$ 73,603	388,698	251,774	714,075

see accompanying notes to financial statements

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
(a California Nonprofit Corporation)
Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

(a) Nature of Activities

The San Francisco General Hospital Foundation (Foundation) is a nonprofit corporation incorporated in 1993 and is located in San Francisco. The purpose of the Foundation is to raise funds to support health care and related activities at San Francisco General Hospital and Medical Center.

Description of Program and Supporting Services:

Program expenses

Raising Funds for programs to improve patient care and comfort. The funds raised by the Foundation underwrite continued investment in an array of San Francisco General Hospital Medical Center services and facilities allowing it to continue its long history of addressing the health care needs of San Francisco.

General and administrative

General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of The San Francisco General Hospital Foundation.

Fundraising

Fundraising expenses are costs of all activities that constitute an appeal for financial support, that is, costs incurred to induce others to contribute money, securities, time, materials, or facilities to The San Francisco General Hospital Foundation.

(b) Basis of Presentation

The Foundation presents the financial statements in accordance with Statement of Financial Accounting Standard No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a Statement of Cash Flows.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
(a California Nonprofit Corporation)
Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

(c) Description of Net Assets

Unrestricted Net Assets

The portion of net assets that is neither temporarily nor permanently restricted by donor imposed restriction.

Temporarily Restricted Net Assets

The portion of net assets used by the Foundation that is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation.

Permanently Restricted Net Assets

The portion of net assets used by the Foundation that is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Foundation.

(d) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Contributions are recorded when received or pledged. Contributions are considered to be available for support of the Foundation's operations unless specifically restricted by the donor. The Foundation considers all pledges receivable fully collectible.

(e) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) Investments

Investments are stated at fair value. Donated securities are recorded at fair value at date of gift. Gains and losses on securities sales are determined by the specific identification method.

(g) Fixed Assets

Fixed assets with an estimated useful life in excess of one year are capitalized at cost; donated assets are capitalized at fair value at the date of receipt. Depreciation is computed using the straight-line method with estimated useful lives varying between three and ten years. The Foundation capitalizes fixed asset purchases in excess of \$500.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
(a California Nonprofit Corporation)
Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies – Continued

(h) Estimates

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

(i) Functional Allocation of Expenses

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by the Foundation's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

(j) Inventory

Inventory consists of books held for sale and is valued on a weighted average basis at the lower of cost or market.

2. Grants Receivable

Grants receivable at December 31, 2006 and 2005 consisted of the following:

	2006	2005
Receivable in less than one year	\$ 275,021	1,546,361
Receivable in one to five years	150,000	61,584
Total grants and accounts receivable	425,021	1,607,945
Less discount to net present value	(8,520)	(3,079)
Net grants and accounts receivable	\$ 416,501	1,604,866

Grants receivable not due within one year of the balance sheet date have been discounted using interest rates varying between 4.5% and 5.25%.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
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Notes to Financial Statements

3. Investments

At December 31, 2006 and 2005, investments consisted of the following:

	2006		2005	
	Cost	Market	Cost	Market
Mutual Funds	\$ 4,881	5,059	\$ 4,881	4,447
Marketable Equity Securities	5,019	5,058	1,333	1,324
Total Investments	\$ 9,900	10,117	\$ 6,214	5,771

Net realized gains and losses in 2006 and 2005 amounted to (\$103) and \$64,989, respectively. Net unrealized gains and losses in 2006 and 2005 amounted to \$658 and (\$57,295), respectively. Interest and dividend income in 2006 and 2005 amounted to \$282,159 and \$94,226, respectively.

4. Furniture and Equipment

Furniture and equipment at December 31, 2006 and 2005 consisted of the following:

	2006	2005
Computer Equipment	\$ 53,014	\$ 45,855
Office Equipment	18,750	18,750
Less accumulated depreciation	(60,375)	(55,645)
Total furniture and equipment-net	\$ 11,389	\$ 8,960

5. Income Taxes

The Foundation is exempt from paying income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for such taxes in the accompanying financial statements. The Internal Revenue Service has ruled that the Foundation is not a private foundation.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
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Notes to Financial Statements

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2006 and 2005 are available for the following purpose:

	2006		2005
AIDS/HIV Programs	\$ 22,030	\$	48,414
Children's Programs	501,955		530,503
Education Programs	1,779,224		2,710,174
Lectureship Programs	97,579		108,215
Patient Care Programs	51,243		560,852
Volunteer's Programs	58,222		33,985
Women's Programs	2,118,411		1,788,501
Helipad	15,707		18,995
Total	\$ 4,644,371	\$	5,799,639

7. Net Assets Released from Restriction

The Foundation raises temporarily restricted donations and acts as fiscal sponsor for projects providing goods and services at San Francisco General Hospital and Medical Center. The activities and balances in these projects have been combined and reported as temporarily restricted net assets in the accompanying financial statements. Temporarily restricted net assets can be released from restriction when the Foundation receives an approved disbursement request from the fund administrator. Net assets released from donors' restrictions by incurring expenses were as follows:

<u>Purpose Restriction</u>	2006		2005
AIDS/HIV Programs	\$ 37,634	\$	59,324
Children's Programs	190,515		232,990
Education Programs	1,286,635		618,379
Lectureship Programs	127,462		16,629
Patient Care Programs	803,245		305,007
Volunteer's Programs	22,468		31,840
Women's Programs	862,279		296,785
Helipad	48,767		35,005
Total	\$ 3,379,005	\$	1,595,959

8. Funds Held in Custody for Others

The Foundation acts as a fiscal agent for several organizations providing services to the San Francisco General Hospital and Medical Center and affiliates. In return for providing such services, the Foundation charges a fiscal agent fee of up to ten percent of the funds received. During 2006 and 2005 the Foundation received \$101,041 and \$99,053 and paid out \$110,146 and \$87,469 respectively.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION

(a California Nonprofit Corporation)

Notes to Financial Statements

9. Concentration of Credit Risk

The Foundation maintains its bank accounts at three financial institutions. Accounts at these institutions are insured by the FDIC up to \$100,000 per account. On consistent occasions during 2006 and 2005, amounts on deposit in the various institutions exceeded the federally insured limits. Amounts in excess of the insured limits totaled \$7,261,650 and \$6,489,524 as of December 31, 2006 and 2005, respectively.

10. Intangible Assets

Intangible assets consist of website development costs. Such costs are amortized using the straight-line method over an estimated useful life of 10 years. Amortization expense amounted to \$2,675 and \$1,775 in 2006 and 2005, respectively.

11. Donated Goods and Services

Products and services that would otherwise have been purchased are included in donations, grants and bequests in the accompanying statement of activities. Such donated goods and services for the years ended December 31, 2006 and 2005 consisted of the following:

	2006	2005
Advertising	\$ 12,143	\$ -
Food for fundraising events	41,947	-
Professional fees such as legal, design etc.	32,111	-
Program equipment and materials	51,363	-
Rent	24,000	24,000
Wines for fundraising events	5,600	-
Total	\$ 167,164	\$ 24,000

12. Reclassifications

Certain reclassifications have been made to the 2005 financial statements to conform to the classifications adopted for the 2006 financial statements. Such reclassification have no effect on the excess of revenue over expenses as originally presented.

THE SAN FRANCISCO GENERAL HOSPITAL FOUNDATION
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Notes to Financial Statements

13. Subsequent Event

In January 2007, the Foundation signed a memorandum of understanding with the San Francisco Department of Public Health (SFDPH) to immediately assume the activities of the Volunteers to San Francisco General Hospital Medical Center (Volunteers). Such activities include the hiring of staff to manage and supervise volunteer services at the San Francisco General Hospital Medical Center (SFGHMC) and to collect revenues from concession stands operating on the SFGHMC campus. The Foundation has also assumed management of custodial funds previously managed by the Volunteers.