



**HOAG HOSPITAL FOUNDATION**

Financial Statements

December 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

**HOAG HOSPITAL FOUNDATION**

Financial Statements

December 31, 2024 and 2023

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KPMG LLP  
Suite 3800  
1300 South West Fifth Avenue  
Portland, OR 97201

## Independent Auditors' Report

Audit Committee  
Hoag Hospital Foundation:

### *Opinion*

We have audited the financial statements of Hoag Hospital Foundation (the Foundation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*KPMG LLP*

Portland, Oregon  
April 18, 2025

**HOAG HOSPITAL FOUNDATION**

Balance Sheets

December 31, 2024 and 2023

(In thousands)

<b>Assets</b>	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 72,318	19,400
Investments	481,180	435,947
Donations and bequests pledged, less allowance for uncollectable pledges and unamortized discounts	194,565	171,214
Property, plant and equipment, net of accumulated depreciation (\$849 and \$613, as of December 31, 2024 and 2023, respectively)	672	836
Other assets	453	342
Total assets	\$ 749,188	627,739
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 3,513	3,613
Liability to annuitants and other beneficiaries	11,791	11,070
Due to Hoag Memorial Hospital Presbyterian	3,329	3,576
Total liabilities	18,633	18,259
Net assets:		
Without donor restrictions	147,992	141,588
With donor restrictions	582,563	467,892
Total net assets	730,555	609,480
Total liabilities and net assets	\$ 749,188	627,739

See accompanying notes to financial statements.

## HOAG HOSPITAL FOUNDATION

### Statement of Activities and Changes in Net Assets

Year ended December 31, 2024

(In thousands)

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Revenues, losses, and other support:			
Contributions	\$ 9,315	124,300	133,615
Investment gains, net	20,638	18,928	39,566
Change in value of split-interest agreements	—	(60)	(60)
	29,953	143,168	173,121
Net assets released from restrictions or redesignated	28,497	(28,497)	—
Total revenues, losses, and other support	58,450	114,671	173,121
Operating expenses:			
Fund-raising	16,088	—	16,088
General and administrative	6,624	—	6,624
Total operating expenses	22,712	—	22,712
Grants to Hoag Memorial Hospital Presbyterian and affiliates for program purposes	22,394	—	22,394
Grants to Hoag Memorial Hospital Presbyterian and affiliates for property and capital additions	6,940	—	6,940
Total program related grants	29,334	—	29,334
Total operating expenses and program related grants	52,046	—	52,046
Change in net assets	6,404	114,671	121,075
Net assets at beginning of year	141,588	467,892	609,480
Net assets at end of year	\$ 147,992	582,563	730,555

See accompanying notes to financial statements.

## HOAG HOSPITAL FOUNDATION

### Statement of Activities and Changes in Net Assets

Year ended December 31, 2023

(In thousands)

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Revenues, losses, and other support:			
Contributions	\$ 9,541	92,440	101,981
Investment gains, net	19,148	18,191	37,339
Change in value of split-interest agreements	—	(1,626)	(1,626)
	28,689	109,005	137,694
Net assets released from restrictions or redesignated	30,004	(30,004)	—
Total revenues, losses, and other support	58,693	79,001	137,694
Operating expenses:			
Fund-raising	14,684	—	14,684
General and administrative	6,910	—	6,910
Total operating expenses	21,594	—	21,594
Grants to Hoag Memorial Hospital Presbyterian and affiliates for program purposes	23,006	—	23,006
Grants to Hoag Memorial Hospital Presbyterian and affiliates for property and capital additions	5,901	—	5,901
Total program related grants	28,907	—	28,907
Total operating expenses and program related grants	50,501	—	50,501
Other changes in net assets:			
Net asset transfers – Hoag Charity Sports	887	—	887
Total other changes in net assets	887	—	887
Change in net assets	9,079	79,001	88,080
Net assets at beginning of year	132,509	388,891	521,400
Net assets at end of year	\$ 141,588	467,892	609,480

See accompanying notes to financial statements.

**HOAG HOSPITAL FOUNDATION**

Statements of Cash Flows

Years ended December 31, 2024 and 2023

(In thousands)

	<b>2024</b>	<b>2023</b>
Operating activities:		
Change in net assets	\$ 121,075	88,080
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions with donor restrictions	(102,242)	(38,058)
Changes in operating assets and liabilities:		
Investments	(45,233)	(36,864)
Donations and bequests pledged	(23,351)	(53,260)
Other assets	(111)	3,195
Accounts payable and accrued expenses	(100)	(3,024)
Liability to annuitants and other beneficiaries	721	921
Change in amounts due to Hoag Memorial Hospital Presbyterian	(83)	(5,556)
Net cash used in operating activities	(49,324)	(44,566)
Financing activities:		
Proceeds from contributions with donor restrictions	102,242	38,058
Net cash provided by financing activities	102,242	38,058
Net increase (decrease) in cash and cash equivalents	52,918	(6,508)
Cash and cash equivalents at beginning of year	19,400	25,908
Cash and cash equivalents at end of year	\$ 72,318	19,400

See accompanying notes to financial statements.



## HOAG HOSPITAL FOUNDATION

Notes to Financial Statements

December 31, 2024 and 2023

### (1) Summary of Significant Accounting Policies

#### (a) Organization

Hoag Hospital Foundation (the Foundation) is a not-for-profit corporation that raises funds to support Hoag Memorial Hospital Presbyterian (the Hospital), a related organization. The Hospital is the sole voting corporate member of the Foundation.

The Foundation's bylaws provide that its Board of Directors will be elected annually by the Hospital's Board of Directors. Generally, all funds raised by the Foundation are distributed to, or held for the benefit of, the Hospital. Funds of the Foundation are distributed to the Hospital in amounts determined by the Foundation's Board of Directors in accordance with its bylaws.

#### (b) Use of Estimates

The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates could also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (c) Cash and Cash Equivalents

All highly liquid investments with a maturity at date of purchase of three months or less are considered to be cash and cash equivalents. Cash and cash equivalents include money market investments. The Organization maintains cash balances above the Federal Deposit Insurance Corporation limit.

#### (d) Investments

Investments in debt and equity securities and commingled fixed income and equity funds with readily determinable fair values, and all investments in mutual funds and exchange traded funds, are measured at fair value in the balance sheets. Investments in partnerships, limited liability companies, and similarly structured entities, including certain equity commingled funds, are measured at fair value using the net asset value as a practical expedient. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

#### (e) Donor-Restricted Gifts

Unconditional promises to give cash and other assets are received by the Organization and reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Upon expiration of a donor restriction, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

## HOAG HOSPITAL FOUNDATION

Notes to Financial Statements

December 31, 2024 and 2023

### **(f) Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

#### *(i) Without Donor Restrictions*

Net assets without donor restrictions represent resources which are not subject to donor restrictions and over which the board of directors of the Foundation retains control to use the funds in order to achieve the Foundation's purpose.

#### *(ii) With Donor Restrictions*

Net assets with donor restrictions represent resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those restricted by the donor for a particular purpose and will be met by the passage of time or other events specified by the donor.

Other donor-imposed restrictions are to maintain resources in perpetuity. This consists predominantly of endowment funds and charitable trusts. Donor-restricted endowment funds represent funds that are gift instruments in which the principal is required to be invested in perpetuity. Also included are trust funds that represent donor contributions of irrevocable trusts and other instruments wherein the Foundation has a remainder interest in the trust assets upon the death of the last surviving income beneficiary.

### **(g) Donations and Bequests Pledged**

Donations and bequests of private support are recorded as revenue upon the receipt of the unconditional promise to give. The Organization is the ultimate remainderman of certain trusts. Assets which relate to irrevocable, unconditional promises to give are included in net assets with donor restrictions, and are recorded at fair value. Distributions of income are made in accordance with trust agreements. The Organization believes that certain donations and bequests pledged may not be collected, and has provided an allowance for such amounts.

### **(h) Split-Interest Agreements**

Split-interest agreements, which are a component of donations and bequests pledged, are arrangements in which a donor enters into a trust or other arrangements under which the benefits of such arrangements are distributed to a designated beneficiary or beneficiaries over the trust term or the agreement's term. The Organization has received contributions under charitable remainder trust arrangements whereby the Organization serves as trustee. The contributions are recognized in the period in which the trust is established. The assets are recorded at fair value when received and the liability to the designated beneficiary is recorded at the present value of the estimated future payments to be distributed over the expected life of the beneficiary using a discount rate that reflects current market conditions. The Organization also receives charitable remainder trusts when another trustee holds the assets. In that case, the asset is recorded net of the liability to the designated beneficiary. The Organization has also received contributions under charitable gift annuity arrangements whereby the donor contributes assets in exchange for a promise by the recipient to pay a fixed amount for a specified period of time to the donor or others designated by the donor. These donations are not governed by a trust agreement.

## HOAG HOSPITAL FOUNDATION

Notes to Financial Statements

December 31, 2024 and 2023

### (i) *Income Taxes*

The Foundation is exempt from federal and California state income and franchise taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d), respectively. The Foundation is recognized as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

### (j) *Self-Insurance*

The Organization is covered by the Hospital's self-insurance policies for workers' compensation claims and employee health claims, subject to certain limitations. The liability risks associated with workers' compensation in excess of \$1.0 million per occurrence and employee health claims in excess of \$0.5 million per individual are reinsured with major independent insurance companies.

### (k) *Contributed Services*

The Organization receives the services of numerous unpaid volunteers in connection with fund-raising activities. Volunteers primarily perform between 4 and 40 hours of service during certain fund-raising events and such services are generally limited to the staffing of booths and patron assistance. The services do not require specialized skills and therefore no revenue is recognized as a result of these donated services.

## (2) *Investments*

The composition of investments is as follows:

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
	(In thousands)	
Investments:		
Cash and cash equivalents	\$ 137,850	122,369
U.S. government agency and treasury notes	18,383	16,814
Mutual funds and exchange traded funds:		
Public equities	12,074	20,814
Fixed income	—	—
Commodity real return	3,603	3,441
Debt and equity securities	44,946	38,952
Equity commingled funds	44,485	35,360
Fixed income commingled funds	59,033	52,402
Hedge funds	105,355	92,236
Private equity	37,887	34,870
Real assets	17,564	18,689
Total investments	<u>\$ 481,180</u>	<u>435,947</u>

## HOAG HOSPITAL FOUNDATION

Notes to Financial Statements

December 31, 2024 and 2023

The Organization's mutual and exchange traded fund investments include public equity index funds, fixed income mutual funds which may invest in a variety of fixed income instruments and other securities, including bonds, debt securities, bank loans, and cash and cash equivalents, among others, as well as a mutual fund which deploys a commodity real return strategy.

The Organization's classification of "equity commingled funds" includes investments in commingled fund vehicles, including a common trust fund, U.S. limited liability companies, U.S. limited partnerships, and offshore exempt entities. The equity commingled funds have semi monthly to annual liquidity subject to notice requirements ranging from 6 to 365 days and are subject to certain gating provisions. The fund managers have reserved the right to suspend redemption rights in certain circumstances.

The fixed income commingled funds are investments in limited liability companies which invest primarily in bonds and other fixed income securities. The funds have daily liquidity with 2 business days' notice. The fund manager has reserved the right to suspend redemption rights in certain circumstances.

The Organization's classification of "hedge funds" consists of direct and multimanager fund of funds hedge fund investments which implement a range of alternative investment strategies, including, but not limited to, long/short equity, credit, managers investing opportunistically across the capital structure, and other strategies. The Organization's investments in hedge funds have limited liquidity since shares or interests in the hedge funds are not freely transferable and are subject to various lock up periods, redemption rights, notice requirements, and gating provisions. The hedge funds periodic liquidity terms range from monthly to illiquid, with notice periods ranging from 45 days to 5 months. The hedge funds typically reserve the rights to reduce or suspend redemptions and to satisfy redemptions by making distributions in kind, under certain circumstances. Additionally, certain hedge funds may hold, directly or indirectly, side pocket investments where no redemptions are permitted until such investments are liquidated or deemed realized.

The Organization's classification of "private equity" consists of direct and fund of funds private equity investments, including private equity buyout, venture capital, energy, direct financing (debt and equity), mezzanine, and secondary private equity funds. These private equity investments typically have investment terms greater than 10 years. The Organization may not withdraw or sell, assign, or transfer its interests in the private equity funds except in certain very limited circumstances, subject to consent by the general partners of the funds.

The Organization's classification of "real assets" consists of limited partnership structured investments which invest in timberland properties, farmland properties, distressed real estate, real estate operating companies, energy sectors, and energy infrastructure debt. The investment terms of the limited partnership real asset investment funds are typically greater than 10 years and the Organization may not withdraw or sell, assign, or transfer its interests in these funds except in certain very limited circumstances, subject to consent by the general partners of the funds.

## HOAG HOSPITAL FOUNDATION

Notes to Financial Statements

December 31, 2024 and 2023

The Organization's real assets and private equity fund investments described in the preceding paragraphs, as well as several investments classified as a hedge funds, are structured as "drawdown" funds, which means that the Organization has committed capital to the funds and the fund managers make capital calls as the investment opportunities develop over initial investment periods, which could last between two to six years. The table below summarizes the Organization's unfunded commitments at December 31, 2024:

	<b>Capital commitment</b>	<b>Capital contributions</b>	<b>Uncalled capital</b>
		(In thousands)	
Private equity	\$ 78,119	53,213	24,906
Real assets	30,806	24,997	5,809
Other	4,980	3,159	1,821
Total	\$ 113,905	81,369	32,536

Investments are recorded at fair value. Net investment gains during the years ended December 31 include the following:

	<b>2024</b>	<b>2023</b>
	(In thousands)	
Interest and dividend income	\$ 11,168	9,700
Net gain on investments	29,737	28,957
Less investment fees	(1,339)	(1,318)
	\$ 39,566	37,339

### (3) Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-tier fair value hierarchy prioritizes the inputs used in measuring fair value as follows:

- *Level 1:* Pricing is based on observable inputs such as quoted prices in active markets.
- *Level 2:* Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

## HOAG HOSPITAL FOUNDATION

Notes to Financial Statements

December 31, 2024 and 2023

- *Level 3:* Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the table below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

- (a) *Market approach:* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) *Cost approach:* Amount that would be required to replace the service capacity of an asset (replacement cost).
- (c) *Income approach:* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess-earnings models).

The Organization records donations and bequests pledged at fair value at the time the gift is made. Certain gifts are made through charitable remainder trusts and similar structures, the values of which vary over time. A portion of these trusts hold investment securities and the Organization adjusts the amount of such gifts to fair value. In some cases, the Organization is not the trustee, for which the Organization adjusts the bequest to fair value using present value techniques based on mortality tables and discount rates that are consistent with Internal Revenue Service (IRS) published rates.

## HOAG HOSPITAL FOUNDATION

### Notes to Financial Statements

December 31, 2024 and 2023

The Organization is liable for income to beneficiaries under certain split interest and gift annuity agreements. The fair values of these liabilities are estimated using present value techniques based on mortality tables and discount rates that are consistent with IRS published rates. The following tables provide the method used to fair value certain assets and liabilities as of December 31, 2024 and 2023. Only assets and liabilities measured at fair value on a recurring basis are shown in the three-tier fair value hierarchy (in thousands).

	Level 1	Level 2	Level 3	Fair value	Investments at net asset value	Total	Valuation technique (a, b, c)
	(In thousands)						
As of December 31, 2024:							
Cash and cash equivalents	\$ 137,850	—	—	137,850	—	137,850	a
U.S. government agency and treasury notes	—	18,383	—	18,383	—	18,383	a, c
Mutual and exchange traded funds:							
Public equities	12,074	—	—	12,074	—	12,074	a
Commodity real return	3,603	—	—	3,603	—	3,603	a
Debt and equity securities	758	44,188	—	44,946	—	44,946	a, c
Equity commingled funds	—	—	—	—	44,485	44,485	a
Fixed income commingled funds	—	59,033	—	59,033	—	59,033	a, c
Hedge funds	—	—	—	—	105,355	105,355	a
Private equity	—	—	—	—	37,887	37,887	a, c
Real assets	—	—	—	—	17,564	17,564	a, c
	<u>\$ 154,285</u>	<u>121,604</u>	<u>—</u>	<u>275,889</u>	<u>205,291</u>	<u>481,180</u>	
Charitable remainder trust and gift annuity:							
Assets	\$ 12,829	—	2,106	14,935	—	14,935	a, c
Liabilities	—	—	11,791	11,791	—	11,791	c

## HOAG HOSPITAL FOUNDATION

### Notes to Financial Statements

December 31, 2024 and 2023

	Level 1	Level 2	Level 3	Fair value	Investments at net asset value	Total	Valuation technique (a, b, c)
	(In thousands)						
As of December 31, 2023:							
Cash and cash equivalents	\$ 122,369	—	—	122,369	—	122,369	a
U.S. government agency and treasury notes	—	16,814	—	16,814	—	16,814	a, c
Mutual and exchange traded funds:							
Public equities	20,814	—	—	20,814	—	20,814	a
Commodity real return	3,441	—	—	3,441	—	3,441	a
Debt and equity securities	47	38,905	—	38,952	—	38,952	a, c
Equity commingled funds	—	—	—	—	35,360	35,360	a
Fixed income commingled funds	—	52,402	—	52,402	—	52,402	a, c
Hedge funds	—	—	—	—	92,236	92,236	a
Private equity	—	—	—	—	34,870	34,870	a, c
Real assets	—	—	—	—	18,689	18,689	a, c
	<u>\$ 146,671</u>	<u>108,121</u>	<u>—</u>	<u>254,792</u>	<u>181,155</u>	<u>435,947</u>	
Charitable remainder trust and gift annuity:							
Assets	\$ 10,624	—	2,077	12,701	—	12,701	a, c
Liabilities	—	—	11,070	11,070	—	11,070	c

#### (4) Endowment

The Organization's endowment consists of approximately 65 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors of the Foundation to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There were no underwater endowments as of December 31, 2024 and 2023.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (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 restrictions to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Organization and the donor-restricted endowment fund



## HOAG HOSPITAL FOUNDATION

Notes to Financial Statements

December 31, 2024 and 2023

- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Organization
- g. The investment policies of the Organization

The endowment net asset composition by fund type is as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
		(In thousands)	
December 31, 2024:			
Donor-restricted endowment funds	\$ —	186,257	186,257
Board designated endowment funds	4,241	—	4,241
Total endowment funds	\$ 4,241	186,257	190,498
December 31, 2023:			
Donor-restricted endowment funds	\$ —	172,045	172,045
Board designated endowment funds	7,626	—	7,626
Total endowment funds	\$ 7,626	172,045	179,671

The Board of Directors has designated net assets without donor restrictions for the following purposes:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
	(In thousands)	
Heart programs	\$ 2,225	2,056
Women's programs	95	95
General activities	1,921	5,475
Total board-designated endowment funds	\$ 4,241	7,626

## HOAG HOSPITAL FOUNDATION

Notes to Financial Statements

December 31, 2024 and 2023

Changes in endowment net assets during the years ended December 31, 2024 and 2023, are as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
		(In thousands)	
December 31, 2024:			
Endowment net assets, beginning of period	\$ 7,626	172,045	179,671
Investment income	834	1,611	2,445
Appreciation, net	1,605	14,889	16,494
Contributions, net	—	2,257	2,257
Appropriation of endowment assets for expenditure	(5,824)	(4,545)	(10,369)
Endowment net assets, end of period	\$ 4,241	186,257	190,498

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
		(In thousands)	
December 31, 2023:			
Endowment net assets, beginning of period	\$ 5,670	159,820	165,490
Investment income	671	1,095	1,766
Appreciation, net	1,384	14,668	16,052
Contributions, net	—	2,333	2,333
Appropriation of endowment assets for expenditure	(99)	(6,069)	(6,168)
Redesignation by donor and other	—	198	198
Endowment net assets, end of period	\$ 7,626	172,045	179,671

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while balancing the risk of investment loss with the long-term preservation of purchasing power. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board designated funds.

The Organization seeks to maintain the purchasing power of the endowment assets portfolio and to achieve rates of returns which over time exceed inflation by a specified margin. To achieve its long-term investment objectives within prudent risk constraints, the Organization develops strategic asset allocation ranges and targets for the endowment portfolio and considers factors including, but not limited to, time horizon, liquidity and risk tolerance. The current asset allocation targets emphasize diversification across asset classes to manage risk and enhance returns. Actual allocations may differ from target allocations in the short term or during periods of significant market fluctuations. In addition, the Organization confirms the asset allocation ranges on an annual basis and updates the investment policy and/or target allocations, as

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needed, if there is a significant change in capital market expectations and/or investment objectives, including spending requirements. The Organization seeks to achieve returns which will compare favorably to the returns of the applicable markets and representative peers.

The Organization's policy allows the Board of Directors to determine a spending rate from endowment investments on an annual basis, which is subject to change. In establishing this policy, the Organization considers the fair value and long-term expected return on its endowment and the factors described above. The spending rate was 5% and 4.75% in 2024 and 2023, respectively.

### (5) Donations and Bequests Pledged

Unconditional promises to give are generally recognized as contribution revenue when the promises are made at fair value, which is determined by the present value of the expected future payments. The amounts of pledges and bequests receivable, net of any discount and allowance for doubtful accounts, consist of the following:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
	(In thousands)	
Due in one year or less	\$ 44,725	31,366
Due after one year through five years	112,496	73,931
Due after five years	54,967	85,260
	212,188	190,557
Less allowance for uncollectible pledges	(6,018)	(5,802)
Less unamortized discount	(41,310)	(35,262)
Pledges receivable, net	164,860	149,493
Split-interest agreements (charitable remainder trusts and other)	29,705	21,721
	\$ 194,565	171,214

Pledges receivable at December 31, 2024 include approximately \$8.7 million restricted for endowments and \$148.9 million restricted for the benefit of neuroscience, cancer, heart and other programs.

The fair value of pledges receivable was determined by calculating the net present value of the estimated future cash flows using a discount rate at the time the pledge was made, which ranges between 0.36% and 5.00%. The discount rate was determined by the IRS discount rate table based on the pledge amount and the term of the pledges.

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The Organization has received contributions from various types of split-interest agreements in which the Organization is the trustee, including charitable remainder trusts, charitable gift annuities and life interest in real estate agreements. Under a charitable gift annuity arrangement, the Organization recognizes the contribution in the period in which the contract is executed. Adjustments to the fair value of the assets, amortization of the discount, and changes in the actuarial assumptions used during the term of the trust or agreement are recorded as change in value of split-interest agreements in the accompanying statements of activities and changes in net assets.

### **(6) Split-Interest Agreements**

The Organization is a beneficiary of charitable remainder trust assets contributed by donors under unconditional, irrevocable agreements held by independent trustees or other fiscal agents. Where known, assets have been included at their estimated fair value in the accompanying financial statements. In some cases, the estimated fair value of such assets cannot be determined due to confidentiality provisions or other factors and, accordingly, such assets are not included in the accompanying financial statements.

The Organization is also the beneficiary of various charitable remainder trusts that are revocable. The value of certain of these trusts has not been disclosed to the Organization and cannot be reasonably estimated. Assets that relate to revocable trusts or conditional promises to give, for which the Organization is not a trustee, are not included in the accompanying financial statements. The Organization recognizes these contributions as revenue when the amounts are received or when the promise to give becomes unconditional.

The Organization also received life interest in real estate contributions, whereby the title of the real property is transferred to the Organization at the point of contribution. Donor imposed restrictions exist on the use of the real property, and the property cannot be sold until the death of the donor. The Organization has elected to keep the value of these real estate contributions at the fair value at the donation date. Oftentimes, the agreement also allows the donor to reside in the donated property for remainder of the term, with the donor remaining responsible for the executory costs. In those situations, the Organization has recorded a use obligation based on estimated fair value of rent revenue that the Organization is forgoing by entering into such agreements.

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The Organization received contributions related to split-interest agreements totaling \$5.8 million and \$0.1 million during the years ended December 31, 2024 and 2023, respectively.

		<b>Year ended December 31, 2024</b>			
		<b>Charitable gift annuities</b>	<b>Charitable remainder trusts</b>	<b>Life interest in real estate</b>	<b>Total</b>
		(In thousands)			
<b>Assets:</b>					
Donation and bequests pledged	\$	11,477	3,458	14,770	29,705
Total assets	\$	11,477	3,458	14,770	29,705
<b>Liabilities and net assets:</b>					
Liability to annuitants and other beneficiaries	\$	8,271	565	2,955	11,791
Net assets		3,206	2,893	11,815	17,914
Total liabilities and net assets	\$	11,477	3,458	14,770	29,705
		<b>Year ended December 31, 2023</b>			
		<b>Charitable gift annuities</b>	<b>Charitable remainder trusts</b>	<b>Life interest in real estate</b>	<b>Total</b>
		(In thousands)			
<b>Assets:</b>					
Donation and bequests pledged	\$	9,471	3,230	9,020	21,721
Total assets	\$	9,471	3,230	9,020	21,721
<b>Liabilities and net assets:</b>					
Liability to annuitants and other beneficiaries	\$	7,443	462	3,165	11,070
Net assets		2,028	2,768	5,855	10,651
Total liabilities and net assets	\$	9,471	3,230	9,020	21,721

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**(7) Net Assets with Donor Restrictions**

Restricted net assets are time restricted or are available for the following purposes:

	<b>Years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
	(In thousands)	
Education programs	\$ 34,535	22,381
Women's programs	46,128	44,938
Heart programs	44,717	44,219
Neuro programs	131,249	101,091
Cancer programs	86,363	81,712
Other programs	239,571	173,551
	<u>\$ 582,563</u>	<u>467,892</u>

	<b>Years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
	(In thousands)	
Donor-restricted endowments subject to spending policy and appropriation	\$ 186,257	172,045
Perpetual trusts and split-interest agreements	17,914	10,651
Subject to expenditure for specified purposes	229,507	153,710
Subject to passage of time	148,885	131,486
	<u>\$ 582,563</u>	<u>467,892</u>

**(8) Net Assets Released from Restrictions or Redesignated**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets were also redesignated between programs by donors. The activity for the periods ended are as follows:

	<b>Years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
	(In thousands)	
Purpose restrictions accomplished (redesignated):		
Women's programs	\$ 3,576	2,536
Heart programs	3,074	3,216
Cancer programs	7,212	7,247
Education programs	1,578	1,582
Other programs	13,057	15,423
Total restrictions released	<u>\$ 28,497</u>	<u>30,004</u>

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### (9) Functional Classification of Expenses

The costs of program and supporting services activities have been summarized in the statements of activities and changes in net assets. The expense analysis in the table below presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or support function. The expenses that are allocated include salaries and benefits, occupancy, and office expenses which are allocated based on the full-time equivalent employee count for fundraising and general and administrative staff. Other costs are classified in each functional category based on the underlying purpose of each transaction.

	Year ended December 31, 2024			Total operating expenses and program related grants
	Program expenses	Operating expenses		
	Program related grants	Fund-raising	General and administrative	
Grants to Hoag Memorial Hospital				
Presbyterian and affiliates	\$ 29,334	—	—	29,334
Salaries and benefits	—	11,550	4,756	16,306
Occupancy	—	807	332	1,139
Office expense	—	115	47	162
Purchased services	—	1,907	785	2,692
Professional services	—	293	121	414
Other	—	1,416	583	1,999
	\$ 29,334	16,088	6,624	52,046
	Year ended December 31, 2023			Total operating expenses and program related grants
	Program expenses	Operating expenses		
	Program related grants	Fund-raising	General and administrative	
Grants to Hoag Memorial Hospital				
Presbyterian and affiliates	\$ 28,907	—	—	28,907
Salaries and benefits	—	10,376	4,883	15,259
Occupancy	—	830	390	1,220
Office expense	—	26	12	38
Purchased services	—	1,583	745	2,328
Professional services	—	454	214	668
Other	—	1,415	666	2,081
	\$ 28,907	14,684	6,910	50,501

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### **(10) Liquidity and Availability**

The Organization regularly monitors liquidity required to meet its ongoing operating needs, liabilities, and other obligations as they become due. As the Organization exists to benefit the Hospital, the majority of the financial assets recorded by the Organization are not available to support the Organization's operating needs.

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization anticipates collecting sufficient revenue to cover general expenditures.

As of December 31, 2024 and 2023, \$394.1 million, or 82%, and \$304.0 million, or 70%, respectively, of the Organization's total investments could readily be made available within one year of the date of the balance sheet date to meet general expenditures.

### **(11) Related-Party Transactions**

The Hospital leases employees, facilities, and equipment to the Organization, and also provides other administrative services, including cash management, accounting, risk management and other management services. The Organization incurred costs of approximately \$15.6 million and \$15.9 million for the years ended December 31, 2024 and 2023, respectively, with the Hospital for these services which is included in the fundraising and general and administrative expense in the statements of activities.

### **(12) Retirement Plan**

The Organization participates in the Hospital's 401(k) plan in which substantially all employees who meet certain defined eligibility criteria are eligible. The plan provides for a Safe Harbor Non-elective 3% contribution by the Hospital, and an additional discretionary matching contribution by the Hospital of 50% (up to 4% of gross wages) of eligible employee contributions. The Organization's portion of such contributions to the plan is included in the fees charged to the Organization by the Hospital.

### **(13) Subsequent Events**

The Organization has evaluated subsequent events occurring between the end of the most recent fiscal year ended December 31, 2024 and April 18, 2025, the date on which the accompanying financial statements were available to be issued.