



**HEALTHCARE FOUNDATION OF
NORTHERN LAKE COUNTY**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended May 31, 2024 and 2023

The background of the lower half of the cover is an abstract, grayscale geometric pattern. It consists of numerous overlapping, semi-transparent planes and lines that create a sense of depth and complexity, resembling a digital or architectural structure.

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HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Healthcare Foundation of Northern Lake County

Opinion

We have audited the accompanying financial statements of Healthcare Foundation of Northern Lake County (Foundation), which comprise the statement of financial position as of May 31, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthcare Foundation of Northern Lake County as of May 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Healthcare Foundation of Northern Lake County and to meet our 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.

Prior Period Financial Statements

The financial statements of Healthcare Foundation of Northern Lake County as of May 31, 2023, were audited by Sikich LLP, whose report dated November 17, 2023, expressed an unmodified opinion of those financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

Responsibilities of Management 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.

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 Healthcare Foundation of Northern Lake County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Healthcare Foundation of Northern Lake County'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 Healthcare Foundation of Northern Lake County'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.

Sikich CPA LLC

Springfield, Illinois
December 4, 2024

FINANCIAL STATEMENTS

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY

STATEMENTS OF FINANCIAL POSITION

May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,224,868	\$ 1,969,187
Investments	65,303,996	57,999,085
Prepaid expenses	14,542	6,640
Accrued investment income	22,200	25,576
Federal excise tax deposit	9,314	-
	<hr/>	<hr/>
Total current assets	66,574,920	60,000,488
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, NET	2,118	3,347
	<hr/>	<hr/>
OTHER ASSETS		
Investments - endowment	292,331	282,177
Assets limited to use, net	378,616	378,616
	<hr/>	<hr/>
Total other assets	670,947	660,793
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 67,247,985</u>	<u>\$ 60,664,628</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 210	\$ 8,505
Grants and awards payable	1,840,700	1,674,833
Federal excise tax payable	-	4,181
Other accrued expenses	953	6,999
	<hr/>	<hr/>
Total current liabilities	1,841,863	1,694,518
	<hr/>	<hr/>
NET ASSETS		
Without donor restrictions	65,113,791	58,687,933
With donor restrictions	292,331	282,177
	<hr/>	<hr/>
Total net assets	65,406,122	58,970,110
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 67,247,985</u>	<u>\$ 60,664,628</u>

See accompanying notes to financial statements.

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY

STATEMENTS OF ACTIVITIES

For the Years Ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, gains, and other support		
Investment return, net	\$ 9,599,215	\$ (423,452)
Miscellaneous income	4,683	15,650
Net asset released from restriction	16,359	15,950
	<u>9,620,257</u>	<u>(391,852)</u>
Expenses		
Program services	3,076,654	3,238,566
Management and general	117,745	137,985
	<u>3,194,399</u>	<u>3,376,551</u>
Change in net assets without donor restrictions	<u>6,425,858</u>	<u>(3,768,403)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenue, gains, and other support		
Investment return, net	26,513	523
Net assets released from restriction	(16,359)	(15,950)
Change in net assets with donor restriction	<u>10,154</u>	<u>(15,427)</u>
CHANGE IN NET ASSETS	6,436,012	(3,783,830)
NET ASSETS, BEGINNING OF YEAR	<u>58,970,110</u>	<u>62,753,940</u>
NET ASSETS, END OF YEAR	<u>\$ 65,406,122</u>	<u>\$ 58,970,110</u>

See accompanying notes to financial statements.

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended May 31, 2024

	Program Services			Management and General	Total Expenses
	Grants	Grants Administration	Total Program Services		
Grants awarded expense	\$ 2,462,450	\$ -	\$ 2,462,450	\$ -	\$ 2,462,450
Wages and benefits	-	523,253	523,253	19,553	542,806
Advertising	-	1,050	1,050	-	1,050
Licenses and fees	-	292	292	-	292
Depreciation	-	-	-	1,229	1,229
Dues and memberships	-	2,243	2,243	-	2,243
Equipment maintenance	-	5,122	5,122	-	5,122
Insurance	-	8,058	8,058	425	8,483
Occupancy	-	10,239	10,239	317	10,556
Office supplies	-	918	918	12	930
Postage and shipping	-	156	156	-	156
Printing and publications	-	1,591	1,591	49	1,640
Professional fees	-	43,924	43,924	39,629	83,553
Travel, conferences, and meetings	-	17,358	17,358	3,537	20,895
Provision for excise taxes	-	-	-	26,686	26,686
Other miscellaneous	-	-	-	26,308	26,308
TOTAL	\$ 2,462,450	\$ 614,204	\$ 3,076,654	\$ 117,745	\$ 3,194,399

See accompanying notes to financial statements.

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended May 31, 2023

	Program Services			Management and General	Total Expenses
	Grants	Grants Administration	Total Program Services		
Grants awarded expense	\$ 2,653,483	\$ -	\$ 2,653,483	\$ -	\$ 2,653,483
Wages and benefits	-	487,609	487,609	36,227	523,836
Advertising	-	850	850	-	850
Licenses and fees	-	282	282	-	282
Depreciation	-	1,193	1,193	37	1,230
Dues and memberships	-	7,128	7,128	-	7,128
Equipment maintenance	-	4,875	4,875	-	4,875
Insurance	-	6,425	6,425	338	6,763
Occupancy	-	10,012	10,012	310	10,322
Office supplies	-	3,058	3,058	50	3,108
Postage and shipping	-	129	129	-	129
Printing and publications	-	1,431	1,431	44	1,475
Professional fees	-	54,357	54,357	32,805	87,162
Travel, conferences, and meetings	-	7,734	7,734	71	7,805
Provision for excise taxes	-	-	-	46,351	46,351
Other miscellaneous	-	-	-	21,752	21,752
TOTAL	\$ 2,653,483	\$ 585,083	\$ 3,238,566	\$ 137,985	\$ 3,376,551

See accompanying notes to financial statements.

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY

STATEMENTS OF CASH FLOWS

For the Years Ended May 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,436,012	\$ (3,783,830)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,229	1,230
Unrealized losses (gains) on investments, net	(7,619,360)	3,848,498
Realized gains on investments, net	(623,015)	(1,210,147)
Accrued income on assets limited as to use	-	(15,799)
(Increase) decrease in		
Prepaid expenses	(7,902)	7,540
Accrued investment income	3,376	(11,936)
Federal excise tax deposit	(9,314)	16,170
Increase (decrease) in		
Accounts payable	(8,295)	(776)
Grants and awards payable	165,867	332,333
Other accrued expenses	(6,046)	(6,115)
Federal excise tax payable	(4,181)	4,181
Net cash and cash equivalents (used by) operating activities	(1,671,629)	(818,651)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(13,746,421)	(2,715,323)
Proceeds from sale of investments	14,673,731	4,643,000
Net cash and cash equivalents provided from investing activities	927,310	1,927,677
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(744,319)	1,109,026
CASH AND CASH EQUIVALENTS, BEGINNING OF	1,969,187	860,161
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,224,868	\$ 1,969,187
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for excise taxes	\$ 40,181	\$ 26,000

See accompanying notes to financial statements.

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended May 31, 2024 and 2023

1. NATURE OF ACTIVITIES

The Healthcare Foundation of Northern Lake County (Foundation) is an Illinois not-for-profit corporation located in Grayslake, Illinois, that is organized to support, benefit, promote, fund and arrange for access to health care services and health education focused primarily on residents who reside within the former Victory Memorial Hospital and St. Therese Medical Center's primary and secondary service areas, which are communities in Northern Lake County, Illinois. The primary purposes for which the Foundation's funds shall be used shall be: (1) provide funds for the delivery of health care services, medical supplies, pharmaceuticals and health care equipment to the community, in order to promote the health status thereof, (2) provide funds for health education services to the residents of the community, with a primary emphasis on meeting the needs of uninsured, underinsured and medically underserved residents thereof, and (3) provide funds for post-secondary educational costs through scholarships for residents of the community in health career-related fields.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis method of accounting in conformity with accounting principles generally accepted in the United States of America (USGAAP).

Basis of Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified as follows:

Net Assets Without Donor Restrictions

Undesignated - Net assets that are not subject to donor-imposed restrictions or board-imposed stipulations.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by actions of the Foundation pursuant to those restrictions, or are maintained permanently by the Foundation. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Foundation maintains its cash and cash equivalents at one financial institution which, at times, may exceed federally insured limits. At May 31, 2024 and 2023, the Foundation's cash accounts exceeded federally insured limits by approximately \$988,000 and \$1,719,000, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

Investments are stated at fair value, which is based on quoted market prices. Dividends and interest, realized gains and losses, and changes in unrealized gains and losses are included in investment income (loss) on the Foundation's statement of activities net of external and direct internal expenses. Investment income and appreciation/depreciation earned on investments is reported as income without donor restrictions unless otherwise restricted by the donor.

Assets Limited as to Use

At May 31, 2024 and 2023, assets limited as to use is a deposit held by a third party on behalf of the Foundation.

The carrying amount of this asset is reduced by a valuation allowance that reflects management's best estimate of the amount that may not be collected due to the uncertainty that one or more future events occur or fail to occur.

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Awards Payable

Grants and awards payable represent unconditional promises to give cash and are recorded as liabilities when they are authorized by the Board of Directors. All grants awarded are payable within two years. There were no conditional grants payable as of May 31, 2024 and 2023.

Property and Equipment

Property and equipment are recorded at cost. It is the Foundation's policy to capitalize all property and equipment expenditures greater than \$500. Certain expenditures less than \$500 may be capitalized at the discretion of management. Maintenance, repairs, and renewals that neither materially add to the value of the property nor significantly prolong its life are charged to expense as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets, generally three to seven years for furniture and fixtures, computer software and office and computer equipment and three to fifteen years for leasehold improvements.

Revenue Recognition

Revenues are recognized when earned. Revenues received by the Foundation consist primarily of investment gains. The Foundation also receives contributions revenue at certain times.

Contributions are recognized as revenue when they are received or unconditionally pledged. Revenues are reported in net assets without donor restrictions unless use of the related assets is limited by the donor-imposed restrictions.

Retirement Plan

The Foundation has a defined contribution retirement plan qualified under Section 403(b) of the Internal Revenue Code for full-time employees. The plan agreement provides for employer contributions based on a set percentage of salary which was 5% during the years ended May 31, 2024 and 2023. The Foundation also matches employee contributions, up to 5% of the employee's salary. Total employer contributions for this plan for the years ended May 31, 2024 and 2023 totaled was \$58,311 and \$62,993, respectively.

Advertising Costs

The Foundation uses advertising primarily to promote its mission. Advertising costs are expensed as incurred. Advertising expense for the years ended May 31, 2024 and 2023 was \$1,050 and \$850, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Excise Taxes

The Foundation is acting as a private foundation under Section 509(a) of the Internal Revenue Code. In accordance with the Tax Reform Act of 1969 (the Act), the Foundation is subject to an excise tax on net investment income, including realized gains, as defined by the Act.

The Act also requires that certain minimum distributions, including qualified set-asides, be made each year based on the level of assets during the preceding year. The amount of these qualified distributions is determined in accordance with a specified formula. If the required level of qualified distributions is not made within a year, an additional excise tax is imposed on the Foundation. The grants paid during the year ended May 31, 2024 and 2023 satisfied the required distributions as computed as of May 31, 2023 and 2022, respectively.

Income Taxes

The Foundation is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is classified as a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Foundation evaluates its uncertain tax positions on an annual basis, and there have been no recorded uncertain tax positions recorded in tax year 2023 or 2022. Therefore, no provision or liability for income taxes has been included in the financial statements. The Foundation files various federal or state non-profit tax returns. The Foundation is no longer subject to U.S. federal or state examinations by tax authorities for tax years prior to 2020.

Functional Allocation of Expenses

The costs of programs and operations have been summarized on a functional basis in the statement of activities and the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses which are directly associated with a particular program or supporting service are allocated directly to that functional category. Certain costs, primarily wages and benefits and professional fees, have been allocated among functional categories based on estimated time and effort spent on programs.

Subsequent Events

The Foundation has evaluated subsequent events through December 4, 2024, the date on which the financial statements were available to be issued, and determined that there were no significant non-recognized subsequent events through that date.

3. LIQUIDITY AND AVAILABILITY

The Foundation had \$66,560,378 as of May 31, 2024 and \$59,993,848 as of May 31, 2023 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the current assets section of the statement. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Foundation maintains liquid financial assets, consisting of cash and short-term investments, on hand to meet its normal monthly operating expenses. To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Foundation will periodically provide the investment consultant with an estimate of expected net cash flow. The Foundation will notify the investment consultant, in a timely manner, to allow sufficient time to build up necessary liquid reserves.

4. FAIR VALUE MEASUREMENTS

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the Foundation to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

The Foundation recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the years ended May 31, 2024 and 2023.

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended May 31, 2024 and 2023:

Mutual Funds: Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year.

Recurring Measurements

Assets measured at fair value on a recurring basis as of May 31, 2024 and 2023 were as follows:

	May 31, 2024			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 65,596,327	\$ -	\$ -	\$ 65,596,327
TOTAL	\$ 65,596,327	\$ -	\$ -	\$ 65,596,327

	May 31, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 58,281,262	\$ -	\$ -	\$ 58,281,262
TOTAL	\$ 58,281,262	\$ -	\$ -	\$ 58,281,262

5. ASSETS LIMITED AS TO USE

In accordance with an assignment agreement dated October 10, 2012, Victory Wind-Down Company, which was formed to wind down the remaining assets and liabilities of the Victory Memorial Hospital and Vista Health/St. Therese Medical Center, which ceased operations on June 30, 2006, assigned the Illinois Workers' Compensation Commission (IWCC) deposit to the Foundation, which is subject to future claims related to the operations of the hospitals.

The deposit is a \$625,000 cash deposit held by the IWCC, plus accrued interest, less any workers' compensation claims filed and found compensable. The Foundation will be granted access to these funds upon the later of the expiring of the statute of limitations for such claims to be filed (June 2031), or the date that the last open claim is closed. The balance of this deposit was \$692,616 at May 31, 2024 and 2023, and due to the uncertain outcome of future events, the Foundation has recorded a valuation allowance of \$314,000 against this asset.

5. ASSETS LIMITED AS TO USE (Continued)

In accordance with the assignment agreement, the Foundation expressly does not assume or agree to pay, perform, or discharge when due, any liability or other obligation related to the asset or Victory Wind-Down, and Victory Wind-Down acknowledged and agreed that any such liability or obligation shall remain that of Victory Wind-Down.

6. ENDOWMENT FUNDS

Interpretation of Relevant Law Governing Endowments

The Board of Directors of the Foundation 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 stipulations to the contrary. As a result of this interpretation, the Foundation 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, (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.

Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment Investment and Spending Policies

The Foundation has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment.

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for the donor-specified periods. Under the Foundation's policy, which was approved by the Board of Directors, the investment portfolio shall be managed to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of Foundation assets. The investment portfolio is also expected to generate interest and dividend income to protect the portfolio from inflation. The investment portfolio is subject to periodic review to ensure this objective is met.

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)

6. ENDOWMENT FUNDS (Continued)

Endowment Investment and Spending Policies (Continued)

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (investment income such as interest and dividends).

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation. Such endowments are often referred to as “underwater” endowments. Deficiencies of this nature exist in the Foundation’s only endowment fund. The endowment fund has an original gift amount of \$335,752, a current fair value of \$292,331 and \$282,177, and a deficiency of \$43,421 and \$53,575 as of May 31, 2024 and 2023, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of the contributions for donor-restricted endowment funds and continued appropriation for programs that was deemed prudent by the Board. The Board has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Donor Restricted Endowment Funds

Endowment net assets as of the years ended were as follows:

	May 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	\$ -	\$ 335,752	\$ 335,752
Accumulated investment loss	-	(43,421)	(43,421)
TOTAL FUNDS	\$ -	\$ 292,331	\$ 292,331

Endowment net assets as of the years ended were as follows:

	May 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	\$ -	\$ 335,752	\$ 335,752
Accumulated investment loss	-	(53,575)	(53,575)
TOTAL FUNDS	\$ -	\$ 282,177	\$ 282,177

HEALTHCARE FOUNDATION OF NORTHERN LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)

6. ENDOWMENT FUNDS (Continued)

Donor Restricted Endowment Funds (Continued)

Changes in endowment net assets as of and for the years ended were as follows:

	May 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 282,177	\$ 282,177
Investment return	-	26,513	26,513
Appropriation of endowment assets for spending	-	(16,359)	(16,359)
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 292,331	\$ 292,331

	May 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 297,604	\$ 297,604
Investment return	-	523	523
Appropriation of endowment assets for spending	-	(15,950)	(15,950)
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 282,177	\$ 282,177