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*Attorneys for the Post-Effective Date Debtors
and Special Counsel to the Liquidating Trustee*

**UNITED STATES BANKRUPTCY COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION**

In re
VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,
Debtors and Debtors In Possession.

- ☒ Affects All Debtors
- ☐ Affects Verity Health System of California, Inc.
- ☐ Affects O'Connor Hospital
- ☐ Affects Saint Louise Regional Hospital
- ☐ Affects St. Francis Medical Center
- ☐ Affects St. Vincent Medical Center
- ☐ Affects Seton Medical Center
- ☐ Affects O'Connor Hospital Foundation
- ☐ Affects Saint Louise Regional Hospital
Foundation
- ☐ Affects St. Francis Medical Center of Lynwood
Foundation
- ☐ Affects St. Vincent Foundation
- ☐ Affects St. Vincent Dialysis Center, Inc.
- ☐ Affects Seton Medical Center Foundation
- ☐ Affects Verity Business Services
- ☐ Affects Verity Medical Foundation
- ☐ Affects Verity Holdings, LLC
- ☐ Affects De Paul Ventures, LLC
- ☐ Affects De Paul Ventures - San Jose ASC, LLC

Debtors and Debtors In Possession.

Lead Bankruptcy Case No. 2:18-bk-20151-BB
Jointly Administered with:
Case No. 2:18-bk-20162-BB
Case No. 2:18-bk-20163-BB
Case No. 2:18-bk-20164-BB
Case No. 2:18-bk-20165-BB
Case No. 2:18-bk-20167-BB
Case No. 2:18-bk-20168-BB
Case No. 2:18-bk-20169-BB
Case No. 2:18-bk-20171-BB
Case No. 2:18-bk-20172-BB
Case No. 2:18-bk-20173-BB
Case No. 2:18-bk-20175-BB
Case No. 2:18-bk-20176-BB
Case No. 2:18-bk-20178-BB
Case No. 2:18-bk-20179-BB
Case No. 2:18-bk-20180-BB
Case No. 2:18-bk-20181-BB

Chapter 11 Cases
Hon. Judge Sheri Bluebond

**NOTICE OF MOTION AND MOTION
FOR AUTHORITY TO USE
RESTRICTED FUNDS; DECLARATION
OF HOWARD GROBSTEIN IN SUPPORT
THEREOF**

Hearing:

Date: January 8, 2025

Time: 1:00 p.m.

Place: Courtroom 1539

255 East Temple Street
Los Angeles, California 90012

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
213 623 9300



1820151241219000000000001

1 **TO THE HONORABLE SHERI BLUEBOND, UNITED STATES BANKRUPTCY JUDGE,**
2 **THE UNITED STATES TRUSTEE, AND ALL PARTIES-IN-INTEREST HEREIN:**

3 **PLEASE TAKE NOTICE** that a hearing will be held on January 8, 2025, at 1:00 p.m., at
4 the above-referenced location for the United States Bankruptcy Court for the Central District of
5 California (the “Court”) to consider the motion (the “Motion”) for the entry of an order authorizing
6 the Liquidating Trustee to use of certain funds (the “Funds”) to pay the Post-Effective Date
7 Debtors’ remaining secured creditors and the Liquidating Trust’s operating expenses, filed by
8 Howard Grobstein, the liquidating trustee (the “Liquidating Trustee”) of the VHS Liquidating Trust
9 (the “Liquidating Trust”), established pursuant to the *Modified Second Amended Joint Chapter 11*
10 *Plan of Liquidation (Dated July 2, 2020) of the Debtors, the Prepetition Secured Creditors, and*
11 *the Committee* [Docket No. 5466] (the “Plan”)¹ confirmed by the order [Docket No. 5504] (the
12 “Confirmation Order”) entered August 14, 2020, and that certain Liquidating Trust Agreement,
13 dated as of September 5, 2020 [Docket No. 6043]. Although the Funds have been held in an account
14 in the name of the above-captioned Debtor Saint Vincent Foundation (“SVF”) and have been
15 historically reported by the Post-Effective Date Debtors as “restricted,” the Liquidating Trustee and
16 the Post-Effective Date Debtors have not found any documents or other evidence related to the
17 original donations and any intended restrictions on these Funds. Accordingly, clear and convincing
18 evidence does not exist to establish that the Funds should be held in trust as Charitable Restricted
19 Funds.

20 **PLEASE TAKE FURTHER NOTICE** that the Motion is based on the facts and legal
21 analysis set forth in the Memorandum of Points and Authorities attached to the Motion, the
22 Declaration of Howard Grobstein attached to the Motion, the record in these cases, any other
23 evidence properly before the Court prior to or at the hearing on the Motion, and all matters of which
24 this Court may properly take judicial notice.

25 **PLEASE TAKE FURTHER NOTICE** that any objections to the relief requested in this
26 Motion must (1) be filed with the Clerk of the Court and be served on the respective professionals
27

28 ¹ Unless otherwise defined herein, all capitalized terms have the definitions set forth in the Plan.

no later than December 26, 2024, and (2) be in the form required by Rule 9013-1(f) of the Local Rules (the “LBR”) of the Court.

PLEASE TAKE FURTHER NOTICE that, pursuant to LBR 9013-1(h), the failure to file and serve a timely objection to the Motion may be deemed by the Court to be consent to the relief requested.

Dated: December 11, 2024

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON

By /s/ Tania M. Moyron
Tania M. Moyron

*Attorneys for the Post Effective Date Debtors
and Special Counsel to the Liquidating Trustee*

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601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
213 623 9300

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

The Liquidating Trustee (the “Liquidating Trustee”) of the VHS Liquidating Trust (the “Liquidating Trust”), established pursuant to the *Modified Second Amended Joint Chapter 11 Plan of Liquidation (Dated July 2, 2020) of the Debtors, the Prepetition Secured Creditors, and the Committee* [Docket No. 5466] (the “Plan”),¹ confirmed by the order [Docket No. 5504] (the “Confirmation Order”) entered August 14, 2020, and that certain Liquidating Trust Agreement, dated as of September 5, 2020 [Docket No. 6043], hereby moves (the “Motion”) for entry of an order, pursuant to §§ 105 and 363 of title 11 of the United States Code (the “Bankruptcy Code”),² authorizing the use of certain funds (the “Funds”) to pay the Post-Effective Date Debtors’ remaining secured creditors and the Liquidating Trust’s operating expenses. Although the Funds have been held in an account in the name of the above-captioned Debtor Saint Vincent Foundation (“SVF”) and have been historically reported as by the Debtors as “restricted,” the Liquidating Trustee and the Post-Effective Date Debtors have not found any documents or other evidence related to the original donations and any intended restrictions on these Funds. Accordingly, clear and convincing evidence does not exist to establish that the Funds should be held in trust as Charitable Restricted Funds. The Declaration of Howard Grobstein is attached hereto in further support of the Motion and the Liquidating Trustee represents as follows:

II. JURISDICTION AND VENUE

1. The Court has jurisdiction over this matter under 28 U.S.C. § 1334. This is a core-proceeding within the meaning of 28 U.S.C. §§ 157(b)(2). Venue of these chapter 11 cases in this district is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief sought herein are §§ 105 and 363. The Motion also is predicated on certain sections of the confirmed Plan and Liquidating Trust Agreement, which are the law of the case.

¹ Unless otherwise defined herein, all capitalized terms have the definitions set forth in the Plan.

² Unless specified otherwise, all chapter and section references are to the Bankruptcy Code.

III. BACKGROUND

A. General Background

3. SVF was formed in 1984 to advance the Daughters of Charity mission work and to serve the sick and the poor with quality and compassion at St. Vincent Medical Center through community fundraising.

4. On August 31, 2018, the above-captioned Debtors, including SVF, filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the “Bankruptcy Court”). On September 4, 2020 (the “Effective Date”), the Debtors’ Plan became effective, as set forth in the notice filed with this Court. [See Docket No. 6044.] On the Effective Date, all of the Estates’ Liquidating Trust Assets were transferred to the Liquidating Trust and the Liquidating Trustee was appointed to administer and distribute such Liquidating Trust Assets. *See* Plan, § 6.

5. SVF, as well as the Debtors Saint Louise Regional Hospital Foundation, St. Francis Medical Center Foundation, Seton Medical Center Foundation, and O’Connor Medical Center Foundation (collectively, the “Foundations”) handled fundraising and grant-making programs for each of their respective Debtor hospitals. Many of the Foundations received donations with specific conditions attached by the donor on how the funds should be used (“Charitable Restricted Funds”).

6. To date, the Liquidating Trustee has undertaken efforts to transfer all Charitable Restricted Funds in accordance with the terms of their donations and wind down each of the related Foundations. The Liquidating Trustee has successfully transferred all Charitable Restricted Funds of each of the Foundations other than those funds held by SVF.

B. The Remaining SVF Funds

7. SVF’s remaining funds are labeled as “restricted,” but, unlike other Foundations which had specific conditions attached to donations, the Liquidating Trustee has not, in fact, discovered any evidence that such funds are actually Charitable Restricted Funds.

8. On the Effective Date, the Liquidating Trust received and has maintained possession of a SVF cash account initially held at Bank of America containing \$1,258,914.05 (the “Funds”). The Debtors historically reported these Funds as “restricted.” Out of an abundance of caution, these

Funds were preserved and separated from operating funds and never co-mingled with other Liquidating Trust Assets.

9. Currently, the Funds are controlled by the Liquidating Trustee and are in six different bank accounts. These accounts incur no fees and receive no interest:

| BANK | AMOUNT |
|-------------------------------------|-----------------------|
| CITIZENS BANK, NATIONAL ASSOCIATION | \$ 247,000.00 |
| COMERICA BANK | 247,000.00 |
| RAYMOND JAMES BANK | 247,000.00 |
| TRUIST BANK | 247,000.00 |
| WESTERN ALLIANCE BANK | 20,914.05 |
| BANK OF SOUTHERN CALIFORNIA | 250,000.00 |
| Total | \$1,258,914.05 |

10. The Liquidating Trustee has undertaken a process to review and search for SVF information related to these Funds, including searching through terabytes of retained information, reviewing hundreds of documents and interviewing multiple former SVF employees and professionals, but has not located any documentation relating to a specific restriction on the Funds. The Post-Effective Date Debtors previously completed a similar search for documents related to the original donations and any restrictions on these Funds but found no evidence to justify the restriction.

11. An internal audit report of the Debtors dated June 11, 2004, conducted by Chan Healthcare Auditors (the “2004 Audit Report,” attached to the Grobstein Declaration as Exhibit A), however, notes that “SVF and SVMC have applied an overly conservative interpretation when recording donations that carry very limited restrictions and misapplied guidance regarding which of the organizations should report contributions as revenue. As a result, the contribution revenue of SVF has been significantly understated.” Audit Report, at 3. Thus, given that SVF historically was overly conservative in its recording and labeling of donations as restricted, leads the Liquidating Trustee to believe that accurate journal entries were not made to reflect the unrestricted status of the Funds.

1 **IV. REQUESTED RELIEF**

2 12. Pursuant to §§ 105(a) and 363, the Liquidating Trustee seeks an order authorizing
3 the Liquidating Trustee to use the Funds to pay remaining secured claims and the Liquidating
4 Trust's operating expenses in accordance with the Plan. As described below, although the Funds
5 were historically reported as "restricted," there is insufficient evidence to consider the Funds as
6 Charitable Restricted Funds. Therefore, the Liquidating Trustee is authorized to use the Funds to
7 satisfy secured claims and pay operating expenses.

8 **V. BASIS FOR RELIEF REQUESTED**

9 13. Section 363(b)(1) provides, in pertinent part, that "[t]he trustee, after notice and a
10 hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate."

11 14. Further, § 105(a) provides, in pertinent part, that the "[c]ourt may issue any order,
12 process, or judgment that is necessary or appropriate to carry out the provisions" of the Bankruptcy
13 Code. The purpose of § 105(a) is "to assure the bankruptcy court's power to take whatever action
14 is appropriate or necessary in aid of the exercise of their jurisdiction." 2 Collier on Bankruptcy
15 ¶ 105.01 at 105 (16th ed. 2009). This is consistent with the broad equitable authority of the
16 bankruptcy court. *See, e.g., In re Continental Airlines*, 203 F.3d 203, 211 (3d Cir. 2000) ("Section
17 105(a) of the Bankruptcy Code supplements courts' specifically enumerated bankruptcy powers by
18 authorizing orders necessary or appropriate to carry out provisions of the bankruptcy code.").

19 **A. There Is Insufficient Evidence to Consider the Funds as Charitable Restricted Funds**

20 15. Whether a valid charitable trust has been established to restrict the use of donated
21 funds, such that the debtor merely holds bare legal title to the funds for the beneficial interest of a
22 non-debtor, is a question that must be resolved by applying state law from the situs of the trust. *In*
23 *re California Trade Technical Schools, Inc.*, 923 F.2d 641, 646 (9th Cir. 1991). If, under state law,
24 a non-debtor can establish a valid equitable interest to funds held by the debtor, then a bankruptcy
25 court's imposition of a trust restricting the use of such funds is appropriate. *In re Sale Guaranty*
26 *Corporation*, 220 B.R. 660 (9th Cir. B.A.P. 1998).

27 16. A charitable trust is defined under California law as: "...a fiduciary relationship with
28 respect to property that arises from a manifestation of intention to create that relationship and that

1 subjects the person who holds title to the property to duties to deal with it for the benefit of charity
2 or for one or more persons.” *Autonomous Region of Narcotics Anonymous v. Narcotics Anonymous*
3 *World Servs., Inc.*, 77 Cal. App. 5th 950, 959, 292 Cal. Rptr. 3d 851, 857 (2022) (citing Restatement
4 (Third) of Trusts § 2). “To create a charitable trust, there must be a proper manifestation by the
5 settlor of an intention to create a trust, a trust res, and a charitable purpose.” *L.B. Research &*
6 *Education Foundation v. UCLA Foundation*, 130 Cal. App. 4th 171, 177, 29 Cal. Rptr. 3d 710, 713
7 (2005); Restatement (Second) of Trusts § 348 (“A charitable trust is a fiduciary relationship with
8 respect to property arising as a result of a manifestation of an intention to create it, and subjecting
9 the person by whom the property is held to equitable duties to deal with the property for a charitable
10 purpose.”). The standard of proof to show the requisite manifestation of intent to create a charitable
11 trust is the clear and convincing evidence standard. *See In re Parkview Hosp.*, 211 B.R. 619, 631
12 (Bankr. N.D. Ohio 1997); *see also Long Green Valley Ass’n v. Bellevale Farms, Inc.*, 432 Md. 292,
13 318, 68 A.3d 843, 858 (2013) (finding that plaintiffs failed to present clear and convincing evidence
14 that the easement in question was a charitable trust).

15 17. Generally, a donation to a non-profit organization is a gift that does not create a
16 trust. *In re Catholic Bishop of Spokane*, 2005 WL 2108895 (Bankr. E.D. Wash.) (“Voluntary gifts
17 cannot result in a constructive or resulting trust. To paraphrase Gertrud Stein, a gift is a gift is a gift
18 and by any other name (donation, offering, type) would still not result in a legally enforceable
19 interest in the assets of the donee.”). On the other hand, “[w]here property is given to a charitable
20 corporation and it is directed by the terms of the gift to devote the property to a particular one of its
21 purposes, it is under a duty, enforceable at the suit of the Attorney General, to devote the property
22 to that purpose.” Restatement (Second) of Trusts § 348, cmt. F. Thus, whether the Funds should be
23 considered Charitable Restricted Funds turns on donor intent.

24 18. As discussed above, although the Debtors historically reported the Funds as
25 “restricted,” the Liquidating Trustee and the Post-Effective Date Debtors have not found any
26 documents or other evidence related to the original donations and any intended restrictions on these
27 Funds. Accordingly, clear and convincing evidence does not exist to establish that the Funds should
28 be held in trust as Charitable Restricted Funds.

1 19. Instead, the 2004 Audit Report provides that SVF historically was overly
2 conservative in its recording of donations such that it recorded donations as restricted that should
3 have been unrestricted. This, together with the fact that there is no evidence of any restrictions on
4 the Funds, is a sufficient basis to find that the Funds were improperly recorded by SVF as
5 “restricted.”

6 **B. The Liquidating Trustee Is Authorized to Use the Unrestricted Funds to Pay Creditors**
7 **and Operating Expenses**

8 20. Given that the Funds should be considered unrestricted, the Liquidating Trustee has
9 authority to use the Funds to pay any remaining secured claims and operating expenses in
10 accordance with the confirmed Plan.

11 21. On the Plan’s Effective Date, all Assets of the Post-Effective Date Debtors’ Estates
12 (the “Liquidating Trust Assets,” as further defined in the Plan)³ were transferred to the Liquidating
13 Trust. The Liquidating Trustee was authorized to administer and distribute such Liquidating Trust
14 Assets to creditors in accordance with the Plan and use the Liquidating Trust Assets to pay
15 operating expenses of the Liquidating Trust. *See* Plan, § 6.2.

16 22. Because the Funds are not restricted, they are considered property of SVF’s Estate.
17 *See, e.g., In re Joliet-Will County Community Action Agency*, 847 F.2d 430 (7th Cir. 1988) (holding
18 that federal and state agency grants to nonprofit community organizations that impose restrictions
19 on the grants’ use were made to the organization as a trustee, such that the debtor lacked beneficial
20 title to the funds and hence they were not property of the estate); *Parkview Hospital v. St. Vincent*
21 *Medical Center*, 211 B.R. 619 (Bankr. N.D. Ohio) (debtor hospital’s contributors manifested an
22 intent that the hospital’s development fund would be used for specific charitable purposes,
23

24 _____
25 ³ The Plan defines Liquidating Trust Assets to mean “any and all Assets of the Estates... [including] all
26 Remaining Cash...” Plan, § 1.97. Remaining Cash is defined as “the actual sum of Cash that constitutes
27 Liquidating Trust Assets after (i) the payment of Cash necessary to satisfy all Unclassified Claims and Class
28 1A Claims that are Allowed on or prior to the Effective Date, (ii) the payment of all Allowed Claims payable
on the Effective Date as set forth in Classes 2, 3, 4, 5, 6, and 7, and (iii) the transfer into or maintenance of
funds in the Operating Accounts for the Post Effective Date Debtors on the Effective Date in accordance
with the Section 7.6.” Plan, § 1.148. The payments and transfers contemplated under § 1.148 of the Plan
have been made such that the Funds are Remaining Cash of SVF.

1 supporting a finding of an express charitable trust that removed the funds from the chapter 11
2 estate).

3 23. Accordingly, the Liquidating Trustee has authority to use the Funds to pay the
4 remaining secured creditors of the Post-Effective Date Debtors and the Liquidating Trust's
5 operating expenses.

6 **VI. CONCLUSION**

7 WHEREFORE, the Liquidating Trustee respectfully requests that this Court issue an order:

8 1. Granting this Motion;

9 2. Authorizing the Liquidating Trustee to use the Funds to pay remaining secured
10 claims and the Liquidating Trust's operating expenses without seeking further relief from this
11 Court; and

12 3. Granting such further relief as the Court deems just and proper.

13
14 Dated: December 11, 2024

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON

15
16 By /s/ Tania M. Moyron
Tania M. Moyron

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18 *Attorneys for the Post Effective Date Debtors*
19 *and Special Counsel to the Liquidating Trustee*
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DECLARATION OF HOWARD GROBSTEIN

I, Howard Grobstein, hereby state and declare as follows:

1. I submit this declaration (the “Declaration”) in support of the *Motion for Authority to Use Restricted Funds* (the “Motion”),¹ which seeks entry of an order authorizing the use of certain Funds in a Saint Vincent Foundation (“SVF”) cash account, which have been historically reported as by the Debtors as “restricted,” to pay the Post-Effective Date Debtors’ remaining secured creditors and the Liquidating Trust’s operating expenses.

2. I am the Managing Partner at Grobstein Teeple LLP. I serve as the liquidating trustee (the “Liquidating Trustee”), of the VHS Liquidating Trust (the “Liquidating Trust”), established pursuant to the *Modified Second Amended Joint Chapter 11 Plan of Liquidation (Dated July 2, 2020) of the Debtors, the Prepetition Secured Creditors, and the Committee* [Docket No. 5466] (the “Plan”), confirmed by the order [Docket No. 5504] (the “Confirmation Order”) entered August 14, 2020, and that certain Liquidating Trust Agreement, dated as of September 5, 2020 [Docket No. 6043].

3. I am authorized to execute this Declaration. Unless otherwise stated herein, I have personal knowledge of the facts set forth herein, and if called upon to testify, I would testify competently to all of the facts set forth herein.

4. SVF was formed in 1984 to advance the Daughters of Charity mission work and to serve the sick and the poor with quality and compassion at St. Vincent Medical Center through community fundraising.

5. SVF, as well as the Debtors Saint Louise Regional Hospital Foundation, St. Francis Medical Center Foundation, Seton Medical Center Foundation, and O’Connor Medical Center Foundation (collectively, the “Foundations”) handled fundraising and grant-making programs for each of their respective Debtor hospitals. Many of the Foundations received donations with specific conditions attached by the donor on how the funds should be used (“Charitable Restricted Funds”).

6. To date, I have undertaken efforts to transfer all Charitable Restricted Funds in accordance with the terms of their donations and wind down each of the related Foundations. I have

¹ Unless otherwise defined, capitalized terms used herein shall have the same meaning as in the Motion.

1 successfully transferred all Charitable Restricted Funds of each of the Foundations other than those
2 funds held by SVF.

3 7. SVF's remaining funds are labeled as "restricted," but, unlike other Foundations
4 which had specific conditions attached to donations, I have not, in fact, discovered any evidence
5 that such funds are actually Charitable Restricted Funds.

6 8. On the Effective Date, the Liquidating Trust received and has maintained possession
7 of a SVF cash account initially held at Bank of America containing \$1,258,914.05 (the "Funds").
8 The Debtors historically reported these Funds as "restricted." Out of an abundance of caution, these
9 Funds were preserved and separated from operating funds and never co-mingled with other
10 Liquidating Trust Assets.

11 9. Currently, I control the Funds which are in six different bank accounts. These
12 accounts incur no fees and receive no interest:

| BANK | AMOUNT |
|-------------------------------------|-----------------------|
| CITIZENS BANK, NATIONAL ASSOCIATION | \$ 247,000.00 |
| COMERICA BANK | 247,000.00 |
| RAYMOND JAMES BANK | 247,000.00 |
| TRUIST BANK | 247,000.00 |
| WESTERN ALLIANCE BANK | 20,914.05 |
| BANK OF SOUTHERN CALIFORNIA | 250,000.00 |
| Total | \$1,258,914.05 |

22
23 10. I have undertaken a process to review and search for SVF information related to
24 these Funds, including searching through terabytes of retained information, reviewing hundreds of
25 documents and interviewing multiple former SVF employees and professionals, but have not
26 located any documentation relating to a specific restriction on the Funds. The Post-Effective Date
27 Debtors previously completed a similar search for documents related to the original donations and
28 any restrictions on these Funds but found no evidence to justify the restriction.

11. An internal audit report of the Debtors dated June 11, 2004, conducted by Chan Healthcare Auditors (the “2004 Audit Report,” attached hereto as **Exhibit A**), however, notes that “SVF and SVMC have applied an overly conservative interpretation when recording donations that carry very limited restrictions and misapplied guidance regarding which of the organizations should report contributions as revenue. As a result, the contribution revenue of SVF has been significantly understated.” Audit Report, p. 3. Thus, given that SVF historically was overly conservative in its recording and labeling of donations as restricted, together with the fact that the bankruptcy cases were later filed and new management was then onboarded, leads me to believe that accurate journal entries were not made to reflect the unrestricted status of the Funds.

12. Accordingly, I do not believe that clear and convincing evidence exists to establish that the Funds should be held in trust as Charitable Restricted Funds.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Executed this 11th day of December, 2024, in Woodland Hills, California.

[TO BE SUBMITTED

Howard Grobstein

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Exhibit A
(2004 Audit Report)

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
213 623 9300



Internal Audit Report

Saint Vincent Foundation

D-SVMC04-05
June 11, 2004




Report D-SVMC04-05
Executive Summary

Audit: Saint Vincent Foundation

Auditors: Jim Jenkins, CIA
Senior Audit Manager

Joyce Yin, CPA
Audit Manager

Audit Date: June 11, 2004

| Overall Impact Assessment | | | | | Number of Issues by Impact | | | |
|---------------------------|---|---|------|---|----------------------------|---|--|--|
| Facility Impact: | 0 | 1 | 2 | 3 | 4 | | | |
| |  | | | | | | | |
| | Low | | High | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | High | 3 | | |
| | | | | | Moderate | 4 | | |
| | | | | | Low | 0 | | |
| | | | | | Total Issues | 7 | | |

Major Issues Identified:

- SVF and SVMC have misapplied Financial Accounting Standards Board Statements Numbers 116, 117, and 136 and produced financial statements that understate contribution revenue generated by SVF.
- The methods used to monitor the receipt of grants, performance under the terms of those grants, and the reimbursement of SVMC for expenses incurred under those grants is not adequate.
- An individual involved in donation processing performed duties that violated the general concepts of segregation of duties.

Opportunities or Risks Identified:

- Board Members, management and external entities have been given a distorted, understated picture of the productivity of SVF.
- Generation of grant income is a primary goal of the SVF strategic plan. However, without adequate controls, neither SVF nor SVMC are able to fulfill their fiduciary responsibilities for those funds.
- By realigning duties and ensuring one individual does not have complete control over a class of transactions, both SVF and the individual will be provided with a greater level of protection.

Action Plans and Completion Dates:

- Accounting for contributions will be done in accordance with FASB 136 and FASB 116 as detailed in the audit report. Contribution revenue will be recognized on the Foundation general ledger as recommended. – July 31, 2004
- SVMC will prepare a statement of changes in net assets which conforms to the FASB 117 requirements as part of the regular monthly closing cycle. This will be presented to the Board and Finance and Audit Committee along with the other financial statements. – July 31, 2004

St. Vincent Foundation
Executive Summary
June 11, 2004

D-SVMC04-05

-
- SVMC and SVF will jointly develop the tools, policies, and procedures to adequately monitor grants received. – July 31, 2004
 - SVF will realign duties within the Donation Processing Unit to ensure one individual does not have an inappropriate level of control over specific transactions. – September 1, 2004

Approved:

Gus Valdespino, President/CEO
St. Vincent Medical Center

William Barrett, Chair
SVMC Finance Committee

Les Bittenson, Chair
SVF Board of Directors



Tel 314-802-2000
Fax 314-802-2020

Bemiston Tower, Suite 300
231 South Bemiston Avenue
Clayton, Missouri 63105

Report D-SV04-05
Audit Services Report

Audit: St. Vincent Foundation

Auditors: Jim Jenkins, CIA Joyce Yin, CPA **Audit Date:** June 11, 2004
Senior Audit Manager Audit Manager

Background

St. Vincent Foundation is a not-for-profit organization and a subsidiary corporation of St. Vincent Medical Center (SVMC). According to its mission statement, it "...exists to advance St. Vincent Medical Center's provision of world class, compassionate medical care, and the efforts of the Daughters of Charity to serve the sick and the poor, through fund development, stewardship, community partnerships and outreach. It conducts a number of fund-raising endeavors including direct mail campaigns, employee campaigns, special events and grant writing.

A characteristic that makes SVF unusual in the world of hospital foundations is that in addition to providing financial support to its sponsoring organization, it also has a contractual relationship to provide "fund-raising services" to the St. Vincent Senior Citizen Nutritional Program (St. Vincent Meals on Wheels) and Hotel Dieu (a proposed residential facility for low-income seniors) both of which are sponsored by Daughters of Charity Ministry Services Corporation. As a result, there is a need to clearly differentiate between the resources devoted to providing services to SVMC and those used to these contractual relationships. It also creates the situation where the management of SVF must provide information to the Boards of a number of organizations and the expectations of these Boards appear to be very different.

Organizational change has also been a significant factor in the operation of this foundation. Over a relatively short period of time SVMC and SVF transitioned from a medium-sized healthcare system with a single sponsor, to a larger system with multiple sponsors and then back to its original situation. Accompanying these changes, there has been turnover in senior management at both SVF and SVMC and the continuing financial pressures faced by SVMC.

St. Vincent Foundation
June 11, 2003
Page 2 of 14

D-SV04-05

Purpose

The objectives of this audit project were to:

- evaluate the adequacy of the system of internal controls in the foundation,
- determine whether the system of internal controls is functioning as intended,
- ascertain whether the goals and objectives of the Foundation are being achieved, and
- determine if resources are used in an economical and efficient manner.

Scope

The scope of this audit included the review and testing of data necessary to: ensure the reliability and integrity of information; ensure compliance with applicable policies, plans, procedures, laws and regulations; ensure the safeguarding of assets; ensure economical and efficient use of resources; and ensure the accomplishment of established objectives and goals of the Foundation.

Summary

This review found that SVF is currently successful in meeting its mission goals of providing additional financial resources to SVMC, St. Vincent Meals on Wheels (SVMOW), and Hotel Dieu (HD). Because of the problems discussed in issues 1 and 2 below, we did not rely on the previous year's financial statements to analyze the performance of SVF. However, using a combination of data from SVF's information system and financial reports from both SVMC and SVMOW, we developed some basic information regarding the financial performance for SVF as of March 31, 2004 (third quarter of FY 2004).

| Program | Total Funds Raised | Total Associated Expenses | Expense/Total Revenue |
|-----------------------------------|---------------------------|----------------------------------|------------------------------|
| SVMC | \$ 2,702,762 | \$ 556,892 | 20.6% |
| SVMC (w/o DOC Foundation support) | \$ 2,180,101 | \$ 556,892 | 25.5% |
| SVMOW & HD | \$ 2,376,738 | \$ 743,806 | 33.0% |
| Combined | \$ 5,079,500 | \$ 1,300,698 | 25.6% |

There are two items to note regarding this analysis. The fund-raising efforts for SVMOW are highly weighted toward direct mail efforts both in terms of obtaining recurring support and acquiring new donors. The costs of these types of efforts, especially for donor acquisition, are recognized to be costly and contribute to the expense differential. Additionally, since March 31, 2004, there have been two items that either will or could significantly impact the evaluation of SVF's ability to positively impact the finances of the organizations it supports. In April, HD received an \$850,000 contribution to its capital campaign and, in mid-June, the Daughters of Charity Foundation made commitments to SVMC, through SVF, for an additional \$1,585,480 in grants.

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Issues and Action Plans

The following key issues are presented to assist management in strengthening the internal control system. The Action Plans represent a joint effort between management and Audit Services in developing cost-effective approaches toward addressing each area.

1. Contribution Revenue is Significantly Understated

(Impact – High)

SVF and SVMC have applied an overly conservative interpretation when recording donations that carry very limited restrictions and misapplied guidance regarding which of the organizations should report contributions as revenue. As a result, the contribution revenue of SVF has been significantly understated, the process of recording the transfer of assets from SVF to SVMC has been made unnecessarily complicated, managers of both entities have wasted resources developing alternative reports that attempt to more accurately portray the actual fund-raising performance of SVF, and Board members, managers, and outside entities have been provided with incomplete information.

According to Financial Accounting Standards Board (FASB) Statement No. 116 (Accounting for Contributions Received and Contributions Made), if a temporarily restricted contribution is received and the restriction can be met within the accounting period, the organization has the option of immediately recognizing that contribution as an unrestricted donation. In the case of SVF, there are a number of contributions received that are only restricted as to the program the donor would like to support (e.g. the Casa de Amigos de San Vincente) and unrestricted funds are already being spent on the program. In that case, SVF can immediately treat this as an unrestricted donation and recognize it as income in that period as long as SVF reveals this treatment in the notes to its financial statements.

According to FASB Statement No. 136 (Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others), if a not-for-profit organization receives contributions on behalf of another not-for-profit organization and the two organizations are financially related, the organization that receives the contribution should record the contribution as revenue and when the funds are passed on to the second organization, that transfer should be recorded simply as a transfer of assets. This correct treatment of contributions received by SVF on behalf of SVMC would more accurately reflect the productivity of SVF and simplify the process of transferring the funds.

To correct this situation we recommend the following. As the provider of accounting services to SVF, the SVMC Finance Department should assume the responsibility of being the single source of financial statements and reports for SVF and coordinate with the staff of SVF to develop policies and procedures regarding the information needed from SVF in order to produce those financial statements and productivity reports.

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SVF and SVMC should immediately adhere to the standards contained in FASB Statement No. 136 and use the options available under FASB Statement No. 116 regarding temporarily restricted donations. Specifically, the following changes should be adopted:

- When contributions are received by SVF on behalf of SVMC, SVF should be the entity to recognize the revenue in its financial statements.
- When contributions carry restrictions that can be immediately met, those contributions should be treated as unrestricted income and that accounting treatment should be disclosed in the notes to its financial reports.
- For contributions that carry more substantive restrictions as to their use, such as grants with specific actions to be accomplished and or timing restrictions, SVF and SVMC should treat those funds as either temporarily or permanently restricted funds and jointly develop and implement a process that ensures SVF can fulfill its fiduciary responsibility regarding those funds.
- As SVF and SVMC are financially related entities, when assets are transferred from SVF to SVMC, those transfers should be treated as simple equity transfers in accordance with FASB Statement No. 136, rather than the current process which results in some of these assets being recognized as income by SVMC.

Additionally, SVMC and SVF should develop standard policies and procedures that establish the review criteria to be used by SVF when determining if a contribution should be treated as either a restricted or unrestricted asset, the reporting methods to be used when additional review is needed, and establish whom within SVF and SVMC will have the final responsibility for making these determinations. After these policies and procedures are developed, training should be provided to staff within SVF and SVMC Finance Department to ensure that staff are aware of the policies and can carry them out.

Action Plan: (Julia Roth & James Hughey)

SVMC Finance will assume the responsibility of being the single source for financial statements and reports for SVF. A Senior Accountant position has been created which will have Foundation accounting as the primary job responsibility, and recruitment is underway.

Policies and Procedures will be written addressing: the information needed to produce the financial statements, the format the information will be provided in, reconciliations of all temporarily restricted and permanently restricted funds (including trusts and grants).

Accounting for contributions will be done in accordance with FASB 136 and FASB 116 as detailed in the audit report. Contribution revenue will be recognized on the Foundation general ledger as recommended.

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SVMC and SVF will jointly determine review criteria to determine treatment of contributions (restricted, unrestricted), and determine final authority for this decision. Training will be provided to SVMC Finance staff and SVF staff.

Activity for June 2004 will be recorded using the recommended changes.

Implementation Date: July 31, 2004

2. Statement of Changes in Net Assets Not Included in the Financial Statements

(Impact – High)

The financial statements prepared by SVMC for SVF do not include a Statement of Changes of Net Assets or include this information in the Statement of Activities as required by FASB Statement No. 117 (Financial Statements of Not-for Profit Organizations) and therefore do not provide a complete, accurate report of the financial position of the Foundation. The Statement of Changes in Net Assets serves as both a tie between the Statement of Operations (Income Statement) and the Statement of Financial Position (Balance Sheet) and as an explanation of changes in net assets that are not explained by the Statement of Operations. Under FASB 116, contributions that are restricted do not appear as current income in the Statement of Operations and in the case of SVF, this meant that grant income and permanently restricted donations were almost invisible. While a review of the Statement of Financial Position would show changes, it would not show the cause of those changes as would the Statement of Changes in Net Assets. The impact of this issue is similar to the problems with FASB Statements No. 116 and 136 discussed in Issue No. 1, the financial performance SVF has been underreported and the flawed financial statements made it difficult for Board Members, Senior Managers and outside entities to correctly evaluate the productivity and performance of SVF. The Statement of Changes in Net Assets can be presented in a number of ways and several examples from FASB Statement No. 117 are included in Attachment A.

In order to provide accurate financial information to its Boards, senior management and outside entities, SVF and SVMC should jointly develop a complete set of financial statements for SVF which include either a Statement of Changes of Net Assets or a combined Statement of Activity and Statement of Changes in Net Assets.

Action Plan: (Julia Roth & James Hughey)

Statement of changes in net assets is currently being provided to the DOCHS System office on a quarterly basis. In addition, the audited financial statements for DOCHS contain a statement of changes in net assets.

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SVMC will prepare a statement of changes in net assets which conforms to the FASB 117 requirements as part of the regular monthly closing cycle. This will be presented to the Board and Finance and Audit Committee along with the other financial statements.

Implementation Date: July 31, 2004

3. Improved Monitoring of Grants

(Impact – High)

The methods used to monitor the receipt of grants, performance under the terms of those grants, and the reimbursement of SVMC for expenses incurred under those grants is not adequate. There is not a common, agreed upon listing of grants received by SVF on behalf of SVMC which would allow the two entities to ensure adequate tracking and monitoring of those funds. Additionally, the primary means of tracking the status of SVF restricted funds in its information system is a report called the "Fund Balances" report. We noted that grant monies are intermingled under the various fund identification numbers. Additionally, as the terms of the grants are met and SVMC is reimbursed for the expenses incurred under the grant, the fund numbers used to record the transfers are not consistent. We also noted that the supporting documentation maintained by SVF is not complete. This is a significant problem when one of the primary strategic goals of SVF is to increase its revenue through grant writing activities.

SVF and the SVMC Finance Department should take the following actions to improve the accountability and monitoring for grants received:

- Develop a comprehensive list of active grants held by SVF, agree to common names for each grant, agree to the correct Fund ID number and GL Account number for each grant, and link these designations.
- For each of the identified grants, determine the amount received by SVF for each grant, the amount spent by SVMC for each grant, the amount transferred to SVMC for each grant, the amount remaining in the fund, and the amount of the balance that should be recorded as temporarily restricted and unrestricted funds.
- Establish a separate file for each grant that contains the original grant proposal, copies of any correspondence between SVF, SVMC, and the grantor related to the grant, all requests from SVMC for the release of grant funds, and a copy of approved requests and the check.
- Develop a data base that captures the above information along with any reporting requirements for the grant and update it as new grants are received.
- Develop a written policy and procedure that specifies the respective roles of SVF, the SVMC Finance Department and the department(s) that will actually use the grant funds. The policy should include as a minimum:
 - Designate the office with the responsibility for maintaining the grant file and the grant database.

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- Each grant will have a unique Fund ID and funds from other grants or other sources will not share that unique Fund ID.
- Monthly comparison between SVF Fund Balance Report and the SVMC Finance Department records regarding fund balances.
- A requirement for SVF, SVMC, and the clinical department to meet when a grant proposal is approved to ensure that a common reference for each grant is developed, reporting requirements are established, and the accounting treatment for the grant is agreed upon.
- When funds are transferred from SVF to SVMC to recognize performance under a grant, these funds should be transferred individually (i.e. a single check) not mingled with other restricted or unrestricted funds.

Action Plan: (Julia Roth & Jan Stein)

A comprehensive database has been developed for all active grants which includes the following fields: common identifiers and account numbers, Grantor, date of funding, duration, reporting requirements, purpose, performance expectations, balance, and current status. In addition, a process will be put in place to involve all parties – Foundation, Finance, and clinical department – when a grant is received. SVMC finance and SVF are in the process of identifying all grants and populating the database. To be completed by July 15, 2004.

SVMC Finance and SVF will maintain a file for each grant which contains, the original grant proposal, correspondence, requests for release of grant funds, approved requests, and copies of checks.

Policy and Procedure will be written to address responsibility for maintenance of grant files and database, reconciliation of general ledger to fund report for grants, and initial meetings including finance, foundation, and clinical staff when grant is approved to establish and communicate performance and reporting requirements and accounting treatment of the grant. To be completed by July 31, 2004.

Grant funds will be distributed to the hospital in individual checks, i.e. not mingled with other funds being transferred. Completed.

Implementation Date: July 31, 2004

4. Donation Processing

(Impact – Medium)

There appears to be a sound system of internal controls over the process of receiving, processing, and recording donations with one significant exception. One data entry operator has an inappropriate mix of duties that includes: 1) access to the safe, 2) making copies of all checks

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received (used later for data entry), 3) responsibility for preparing deposits, 4) transporting deposits to either the hospital cashier or the bank, and 5) recording the donations into the information system. While there are no indications of impropriety, this is significant deviation from the principle of segregation of duties and this individual has the ability to completely control all aspects of processing for some donations. With this level of control, it would be relatively simple for the individual to divert funds from the system with little risk of detection. Additionally, and just as significantly, if funds were found to be missing, suspicion would inevitably be focused on the individual.

To resolve this internal control issue and protect both the organization and the employee, the duties of this employee be modified to ensure the individual no longer has the ability to control all phases of processing any donations. As an example, other employees could be assigned responsibility for making copies of the checks and transporting deposits to the hospital cashier or bank and the individual could be restricted to performing data entry for those donations that go through the lockbox.

Action Plan: (Scot Lober)

The following separation of duties has been established in the Foundation's Donor Information Services Unit to ensure there is a sound system for internal controls for processing donations:

- *Janice Hawley and Scott Lober will work together to open, batch and code gifts.*
- *Kris Orr will copy gift batches.*
- *Janice Hawley will prepare checks for deposit and take deposits to the hospital cashier and /or the appropriate bank (for Hotel Dieu and Cuisine a' Roulettes).*
- *Kris Orr will perform account maintenance and gift entry on the batches.*
- *Janice Hawley will edit for errors and post batches to the database.*
- *Procedures for preparing acknowledgment letters will not be changed.*

This change in procedure will result in a shifting of certain duties among the Donor Information Services staff. While a transition to this new system has already commenced; additional staff training will be conducted in July and August to ensure staff are capable of performing new duties.

Implementation Date: September 1, 2004

5. Participation by Board Members has Significant Room for Improvement

(Impact – Medium)

A review of SVF Board minutes indicated that a significant portion of the Board members have not been active participants in SVF activities. Board meetings have not been well attended and

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the Foundation has had to consistently remind its members that their financial support is a critical aspect of the Foundation's public position. While the SVF staff reports that there have been recent positive changes, there is still considerable room for improvement. When a charitable organization applies for grant funding, two of the common evaluation criteria used are both the participation of the members of the organization's Board of Directors and the financial support those individuals provide to the organization. If these are not present, the ability of the foundation to obtain this time of funding can be undermined.

Key members of SVF Board of Directors and the SVF staff should provide members with education regarding the impact of the Board's participation on the fund-raising effectiveness of a foundation. After the education is complete, the membership of the Board should be reviewed and members who are not visibly committed to the goals of SVF should be replaced.

Action Plan: (Brian Gauthier)

The Board Development Committee will present a summary of board participation at July 21, 2004 Board meeting.

The Board Development Committee will present recommendations and strategies at the September 15, 2004 Board meeting, for increasing board participation including recommended levels for attendance and financial support.

The amended and restated Bylaws of the St. Vincent Foundation currently being drafted, will address board roles and responsibilities.

Implementation Date: December 31, 2004

6. Contract for Fund-Raising Services

(Impact – Medium)

The contract between SVF and both SVMOW and HD to provide fund-raising services has expired, does not reflect the current relationship between the parties, and transactions are not monitored jointly by SVF and SVMC. More importantly, as the relationship between the parties has changed, the contract has not been modified and it appears that SVF is not being reimbursed for the actual costs of providing fund-raising services to the two programs.

SVF and SVMC Finance Department should determine the actual costs of providing fund-raising services to SVMOW and HD and use that information to assist SVF in renegotiating a contract. After that is accomplished, SVF, SVMOW, and HD should develop a new contract that clearly delineates the roles and responsibilities of each party and appropriately reimburses SVF for those services.

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Action Plan: (Jan Stein)

By July 23, 2004 SVF will prepare the following information to be used for renegotiating a new contract with Daughters of Charity Ministries Services Corp.

- *Detail of services and fundraising activities that have and will be provided to St. Vincent Senior Citizen Nutrition Program and Hotel Dieu.*
- *A breakdown of fundraising costs for the St. Vincent Senior Citizen Nutrition Program and Hotel Dieu in FY 02, 03 and 04.*
- *A breakdown of all funds raised for the St. Vincent Senior Citizen Nutrition Program and Hotel Dieu in FY 02, 03 and 04.*

By August 1, 2004 SVF will submit to the Daughters of Charity Ministries Services Corp. a proposal (based on item #1 above) specifying the 1) scope of services, 2) costs and projected revenue for fundraising services to be provided for the St. Vincent Senior Citizen Nutrition Program and Hotel Dieu, 3) the delineation of roles and responsibilities and reporting requirements and 4) reimbursement schedule for the new contract.

By September 1, 2004 a new agreement will be signed between the SVF and DOC Ministry Services Corp. for the Foundation to continue providing fundraising services to Meals on Wheels and Hotel Dieu.

Implementation Date: September 1, 2004

7. Contracts with Grant Writers

(Impact – Medium)

As part of its efforts to obtain additional financial resources for SVMC through grants, SVF has contracted with two individuals to help them identify potential grants, research the documentation needed, and write grant proposals. While the intent of both SVF and the grant writers was for these relationships to be that of independent contractors who provide specific services, the structure of one of those contracts contains a number of characteristics that could be misinterpreted as an employment contract (e.g. contract ties reimbursement to a specific number of hours, the grant writer is required to provide a monthly status report, expenses are paid by SVF, etc.).

SVF should review these contracts against the criteria contained in IRS Revenue Ruling 87-14, with the assistance of legal counsel, and ensure that these relationships reflect the intent of the parties and do not create an employer/employee relationship.

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Action Plan: (Brian Gauthier)

A revised contract was drafted on June 30, 2004 to reflect that the grant writer in question has an independent contractor relationship with the Foundation.

Draft contract will be submitted to SVMC HR Department by July 2, 2004 to assess if revised contract meets the test for independent contractor status. HR Dept. may determine that SVMC legal counsel is required to review contract.

Final contract for grant writer will be approved by August 1, 2004.

Implementation Date: August 1, 2004

I would like to extend my thanks to the management and staff of both SVF and SVMC Finance Department. Their cooperation and assistance facilitated this project.

Accepted:

Brian Gauthier,
Executive Vice President,
St. Vincent Foundation

James Hughey,
Senior Vice President/CFO
St. Vincent Medical Center

CC: Jan Stein, SVF, Director of Development and Operations
Julia Roth, SVMC, Controller
Mike Sowinski, CHAN, Director, Audit Services
Debbie Angus, CHAN, Vice President, Audit Services

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Attachment A – Examples of Financial Statement Formats from FASB Statement No. 117

Example 1 – Three Column Display of Statement of Changes in Net Assets

| Not-for-Profit Organization Statement of Changes in Net Assets Year Ended June 30, 19X1 (in thousands) | | | | |
|---|------------------|-----------------|------------------|------------------|
| | Temporarily | | Permanently | |
| | Unrestricted | Restricted | Restricted | Total |
| Revenues, gains, and other support: | | | | |
| Unrestricted revenues, gains, and other support | \$28,868 | | | \$28,868 |
| Restricted revenues, gains, and other support: | | | | |
| Contributions | | \$8,110 | \$280 | 8,390 |
| Income on long-term investments (Note E) | | 2,580 | 120 | 2,700 |
| Net unrealized and realized gains on long-term investments (Note E) | | 2,952 | 4,620 | 7,572 |
| Net assets released from restrictions (Note D) | <u>14,740</u> | <u>(14,740)</u> | | |
| Total revenues, gains, and other support | <u>43,608</u> | <u>(1,098)</u> | <u>5,020</u> | <u>47,530</u> |
| Expenses and losses: | | | | |
| Unrestricted expenses and losses | 32,050 | | | 32,050 |
| Actuarial loss on annuity obligations | | <u>30</u> | | <u>30</u> |
| Total expenses and losses | <u>32,050</u> | <u>30</u> | | <u>32,080</u> |
| Change in net assets | 11,558 | (1,128) | 5,020 | 15,450 |
| Net assets at beginning of year | <u>103,670</u> | <u>25,470</u> | <u>137,000</u> | <u>266,140</u> |
| Net assets at end of year | <u>\$115,228</u> | <u>\$24,342</u> | <u>\$142,020</u> | <u>\$281,590</u> |

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Example 2 – Single column display of Statement of Net Assets

| Not-for-Profit Organization | |
|---|-------------------------|
| Statement of Changes in Net Assets | |
| Year Ended June 30, 19X1 | |
| <i>(in thousands)</i> | |
| Unrestricted net assets: | |
| Total unrestricted revenues and gains | \$ 28,868 |
| Net assets released from restrictions (Note D) | 14,740 |
| Total unrestricted expenses and losses | <u>(32,050)</u> |
| Increase in unrestricted net assets | <u>11,558</u> |
| Temporarily restricted net assets: | |
| Contributions | 8,110 |
| Income on long-term investments (Note E) | 2,580 |
| Net unrealized and realized gains on long-term investments (Note E) | 2,952 |
| Actuarial loss on annuity obligations | (30) |
| Net assets released from restrictions (Note D) | <u>(14,740)</u> |
| Decrease in temporarily restricted net assets | <u>(1,128)</u> |
| Permanently restricted net assets: | |
| Contributions | 280 |
| Income on long-term investments (Note E) | 120 |
| Net unrealized and realized gains on long-term investments (Note E) | <u>4,620</u> |
| Increase in permanently restricted net assets | <u>5,020</u> |
| Increase in net assets | 15,450 |
| Net assets at beginning of year | <u>266,140</u> |
| Net assets at end of year | <u>\$281,590</u> |

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Example 3 – Statement of Activity and Statement of Changes in Net Assets Combined

| Not-for-Profit Organization Statement of Activities Year Ended June 30, 19X1 <i>(in thousands)</i> | | | | |
|--|------------------|------------------------|------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues, gains, and other support: | | | | |
| Contributions | \$8,640 | \$8,110 | \$280 | \$17,030 |
| Fees | 5,400 | | | 5,400 |
| Income on long-term investments (Note E) | 5,600 | 2,580 | 120 | 8,300 |
| Other investment income (Note E) | 850 | | | 850 |
| Net unrealized and realized gains on long-term investments (Note E) | 8,228 | 2,952 | 4,620 | 15,800 |
| Other | 150 | | | 150 |
| Net assets released from restrictions (Note D): | | | | |
| Satisfaction of program restrictions | 11,990 | (11,990) | | |
| Satisfaction of equipment acquisition restrictions | 1,500 | (1,500) | | |
| Expiration of time restrictions | <u>1,250</u> | <u>(1,250)</u> | | |
| Total revenues, gains, and other support | <u>43,608</u> | <u>(1,098)</u> | <u>5,020</u> | <u>47,530</u> |
| Expenses and losses: | | | | |
| Program A | 13,100 | | | 13,100 |
| Program B | 8,540 | | | 8,540 |
| Program C | 5,760 | | | 5,760 |
| Management and general | 2,420 | | | 2,420 |
| Fund raising | <u>2,150</u> | | | <u>2,150</u> |
| Total expenses (Note F) | 31,970 | | | 31,970 |
| Fire loss | 80 | | | 80 |
| Actuarial loss on annuity obligations | | <u>30</u> | | <u>30</u> |
| Total expenses and losses | <u>32,050</u> | <u>30</u> | | <u>32,080</u> |
| Change in net assets | 11,558 | (1,128) | 5,020 | 15,450 |
| Net assets at beginning of year | <u>103,670</u> | <u>25,470</u> | <u>137,000</u> | <u>266,140</u> |
| Net assets at end of year | <u>\$115,228</u> | <u>\$24,342</u> | <u>\$142,020</u> | <u>\$281,590</u> |

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Example 3 – Statement of Activity and Statement of Changes in Net Assets Combined

| Not-for-Profit Organization Statement of Activities Year Ended June 30, 19X1 <i>(in thousands)</i> | | | | |
|--|------------------|-------------------------|------------------|------------------|
| | | Temporarily Permanently | | |
| | Unrestricted | Restricted | Restricted | Total |
| Revenues, gains, and other support: | | | | |
| Contributions | \$8,640 | \$8,110 | \$280 | \$17,030 |
| Fees | 5,400 | | | 5,400 |
| Income on long-term investments (Note E) | 5,600 | 2,580 | 120 | 8,300 |
| Other investment income (Note E) | 850 | | | 850 |
| Net unrealized and realized gains on long-term investments (Note E) | 8,228 | 2,952 | 4,620 | 15,800 |
| Other | 150 | | | 150 |
| Net assets released from restrictions (Note D): | | | | |
| Satisfaction of program restrictions | 11,990 | (11,990) | | |
| Satisfaction of equipment acquisition restrictions | 1,500 | (1,500) | | |
| Expiration of time restrictions | 1,250 | (1,250) | | |
| Total revenues, gains, and other support | <u>43,608</u> | <u>(1,098)</u> | <u>5,020</u> | <u>47,530</u> |
| Expenses and losses: | | | | |
| Program A | 13,100 | | | 13,100 |
| Program B | 8,540 | | | 8,540 |
| Program C | 5,760 | | | 5,760 |
| Management and general | 2,420 | | | 2,420 |
| Fund raising | 2,150 | | | 2,150 |
| Total expenses (Note F) | 31,970 | | | 31,970 |
| Fire loss | 80 | | | 80 |
| Actuarial loss on annuity obligations | | 30 | | 30 |
| Total expenses and losses | <u>32,050</u> | <u>30</u> | | <u>32,080</u> |
| Change in net assets | 11,558 | (1,128) | 5,020 | 15,450 |
| Net assets at beginning of year | <u>103,670</u> | <u>25,470</u> | <u>137,000</u> | <u>266,140</u> |
| Net assets at end of year | <u>\$115,228</u> | <u>\$24,342</u> | <u>\$142,020</u> | <u>\$281,590</u> |