

**CALIFORNIA HEALTH CARE FOUNDATION  
AND SUBSIDIARY**

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**CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2023 and 2022



California Health Care Foundation

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
California Health Care Foundation and Subsidiary

### **Opinion**

We have audited the consolidated financial statements of California Health Care Foundation and subsidiary, which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, the related consolidated statements of activities and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of California Health Care Foundation and subsidiary as of March 31, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 California Health Care Foundation and subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Health Care Foundation and subsidiary'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.

BPM LLP

San Francisco, California  
September 29, 2023

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,899,057	\$ 9,078,868
Investments, at fair value	813,722,076	942,264,986
Program-related investments, net	10,971,282	9,173,983
Receivables, prepaid expenses and other assets	1,686,673	2,035,203
Operating lease right-of-use assets, net	502,115	-
Fixed assets, net	145,463	152,495
Total assets	<u>\$ 833,926,666</u>	<u>\$ 962,705,535</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,961,766	\$ 2,186,538
Grants payable	4,013,553	6,635,103
Operating lease liabilities	496,732	-
Total liabilities	7,472,051	8,821,641
Net assets:		
Without donor restrictions	<u>826,454,615</u>	<u>953,883,894</u>
Total liabilities and net assets	<u>\$ 833,926,666</u>	<u>\$ 962,705,535</u>

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF ACTIVITIES

For the fiscal years ended March 31, 2023 and 2022

	2023	2022
Net investment and other income:		
Net investment (loss) income	\$ (67,888,156)	\$ 49,012,132
Net income from private real estate investment	816,673	523,110
Program-related investment interest and other income	561,712	610,115
Net investment and other (loss) income	(66,509,771)	50,145,357
Expenses:		
Grants	42,094,341	39,403,303
Direct charitable activities	2,357,848	2,299,536
Grant making support	11,637,618	9,719,686
Management and general	4,829,701	4,582,535
Total expenses	60,919,508	56,005,060
Change in net assets without donor restrictions	(127,429,279)	(5,859,703)
Net assets without donor restrictions, beginning of year	953,883,894	959,743,597
Net assets without donor restrictions, end of year	\$ 826,454,615	\$ 953,883,894

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended March 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ (127,429,279)	\$ (5,859,703)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Depreciation expense	70,373	99,802
Net realized and unrealized loss (gain) on investments	64,283,489	(48,774,380)
Net loss on disposition of fixed assets	1,962	-
Amortization of operating right-of-use assets	110,521	-
Changes in operating assets and liabilities:		
Program-related investments, net	(1,561,631)	(794,909)
Receivables, prepaid expenses and other assets	348,530	3,905,891
Accounts payable and accrued expenses	775,228	218,002
Grants payable	(2,621,550)	(1,722,042)
Operating lease liabilities	(115,904)	-
Net cash used in operating activities	(66,138,261)	(52,927,339)
Cash flows from investing activities:		
Proceeds from sale of investments	160,681,236	167,699,898
Purchase of investments	(96,657,483)	(112,268,159)
Purchase of fixed assets	(65,303)	(102,217)
Net cash provided by investing activities	63,958,450	55,329,522
(Decrease) increase in cash and cash equivalents	(2,179,811)	2,402,183
Cash and cash equivalents, beginning of year	9,078,868	6,676,685
Cash and cash equivalents, end of year	\$ 6,899,057	\$ 9,078,868
Supplemental disclosure of cash flow information:		
Taxes paid on unrelated business income	\$ 35,518	\$ 28,552
Non-cash investing and financing activities:		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 612,636	\$ -

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

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### 1. Nature of Organization

California Health Care Foundation (the "Foundation") is a philanthropic organization established as a tax exempt, nonprofit corporation under Section 501(c)(4) of the Internal Revenue Code and under California Revenue and Taxation Code Section 23701(f). The Foundation's primary purpose is to promote the availability of, and access to, quality and affordable health care and related services to the people of the state of California, including, without limitation (i) to improve the availability of, and access to, such care and services to the uninsured, underinsured, and other underserved populations, and to improve the health status of all Californians, (ii) to develop and maintain initiatives to address short- and long-term health care needs and concerns, (iii) to provide grants and establish programs to carry out such purposes, and (iv) to otherwise serve the health-related social welfare needs of the people of the state of California.

### 2. Significant Accounting Policies

#### ***Basis of Accounting and Presentation***

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). All significant intra-organizational accounts and transactions have been eliminated. The consolidated financial statements include OAC Properties, a wholly owned Limited Liability Company ("LLC") subsidiary of the Foundation. OAC Properties was created in April 2006 to manage investment real estate in Oakland, California.

The Foundation's assets are free of donor restrictions and are classified as net assets without donor restrictions in the accompanying consolidated statement of financial position.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of highly liquid investments, with maturities of three months or less. The Foundation held its cash in two banking institutions as of March 31, 2023. This cash is insured by the Federal Deposit Insurance Corporation ("FDIC") up to regulatory \$250,000 per financial institution limits. The Foundation holds balances in excess of FDIC limits but has not experienced any losses historically (see Note 12).

#### ***Investments***

Investments are held at fair value or estimated fair value. The Foundation established and maintains an investment policy approved by the Board of Directors, which governs its investment program. The investments are insured by the Securities Investor Protection Corporation ("SIPC"). As of March 31, 2023 and 2022, the Foundation held investments in excess of the SIPC insurance limits.

The Foundation uses a professional investment management firm to manage its investments. In doing so, the Foundation has delegated the authority for asset allocation and the investment of the assets to that firm.

Realized gains or losses on the sale of investments are determined on an average cost basis on the trade date for publicly traded investments or upon closing of the transaction for private investments.

The private real estate, located in Oakland, California, is valued at March 31, 2023 and 2022, based on independent appraisals effective February 13, 2023, and February 1, 2022, respectively. The appraisals use the sales comparison approach to arrive at the property valuation. The sales comparison approach considers recent closed sales of comparable properties and makes transactional and location adjustments to address dissimilarities as necessary.



# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

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### 2. Significant Accounting Policies, continued

#### ***Fair Value Measurements***

The Foundation follows the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement and Disclosures*, to value and classify its assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. ASC 820 specifies the use of three classification levels based on the marketability and liquidity of each asset or liability.

Level 1 classifications are based on unadjusted quoted prices from active markets (that the Foundation can access at the measurement date) for identical securities.

Level 2 classifications are based on significant observable market inputs, such as quoted prices for similar securities, or quoted prices in inactive markets.

Level 3 values are based on significant unobservable inputs that reflect the Foundation's determination of assumptions that market participants might reasonably use in valuing securities.

As allowed under relevant accounting standards, where appropriate, investments are valued using fund-provided net asset values per share or ownership interest ("NAVs"), and those funds are not categorized within the fair value hierarchy. Where NAV information is not available, valuation estimates are based on information provided by investment managers and those funds are listed in the hierarchy as required. Management believes these methods provide a reasonable estimate and presentation of fair value.

Investments valued at NAV are discussed with the Foundation's investment advisor and reviewed by the Foundation for reasonableness against both audited December 31 and unaudited March 31 data. In addition, the Foundation reviews the valuation policies of its investment managers annually for reasonableness and consistency with U.S. GAAP and industry standards. Finally, the Foundation reviews the audited financial statements of the funds of each investment manager in which the Foundation is invested to ensure that an unqualified audit opinion was issued.

Although a secondary market exists for some investments valued using NAV, it is not an active market and individual transactions are typically not observable. When transactions occur in this limited secondary market, they may occur at discounts to the reported net asset value. Therefore, where redemption rights in funds are restricted or non-existent, if the Foundation was to sell these investments in the secondary market, it is reasonably possible that a buyer in that market may require a discount to the reported NAV or valuation estimate, and the discount could be significant.

#### ***Program-Related Investments***

Program-Related Investments ("PRIs") is funding which specifically furthers the Foundation's charitable purpose. The investments support the testing and evaluation of innovative, market-based approaches to significantly lower the total cost of care, improve the quality of care, or substantially improve access to care for low-income Californians. The majority of the Foundation's PRI investments are below market interest rate loans which vary in duration, with the longest being five years. Repayment of the currently outstanding loans is scheduled through February of 2028. Some of the transactions have warrants that may be convertible to equity in the future if certain events transpire. All loans are current as of March 31, 2023 and 2022. Unpaid PRI loans are written off and recorded as grant expense.

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 2. Significant Accounting Policies, continued

#### *Program-Related Investments*, continued

Additionally, the Foundation made program-related equity investments in the fiscal year ended March 31, 2023, as well as in prior fiscal years. These investments have no specified maturity date. The Foundation also made SAFE note investments in the fiscal year ended March 31, 2023. These investments carry no interest and can be converted to equity at the option of the borrower.

The program-related loans are recorded at a discount to face value to capture the interest rate benefit to the borrower of a below market rate. In recording that discount, a contribution expense is also recorded which is reflected in grants expense on the consolidated statement of activities. The discount is amortized over the life of the loan to interest income. An allowance for doubtful accounts is not deemed necessary as the risks associated with the loan are reflected in the discount. The loans are monitored on an annual basis for impairment. As of March 31, 2023 and 2022, the Foundation does not have any impaired loans.

The loans and investments are summarized in the table below as of March 31, 2023 and 2022, and for the fiscal years then ended:

	2023	2022
Program-related investments, gross, beginning of year	\$ 9,600,001	\$ 7,375,003
Additional loans	1,950,000	2,450,000
New equity investment	228,834	1,249,998
New SAFE notes	500,000	-
Principal repayments	(1,050,000)	(1,475,000)
Gross program-related investments	11,228,835	9,600,001
Interest receivable	560,215	518,512
Net program-related investments	11,789,050	10,118,513
Less: discount	(817,768)	(944,530)
Program-related investments, net, end of year	<u>\$ 10,971,282</u>	<u>\$ 9,173,983</u>

#### *Receivables, Prepaid Expenses, and Other Assets*

Receivables, prepaid expenses, and other assets include amounts advanced on grants for which contingencies have not been met.

#### *Fixed Assets*

Fixed assets are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, ranging from three to five years.

#### *Grants*

Grants include unconditional promises to give and other awarded contracts that further the Foundation's mission. Grants awarded with an unconditional promise to give are accrued as a liability and expensed when approved. Total grants payable as of March 31, 2023 and 2022 were \$4,013,553 and \$6,635,103, respectively.

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

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### 2. Significant Accounting Policies, continued

#### **Grants**, continued

Conditional grants are recognized as grant expense in the period in which the recipient meets certain criteria. As of March 31, 2023 and 2022, these conditional grants totaled \$35,440,161 and \$20,102,792, respectively (see Note 7).

Grant amendments, including cancellations, are recorded as increases or decreases of grant expense in the year of amendment. No discount is recorded for grants expected to be paid after one year, as the short duration of the overall grant portfolio makes the amount of discount immaterial.

#### **Expense Allocations**

Expenses are allocated between direct charitable activities, program support, management and general, and investment activities, based upon estimates by management (see Note 8).

#### **Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Significant accounting estimates reflected in the Foundation's financial statements include the determination of the fair value of investments, the functional expense allocation, and the effective market interest rates for program-related investment loans.

#### **Income Taxes**

While the Foundation is generally exempt from income taxes, it is subject to tax on income which is deemed to be unrelated to its exempt purpose. The Foundation generates such unrelated business income through some of its investment activity.

Management evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status and had taken no uncertain tax positions that require adjustments to the financial statements.

#### **Leases**

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") assets and lease liabilities in the consolidated statement of financial position. ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Foundation's lease do not provide an implicit rate, the Foundation generally use the risk-free rate at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, these are reported as lease expense when the expense is incurred.

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 2. Significant Accounting Policies, continued

#### ***Recently Adopted Accounting Standards***

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, and subsequent amendments to the initial guidance: ASU 2017-13, ASU 2018-10, ASU 2018-11, ASU 2018-20, and ASU 2019-01 (collectively, "Topic 842"). Topic 842 aims to increase transparency and comparability among organizations by requiring lessees to recognize leases with a term greater than 12 months as an ROU asset and corresponding lease liabilities on the statement of financial position, regardless of lease classification, and requiring disclosure of key information about leasing arrangements. The lease liability should be initially measured at the present value of the remaining contractual lease payments. Subsequently, the ROU assets will be amortized generally on a straight-line basis over the lease term, and the lease liability will bear interest expense and be reduced for lease payments. Topic 842 was effective for the Foundation on April 1, 2022. The Foundation adopted Topic 842 on April 1, 2022, using the modified retrospective approach. Under this approach, the Foundation is not required to restate or disclose the effects of applying Topic 842 for comparative periods.

In addition, the Foundation elected the transition package of three practical expedients, which allow companies not to reassess (i) whether agreements contain leases, (ii) the classification of leases, and (iii) the capitalization of initial direct costs. The Foundation also made an accounting policy election to recognize lease expense for leases with a term of 12 months or less on a straight-line basis over the lease term and recognize no ROU or lease liability for those leases. Further, the Foundation elected not to separate lease and non-lease components for all asset classes. The Foundation also elected the practical expedient to utilize the risk-free rate at the date of lease commencement as opposed to incremental borrowing rate.

As a result of the adoption of Topic 842, the Foundation recognized on April 1, 2022:

- Operating lease liabilities of \$612,636 which represent the present value of the remaining lease payments, as of the date of adoption, discounted using the risk-free rate on the date of adoption.
- Operating lease ROU assets of \$612,636.

### 3. Liquidity

The Foundation's financial assets available within one year of March 31, 2023 and 2022 to meet grant, operating expenses, and other obligations include:

	2023	2022
Cash and cash equivalents	\$ 6,899,057	\$ 9,078,868
Global equity indexed exchange traded fund	-	44,072,324
Global equity pooled fund	75,591	26,642,803
Fixed income commingled global fund	128,156,833	81,072,686
Receivables	663,906	614,624
Available financial assets	<u>\$ 135,795,387</u>	<u>\$ 161,481,305</u>

The Foundation structures its investments so that funds are available as expenditure obligations become due. This is achieved through the policies and practices guiding management of the Foundation's investment portfolio, including the liquidity policy. The Foundation's liquidity policy recognizes a target range of 5% and 20% for its liquid assets, which are defined as assets which can be converted to cash within 90 days. The liquidity policy results in liquid assets available to satisfy approximately 2 to 3 times annual grantmaking and operating expenses.

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Investments

Investments as of March 31, 2023 and 2022, may include investment sales pending settlement, and consist of the following:

	2023	2022
Global equity indexed exchange traded fund	\$ -	\$ 44,072,324
Global equity pooled fund	75,591	26,642,803
Fixed income commingled global fund	128,156,833	81,072,686
Multi-strategy and fixed income absolute return funds	686,643	723,605
Multi-asset class commingled funds	589,928,015	677,446,579
Private equity and venture capital	46,214,994	63,476,989
Private real estate (a)	48,660,000	48,830,000
	<u>\$ 813,722,076</u>	<u>\$ 942,264,986</u>

(a) On June 30, 2006, the Foundation acquired a commercial office building as an investment. The Foundation occupies approximately one-third of the building, and the remainder is leased to non-affiliated tenants under non-cancelable operating leases which expire through August 2027.

### 5. Fair Value Measurements

The following table presents the FASB ASC 820 fair value categorization of the Foundation's assets and liabilities as of March 31, 2023:

	March 31, 2023				
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Investments (Note 4):					
Global equity pooled fund	\$ -	\$ -	\$ -	\$ 75,591	\$ 75,591
Fixed income commingled global fund	-	-	-	128,156,833	128,156,833
Multi-strategy and fixed income absolute return funds	-	-	-	686,643	686,643
Multi-asset class commingled funds	-	-	-	589,928,015	589,928,015
Private equity and venture capital	-	-	-	46,214,994	46,214,994
Private real estate	-	48,660,000	-	-	48,660,000
Total investments	-	48,660,000	-	765,062,076	813,722,076
Program-related investments - equities (Note 2)	-	-	4,803,835	-	4,803,835
Deferred compensation	435,774	-	-	-	435,774
Total assets measured at fair value	<u>\$ 435,774</u>	<u>\$ 48,660,000</u>	<u>\$ 4,803,835</u>	<u>\$ 765,062,076</u>	<u>\$ 818,961,685</u>
Liabilities:					
Deferred compensation	<u>\$ 435,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,774</u>

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 5. Fair Value Measurements, continued

The following table presents the FASB ASC 820 fair value categorization of the Foundation's assets and liabilities as of March 31, 2022:

	March 31, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Investments (Note 4):					
Global equity indexed ETF	\$ 44,072,324	\$ -	\$ -	\$ -	\$ 44,072,324
Global equity pooled fund	-	-	-	26,642,803	26,642,803
Fixed income commingled global fund	-	-	-	81,072,686	81,072,686
Multi-strategy and fixed income absolute return funds	-	-	-	723,605	723,605
Multi-asset class commingled funds	-	-	-	677,446,579	677,446,579
Private equity and venture capital	-	-	-	63,476,989	63,476,989
Private real estate	-	48,830,000	-	-	48,830,000
Total investments	44,072,324	48,830,000	-	849,362,662	942,264,986
Program-related investments - equity (Note 2)	-	-	3,249,998	-	3,249,998
Deferred compensation	874,792	-	-	-	874,792
Total assets measured at fair value	<u>\$ 44,947,116</u>	<u>\$ 48,830,000</u>	<u>\$ 3,249,998</u>	<u>\$ 849,362,662</u>	<u>\$ 946,389,776</u>
Liabilities:					
Deferred compensation	<u>\$ 874,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,792</u>

The following table summarizes, by strategy, the Foundation's investments that are valued based on the NAVs. These NAV amounts are reported by the fund managers as of March 31, 2023 and 2022:

Strategies	2023		2022		Redemption Frequency	Notice Period
	# of Funds	Valuation	# of Funds	Valuation		
Commingled funds:						
Multi-asset class redeemable - long term (a)	1	\$ 569,850,646	1	\$ 649,724,723	Annually	6 months
Multi-asset class non-redeemable - long term (a)	1	20,077,369	1	27,721,856	Not permitted	N/A
Global equity - long term (b)	1	75,591	1	26,642,803	Quarterly	7 days
Fixed income redeemable - long term (c)	1	128,156,833	1	81,072,686	Monthly	7 days
Absolute return funds:						
Non-redeemable (d)	2	686,643	2	723,605	Not permitted	N/A
Private equity and venture capital (e)	18	46,214,994	18	63,476,989	Not permitted	N/A
Total	<u>24</u>	<u>\$ 765,062,076</u>	<u>24</u>	<u>\$ 849,362,662</u>		

(a) These investments are structured to generate performance in excess of relevant benchmarks while realizing substantially lower volatility than public equity markets. During the fiscal year ended March 31, 2021, the Foundation redeemed a portion of its investment in the primary investment vehicle. The redeemed investments were placed in a side pocket of the primary investment vehicle. The side pocket investment has an unfunded commitment of \$4,165,813 at March 31, 2023. The holdings in the primary investment vehicle and side pocket were allocated across the following asset classes at March 31, 2023 and 2022:

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 5. Fair Value Measurements, continued

Asset Class	% of Fund	
	2023	2022
Public equity	24	28
Private equity	27	26
Hedge funds	15	17
Real estate	21	16
Fixed income	8	7
Cash	5	6
	<u>100</u>	<u>100</u>

- (b) *This holding is the investment advisor's global equity offering. It represents a diversified portfolio of global public equities.*
- (c) *This holding is the investment advisor's fixed income offering. It has a global fixed income strategy that seeks to provide diversification benefits, attractive risk-adjusted returns over full interest rate cycles, and monthly liquidity.*
- (d) *These represent trailing investment balances from redeemed investments which will be paid out as the underlying investments can be liquidated by the investment manager.*
- (e) *Prior to hiring the current investment advisor, the Foundation invested directly in private equity and venture capital through both investment funds and fund of funds relationships, with the intent to diversify across industries, industry sectors, and geographies. These investments are not redeemable and have a current remaining life of between one and three years. However, final termination will not occur until the last remaining underlying fund liquidates or is sold. The unfunded commitment was \$11,055,800 and \$11,556,049 at March 31, 2023 and 2022, respectively. However, due to the maturity of many of these holdings, it is unlikely that all the remaining unfunded commitment will be called.*

### 6. Fixed Assets

Fixed assets as of March 31, 2023 and 2022, consist of the following:

	2023	2022
Furniture and fixtures	\$ 882,625	\$ 891,675
Office computers and equipment	<u>512,902</u>	<u>577,224</u>
	1,395,527	1,468,899
Less: accumulated depreciation	<u>(1,250,064)</u>	<u>(1,316,404)</u>
Fixed assets, net	<u>\$ 145,463</u>	<u>\$ 152,495</u>

Depreciation expense for the fiscal years ended March 31, 2023 and 2022, was \$70,373 and \$99,802, respectively.

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

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### 7. Grants Payable

Grants payable as of March 31, 2023 are expected to be paid in the following years:

2023-2024	\$ 3,385,572
2024-2025	602,981
2025-2026	25,000
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	\$ 4,013,553
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The Foundation has conditional grants totaling \$35,440,161, which have been scheduled as follows:

2023-2024	\$ 21,267,856
2024-2025	9,400,630
2025-2026	4,312,910
2026-2027	458,765
	<hr/>
	\$ 35,440,161
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These grant commitments have not been recorded in the financial statements because they are conditional and subject to grantees satisfying certain milestones set forth by the Foundation.

### 8. Functional Expenses

The Foundation's non-grant expenses have been allocated among direct charitable activities, grantmaking support, and management and general, based on estimates made by the Foundation's management of time spent by employees on various activities. Direct charitable activities expenses are non-grant costs that directly further the Foundation's philanthropic efforts, including the publishing and dissemination of research and educational information. Grantmaking support represents expenses incurred to originate, administer, and evaluate the Foundation's grants and direct charitable activities. Management and general expense are expenses for governing and operating the Foundation, not associated specifically with the Foundation's grants and direct charitable activities.



# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 8. Functional Expenses, continued

The Foundation's functional expenses, displayed by natural expense classification, for the fiscal years ended March 31, 2023 and 2022, were as follows:

	2023				
	Program Expenses				
	Grants and Direct Charitable Activities	Grant Making Support	Total Program Expenses	Management and General	Total
Grants expense	\$ 42,094,341	\$ -	\$ 42,094,341	\$ -	\$ 42,094,341
Salaries, benefits, and payroll taxes	2,180,889	10,206,177	12,387,066	3,460,172	15,847,238
Consulting	-	348,984	348,984	392,486	741,470
Audit, tax, legal, and other support services	24,579	174,926	199,505	158,524	358,029
Electronic communications and equipment maintenance	57,788	260,944	318,732	76,511	395,243
Board fees and expenses	220	-	220	367,467	367,687
Staff travel, meetings, and professional development	33,629	287,418	321,047	301,156	622,203
Rent, utilities, insurance, and property taxes	37,073	166,671	203,744	43,885	247,629
Information services, office supplies, and other	13,325	145,982	159,307	15,988	175,295
Depreciation	10,345	46,516	56,861	13,512	70,373
Total expenses	<u>\$ 44,452,189</u>	<u>\$ 11,637,618</u>	<u>\$ 56,089,807</u>	<u>\$ 4,829,701</u>	<u>\$ 60,919,508</u>

  

	2022				
	Program Expenses				
	Grants and Direct Charitable Activities	Grant Making Support	Total Program Expenses	Management and General	Total
Grants expense	\$ 39,403,303	\$ -	\$ 39,403,303	\$ -	\$ 39,403,303
Salaries, benefits, and payroll taxes	2,131,510	8,685,224	10,816,734	3,265,510	14,082,244
Consulting	-	152,618	152,618	459,904	612,522
Audit, tax, legal, and other support services	30,240	207,957	238,197	170,907	409,104
Electronic communications and equipment maintenance	57,166	235,107	292,273	67,827	360,100
Board fees and expenses	-	-	-	320,940	320,940
Staff travel, meetings, and professional development	10,739	78,577	89,316	212,483	301,799
Rent, utilities, insurance, and property taxes	36,914	151,370	188,284	44,679	232,963
Information services, office supplies, and other	17,098	143,762	160,860	21,423	182,283
Depreciation	15,869	65,071	80,940	18,862	99,802
Total expenses	<u>\$ 41,702,839</u>	<u>\$ 9,719,686</u>	<u>\$ 51,422,525</u>	<u>\$ 4,582,535</u>	<u>\$ 56,005,060</u>

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

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### 8. **Functional Expenses**, continued

Grants expense represents grants awarded by the Foundation in a given year. Grants expense is net of cancellations, refunds, and amendments. Refunds totaled \$88,163 and \$36,486 for the fiscal years ended March 31, 2023 and 2022, respectively.

In addition to investment management fees and unrelated business income taxes related to investment activity, net investment income on the consolidated statement of activities includes \$222,443 and \$191,618 for the fiscal years ended March 31, 2023 and 2022, respectively, of allocated operating expenses attributable to portfolio management.

### 9. **Employee Benefit Plans**

#### ***Retirement Savings 401(k) Plan***

The Foundation maintains a voluntary 401(k) plan (the "Plan") for all employees. The Foundation makes an annual employer contribution of between 8% and 14% (age-based) of annual compensation for all employees who have at least 1,000 service hours during the calendar year. Employees are also eligible for matching contributions equal to 100% of the first 4.5% of employees' salary deferral contributions after six calendar months of service.

The Foundation's employer contributions to the Plan for the fiscal years ended March 31, 2023 and 2022 were \$1,643,554 and \$1,482,188, respectively.

#### ***Deferred Compensation 457(b) Plan***

The Foundation also offers an unfunded deferred compensation plan for a select group of highly compensated employees under Internal Revenue Code Section 457(b). Subject to statutory limits, these employees are eligible to make voluntary contributions to the plan and rollover amounts from other plans as allowed by law. The Foundation does not make plan contributions. Related assets and liabilities total \$435,774 at March 31, 2023, and \$874,792 at March 31, 2022 and are included in the receivables, prepaid expenses, and other assets and accounts payable and accrued expenses on the statement of financial position.

### 10. **Commitments and Contingencies**

#### ***Leases***

The Foundation leased office space in Sacramento, California. The current lease term extends through June 2027.

Total ROU assets, net of accumulated amortization, was \$502,115 as of March 31, 2023. The current portion of lease liabilities was \$111,867 and the long-term portion of lease liabilities was \$384,865 as of March 31, 2023.

Operating lease expense was \$123,710 and \$125,395 for the fiscal years ended March 31, 2023 and 2022, respectively. The remaining lease term is 4 years, and the discount rate is 2.55% as of March 31, 2023.

# CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 10. Commitments and Contingencies, continued

#### **Leases**, continued

Minimum operating lease commitments under this lease are as follows:

2023-2024	\$	123,237
2024-2025		123,740
2025-2026		126,318
2026-2027		129,476
2027-2028		21,668
		<hr/>
Total undiscounted cash flows		524,439
Less: present value discount		(27,707)
		<hr/>
Total lease liabilities	\$	<u>496,732</u>

Total rent expense was \$123,710 and \$125,395 for the fiscal years ended March 31, 2023 and 2022, respectively.

### 11. Related Party Transactions

In the course of carrying out its charitable purpose, the Foundation may make grants and conduct business with entities that have connections with members of the Board of Directors, Officers, or Key Employees. Such situations are subject to the Foundation's conflict of interest policy and each grant and contract the Foundation makes is reviewed in advance for any potential conflict of interest or legal issues. As such, Board Members, Officers, and Key Employees are required to disclose potential conflicts of interest annually, and throughout the year as circumstances change. The Audit Committee of the Board reviews the annual disclosures. Board members are also required to recuse themselves from voting on grants or contracts with which they may have a conflict.

Additionally, the Foundation provides a discretionary giving program for its Board of Directors, whereby each Director may individually award up to \$50,000 each year to nonprofit organizations doing work aligned with the Foundation's mission. Each year, some of these awards are made to organizations affiliated with members of the Board of Directors. For the years ended March 31, 2023 and 2022, these totaled \$50,000 and \$15,000, respectively.

### 12. Subsequent Events

The Foundation evaluated subsequent events for recognition and disclosure through September 29, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since March 31, 2023 that required recognition or disclosure in such financial statements, other than as disclosed below.

In May 2023, First Republic Bank was closed by the California Department of Financial Protection and Innovation. Subsequently, JPMorgan Chase Bank acquired all deposit accounts and substantially all the assets. The Foundation has not incurred any losses and has access to the funds.