

**CALIFORNIA HEALTH CARE FOUNDATION
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023



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, 2024 and 2023, 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, 2024 and 2023 and the changes in its net assets and its cash flows for the fiscal 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 audits.

BPM LLP

San Francisco, California
September 24, 2024

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 5,459,286	\$ 6,899,057
Investments, at fair value	786,586,502	813,722,076
Program-related investments, net	12,831,419	10,971,282
Receivables, prepaid expenses and other assets	1,458,121	1,686,673
Operating lease right-of-use assets, net	388,822	502,115
Fixed assets, net	<u>152,121</u>	<u>145,463</u>
Total assets	<u>\$ 806,876,271</u>	<u>\$ 833,926,666</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,789,102	\$ 2,961,766
Grants payable	1,998,030	4,013,553
Operating lease liabilities	<u>384,865</u>	<u>496,732</u>
Total liabilities	6,171,997	7,472,051
Net assets:		
Without donor restrictions	<u>800,704,274</u>	<u>826,454,615</u>
Total liabilities and net assets	<u>\$ 806,876,271</u>	<u>\$ 833,926,666</u>

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the fiscal years ended March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net investment and other income (loss):		
Net investment income (loss)	\$ 35,758,210	\$ (67,888,156)
Net income from private real estate investment	935,991	816,673
Program-related investment interest and other income	<u>636,133</u>	<u>561,712</u>
Net investment and other income (loss)	<u>37,330,334</u>	<u>(66,509,771)</u>
Expenses:		
Grants	42,949,625	42,094,341
Direct charitable activities	2,319,124	2,357,848
Grant making support	12,637,231	11,637,618
Management and general	<u>5,174,695</u>	<u>4,829,701</u>
Total expenses	<u>63,080,675</u>	<u>60,919,508</u>
Change in net assets without donor restrictions	(25,750,341)	(127,429,279)
Net assets without donor restrictions, beginning of year	<u>826,454,615</u>	<u>953,883,894</u>
Net assets without donor restrictions, end of year	<u>\$ 800,704,274</u>	<u>\$ 826,454,615</u>

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended March 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ (25,750,341)	\$ (127,429,279)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Depreciation expense	83,257	70,373
Net realized and unrealized (gain) loss on investments	(40,377,533)	64,283,489
Net loss on disposition of fixed assets	360	1,962
Amortization of operating right-of-use assets	113,293	110,521
Changes in operating assets and liabilities:		
Program-related investments, net	(1,863,694)	(1,561,631)
Receivables, prepaid expenses and other assets	228,552	348,530
Accounts payable and accrued expenses	827,336	775,228
Grants payable	(2,015,523)	(2,621,550)
Operating lease liabilities	(111,867)	(115,904)
	(68,866,160)	(66,138,261)
Cash flows from investing activities:		
Proceeds from sale of investments	100,518,980	160,681,236
Purchase of investments	(33,002,316)	(96,657,483)
Purchase of fixed assets	(90,275)	(65,303)
	67,426,389	63,958,450
Decrease in cash and cash equivalents	(1,439,771)	(2,179,811)
Cash and cash equivalents, beginning of year	6,899,057	9,078,868
Cash and cash equivalents, end of year	\$ 5,459,286	\$ 6,899,057
Supplemental disclosure of cash flow information:		
Taxes paid on unrelated business income	\$ 1,068,253	\$ 35,518
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, 2024 and 2023

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 ("IRC") 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 accounting principles generally accepted 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. Hereinafter, the "Foundation" refers to California Health Care Foundation and its subsidiary, OAC Properties.

The Foundation's assets are free of donor restrictions and are classified as net assets without donor restrictions in the accompanying consolidated statements 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 three banking institutions and one brokerage firm as of March 31, 2024. This cash is insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation ("SIPC") up to regulatory \$250,000 per financial institution limits. The Foundation holds balances in excess of these limits but has not experienced any losses historically.

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 (the "Board"), which governs its investment program. The investments are insured by SIPC. As of March 31, 2024 and 2023, 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.

As of March 31, 2024 and 2023, the private real estate, located in Oakland, California, is valued based on independent appraisals effective March 14, 2024 and February 13, 2023, respectively. The appraisals use the sales comparison approach for the parking lot and the income approach for the office building 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. The income approach uses the direct capitalization method (see Note 5).

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

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* ("ASC 820"), 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 ("NAVs") per share or ownership interest, 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 unmodified 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 NAV. 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 Foundation's PRI investments in below market interest rate loans 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, 2024 and 2023.

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

2. Significant Accounting Policies, continued

Program-Related Investments, continued

Additionally, the Foundation made program-related equity investments in the fiscal year ended March 31, 2024, 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, 2024, as well as in prior fiscal years. 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 statements of activities. The discount is amortized over the life of the loan to interest income.

The Foundation recognizes an allowance for credit losses for program-related loans to present the net amount expected to be collected as of the date of the consolidated statements of financial position. The allowance is based on the credit losses expected to arise over the life of the loans. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off are included in determining the allowance at the date of the consolidated statements of financial position. The Foundation measures loans individually based on the risk characteristics of each loan, including earnings, cash needs, cash reserves, and the potential for additional funding rounds of early-stage entities. The Foundation updates the allowance as these risk characteristics change. As of March 31, 2024 or 2023, no allowance has been recorded, as they are not material to the consolidated financial statements.

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

	2024	2023
Program-related investments, gross, beginning of year	\$ 11,228,835	\$ 9,600,001
Additional loans	-	1,950,000
New equity investments	1,500,000	228,834
New SAFE notes	975,000	500,000
Principal repayments	(1,000,000)	(1,050,000)
Gross program-related investments	12,703,835	11,228,835
Interest receivable	665,346	560,215
Net program-related investments	13,369,181	11,789,050
Less: discount	(537,762)	(817,768)
Program-related investments, net, end of year	<u>\$ 12,831,419</u>	<u>\$ 10,971,282</u>

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.

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

2. Significant Accounting Policies, continued

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. As of March 31, 2024 and 2023, total grants payable were \$1,998,030 and \$4,013,553, respectively.

Conditional grants are recognized as grant expense in the period in which the recipient meets certain criteria. As of March 31, 2024 and 2023, these conditional grants totaled \$29,146,889 and \$35,440,161, 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 the consolidated 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 consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Significant accounting estimates reflected in the Foundation's consolidated 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 consolidated financial statements.

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

2. Significant Accounting Policies, continued

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 statements 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 does not provide an implicit rate, the Foundation generally uses 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.

Recently Adopted Accounting Standards

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326) ("ASU 2016-13")*, which introduces a new credit loss methodology, Current Expected Credit Losses ("CECL"), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to ASU 2016-13. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current U.S. GAAP, which generally requires that a loss be incurred before it is recognized. ASU 2016-13 was effective for the Foundation on April 1, 2023. The Foundation adopted ASU 2016-13 on April 1, 2023 and the adoption did not have a material affect on the consolidated financial statements.

3. Liquidity

The Foundation's financial assets available within one year of March 31, 2024 and 2023 to meet grant, operating expenses, and other obligations include:

	2024	2023
Cash and cash equivalents	\$ 5,459,286	\$ 6,899,057
Global equity pooled fund	-	75,591
Fixed income commingled global fund	111,726,909	128,156,833
Receivables	270,719	663,906
Available financial assets	<u>\$ 117,456,914</u>	<u>\$ 135,795,387</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 times annual grantmaking and operating expenses.

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

4. Investments

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

	2024	2023
Global equity pooled fund	\$ -	\$ 75,591
Fixed income commingled global fund	111,726,909	128,156,833
Multi-strategy and fixed income absolute return funds	784,547	686,643
Multi-asset class commingled funds	592,034,173	589,928,015
Private equity and venture capital	37,037,873	46,214,994
Private real estate - building (a)	40,343,000	43,900,000
Private real estate - parking lot (a)	4,660,000	4,760,000
	<u>\$ 786,586,502</u>	<u>\$ 813,722,076</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 June 2025 through August 2027.

5. Fair Value Measurements

Fair Value Disclosure

The following table presents the FASB ASC 820 fair value categorization of the Foundation's assets and liabilities as of March 31, 2024:

	March 31, 2024				
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Investments (Note 4):					
Fixed income commingled global fund	\$ -	\$ -	\$ -	\$ 111,726,909	\$ 111,726,909
Multi-strategy and fixed income absolute return funds	-	-	-	784,547	784,547
Multi-asset class commingled funds	-	-	-	592,034,173	592,034,173
Private equity and venture capital	-	-	-	37,037,873	37,037,873
Private real estate - building	-	-	40,343,000	-	40,343,000
Private real estate - parking lot	-	4,660,000	-	-	4,660,000
Total investments	-	4,660,000	40,343,000	741,583,502	786,586,502
Program-related investments - equities (Note 2)	-	-	6,553,832	-	6,553,832
Deferred compensation	518,070	-	-	-	518,070
Total assets measured at fair value	<u>\$ 518,070</u>	<u>\$ 4,660,000</u>	<u>\$ 46,896,832</u>	<u>\$ 741,583,502</u>	<u>\$ 793,658,404</u>
Liabilities:					
Deferred compensation	<u>\$ 518,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518,070</u>

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

5. Fair Value Measurements, continued

Fair Value Disclosure, continued

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 - building	-	43,900,000	-	-	43,900,000
Private real estate - parking lot	-	4,760,000	-	-	4,760,000
Total investments	-	48,660,000	-	765,062,076	813,722,076
Program-related investments - equity (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>

For the fiscal years ended March 31, 2024 and 2023, transfers into Level 3 were \$40,343,000 and \$0, respectively.

Quantitative Information About Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

Description	Fair Values as of March 31,		Valuation Techniques	Unobservable Inputs	Range
	2024	2023			
Private real estate - building	\$ 40,343,000	\$ -	Income approach	Capitalization rate	6.75%
Program-related investments - equities	6,553,832	4,803,835	Recent 409A valuation	Discount for lack of marketability	30-50%
Total	<u>\$ 46,896,832</u>	<u>\$ 4,803,835</u>			

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

5. Fair Value Measurements, continued

Net Asset Value Disclosure

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:

Strategies	2024		2023		Redemption Frequency	Notice Period
	# of Funds	Valuation	# of Funds	Valuation		
Commingled funds:						
Multi-asset class redeemable - long-term (a)	1	\$ 575,689,509	1	\$ 569,850,646	Annually	6 months
Multi-asset class non-redeemable - long-term (a)	1	16,344,664	1	20,077,369	Not permitted	N/A
Global equity - long-term (b)	-	-	1	75,591	Quarterly	7 days
Fixed income redeemable - long-term (c)	1	111,726,909	1	128,156,833	Monthly	7 days
Absolute return funds:						
Non-redeemable (d)	2	784,547	2	686,643	Not permitted	N/A
Private equity and venture capital (e)	17	37,037,873	18	46,214,994	Not permitted	N/A
Total	22	\$ 741,583,502	24	\$ 765,062,076		

(a) These investments are structured to generate performance in excess of relevant benchmarks while realizing substantially lower volatility than public equity markets. For the 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 \$3,258,371 as of March 31, 2024. The holdings in the primary investment vehicle and side pocket were allocated across the following asset classes as of March 31:

Asset Class	% of Fund	
	2024	2023
Public equity	24%	24%
Private equity	30%	27%
Hedge funds	15%	15%
Real estate	18%	21%
Fixed income	8%	8%
Cash	5%	5%
	100%	100%

(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 two years. However, final termination will not occur until the last remaining underlying fund liquidates or is sold. The unfunded commitment was \$10,819,527 and \$11,055,800 as of March 31, 2024 and 2023, respectively. However, due to the maturity of many of these holdings, it is unlikely that all the remaining unfunded commitment will be called.

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

6. Fixed Assets

Fixed assets consisted of the following as of March 31:

	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 886,457	\$ 882,625
Office computers and equipment	<u>529,177</u>	<u>512,902</u>
	1,415,634	1,395,527
Less: accumulated depreciation	<u>(1,263,513)</u>	<u>(1,250,064)</u>
Fixed assets, net	<u>\$ 152,121</u>	<u>\$ 145,463</u>

For the fiscal years ended March 31, 2024 and 2023, depreciation expense, was \$83,257 and \$70,373, respectively.

7. Grants Payable

As of March 31, 2024, grants payable are expected to be paid in the following years:

2024-2025	\$ 1,508,510
2025-2026	<u>489,520</u>
	<u>\$ 1,998,030</u>

As of March 31, 2024, the Foundation has conditional grants totaling \$29,146,889, which have been scheduled as follows:

2024-2025	\$ 19,055,306
2025-2026	7,322,627
2026-2027	1,828,185
2027-2028	<u>940,771</u>
	<u>\$ 29,146,889</u>

These grant commitments have not been recorded in the consolidated financial statements because they are conditional and subject to grantees satisfying certain milestones set forth by the Foundation.

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

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.

The Foundation's functional expenses, displayed by natural expense classification, were as follows for the fiscal years ended March 31, 2024 and 2023:

	2024				
	Program Expenses			Management and General	Total
	Grants and Direct Charitable Activities	Grant Making Support	Total Program Expenses		
Grants expense	\$ 42,949,625	\$ -	\$ 42,949,625	\$ -	\$ 42,949,625
Salaries, benefits, and payroll taxes	2,125,427	11,079,370	13,204,797	3,370,893	16,575,690
Consulting	-	231,801	231,801	707,067	938,868
Audit, tax, legal, and other support services	40,739	209,915	250,654	141,799	392,453
Electronic communications and equipment maintenance	56,760	272,022	328,782	79,971	408,753
Board fees and expenses	-	-	-	398,891	398,891
Staff travel, meetings, and professional development	36,730	469,793	506,523	392,983	899,506
Rent, utilities, insurance, and property taxes	37,744	180,579	218,323	53,214	271,537
Information services, office supplies, and other	10,151	138,385	148,536	13,559	162,095
Depreciation	11,573	55,366	66,939	16,318	83,257
Total expenses	<u>\$ 45,268,749</u>	<u>\$ 12,637,231</u>	<u>\$ 57,905,980</u>	<u>\$ 5,174,695</u>	<u>\$ 63,080,675</u>

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

8. Functional Expenses, continued

	2023				
	Program Expenses				Total
	Grants and Direct Charitable Activities	Grant Making Support	Total Program Expenses	Management and General	
Grants expense	\$ 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	\$ 44,452,189	\$ 11,637,618	\$ 56,089,807	\$ 4,829,701	\$ 60,919,508

Grants expense represents grants awarded by the Foundation in a given year. Grants expense is net of cancellations, refunds, and amendments. Refunds totaled \$176,886 and \$88,163 for the fiscal years ended March 31, 2024 and 2023, respectively.

In addition to investment management fees and unrelated business income taxes related to investment activity, net investment income on the consolidated statements of activities includes \$316,195 and \$222,443 of allocated operating expenses attributable to portfolio management for the fiscal years ended March 31, 2024 and 2023, respectively.

9. Employee Benefit Plans

Retirement Savings 401(k) Plan

The Foundation maintains a voluntary 401(k) plan (the "Plan") for all employees. Starting in the fiscal year ended March 31, 2024, the Foundation makes an annual employer contribution of 14% of annual compensation for all employees who have at least 1,000 service hours during the calendar year. For the fiscal year ended March 31, 2023, the contribution rate was age-based and between 8% and 14%. 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 were \$1,896,909 and \$1,643,554, for the fiscal years ended March 31, 2024 and 2023, respectively.

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

9. Employee Benefit Plans, continued

Deferred Compensation 457(b) Plan

The Foundation also offers an unfunded deferred compensation plan for a select group of highly compensated employees under IRC 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. As of March 31, 2024 and 2023, related assets and liabilities totaled \$518,070, and \$435,774, respectively, and are included in the receivables, prepaid expenses, and other assets, and accounts payable and accrued expenses on the consolidated financial statement of financial position.

10. Commitments and Contingencies

Leases

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

Total ROU assets, net of accumulated amortization, was \$388,822 as of March 31, 2024. The current portion of lease liabilities was \$115,267 and the long-term portion of lease liabilities was \$269,598 as of March 31, 2024.

Operating lease expense was \$135,375 and \$123,710 for the fiscal years ended March 31, 2024 and 2023, respectively. The remaining lease term is 3 years, and the discount rate is 2.55% as of March 31, 2024.

As of March 31, 2024, minimum operating lease commitments under this lease are as follows:

2024-2025	\$	123,740
2025-2026		126,318
2026-2027		129,476
2027-2028		21,668
		<hr/>
Total undiscounted cash flows		401,202
Less: present value discount		(16,337)
		<hr/>
Total lease liabilities	\$	<u>384,865</u>

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, 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.

CALIFORNIA HEALTH CARE FOUNDATION AND SUBSIDIARY

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March 31, 2024 and 2023

11. Related Party Transactions, continued

Additionally, the Foundation provides a discretionary giving program for its Board, 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. For the fiscal years ended March 31, 2024 and 2023, these totaled \$55,000 and \$50,000, respectively.

Additionally, the Foundation provides a matching gift program for all staff and for the Board, whereby each participant may individually award up to \$10,000 each year to nonprofit organizations doing work to benefit Californians. Each year, some of these awards are made to organizations affiliated with members of the Board, officers, or key employees. For the fiscal years ended March 31, 2024 and 2023, these totaled \$1,000 and \$2,500, respectively.

12. Subsequent Events

The Foundation evaluated subsequent events for recognition and disclosure through September 24, 2024, the date which these consolidated financial statements were available to be issued. Management concluded that no material subsequent events have occurred since March 31, 2024 that required recognition or disclosure in such consolidated financial statements.