SIERRA HEALTH FOUNDATION

COMBINED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sierra Health Foundation
Sacramento, California

Opinion

We have audited the accompanying combined financial statements of Sierra Health Foundation and Sierra Health Foundation: Center for Health Program Management (collectively, the Foundation) which comprise the combined statements of financial position as of December 31, 2022 and 2021, and the related combined statements of activities and of cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

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standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

May 19, 2023

SIERRA HEALTH FOUNDATION

COMBINED STATEMENTS OF FINANCIAL POSITION
(in thousands)
DECEMBER 31, 2022 AND 2021

	2022			2021		
	SHF	Center	Total	SHF	Center	Total
ASSETS:						
Cash and cash equivalents	$ 25	$ 83,000	$ 83,025	$ 524	$ 104,808	$ 105,332
Investments:						
Marketable securities	31,992	1,647	33,639	35,921	1,631	37,552
Certificates of deposit		622	622		2,126	2,126
Real estate investments	2,279		2,279	2,279		2,279
Investments in limited partnerships	16,528		16,528	18,409		18,409
Total cash and cash equivalents and investments	50,824	85,269	136,093	57,133	108,565	165,698
Grants receivable		75,814	75,814		89,600	89,600
Loans receivable		1,800	1,800		500	500
Prepaid expenses and other assets	171	150	321	242	240	482
Advance contract payments		7,379	7,379		12,667	12,667
Property and equipment, net	5,310	1,389	6,699	5,373	1,260	6,633
Operating lease, right-of-use asset		447	447			
Due (to) from	(2,920)	2,920		666	(666)	
TOTAL ASSETS	$ 53,385	$ 175,168	$ 228,553	$ 63,414	$ 212,166	$ 275,580
LIABILITIES AND NET ASSETS:						
LIABILITIES:						
Accounts payable and accrued expenses	$ 985	$ 13,781	$ 14,766	$ 586	$ 3,522	$ 4,108
Grants payable, net	605	13,312	13,917	105	36,219	36,324
Refundable advances		73,810	73,810		72,240	72,240
Debt	5,373	3,000	8,373	5,612	3,000	8,612
Operating lease liability		448	448			
Total liabilities	6,963	104,351	111,314	6,303	114,981	121,284
NET ASSETS:						
Without donor restrictions	46,422	4,310	50,732	57,111	2,512	59,623
With donor restrictions		66,507	66,507		94,673	94,673
Total net assets	46,422	70,817	117,239	57,111	97,185	154,296
TOTAL LIABILITIES AND NET ASSETS	$ 53,385	$ 175,168	$ 228,553	$ 63,414	$ 212,166	$ 275,580

The accompanying notes are an integral part of these combined financial statements.

SIERRA HEALTH FOUNDATION

COMBINED STATEMENTS OF ACTIVITIES
(in thousands)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	SHF	Center			SHF	Center		
	Without donor restrictions	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	Without donor restrictions	With donor restrictions	Total
REVENUES:								
Grant, program and other income	$ 21	$ 159,820	$ 29,747	$ 189,588	$ 276	$ 77,522	$ 162,882	$ 240,680
Investment income (loss):								
Interest, dividends, net rental and other income	797	95		892	577	47		624
Net gains, losses, and valuation adjustments	(5,909)			(5,909)	$ 10,732			10,732
Less:								
Investment management expenses	194	3		197	175			175
Provision for excise tax	34			34	(1)	1		
Net investment income (loss)	(5,340)	92		(5,248)	11,135	46		11,181
Net assets released from restrictions		57,913	(57,913)			103,993	(103,993)	
Intercompany revenue (expense)	(1,025)	1,025			(1,750)	1,750		
Total revenues	(6,344)	218,850	(28,166)	184,340	9,661	183,311	58,889	251,861
EXPENSES:								
Program services:								
Improving health and quality of life	83	172,802		172,885	73	74,671		74,744
Public policy and education program	2,619	32,092		34,711	919	20,810		21,729
San Joaquin Valley health fund	1	1,970		1,971	28	4,780		4,808
Nonprofit health sector development	196	1,643		1,839	97	370		467
Disaster relief		1,152		1,152		77,221		77,221
Youth development	5	389		394	22	477		499
Responsive grants program					46			46
Total program services	2,904	210,048		212,952	1,185	178,329		179,514
General and administration	1,441	7,004		8,445	731	5,455		6,186
Total expenses	4,345	217,052		221,397	1,916	183,784		185,700
INCREASE (DECREASE) IN NET ASSETS	(10,689)	1,798	(28,166)	(37,057)	7,745	(473)	58,889	66,161
NET ASSETS, Beginning of year	57,111	2,512	94,673	154,296	49,366	2,985	35,784	88,135
NET ASSETS, End of year	$ 46,422	$ 4,310	$ 66,507	$ 117,239	$ 57,111	$ 2,512	$ 94,673	$ 154,296

The accompanying notes are an integral part of these combined financial statements.

SIERRA HEALTH FOUNDATION

COMBINED STATEMENT OF CASH FLOWS
(in thousands)
YEAR ENDED DECEMBER 31, 2022

	SHF	Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Decrease in net assets	$ (10,689)	$ (26,367)	(37,056)
Reconciliation to net cash used by operating activities:			
Net gains, losses, and valuation adjustments	5,909		5,909
Interest, dividends and other income	(793)	(24)	(817)
Depreciation	347	54	401
Reduction in operating lease, right-of-use lease		14	14
Changes in:			
Grants receivable		13,786	13,786
Loans receivable		(1,300)	(1,300)
Prepaid expenses and other assets	71	90	161
Advance contract payments		5,288	5,288
Accounts payable and accrued expenses	399	10,258	10,657
Grants payable, net	500	(22,908)	(22,408)
Refundable advances		1,572	1,572
Operating lease liability		(13)	(13)
Due to/due from	3,586	(3,586)	
Net cash used by operating activities	(670)	(23,136)	(23,806)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(283)	(184)	(467)
Purchases of investments	(7,673)	3	(7,670)
Proceeds from sales of investments	8,560	1,512	10,072
Payment of investment management expenses	(194)	(3)	(197)
Net cash provided by investing activities	410	1,328	1,738
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of debt	(239)		(239)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(499)	(21,808)	(22,307)
CASH AND CASH EQUIVALENTS, Beginning of year	524	104,808	105,332
CASH AND CASH EQUIVALENTS, End of year	$ 25	$ 83,000	$ 83,025
NON-CASH INVESTING ACTIVITIES:			
Right-of-use asset obtained through lease liability	$	$ 460	$
SUPPLEMENTAL DATA:			
Cash paid for interest	$ 155	$	$ 155

SIERRA HEALTH FOUNDATION

COMBINED STATEMENT OF CASH FLOWS
(in thousands)
YEAR ENDED DECEMBER 31, 2021

	SHF	Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Increase in net assets	$ 7,745	$ 58,416	$ 66,161
Reconciliation to net cash provided (used) by operating activities:			
Net gains, losses, and valuation adjustments	(10,732)		(10,732)
Interest, dividends and other income	(572)	(10)	(582)
Depreciation	329	50	379
Loss on sale of investment in joint venture	(272)		(272)
Changes in:			
Grants receivable		(35,939)	(35,939)
Prepaid expenses and other assets	(72)	12	(60)
Advance contract payments		(4,092)	(4,092)
Accounts payable and accrued expenses	(38)	(14,828)	(14,866)
Grants payable, net	(175)	(18,433)	(18,608)
Refundable advances		40,819	40,819
Due to/due from	(55)	55	
Net cash provided (used) by operating activities	(3,842)	26,050	22,208
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(43)		(43)
Purchases of investments	(24,241)	(1)	(24,242)
Proceeds from sales of investments	31,320		31,320
Payments made for investment management expenses	(175)		(175)
Net cash provided (used) by investing activities	6,861	(1)	6,860
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt	5,154		5,154
Repayments of debt	(8,164)		(8,164)
Net cash used by financing activities	(3,010)		(3,010)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9	26,049	26,058
CASH AND CASH EQUIVALENTS, Beginning of year	515	78,759	79,274
CASH AND CASH EQUIVALENTS, End of year	$ 524	$ 104,808	$ 105,332
SUPPLEMENTAL DATA:			
Cash paid for interest	$ 195	$	$ 195

1. ORGANIZATION AND PROGRAMS

Sierra Health Foundation (SHF) is a nonprofit corporation with a mission to invest in and serve as a catalyst for ideas, partnerships and programs that improve health and quality of life in Northern California. SHF is committed to improving health outcomes and reducing health disparities in the region through convening, educating and strategic grant making. Since SHF began grant funding in 1985, it has awarded $111 million in cash grants to 1,510 nonprofit organizations. The funding region includes 26 counties in the northeast part of the state.

SHF Properties is a wholly-owned subsidiary and nonprofit corporation. It was formed to hold title to property and collect and remit income to SHF.

Sierra Health Foundation: Center for Health Program Management (Center) is a nonprofit corporation created in 2012 by SHF to provide leadership, funding and operational support for projects that improve individual and community health status and well-being in underserved communities. It is designed to expand health and wellness in a leadership role by securing resources from multiple funding sources targeting the health needs of the region and state. Since its creation, the Center has awarded $308 million in cash grants to 1,491 nonprofit organizations. The Center funds organizations throughout California. The Center is controlled by the governing Board of Directors of SHF.

San Joaquin Valley Impact Investment Fund, LLC (the Investment Fund) is a single member limited liability company created in 2018 and is a wholly-owned subsidiary of the Center. The Investment Fund began operations in 2019. The purpose of the Investment Fund is to make the San Joaquin Valley a healthier place to live, work, and prosper by strengthening the capacity of communities' health. The Investment Fund's charitable purpose is to bring people, ideas, and infrastructure together to create a collective impact that reduces health disparities and improves community health for underserved populations in California. The Investment Fund is controlled by the governing Board of Directors of the Center.

In 2020, the board approved the creation of Sierra Health Foundation Community Development Corporation (CDC). Its purpose is to develop housing solutions to improve the physical, economic and social environment of the Sacramento, California and Central Valley region (Region) with particular attention to the needs of persons of low and moderate income; to combat community deterioration, lessen the burdens of government and relieve the underserved communities by assisting the City of Sacramento, California and the State of California in revitalizing neighborhoods. There was no activity for the years ended December 31, 2022 and 2021.

SHF, SHF Properties, the Center, and the Investment Fund's (collectively, the Foundation) programs include the following:

<u>San Joaquin Valley Health Fund</u>

The San Joaquin Valley Health Fund strengthens the capacity of communities and organizations in the San Joaquin Valley to improve health and well-being by advancing programs and policy changes that promote community health and health equity for all.

Improving Health and Quality of Life

This broad program category focuses on improving health equity and reducing health disparities to promote health and well-being for all. This is accomplished in a variety of ways, including the development of collaborative community coalitions, learning institutes, and evaluation and dissemination of knowledge.

Programs also focus on mental health awareness and respite, reducing the disproportionate causes of death among African American children, support for community coalitions working to improve health and workplace wellness.

Public Policy and Education Program

This program category promotes better-informed policy discourse with a focus on health equity, and captures and disseminates lessons learned from grantees. Staff achieves program objectives through partnerships, research, public education and grant making.

Programs within this category also focus on health and racial equity, and work to build momentum and public awareness to address the systemic barriers that limit access to opportunity for underserved populations.

Nonprofit Health Sector Development

Programs in this category support leadership development and capacity building to create a more vibrant and diverse nonprofit sector. Specifically, programs support capacity building and leadership development activities for current and emerging nonprofit and public leaders, and nonprofit organizations led by people of color. The Foundation also helps nonprofit organizations and public agencies achieve their objectives by providing a venue for education and training, nonpartisan debate and collaboration.

Youth Development

The goal of the Foundation's youth grant making is to lead or support efforts to ensure all young people, especially those at greatest risk of poor outcomes, have opportunities for a healthy developmental path.

The main program in this category is the Positive Youth Justice Initiative, an innovative approach to transform California's juvenile justice system. Initiative partners are redefining how the juvenile justice system operates to better serve the state's most vulnerable youth and help them to have a healthy transition into adulthood.

Disaster Relief

Developed in 2020 as a response to the catastrophic effects of the COVID-19 pandemic and wildfires throughout California, this category focuses on emergency response and support to communities and individuals who are experiencing financial and housing emergencies, food insecurities, and health challenges brought on by natural disasters.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of combination – The accompanying financial statements reflect the combination of SHF, SHF Properties, the Center, and the Investment Fund (collectively, the Foundation).

Basis of accounting and financial statement presentation – The combined financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management. Designated net assets without donor restrictions are earmarked by the Board of Directors for a specified purpose.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. The Foundation has no net assets that are perpetual in nature.

Revenue recognition – Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Restricted contributions that are initially classified as conditional due to a qualifying expense barrier are recognized as net assets without donor restrictions since the restriction is met simultaneously when the condition is released and the revenue is recognized.

The Foundation receives certain government grants which limit spending to qualifying expenditures as defined in the grant agreements. Outstanding conditional promises to give subject to qualifying expenditure requirements were $73,810,104 and $104,585,933 at December 31, 2022 and 2021, respectively, and will be recognized as revenue as the conditions are met. At December 31, 2022 and December 31, 2021, the Foundation had $73,810,104 and $72,239,989, respectively, recorded as refundable advances.

Cash and cash equivalents – For financial statement purposes, the Foundation considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term investing purposes. See Note 4.

The Foundation minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Foundation held with financial institutions cash in excess of federal depository insurance limits of $40,440,254 and $39,173,060 at December 31, 2022 and 2021, respectively. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash.

Investments – Marketable securities are stated at market, determined using either recognized and quoted exchange rates on the last day of the fiscal year or Net Asset Value (NAV) as a practical expedient. Investments in real estate include land obtained as part of foreclosure, which is stated at fair value based on professional standards. Limited partnership investments are stated at NAV.

Real estate investments consist of the Carmichael Ranch Property which is classified as an investment property and was formally appraised in March 2021 and recorded at fair market value. There were no interest or rental property expenses in 2022 and 2021.

Certificates of deposit totaling $621,856 and $2,125,666 as of December 31, 2022 and 2021, respectively, are stated at cost and have maturity dates through June 2023. The certificates bear interest of 0.4% at both December 31, 2022 and 2021.

Grants receivable of $75,813,517 and $89,600,495 at December 31, 2022 and 2021, respectively are expected to be collected within 1 year.

Loans receivable is stated at the amount that management expects to collect.

Advance contract payments are accrued at the time grant negotiations are substantially complete and payment has been approved by the Board of Directors or CEO (when permitted) for grants that are considered conditional contributions. Recognition of grant expense occurs when the related conditions are satisfied by the grantee.

Grants awarded – The Foundation recognizes grant expense at the time grant negotiations are substantially complete and payment has been approved by the Board of Directors or CEO (when permitted).

Property and equipment are stated at cost. The Foundation capitalizes all expenditures for property and equipment in excess of $5,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 3 to 40 years.

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 combined statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets are also adjusted for prepaid or accrued rent. The Foundation uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Foundation has made an accounting policy election to use the risk-free rate at the lease commencement date, in lieu of its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. 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, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Functional allocation of expenses – The costs of program and supporting services activities have been summarized on a functional basis in the combined statements of activities. The functional expenses present the natural classification detail of expenses by function. See Note 14. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The combined financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, personnel costs have been allocated based on employees' time incurred. All other costs have been allocated based on management's estimate of the usage of resources.

Income taxes – SHF and the Center are exempt from income taxes under Internal Revenue Code Section 501(c)(3). However, SHF is classified as a private foundation, and is subject to an excise tax of up to 1.39% on net investment income. Both entities are also subject to income taxes from activities unrelated to their tax-exempt purpose. SHF Properties is exempt from federal income tax under Section 501(c)(2) of the Internal Revenue Code.

The Foundation accounts for excise and income taxes in accordance with professional standards. Standards require recognition of deferred tax liabilities and assets for expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax liabilities are recorded on the unrealized gains and losses in the fair value of securities using the 1.39% excise tax rate. The Foundation records a full valuation allowance on deferred tax assets when it is more likely than not that they will not be realized.

The Investment Fund was formed as a single member limited liability company and is a wholly-owned subsidiary of the Center. Since the entity is a disregarded entity for Federal tax purposes, the activity of the fund is included on the Center's return with a separate state LLC filing. The LLC is liable for the minimum California tax and gross receipts fee each year.

SHF, the Center, SHF Properties and the Investment Fund have applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, these entities are no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years prior to 2018.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

Fair value is measured using valuation techniques appropriate to each class of asset or liability, as follows:

Marketable securities (readily determinable fair value)	Share price data from the active markets in which the securities and funds are traded.
Limited Partnerships and other marketable securities	Net Asset Value (NAV) is used as a practical expedient unless the Foundation believes such NAV calculation is not measured in accordance with fair value. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and that difference could be material to the change in net assets of the Foundation.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements – Effective January 1, 2022, the Foundation adopted Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective approach with January 1, 2022 as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring entities that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. For leases existing at the transition date, the Foundation applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, the Foundation applied the practical expedient to use hindsight for the purpose of determining the lease term.

Under the modified retrospective approach, there were no adjustments required as of January 1, 2022 resulting from the adoption of ASC 842.

Subsequent events have been evaluated through May 19, 2023, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in the financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The financial assets available for general expenditure within one year of the statement of financial position date are as follows for December 31 (in thousands):

SHF	**2022**	**2021**
Cash and cash equivalents	$ 25	$ 524
Investments – marketable securities	31,992	35,921
Total financial assets available to management for general expenditure within one year	$ 32,017	$ 36,445

Center	**2022**	**2021**
Cash and cash equivalents	$ 83,000	$ 104,808
Grants receivable	75,814	89,600
Investments – marketable securities	1,647	1,631
Investments – certificates of deposit	622	2,126
Total financial assets	161,083	198,165
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(66,507)	(94,673)
Refundable advance obligations	(73,810)	(72,240)
Total financial assets available to management for general expenditure within one year	$ 20,766	$ 31,252

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, marketable securities, and a line of credit (see Note 8). The Foundation invests cash in excess of daily requirements in marketable securities.

4. MARKETABLE SECURITIES

Marketable securities consist of the following at December 31 (in thousands):

	2022	2021
Cash and cash equivalents	$ 4,368	$ 1,768
Hedge funds	1,610	3,492
Mutual funds – equity:		
Foreign	7,377	8,350
Services	2,453	2,717
Commodities	2,314	3,825
Information technology	2,258	3,181
Government		960
Other	4,936	5,685
Mutual funds – fixed income:		
Government	1,603	1,873
Foreign	1,150	1,610
Other	3,512	4,091
Alternative investments:		
Government	521	
Foreign	24	
Other	1,513	
Total	$ 33,639	$ 37,552

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31 (in thousands):

	2022	2021
Land	$ 1,475	$ 1,475
Buildings	12,564	12,283
Equipment	2,626	2,521
Art	192	196
Construction in progress	377	303
Total	17,234	16,778
Less: Accumulated depreciation and amortization	(10,535)	(10,145)
Property and equipment, net	$ 6,699	$ 6,633

6. LOANS RECEIVABLE

In February 2020, the Investment Fund loaned Self-Help Enterprises $500,000 for charitable programming. The loan matures and is due in full in February 2027, with interest-only payments made on a quarterly basis until the loan maturity. Interest on the note is 2.25% per annum on the unpaid principal balance.

In July 2022, the Investment Fund loaned Grameen America Inc. $300,000 to be distributed to small businesses in various counties. The loan matures and is due in full in July 2029, with interest-only payments made on a quarterly basis until the loan maturity. Interest on the note is 2.25% per annum on the unpaid principal balance.

In July 2022, the Investment Fund loaned Access Plus Capital $1,000,000 to be distributed to small businesses in the San Joaquin Valley. The loan matures and is due in full in July 2029, with interest-only payments made on a quarterly basis until the loan maturity. Interest on the note is 2.25% per annum on the unpaid principal balance.

7. GRANTS PAYABLE

Long-term grants payable are discounted to present value. The discount rate used for grants payable recognized as of December 31, 2022 and 2021 was 4.22% and 0.97%, respectively. Grants payable consist of the following at December 31 (in thousands):

	2022	2021
Gross grants payable	$ 13,919	$ 36,338
Less: unamortized discount	(2)	(14)
Grants payable, net	$ 13,917	$ 36,324

Grants payable at December 31 are due to be paid as follows (in thousands):

	2022	2021
Within one year	$ 13,706	$ 26,648
Within two to five years	210	9,676
Grants payable, net	$ 13,916	$ 36,324

8. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	2022	2021
SHF		
Business Loan from US Bank. Interest accrues at 3.48%. Installments of $18,694 and a balloon principal payment upon maturity in August 2028. Secured by 1321 Garden Highway in Sacramento CA.	$ 3,598	$ 3,693
Revolving Line of Credit from US Bank. Interest accrues at the LIBOR base rate plus 2%. Principal and interest due upon maturity in August 2024. Secured by marketable securities.	1,434	1,434
Center		
Note payable to ImpactAssets Inc., interest payable in arrears on a quarterly basis (1% at December 31, 2022 and 2021), outstanding principal and interest due in full upon maturity in September 2027.	2,000	2,000
Note payable to Dignity Health, interest payable in arrears on a quarterly basis (2% at December 31, 2022 and 2021), outstanding principal and interest due in full upon maturity in January 2026. Secured by interest in equipment.	1,000	1,000
Long-term obligations	$ 8,032	$ 8,127

The future principal payments on the remaining loan balances are estimated as follows (in thousands):

Year Ending December 31,	
2023	$ 99
2024	1,536
2025	106
2026	1,110
2027	2,114
Thereafter	3,067
Total	$ 8,032

Management has determined that the Foundation is in compliance with all covenants as of December 31, 2022. Interest expense for all business loans and lines of credit for 2022 and 2021, totaled $208,737 and $241,013, respectively.

9. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, SHF received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling $768,552. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection

Program Flexibility Act (PPPFA) signed into law in June 2020. Under the CARES Act, as modified by PPPFA, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained. The portion of the loan that does not qualify for forgiveness or any additional amount that the Foundation chooses to maintain as a loan, was originally required to be repaid within 2 years at 1% interest.

SHF received partial forgiveness in October 2021 of $271,761 in principal and $4,080 in interest. The repayment period on the remainder of the original loan was extended to April 2025.

Future minimum principal payments for this agreement are as follows (in thousands):

Year Ending December 31,	
2023	$ 145
2024	147
2025	49
Total	$ 341

10. LEASES

The Center has a lease agreement for office space with Uptown Investments, LP, through October 2027, which is included on the combined statement of financial position as of December 31, 2022 as an ROU asset and operating lease liability of $446,504 and $447,666, respectively.

The ROU asset and operating lease liability were calculated using a risk-free discount rate of 4.27%. Rent expense for this lease totaled $17,045 for 2022. Cash paid for amounts included in the measurement of operating lease liabilities totaled $15,833 for 2022.

Maturities of the lease liability for this lease are as follows (in thousands):

Year Ending December 31,	
2023	$ 98
2024	100
2025	103
2026	105
2027	89
Total lease payments	495
Less: present value discount	(47)
Total operating lease liability	$ 448

Prior to the implementation of ASC 842 in 2022, leases were accounted for in accordance with the previous lease standard, ASC 840. Total rent expense for all operating leases under ASC 840 was $105,485 for 2021.

In December 2022, the Center entered into an additional office building lease commencing on February 1, 2023. The office lease has a lease term of February 1, 2023 through January 31, 2028. The base rent is $22,000 per month increasing the first two years due to receiving additional square footage and increasing the final two years' monthly payments by $1,448 each year. Under ASC 842, the commencement date is used to determine the right-of-use asset and corresponding lease liability.

11. FAIR VALUE MEASUREMENTS

The following is a summary of fair value measurements of assets and liabilities measured at fair value on a recurring basis (in thousands):

	Level 1	NAV
Total as of December 31, 2022:		
Marketable securities	$ 30,243	$ 3,396
Certificates of deposit	622	
Total	$ 30,865	$ 3,396
Total as of December 31, 2021:		
Marketable securities	$ 31,987	$ 5,565
Certificates of deposit	2,126	
Total	$ 34,113	$ 5,565

Based on the borrowing rates currently available to the Foundation for bank loans with terms and average maturities similar to those debt agreements under which it currently is obligated, the fair value of long-term debt approximates its carrying value. For grants payable, because they are discounted to present value, fair value also approximates the reported balances. Investments in limited partnerships typically invest in private securities for which there is no readily determinable market value. In these cases, market value is measured at the net asset value under the practical expedient in accordance with professional standards, which is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals.

The Foundation uses NAV to determine the fair value of certain investments by major category as follows (in thousands):

Type	Remaining life	Redemption terms	Redemption restrictions	Unfunded commitment	Fair value using NAV on December 31: 2022	2021
Limited Partnership	N/A	Weekly	10 days notice	N/A	$ 1,786	$ 2,073
Hedge funds	N/A	Quarterly and semi-annually	95 days notice	N/A	1,610	3,492
Total:					$ 3,396	$ 5,565

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31 (in thousands):

	2022	2021
Improving health	$ 46,407	$ 81,750
Public Policy	14,954	7,626
San Joaquin Valley Health Fund	3,709	3,090
Youth development	825	746
Nonprofit health sector	372	1,176
Disaster relief	240	285
Total net assets with donor restrictions	$ 66,507	$ 94,673

13. RETIREMENT PLAN

The Foundation has a 401(k) savings plan (Plan) in which employees 19 years of age or older who had completed 1 Hours of Service each month during three consecutive months of employment were eligible to participate. During the years ended December 31, 2022 and 2021, the Foundation made a Safe Harbor matching contribution equal to 100% of elective deferrals that do not exceed 6% of compensation for all eligible participants. The Safe Harbor matching contribution is 100% vested. For the employer profit sharing, vesting is 0% after one year, 50% after two years and 100% vested after three years of service. Foundation contributions under the Plan totaled $310,682 and $212,035 for 2022 and 2021, respectively.

14. FUNCTIONAL EXPENSES

Functional expenses for the years ended December 31, 2022 and 2021 are as follows (in thousands):

	Program services						
2022	**Improving health and quality of life**	**Public policy and education program**	**San Joaquin Valley health fund**	**Disaster Relief**	**Other programs**	**General and admini-stration**	**Total**
Grant payments and contracts	$ 164,878	$ 29,755	$ 1,474	$ 1,151	$ 1,552	$ 310	$ 199,120
Salaries and benefits	3,937	1,858	377	1	446	3,253	9,872
Program and support	3,057	2,751	59		113	2,495	8,475
Office and operating	701	160	3		25	1,154	2,043
Professional fees	3	82	8			831	924
Travel	152	34	1		16	181	384
Meetings and special events	157	71	1		6	56	291
Interest expense			48		75	165	288
Total	$ 172,885	$ 34,711	$ 1,971	$ 1,152	$ 2,233	$ 8,445	$ 221,397

	Program services						
2021	**Improving health and quality of life**	**Public policy and education program**	**San Joaquin Valley health fund**	**Disaster Relief**	**Other programs**	**General and admini-stration**	**Total**
Grant payments and contracts	$ 70,004	$ 19,690	$ 4,284	$ 77,181	$ 529	$ 296	$ 171,984
Salaries and benefits	2,544	1,212	453	28	441	1,925	6,603
Program and support	1,009	261	4	1	12	1,607	2,894
Office and operating	480	168	3		14	1,012	1,677
Professional fees	625	257	8	11	13	1,067	1,981
Travel	37	137	8		1	78	261
Meetings and special events	45	4	4		2	2	57
Interest expense			44			199	243
Total	$ 74,744	$ 21,729	$ 4,808	$ 77,221	$ 1,012	$ 6,186	$ 185,700

15. PROVISION FOR EXCISE AND INCOME TAXES

The provision for excise taxes consists of current excise tax expense (benefit) of $34,000 and $(228) for 2022 and 2021, respectively. Excise taxes are estimated annually based on calculated investment returns and management's judgment.

Deferred tax liabilities related to the unrealized appreciation in the fair value of securities are $80,000 as of both December 31, 2022 and 2021, and are included in accrued expenses in the combined statements of financial position.

The Foundation has loss carryforwards from unrelated business activities of investments in limited partnerships. Loss carryforwards as of December 31, 2022 and 2021 are $3,008,663 and $3,280,757 for federal and state purposes, respectively. These amounts will expire between 2023 and 2037 for federal purposes, however net operating losses for federal purposes incurred in 2019 or forward will not expire but carryforward indefinitely. These amounts will expire between 2031 and 2039 for state purposes. A full valuation allowance has been recorded against related deferred tax assets totaling $722,141 and $781,840 for 2022 and 2021, respectively, representing a net decrease of $59,699.