SIERRA HEALTH FOUNDATION: CENTER FOR HEALTH PROGRAM MANAGEMENT

CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sierra Health Foundation: Center
For Health Program Management
Sacramento, California

Opinion

We have audited the accompanying consolidated financial statements of Sierra Health Foundation: Center for Health Program Management, and San Joaquin Valley Impact Investment Fund, LLC (collectively, the Center) which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Center 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Center 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 the Center's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 generally accepted auditing standards and *Government Auditing Standards*, 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 the Center'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 the Center'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2023, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

May 19, 2023

SIERRA HEALTH FOUNDATION: CENTER FOR HEALTH PROGRAM MANAGEMENT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS:		
Cash and cash equivalents	$ 83,000,011	$ 104,808,307
Accounts receivable	3,553,810	106,060
Grants receivable	75,813,517	89,600,495
Prepaid expenses	96,673	137,590
Advance contract payments	7,379,119	12,667,306
Loans receivable	1,800,000	500,000
Investments	2,269,303	3,757,063
Property and equipment, net	1,389,349	1,259,528
Operating lease, right-of-use assets	2,223,634	
TOTAL ASSETS	$ 177,525,416	$ 212,836,349
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Accounts payable	$ 14,161,304	$ 3,991,915
Grants payable	13,311,487	36,219,645
Refundable advances	73,810,104	72,239,989
Notes payable	3,200,000	3,200,000
Operating lease liability	2,224,796	
Total liabilities	106,707,691	115,651,549
NET ASSETS:		
Without donor restrictions	4,310,331	2,511,550
With donor restrictions	66,507,394	94,673,250
Total net assets	70,817,725	97,184,800
TOTAL LIABILITIES AND NET ASSETS	$ 177,525,416	$ 212,836,349

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

SIERRA HEALTH FOUNDATION: CENTER FOR HEALTH PROGRAM MANAGEMENT

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Grants	$ 160,844,891	$ 79,271,348
Interest and dividends	94,988	46,620
Net assets released from restrictions	57,913,248	103,992,569
Total revenues	218,853,127	183,310,537
EXPENSES:		
Program services:		
Improving health and quality of life	172,802,522	74,670,709
Public policy and education program	32,092,419	20,810,119
San Joaquin Valley health fund	1,970,185	4,779,877
Nonprofit health sector development	1,643,251	370,522
Disaster relief	1,152,219	77,220,714
Youth development	387,500	476,733
Total program services	210,048,096	178,328,674
General and administration	7,006,250	5,455,415
Total expenses	217,054,346	183,784,089
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,798,781	(473,552)
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants	29,747,392	162,881,519
Net assets released from restrictions	(57,913,248)	(103,992,569)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(28,165,856)	58,888,950
INCREASE (DECREASE) IN NET ASSETS	(26,367,075)	58,415,398
NET ASSETS, Beginning of year	97,184,800	38,769,402
NET ASSETS, End of year	$ 70,817,725	$ 97,184,800

SIERRA HEALTH FOUNDATION: CENTER FOR HEALTH PROGRAM MANAGEMENT

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program services							
	Improving health and quality of life	Public policy and education program	San Joaquin Valley health fund	Nonprofit health sector development	Disaster relief	Youth development	General and administration	Total
Grant payments and contracts	$164,877,850	$28,782,471	$ 1,473,610	$ 1,164,175	$ 1,151,365	$ 387,500	$ 289,931	$198,126,902
Salaries & benefits	3,891,201	1,788,928	375,745	287,477	811		2,348,711	8,692,873
Program support	3,029,674	1,253,549	59,328	111,831			2,379,618	6,834,000
Office and operating	696,297	145,081	3,306	7,991	43		1,243,715	2,096,433
Professional fees	2,857	30,243	8,378				622,577	664,055
Travel	147,107	22,040	1,033	69,803			77,087	317,070
Meetings and special events	157,536	70,107	773	1,974			44,611	275,001
Interest expense			48,012					48,012
Total	$172,802,522	$32,092,419	$ 1,970,185	$ 1,643,251	$ 1,152,219	$ 387,500	$ 7,006,250	$217,054,346

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

SIERRA HEALTH FOUNDATION: CENTER FOR HEALTH PROGRAM MANAGEMENT

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program services							
	Improving health and quality of life	**Public policy and education program**	**San Joaquin Valley health fund**	**Nonprofit health sector development**	**Disaster relief**	**Youth development**	**General and administration**	**Total**
Grant payments and contracts	$ 70,003,208	$ 18,977,220	$ 4,283,674	$ 99,075	$ 77,181,039	$ 429,944	$ 262,770	$ 171,236,930
Salaries & benefits	2,490,908	1,077,135	425,005	259,864	27,716	41,770	1,632,458	5,954,856
Program support	996,067	219,305	4,125	7,598	750	4,425	1,671,735	2,904,005
Office and operating	478,656	155,954	2,349	3,257	224	594	1,162,437	1,803,471
Professional fees	624,226	242,001	7,879		10,985		707,126	1,592,217
Travel	34,555	135,605	8,351	728			17,020	196,259
Meetings and special events	43,089	2,899	4,494				1,869	52,351
Interest expense			44,000					44,000
Total	$ 74,670,709	$ 20,810,119	$ 4,779,877	$ 370,522	$ 77,220,714	$ 476,733	$ 5,455,415	$ 183,784,089

SIERRA HEALTH FOUNDATION: CENTER FOR HEALTH PROGRAM MANAGEMENT

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ (26,367,075)	$ 58,415,398
Reconciliation to net cash provided (used) by operating activities:		
Interest, dividends and other income	(24,373)	(10,168)
Depreciation	53,824	49,975
Reduction in operating lease, right-of-use assets	591,460	
Changes in:		
Accounts receivable	(3,447,750)	54,946
Grants receivable	13,786,978	(35,207,620)
Prepaid expenses	40,917	3,152
Advance contract payments	5,288,187	(4,092,812)
Loans receivable	(1,300,000)	
Accounts payable	10,169,389	(15,552,111)
Grants payable	(22,908,158)	(18,433,199)
Refundable advances	1,570,115	40,820,948
Operating lease liability	(590,298)	
Net cash provided (used) by operating activities	(23,136,784)	26,048,509
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(183,645)	
Proceeds from sales of investments	1,512,133	399
Net cash provided by investing activities	1,328,488	399
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,808,296)	26,048,908
CASH AND CASH EQUIVALENTS, Beginning of year	104,808,307	78,759,399
CASH AND CASH EQUIVALENTS, End of year	$ 83,000,011	$ 104,808,307
NON-CASH INVESTING ACTIVITIES		
Right-of-use asset upon adoption of ASC 842	$ 2,354,742	$
Right-of-use asset after adoption of ASC 842	$ 460,352	$

1. ORGANIZATION AND PROGRAMS

Sierra Health Foundation: Center for Health Program Management (CHPM) is a nonprofit corporation created in 2012 by the Sierra Health Foundation (Foundation) to provide leadership, funding, and operational support for projects that improve individual and community health states 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, CHPM has awarded $308 million in cash grants to 1,491 nonprofit organizations. CHPM funds organizations throughout California. CHPM is controlled by the governing Board of Directors of the Foundation.

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 CHPM. 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 CHPM.

CHPM and the Investment Fund's (collectively, the Center) programs include the following:

San Joaquin Valley Health Fund

This program 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 category focuses on improving health equity and reducing health disparities to promote health and well-being for all. Programs 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

Programs in this category 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.

Youth Development

The Positive Youth Justice Initiative is 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.

Nonprofit Health Sector Development

Programs support capacity building and leadership development activities for current and emerging nonprofit and public leaders and nonprofit organizations led by people of color.

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 consolidation – The accompanying financial statements reflect the consolidation of CHPM and the Investment Fund. Material intercompany transactions and balances have been eliminated in consolidation.

Basis of accounting and financial statement presentation – The consolidated financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Center 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.
>
> *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 consolidated statements of activities as net assets released from restrictions. The Center 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 Center 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 Center had $73,810,104 and $72,239,989, respectively, are recorded as refundable advances.

Cash and cash equivalents – For financial statement purposes, the Center 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 Center minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. The balances at times may exceed federally insured limits. The Center held with financial institutions cash in excess of federal depository insurance limits of $40,190,254 and $39,059,652 at December 31, 2022 and 2021, respectively. The Center has not experienced any losses in such accounts and management believes the Center is not exposed to any significant credit risk related to cash.

Certificates of deposit are valued at cost plus accrued interest.

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

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.

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 Center 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 Center 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 Center 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 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 Center uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Center 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 Center 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 consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated 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 – CHPM is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

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

The Center has 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, the Center is 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.

Use of estimates – The preparation of consolidated 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 Center 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 Center 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 Center applied the practical expedient to use hindsight for the purpose of determining the lease term.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of $2,354,742 as of January 1, 2022. There is no cumulative effect adjustment to net assets at the transition date.

Subsequent events have been evaluated through May 19, 2023, the date the consolidated financial statements were issued. Management concluded that no other material subsequent events, see Note 9, have occurred since December 31, 2022 that require recognition or disclosure in the consolidated financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Center's financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31:

	2022	2021
Cash and cash equivalents	$ 83,000,011	$ 104,808,207
Accounts receivable	3,553,810	106,060
Grants receivable	75,813,517	89,600,495
Investments	2,269,303	3,757,063
Total financial assets	164,636,641	198,271,825
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Refundable advance obligations	(73,810,104)	(72,239,989)
Restricted by donors with purpose restrictions	(66,507,394)	(94,673,249)
Total financial assets available to management for general expenditure within one year	$ 24,319,143	$ 31,358,587

The Center operates with a balanced annual budget and anticipates collecting sufficient revenue to cover general expenditures not limited by donor-restricted resources. Funding is sourced through public and private contractual agreements, providing revenues for direct and indirect operating costs.

As part of its liquidity management, the Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Center invests cash in excess of daily and quarterly requirements in a money market fund.

4. INVESTMENTS

Investments consist of the following at December 31:

	2022	2021
Cash and cash equivalents	$ 1,647,447	$ 1,631,397
Certificates of deposits	621,856	2,125,666
Total investments	$ 2,269,303	$ 3,757,063

Certificate of deposits are stated at cost plus accrued interest and have maturity dates through June 2023. The certificates bear interest of 0.4% at both December 31, 2022 and 2021. The Center considers cash and cash equivalents held for long-term purposes to be Level 1.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2022	2021
Building	$ 1,222,575	$ 1,100,000
Leasehold improvements		6,979
Equipment	111,279	94,488
Construction in progress	347,283	303,004
Total	1,681,137	1,504,471
Less: Accumulated depreciation	(291,788)	(244,943)
Property and equipment, net	$ 1,389,349	$ 1,259,528

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

Grants payable at December 31 are due to be paid as follows:

	2022	2021
Within one year	$ 13,311,487	$ 26,543,495
Within two to five years		9,676,150
Grants payable	$ 13,311,487	$ 36,219,645

8. NOTES PAYABLE

In January 2019, the Investment Fund executed a promissory note to Dignity Health in the amount of $1,000,000 to fund the Investment Fund's projects. The promissory note matures and is due in full in January 2026, with interest-only payments made in arrears on a quarterly basis. Interest on the note is 2% per annum payable on the outstanding principal balances.

In January 2019, the Investment Fund executed a promissory note to Sierra Health Foundation in the amount of $200,000 also to fund the Investment Fund's projects. The promissory note matures and is due in full in January 2026, with interest-only payments made in arrears on a quarterly basis. Interest on the note is 2% per annum payable on the outstanding principal balances.

In September 2020, the Investment Fund executed a promissory note to ImpactAssets Inc. in the amount of $2,000,000 to fund the Investment Fund's projects. The promissory note matures and is due in full in September 2027, with interest-only payments in arrears on a quarterly basis. Interest on the note is 1% per annum on the outstanding principal balances.

Interest expense for all Investment Fund loans for the years ended December 31, 2022 and 2021, totaled $44,012 and $44,000, respectively.

9. LEASES

The Center has lease agreements for office space with the Foundation through December 2025 and with Uptown Investments, LP, through October 2027, which are included on the consolidated statement of financial position as of December 31, 2022 as ROU assets and an operating lease liability of $2,223,634 and $2,224,796, respectively.

The lease agreement with the Foundation has an option to adjust the monthly rent effective each January 1st based on consideration of adjustment factors (i.e. market rate for similarly-situated properties, relative use of premises, operating expenses for the premises, shared costs, etc.). The lease agreement does not specify the amount of the potential adjustments to monthly rent. During the previous two years of the lease, no adjustment to monthly rent was made and management does not expect the Foundation to adjust the monthly rent going forward. Management has estimated that monthly rent will remain the same as base rent for the life of the lease.

The ROU asset and operating lease liability were calculated using risk-free discount rates of 1.26% for the lease with the Foundation and 4.27% for the lease with Uptown Investments, LP. The weighted average discount rate associated with these operating leases as of December 31, 2022 is 1.91%.

As of December 31, 2022, the weighted-average remaining lease term for all operating leases is 3.44 years.

Rent expense for this lease totaled $620,999 for 2022. Cash paid for amounts included in the measurement of operating lease liabilities totaled $619,837 for 2022.

Maturities of the lease liability for this lease are as follows:

Year ending December 31,	
2023	$ 701,634
2024	704,076
2025	706,580
2026	105,191
2027	89,852
Total lease payments	2,307,333
Less: present value discount	(82,537)
Total operating lease liability	$ 2,224,796

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 $603,954 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.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	2022	2021
Improving health	$ 46,407,352	$ 81,750,117
Public Policy	14,954,038	7,626,303
San Joaquin Valley Health Fund	3,709,162	3,089,782
Youth development	825,298	746,097
Nonprofit health sector	371,553	1,175,943
Disaster relief	239,991	285,008
Total net assets with donor restrictions	$ 66,507,394	$ 94,673,250

11. CONCENTRATIONS

The Center receives a significant portion of its grant revenue and accounts receivables from various government agencies as follows at December 31:

	2022	2021
Revenue:		
State of California Department of Health Care Services	65%	63%
Sacramento County Department of Health and Human Services	8%	9%
Accounts Receivables:		
State of California Department of Health Care Services	57%	52%
State of California Department of Public Health	30%	22%
Sacramento County Department of Health and Human Services	7%	6%
Labor Work Force Development Agency	0%	9%

12. RELATED PARTY TRANSACTIONS

The Foundation maintains control over the Center via a majority voting interest in the Center's Board of Directors. The Foundation provided funding during 2022 and 2021 to support the Center's program objectives. Transactions between the Foundation and the Center are summarized as follows:

	2022	2021
Grants and contributions received from the Foundation	$ 1,025,000	$ 1,750,000
Management fees and other expenses paid to the Foundation	$ 9,301,737	$ 6,563,283
Grants and other receivables due from the Foundation at December 31	$ 3,505,400	$ 4,006
Accounts payable due to the Foundation at December 31	$ 380,739	$ 468,904
Note payable due to the Foundation at December 31	$ 200,000	$ 200,000

SIERRA HEALTH FOUNDATION: CENTER FOR HEALTH PROGRAM MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

	Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health & Human Services:				
Passed through State of California,				
Department of Health Care Services:				
Opioid STR/Material Assisted Treatment (MAT) Access Program	93.788	21-371	$ 15,374,658	$ 16,762,905
Block Grants for Community Mental Health Services	93.958	21-10295	13,710,995	14,055,430
Block Grants for Prevention and Treatment of Substance Abuse	93.959	21-10295	14,946,593	16,562,834
Medical Assistance Program Medicaid; Title XIX	93.778	7202100-22-116	70,000	77,168
Total Passed through State of California, Department of Health Care Services				47,458,337
Passed through State of California,				
Department of Public Health:				
Immunization Cooperative Agreements	93.268	21-10417	22,059,090	46,218,362
State, Tribal, Local and Territorial Health Department Response Program	93.391	21-11072		17,416
Total Passed through State of California, Department of Public Health				46,235,778
Passed through County of Sacramento,				
Department of Health Care Services:				
COVID-19 Epidemiology & Laboratory Capacity Program	93.323	7207500-21/23-400	5,035,759	6,789,061
Total U.S. Department of Health & Human Services				100,483,176
U.S. Department of Treasury:				
Passed through State of California,				
Department of Health Care Services:				
COVID-19 Coronavirus Relief Fund	21.019	21-371	927,007	952,014
Passed through State of California,				
Housing Finance Agency:				
COVID-19 Homeownership Assistance Fund	21.026	A21-012	900,643	1,318,628
Total U.S. Department of Treasury				2,270,642
Total expenditures of federal awards				$ 102,753,818

See accompanying notes to schedule of expenditures of federal awards.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of Sierra Health Foundation: Center for Health Program Management (CHPM) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part* 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from the amounts presented in, or used in the preparation of, the basic financials statements.

2. INDIRECT COST RATE

CHPM did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Sierra Health Foundation: Center
For Health Program Management
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Sierra Health Foundation: Center for Health Program Management, and San Joaquin Valley Impact Investment Fund, LLC (collectively, the Center), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

May 19, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Sierra Health Foundation: Center
For Health Program Management
Sacramento, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Sierra Health Foundation: Center for Health Program Management, and San Joaquin Valley Impact Investment Fund, LLC (collectively, the Center) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended December 31, 2022. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

May 19, 2023

SIERRA HEALTH FOUNDATION: CENTER FOR HEALTH PROGRAM MANAGEMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PAGE 1 OF 2)
YEAR ENDED DECEMBER 31, 2022

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______Yes	✓ No
• Significant deficiency(ies) identified?	______Yes	✓ None reported
Noncompliance material to financial statements noted?	______Yes	✓ No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	______Yes	✓ No
• Significant deficiency(ies) identified?	______Yes	✓ None reported
Type of auditor's report issued:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	______Yes	✓ No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number
Immunization Cooperative Agreements	93.268

Dollar threshold used to identify Type A programs:	$3,000,000	
Auditee qualified as low-risk auditee?	______Yes	✓ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended December 31, 2022.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended December 31, 2022.

SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings	Current Status	Explanation If Not Implemented
2021-001 MATERIAL WEAKNESS OVER ACCOUNTING FOR RESTRICTED GRANTS		
Condition: The Center maintains a schedule which identifies each grant award received, disbursed, its remaining balance at the end of the reporting period, and the nature of any restriction by the grantor. However, the schedule contained numerous errors identified during the audit process, and the schedule was not properly reconciled to the ending balance recorded on the Center's general ledger. This resulted in material corrections to its reporting of grant awards and the related net asset classifications.	Implemented.	Not applicable.
Recommendation: We recommend the Center examine its process for tracking and reconciling the assortment of awards it receives to ensure they are classified properly. As an additional control to help avoid errors in the reporting of these grant awards, we suggest strengthening the internal review of the process, including the schedule of grant awards and related net asset balances.		