

**SAN JOAQUIN VALLEY
IMPACT INVESTMENT FUND, LLC.**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2023 AND 2022**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
San Joaquin Valley
Impact Investment Fund, LLC.
Sacramento, California**

Opinion

We have audited the accompanying financial statements of San Joaquin Valley Impact Investment Fund, LLC (the Investment Fund), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in member's equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Investment Fund as of December 31, 2023 and 2022, and the results of its operations 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 Financial Statements section of our report. We are required to be independent of the Investment Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Investment Fund'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Investment Fund'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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

June 17, 2024

**SAN JOAQUIN VALLEY
IMPACT INVESTMENT FUND, LLC.**

**BALANCE SHEETS
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS:		
Cash and cash equivalents	\$ 599,437	\$ 633,338
Accounts receivable		4,535
Loans receivable	1,800,000	1,800,000
Certificates of deposit	<u>636,409</u>	<u>621,856</u>
TOTAL ASSETS	<u>\$ 3,035,846</u>	<u>\$ 3,059,729</u>
LIABILITIES AND MEMBER'S EQUITY (DEFICIT):		
Accounts payable	\$ 237,063	\$ 231,418
Notes payable	<u>3,200,000</u>	<u>3,200,000</u>
Total liabilities	3,437,063	3,431,418
MEMBER'S EQUITY (DEFICIT)	<u>(401,217)</u>	<u>(371,689)</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	<u>\$ 3,035,846</u>	<u>\$ 3,059,729</u>

**SAN JOAQUIN VALLEY
IMPACT INVESTMENT FUND, LLC.**

**STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
REVENUES:		
Interest and dividends	\$ 77,047	\$ 25,257
Total revenues	<u>77,047</u>	<u>25,257</u>
 EXPENSES:		
Grants and contracts	60,000	
Interest expense	44,000	44,012
Office and operating expenses	2,379	33
Salaries and benefits	196	25,980
Professional fees		8,471
Total expenses	<u>106,575</u>	<u>78,496</u>
 NET LOSS	 (29,528)	 (53,239)
 MEMBER'S EQUITY (DEFICIT), Beginning of year	 <u>(371,689)</u>	 <u>(318,450)</u>
 MEMBER'S EQUITY (DEFICIT), End of year	 <u>\$ (401,217)</u>	 <u>\$ (371,689)</u>

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

**SAN JOAQUIN VALLEY
IMPACT INVESTMENT FUND, LLC.**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (29,528)	\$ (53,239)
Reconciliation to net cash used by operating activities:		
Interest and dividend income	(14,553)	(8,323)
Changes in:		
Accounts receivable	4,535	(4,478)
Loans receivable		(1,300,000)
Accounts payable	<u>5,645</u>	<u>(19,963)</u>
Net cash used by operating activities	(33,901)	(1,386,003)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of certificates of deposit	<u> </u>	<u>1,512,133</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (33,901)	 126,130
 CASH AND CASH EQUIVALENTS, Beginning of year	 <u>633,338</u>	 <u>507,208</u>
 CASH AND CASH EQUIVALENTS, End of year	 <u>\$ 599,437</u>	 <u>\$ 633,338</u>
 SUPPLEMENTAL ACTIVITY:		
Cash paid for interest	<u>\$ 44,000</u>	<u>\$ 28,012</u>

SAN JOAQUIN VALLEY IMPACT INVESTMENT FUND, LLC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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 Sierra Health Foundation: Center for Health Program Management (the Center). The Investment Fund began operations in 2019. The Center is a nonprofit corporation created in 2012 by the Sierra Health Foundation (the Foundation) which maintains control over the Center via a majority voting interest in the Center's Board of Directors. The Investment Fund is considered a disregarded entity as defined by the IRS. As a limited liability company, the liability of the Center is limited as provided under the laws of Delaware Limited Liability statutes. The Investment Fund will continue in perpetuity from inception unless dissolved by its member in accordance with its operating agreement.

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.

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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

The Investment Fund 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 Investment Fund held with financial institutions cash in excess of federal depository insurance limits of \$349,437 and \$383,338 at December 31, 2023 and 2022, respectively. The Investment Fund has not experienced any losses in such accounts and management believes the Investment Fund is not exposed to any significant credit risk related to cash.

Certificates of deposit totaling \$636,409 and \$621,856 are stated at cost and have maturity dates through June 2024. The certificates bear interest of 4.0% and 0.4% at December 31, 2023 and 2022, respectively.

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

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.

Income taxes – Because the Investment Fund is a disregarded entity for Federal tax purposes, its activity 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. There were no tax expenses for the years ended December 31, 2023 and 2022, respectively.

SAN JOAQUIN VALLEY IMPACT INVESTMENT FUND, LLC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The Investment Fund 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.

Subsequent events have been evaluated through June 17, 2024, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2023 that require recognition or disclosure in the financial statements.

2. 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.

3. 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 balance.

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 balance.

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 balance.

Interest expense for all loans for the years ended December 31, 2023 and 2022 totaled \$44,000 and \$44,012, respectively.

**SAN JOAQUIN VALLEY
IMPACT INVESTMENT FUND, LLC.**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

4. RELATED PARTY TRANSACTIONS

The Foundation and Center provided funding and management services during 2023 and 2022 to support the Investment Fund's program objectives. Transactions between the Foundation, the Center, and the Investment Fund are summarized as follows:

	<u>2023</u>	<u>2022</u>
Management fees and other expenses paid to the Foundation	\$ 196	\$ 29,992
Accounts payable due to the Foundation at December 31	\$ 225,334	\$ 220,513
Accounts payable due to the Center at December 31	\$ 10,000	\$
Note payable due to the Foundation at December 31	\$ 200,000	\$ 200,000
Receivables due from the Center at December 31	\$	\$ 4,535