

UniHealth Foundation

Financial Statements

September 30, 2023
(With Comparative Totals for 2022)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 19



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
UniHealth Foundation
Los Angeles, California

Opinion

We have audited the accompanying financial statements of UniHealth Foundation (the "Organization"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 UniHealth Foundation as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 UniHealth 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases*, on October 1, 2022. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 UniHealth Foundation'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, including omissions, 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 UniHealth 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UniHealth 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 Summarized Comparative Information

We have previously audited UniHealth Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
Woodland Hills, California

March 12, 2024

UniHealth Foundation
Statement of Financial Position
September 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,693,444	\$ 3,736,915
Investments	228,921,767	219,883,941
Prepaid expenses and other current assets	9,748,387	134,638
Program related investments	<u>750,000</u>	<u>-</u>
Total current assets	<u>246,113,598</u>	<u>223,755,494</u>
Property and equipment, net	<u>9,500</u>	<u>14,308</u>
Other assets		
Deposits	9,665	9,665
Program related investments, long-term	5,750,000	5,500,000
Investments, long-term	80,191,833	76,288,923
Right-of-use lease assets - operating	<u>264,987</u>	<u>-</u>
Total other assets	<u>86,216,485</u>	<u>81,798,588</u>
Total assets	<u><u>\$ 332,339,583</u></u>	<u><u>\$ 305,568,390</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 229,002	\$ 232,472
Grants payable, current portion	9,447,183	10,316,671
Current portion of operating lease liability	<u>189,009</u>	<u>-</u>
Total current liabilities	<u>9,865,194</u>	<u>10,549,143</u>
Long-term liabilities		
Grants payable, net of current portion	1,301,635	4,914,203
Operating lease liability, net of current portion	100,195	-
Other long-term liabilities	<u>889,764</u>	<u>855,402</u>
Total long-term liabilities	<u>2,291,594</u>	<u>5,769,605</u>
Total liabilities	<u>12,156,788</u>	<u>16,318,748</u>
Commitments and contingencies (Note 8)		
Net assets		
Without donor restrictions	317,845,168	285,825,213
With donor restrictions	<u>2,337,627</u>	<u>3,424,429</u>
Total net assets	<u>320,182,795</u>	<u>289,249,642</u>
Total liabilities and net assets	<u><u>\$ 332,339,583</u></u>	<u><u>\$ 305,568,390</u></u>

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

UniHealth Foundation
Statement of Activities
For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, gains (losses), and other support				
Net investment return (loss)	\$ 37,919,399	\$ -	\$ 37,919,399	\$ (55,609,822)
Grants and contributions	-	969,965	969,965	722,076
Net assets released from restriction	<u>2,056,767</u>	<u>(2,056,767)</u>	<u>-</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>39,976,166</u>	<u>(1,086,802)</u>	<u>38,889,364</u>	<u>(54,887,746)</u>
Functional expenses				
Program services	6,669,489	-	6,669,489	21,199,370
Management and general	<u>1,286,722</u>	<u>-</u>	<u>1,286,722</u>	<u>1,179,454</u>
Total functional expenses	<u>7,956,211</u>	<u>-</u>	<u>7,956,211</u>	<u>22,378,824</u>
Change in net assets	32,019,955	(1,086,802)	30,933,153	(77,266,570)
Net assets, beginning of year	<u>285,825,213</u>	<u>3,424,429</u>	<u>289,249,642</u>	<u>366,516,212</u>
Net assets, end of year	<u><u>\$317,845,168</u></u>	<u><u>\$ 2,337,627</u></u>	<u><u>\$320,182,795</u></u>	<u><u>\$289,249,642</u></u>

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

UniHealth Foundation
Statement of Functional Expenses
For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

	Program Services	Management and General	2023 Total	2022 Total
Grants	\$ 5,177,240	\$ -	\$ 5,177,240	\$ 19,807,331
Salaries and wages	917,081	847,190	1,764,271	1,595,985
Employee benefits	185,193	151,360	336,553	326,396
Rent	118,033	81,045	199,078	195,809
Office expense	92,069	41,915	133,984	141,676
Legal and professional fees	43,474	70,128	113,602	95,629
Insurance	47,324	42,670	89,994	89,081
Payroll taxes	46,266	39,009	85,275	79,863
Dues and subscriptions	36,994	2,976	39,970	36,348
Travel	5,815	4,681	10,496	2,983
Depreciation	-	5,748	5,748	7,723
	<u>\$ 6,669,489</u>	<u>\$ 1,286,722</u>	<u>\$ 7,956,211</u>	<u>\$ 22,378,824</u>

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

UniHealth Foundation
Statement of Cash Flows
For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 30,933,153	\$ (77,266,570)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	5,748	7,723
Net unrealized and realized (gain) loss on investments	(36,530,183)	57,112,334
Reduction in the carrying amount of right-of-use assets - operating	167,154	-
Prepaid expenses and other current assets	(9,613,749)	(9,826)
Accounts payable and accrued expenses	(3,470)	(84,780)
Grants payable	(4,482,056)	4,374,232
Other long-term liabilities	34,362	(250,363)
Operating lease liability	(142,937)	-
Net cash used in operating activities	<u>(19,631,978)</u>	<u>(16,117,250)</u>
Cash flows from investing activities		
Purchases of property and equipment	(940)	(3,330)
Purchases of investments	(97,774,492)	(36,604,512)
Proceeds from sales of investments	121,363,939	48,938,938
Program related investment through note receivable	(1,000,000)	(2,500,000)
Net cash provided by investing activities	<u>22,588,507</u>	<u>9,831,096</u>
Net increase (decrease) in cash and cash equivalents	2,956,529	(6,286,154)
Cash and cash equivalents, beginning of year	<u>3,736,915</u>	<u>10,023,069</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,693,444</u></u>	<u><u>\$ 3,736,915</u></u>

Supplemental disclosure of cash flow information

Cash paid during the year for excise taxes	\$ 50,000	\$ 250,000
--	-----------	------------

Supplemental schedule of noncash investing and financing activities

Right-of-use lease assets obtained in exchange of lease obligations	\$ 432,141	\$ -
---	------------	------

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

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

1. NATURE OF OPERATIONS

UniHealth Foundation ("UH" or the "Organization") is a California, nonprofit private foundation, formed in 1998 as a grant making organization. The Organization is committed to being a pace-setter in health philanthropy, identifying and supporting innovative activities, while provoking and sustaining changes that positively impact health outcomes. The Organization's mission is to support and facilitate activities that significantly improve the health and well-being of individuals and communities it serves. In carrying out its mission, the Organization examines trends and challenges in the healthcare system and furthers its charitable mission by making grants in three priority areas: population and community health, healthcare delivery systems, and healthcare workforce.

The Organization distributes charitable expenditures through two funds, the Hospital Fund and the General Fund. Charitable expenditures from the Hospital Fund are made to nonprofit hospitals and other qualified nonprofits for healthcare services and programs provided by, through, or in close cooperation with qualified charitable hospitals in California. At least 60% of Hospital Fund charitable expenditures are allocated to four specified service areas in Los Angeles and northern Orange Counties. Charitable expenditures from the General Purpose Fund are distributed to qualified nonprofit organizations not working in close cooperation with hospitals for health-related purposes consistent with the Organization's mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All assets and liabilities of the Organization are recorded at historical cost, less accumulated depreciation and reserves for estimated losses, with the exception of investments that are recorded at fair value.

Revenues, gains, expenses, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Those net assets and activities which represent the portion of expendable funds available to support operations that are not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - The portion of net assets for which expenditure is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization.

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying value reported in the statement of financial position approximates fair value.

Investments

The Organization accounts for investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958-320, *Not-for-Profit Entities: Investments - Debt and Equity Securities* ("ASC 958-320"). ASC 958-320 requires that investments in debt and equity securities with readily determinable fair values be reported at fair value in the statement of financial position. Investments in partnerships, for which there is no readily available market, are valued by the Organization using methods that management believes provide a reasonable estimate of fair value including utilizing Net Asset Value ("NAV") as a practical expedient. These methods include initial due diligence and ongoing monitoring by management of investment funds. Investments classified as long-term consist of private equity investments that include subscription agreements which contain restrictive lock-up periods. Full redemption of these investments could take longer than one year.

Sales and purchases of securities are recorded on the trade date, which can result in receivables and payables on trades that have not yet settled at the financial statement date. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the difference between the cost and current market quotations of investments held at the end of the fiscal year.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Organization's Board of Directors ("Board"). These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. Market values of such investments are routinely reviewed by the Board.

Fair value measurements

The Organization follows ASC Topic 820-10, *Fair Value Measurements and Disclosures* ("ASC 820-10") which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of inputs that may be used to measure fair value under ASC 820-10 are described below:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities.

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 2* - Observable inputs based on quoted prices in non-active markets or in active markets for similar assets and liabilities. Inputs other than quoted prices that are observable or inputs that are not directly, but are corroborated by observable market data.
- *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the measurements of the assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair values of fixed income and equity securities are based on quoted market prices. Alternative investments consist of investments in limited partnerships, which invest primarily in private equity securities and hedge funds. The estimated fair values of these alternative investments are based on valuations provided by the general partner. The Organization reviews and evaluates the NAV provided by the general partner and assesses the methods and assumptions used in determining the fair value of their investments. Other alternative investments are valued in a variety of ways including broker quotations and pricing models. An outside consulting firm has been engaged to monitor and evaluate various fair value calculations for alternative investments. Alternative investments made up approximately 30% of total investments as of September 30, 2023.

Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Program related investments

The Organization makes program related investments ("PRI") to other organizations to achieve charitable purposes in alignment with the Organization's strategies. The Organization has six PRIs as of September 30, 2023, which consist of unsecured loans bearing a below-market interest rate (2%). The loans are measured at fair value at inception to determine if a contribution element exists. Loans are recorded on a net basis to reflect a discount on loan receivable (if a contribution element exists) or a reasonable loss reserve. Any loss reserve estimates are reviewed on an annual basis and adjusted if collectability risk has significantly changed based on the Organization's understanding of the borrower's financial health and/or payment history. As of September 30, 2023, no discount or loss reserve was recorded on PRIs as management determined each to be either immaterial to the accompanying financial statements or not applicable.

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, ranging between 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the shorter of 10 years or the remaining lease term.

Grant income

The Organization recognizes grant income in accordance with ASC Topic 958-605, *Revenue Recognition*. This standard states that when both a barrier to be overcome and a right of return exist, a donor-imposed condition exists and contribution revenue should not be recognized until the condition has been met. A probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining whether an agreement contains a barrier.

Excise and income taxes

As a private foundation, the Organization is subject to federal tax at a flat 1.39% rate on realized appreciated gains and investment income earned. During the year ended September 30, 2023, excise tax expense totaled \$50,000 and is included within net investment return in the accompanying statement of activities. Management evaluated the effects of recording deferred excise tax on accumulated unrealized gains on investments and elected not to record this amount as it was immaterial to the accompanying financial statements.

U.S. GAAP requires organizations to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken, and has concluded that as of September 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the accompanying financial statements.

Grant expense

Grants expense is charged against operations when authorized by the Organization's Board and represent an unconditional promise to give. The actual payment of the grant may not necessarily occur in the year of authorization. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. As of September 30, 2023, long term grants payable were discounted at 5%.

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program service or support service are allocated directly according to their natural expense classification. Expenses that are common to several functions are allocated accordingly based on the time and resources devoted to each category.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk

The Organization invests in various types of marketable securities. Marketable securities are subject to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain marketable securities, it is reasonably possible that the changes in the value of marketable securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying financial statements. The Organization has established guidelines relative to diversification and maturities that target certain safety and liquidation risk levels. These guidelines are periodically reviewed and modified when necessary. Marketable securities are managed by professional investment managers within the established guidelines.

The Organization maintains its cash and equivalents in bank deposit accounts and brokerage accounts which generally exceed the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. Substantially all of the Organization's cash and equivalents are uninsured. The Organization has not experienced any losses in such accounts and does not believe that it is exposed to any significant risk on cash and equivalents. Cash and equivalents represent approximately 2% of the Organization's total investment portfolio.

Summarized financial information

The accompanying financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's accompanying financial statements for the year ended September 30, 2022, from which the summarized information was derived.

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, Accounting Standards Codification ("ASC") Topic 842 ("ASC 842"). ASC 842 is the comprehensive lease standard that supersedes the previous authoritative lease accounting guidance contained in ASC 840, ASC 842 requires a lessee to recognize assets and liabilities related to long-term leases that were classified in its statement of financial position as operating leases under previous guidance. A leased asset, referred to as a right-of-use asset, is to be recognized related to the right to use the underlying asset and a lease related liability is to be recognized related to the lease payment obligations over the term of the lease, and includes options to extend that management reasonably expects to exercise. ASC 842 also requires expanded disclosures surrounding leases.

The Organization adopted ASC 842, with an initial application date of October 1, 2022, by applying the modified retrospective transition approach and using the additional and optional transition method provided by ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*. The Organization did not restate prior periods as presented under ASC 840 and, instead, evaluated whether a cumulative impact adjustment to net assets as of October 1, 2022, was necessary for the cumulative impact of adoption of ASC 842. Management determined no cumulative effect adjustment to net assets as of October 1, 2022, was necessary.

As part of the allowable transition method, the Organization elected to apply the following practical expedients:

- Election not to reassess whether any expired or existing contracts are, or contain, leases.
- Election not to reassess the lease classification for any expired or existing leases.
- Election not to reassess initial direct costs on any existing leases.
- Election to use the risk-free interest rate as the discount rate.
- Election whereby the lease and nonlease components will not be separated for leases of office space, warehouse and equipment.
- Election not to record right-of-use assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than one month. Leases of one month or less are not included in short-term lease costs.

The Organization evaluates whether new contracts are a lease at the contract inception or for a modified contract at the modification date. In calculating the present value of the right-of-use assets and liabilities, the Organization includes lease renewals and or termination options. If it is reasonably certain that a renewal or termination option will be exercised, the exercise of the options is considered in calculating the term of the lease.

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization has evaluated events subsequent to September 30, 2023, to assess the need for potential recognition or disclosure in the accompanying financial statements. Such events were evaluated through March 12, 2024, the date the accompanying financial statements were available to be issued. Based upon this evaluation, no subsequent events occurred that require recognition or additional disclosure in the accompanying financial statements.

3. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
U.S. fixed income funds	\$ 40,825,383	\$ -	\$ -	\$ 40,825,383
Global equity funds	47,005,316	-	-	47,005,316
U.S. equity funds	126,615,794	-	-	126,615,794
Other	<u>683,622</u>	<u>-</u>	<u>-</u>	<u>683,622</u>
	<u>\$ 215,130,115</u>	<u>\$ -</u>	<u>\$ -</u>	215,130,115
Investments measured at net asset value				<u>93,983,485</u>
				<u>\$ 309,113,600</u>

The Organization uses NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments measured at net asset value are not publicly traded.

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

3. INVESTMENTS (continued)

The following table lists investments measured at NAV by major category as of September 30, 2023:

Product	Strategy	NAV in Funds	# of Funds	Amount of Remaining Life	Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Price at Year End
Private Equity	Small, mid and large-cap companies, financial restructuring, international equities, real estate and technology	\$ 80,191,833	25	1 to 12 years	\$ 22,877,189	3 to 6 years	Funds are in private equity structure with no ability to be redeemed	N/A	N/A
Hedge Funds	Distressed asset and fixed income, capital arbitrage	208,585	1	N/A	-	N/A	Quarterly redemption with 90 days notice	None	None
Commingled Funds	International value equity	13,583,067	1	N/A	-	N/A	Daily redemption with 6 days notice	None	None
Total		<u>\$ 93,983,485</u>	<u>27</u>		<u>\$ 22,877,189</u>				

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

4. PROGRAM RELATED INVESTMENTS

PRIs are strategic investments, beyond grants, made by the Organization for the specific objective of furthering the Organization's charitable purpose. The production of income is not the primary driver of a PRI.

Program related investments are detailed as follows:

Note receivable for \$750,000 to support the growth of a nonprofit organization to support the expansion of operations and services at an existing health and wellness facility. The principal balance is due in full in August 2024. Interest accrues at 2% per annum and is paid quarterly.	\$ 750,000
Note receivable for \$750,000 to support the growth of a nonprofit organization to support the construction of a new family health and wellness center in Long Beach, California. The principal balance is due in full in September 2026. Interest accrues at 2% per annum and is paid quarterly.	750,000
Note receivable for \$750,000 to support the growth of a nonprofit organization with a program designed to develop housing for low-income individuals in the Los Angeles area. The principal balance is due in full in October 2026. Interest accrues at 2% per annum and is paid quarterly.	750,000
Note receivable for \$750,000 to support the growth of a nonprofit organization with a program designed to develop housing for low-income individuals in the Los Angeles area. The principal balance is due in full in December 2028. Interest accrues at 2% per annum and is paid quarterly.	750,000
Note receivable for \$2,500,000 to support the growth of a nonprofit organization to support the service of families and children who are receiving treatment at hospitals in the Los Angeles area. The principal balance is due in full in March 2031. Interest accrues at 2% per annum and is paid quarterly.	2,000,000
Note receivable for \$1,500,000 to support the growth of a nonprofit organization with a program designed to develop housing for low-income individuals in the Los Angeles area. The principal balance is due in full in May 2032. Interest accrues at 2% per annum and is paid quarterly.	1,500,000
	<u>6,500,000</u>
Current portion	<u>(750,000)</u>
	<u>\$ 5,750,000</u>

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

4. PROGRAM RELATED INVESTMENTS (continued)

Future maturities of program related investments are as follows:

<u>Year ending September 30,</u>	
2024	\$ 750,000
2026	750,000
2027	750,000
2029	750,000
2031	2,000,000
2032	<u>1,500,000</u>
	<u><u>\$ 6,500,000</u></u>

5. GRANTS PAYABLE

Unconditional grants authorized but unpaid as of September 30, 2023 are reported as liabilities. The following is a summary of grants authorized and payable as of September 30, 2023.

Grants payable consisted of the following:

To be paid in less than one year	\$ 9,447,183
To be paid in one to two years	1,225,240
To be paid in over two years	<u>148,551</u>
	10,820,974
Less present value discount (5%)	(72,156)
Less: current portion	<u>(9,447,183)</u>
	<u><u>\$ 1,301,635</u></u>

The Organization is required to distribute annually, to qualifying charitable organizations, an amount equal to 5% of the average fair market value of the Organization's assets (the "minimum distribution"). If the Organization does not distribute the required minimum distribution, a one-year grace period is granted to distribute the undistributed income. If undistributed income is not distributed by the close of the following tax year, a minimum 30% penalty under Internal Revenue Code ("IRC") S4942(a) will apply. The Organization met the IRC grant distribution requirement as of September 30, 2023.

6. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

Deferred compensation	\$ 683,622
Employee settlement	<u>206,142</u>
	<u><u>\$ 889,764</u></u>

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Purpose-restricted - Support at temporary housing and recuperative care centers	\$ <u>2,337,627</u>
---	---------------------

8. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Organization invests in several limited partnerships, which require capital commitments. As of September 30, 2023, the remaining balance of the capital commitments on these investments was \$22,877,189 (see Note 3).

9. LEASES

In October 2022, the Organization adopted the new lease accounting guidance under ASC 842. The most significant change requires lessees to record the present value of the operating lease payments as right-of-use assets and lease liabilities on the accompanying statement of financial position. The new guidance continues to require lessees to classify leases between operating and financing leases (formerly "capital leases"). The Organization has no financing leases as of September 30, 2023.

The Organization has one operating lease for an office space under non-cancelable operating leases entered into in February 2004 for facility space for a period of 10 years and 3 months. The lease was renewed in September 2014 for a 127 month extension. This lease agreement was previously recognized under the prior standard, ASC 840, as an operating lease at September 30, 2022. Upon adoption of ASC 842, the qualifying lease has been recognized as a right-of-use lease asset - operating on the accompanying statement of financial position at September 30, 2023. The lease contains annual escalations and expires March 31, 2025.

The adoption of ASC 842 resulted in the recognition of right-of-use lease assets and liabilities - operating totaling \$432,141.

The right-of-use lease asset is detailed as follows:

Right-of-use lease asset - operating	\$ 264,987
--------------------------------------	------------

Amortization of right-of-use lease asset - operating was \$167,154.

The operating lease liability is detailed as follows:

Operating lease liability, current	\$ 189,009
Operating lease liability, net of current portion	<u>100,195</u>
	<u>\$ 289,204</u>

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

9. LEASES (continued)

Lease costs for the year consisted of the following:

Monthly scheduled rent	\$ <u>182,369</u>
------------------------	-------------------

The weighted-average remaining lease terms and discount rates are as follows:

Weighted-average remaining lease term - operating lease	1.42 years
Weighted-average discount rate - operating lease	4.12%

Future maturities of the operating lease liability are as follows:

<u>Year ending September 30,</u>	
2024	\$ 196,715
2025	<u>101,056</u>
	297,771
Less: present value discount	<u>(8,567)</u>
Operating lease liability, net of discount	289,204
Current portion	<u>(189,009)</u>
	<u>\$ 100,195</u>

10. EMPLOYEE BENEFIT PLANS

The Organization has adopted a defined contribution 403(b) Retirement Plan ("403(b) Plan"). All employees of the Organization are eligible to participate. The Organization does not make matching contributions to the 403(b) Plan.

The Organization also sponsors a Simplified Employee Pension Plan ("SEP Plan") whereby the Organization makes required contributions of the lesser of 25% of compensation or \$66,000 per year to the SEP Plan on behalf of the employees, which are then 100% participant directed. All employees of the Organization are eligible to participate in the SEP Plan. The Organization's contributions to the SEP Plan were \$208,332 for the year ended September 30, 2023.

11. LIQUIDITY AND FUNDS AVAILABLE

The Organization regularly monitors liquidity required to meet its operating needs and commitments, while also striving to maximize the investment of its available funds. The Organization's primary sources of liquidity are cash and cash equivalents and investments.

UniHealth Foundation
Notes to Financial Statements
September 30, 2023

11. LIQUIDITY AND FUNDS AVAILABLE (continued)

For the purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs and supporting activities while considering projected revenues. Based on this analysis, the Organization sets aside resources to cover a portion of its annual budgeted expenditures on an ongoing basis. The Organization monitors the cash need monthly and adjusts the need to draw from funds available based on general operating expenses and commitments.

The Organization's financial assets available as of the accompanying statement of financial position date for general expenditures within one year are as follows:

Cash and cash equivalents	\$ 6,693,444
Investments, current portion	<u>228,921,767</u>
	<u><u>\$ 235,615,211</u></u>