



Annual Financial Statements
December 31, 2023
IEHP Foundation
(A California Nonprofit Organization)

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Independent Auditor's Report

The Board of Directors
IEHP Foundation
Rancho Cucamonga, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IEHP Foundation (a California nonprofit organization), which comprise the statement of financial position as of December 31, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of IEHP Foundation as of December 31, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit for the Financial Statements section of our report. We are required to be independent of IEHP Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In performing an audit in accordance with GAAS, 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 IEHP 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 IEHP 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.

Eide Bailly LLP

Rancho Cucamonga, California
April 30, 2024

IEHP Foundation
Statement of Financial Position
December 31, 2023

Assets	
Cash and cash equivalents	\$ 18,831,211
Prepaid expenses	45,254
Endowment	
Restricted cash and cash equivalents	9,479,564
Investments	<u>90,520,436</u>
Total assets	<u><u>\$ 118,876,465</u></u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 5,658
Other current liabilities	<u>1,200</u>
Total liabilities	<u>6,858</u>
Net Assets	
Without donor restrictions	18,869,607
With donor restrictions	<u>100,000,000</u>
Total net assets	<u>118,869,607</u>
Total liabilities and net assets	<u><u>\$ 118,876,465</u></u>

IEHP Foundation
Statement of Activities
Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 11,534,304	\$ 50,000,000	\$ 61,534,304
Net investment return	7,555,144	-	7,555,144
In-kind services	890,839	-	890,839
Other income	1,440	-	1,440
Total revenue and support	<u>19,981,727</u>	<u>50,000,000</u>	<u>69,981,727</u>
Expenses			
Program services	482,886	-	482,886
Management and general	<u>1,068,550</u>	<u>-</u>	<u>1,068,550</u>
Total expenses	<u>1,551,436</u>	<u>-</u>	<u>1,551,436</u>
Change in Net Assets	<u>18,430,291</u>	<u>50,000,000</u>	<u>68,430,291</u>
Net Assets, Beginning of Year	50,439,316	-	50,439,316
Reclassification of Contributions	<u>(50,000,000)</u>	<u>50,000,000</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 18,869,607</u>	<u>\$ 100,000,000</u>	<u>\$ 118,869,607</u>

IEHP Foundation
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services	Management and General	Total
Salaries & Wages Expense	\$ 180,127	\$ 595,891	\$ 776,018
Consulting Services	63,260	136,746	200,006
Grant expense	200,000	-	200,000
Board Stipends	-	109,200	109,200
Donated Use of Facilities	-	66,252	66,252
Software Expense	4,554	51,133	55,687
Training and Seminars	5,037	45,635	50,672
Professional Fees	5,812	31,672	37,484
Office and general expenses	9,424	15,134	24,558
Dues, Memberships and Subscriptions	10,556	4,310	14,866
Insurance	951	5,411	6,362
Travel Expense	3,165	1,947	5,112
Communication and Marketing	-	4,394	4,394
Fees & Dues	-	825	825
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 482,886</u>	<u>\$ 1,068,550</u>	<u>\$ 1,551,436</u>

IEHP Foundation
Statement of Cash Flows
Year Ended December 31, 2023

Operating Activities	
Change in net assets	\$ 68,430,291
Adjustments to reconcile change in net assets to net cash from operating activities	
Realized and unrealized (gain) loss on investments	(7,555,144)
Changes in operating assets and liabilities	
Prepaid expenses	(45,254)
Accounts payable	656
Other current liabilities	<u>(5,731)</u>
Net Cash from Operating Activities	<u>60,824,818</u>
Investing Activities	
Purchase of investments	(84,744,600)
Proceeds from sale of investments	<u>1,779,308</u>
Net Cash from Investing Activities	<u>(82,965,292)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents	(22,140,474)
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Beginning of Year	<u>50,451,249</u>
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, End of Year	<u>\$ 28,310,775</u>
Cash	\$ 18,831,211
Cash and cash equivalents - restricted endowment	<u>9,479,564</u>
Total Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents	<u>\$ 28,310,775</u>

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

IEHP Foundation (“the Foundation”) is a not-for-profit public benefit corporation 501(c)(3) that was established in 2021 and began operations on July 27, 2022. The Foundation was established to conduct charitable activities and programs through financial and other forms of support in the Inland Empire and surrounding communities that meet and innovate healthcare needs and ensure the availability of quality healthcare.

Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023, the Foundation had approximately \$27,448,000 in excess of FDIC-insured limits.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor 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 restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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 substantially met. No conditional promises to give have been received as of December 31, 2023.

In-kind Contributions

In-kind contributions include donated salaries, use of facilities, software expenses and other in-kind contributions which are recorded at the cost or respective fair values of the goods or services received (Note 3).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement 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 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. The expenses that are allocated include salaries and wages, benefits, payroll taxes, consulting services, software expenses, training and seminar expenses, professional fees, office and general expenses, and other, which are allocated based on actual dollar amount.

Income Taxes

The Foundation is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service ("IRS") as exempt from federal income taxes under Internal Revenue Code ("IRC") Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction, and has been determined not to be a private foundation. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Subsequent Events

The Foundation has evaluated subsequent events through April 30, 2024, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting its use, within one year of the statement of financial position date, comprise of cash and cash equivalents totaling \$18,831,211 as of December 31, 2023.

Note 3 - Fair Value Measurements and Disclosures

Certain assets reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability.

A portion of investment assets are classified within Level 1 because they comprise U.S. equities with readily determinable fair values based on daily redemption values. The Foundation invests in U.S. government obligations that are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. The Foundation uses net asset value (“NAV”) per share, or its equivalent, such as member units or an ownership interest in partners’ capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at December 31, 2023:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Endowment investments				
Cash and money market funds (at cost)	\$ 9,479,564	\$ -	\$ -	\$ -
Fixed income	13,137,473	-	13,137,473	-
Liquid diversifiers	3,210,504	3,210,504	-	-
Liquid equity investments	23,460,946	23,460,946	-	-
At NAV				
Hedge funds - hedged equity	11,753,717	-	-	-
Active equity funds	24,525,219	-	-	-
Hedge funds - diversified strategies	14,432,577	-	-	-
	<u>\$ 100,000,000</u>	<u>\$ 26,671,450</u>	<u>\$ 13,137,473</u>	<u>\$ -</u>

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at December 31, 2023:

	Number of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds - hedged equity	2	\$ 11,753,717	\$ -	Monthly (1)	30 days
Active equity funds	2	24,525,219	-	Monthly (1)	30 days
Hedge funds -diversified strategies	2	14,432,577	-	Monthly (1)	30 days
		<u>\$ 50,711,513</u>	<u>\$ -</u>		

(1) Some rebalancing capacity is typically available on a monthly basis, although it is dependent on underlying investment manager liquidity and other considerations.

Hedge Funds - Hedged Equity – Fund strategies seek to earn a majority of the global equity return in rising markets, and a minority of the global equity return in declining markets, with the goal of compounding wealth over a full market cycle. Liquidity for these managers is generally 1-3 years, although liquidity for certain managers can extend beyond three years.

Active Equity Funds – Fund strategies seek to exceed the return of the global public equity market through research-driven stock selection. Liquidity for these managers is generally 1-3 years, although liquidity for certain managers can extend beyond three years.

Hedge Funds - Diversified Strategies – Fund strategies take a flexible and opportunistic investment approach across global markets, including allocations to public equities, credit, interest rates, foreign exchange and commodities. Downside risk management is a key area of focus for diversified strategies managers. Liquidity for these managers is generally 1-3 years, although liquidity for certain managers can extend beyond three years.

In 2023, the Foundation agreed to commit \$8,000,000 to invest in a private equity portfolio and executed the capital commitment on January 1, 2024.

Note 4 - Endowment

The Foundation’s endowment (“the Endowment”) consists of funds established by a donor to provide annual funding for general operations.

The Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2023, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity the original value of initial and subsequent gift amounts donated to the Endowment. Accumulated investment gains from donor-restricted endowments are without donor restrictions as the donor did not impose any restrictions on the use of investment gains earned.

As of December 31, 2023, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 100,000,000	\$ 100,000,000

Investment and Spending Policies

The Foundation is still developing its formal spending policy. The Foundation did not incur any appropriation of endowment assets in the current year.

Changes in Endowment net assets for the years ended December 31, 2023, are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Contributions	-	50,000,000	50,000,000
Reclassification of contributions	-	50,000,000	50,000,000
Endowment net assets, end of year	\$ -	\$ 100,000,000	\$ 100,000,000

Note 5 - Related Parties

In 2022, the Foundation entered into two agreements with Inland Empire Health Plan (“IEHP”), a related party. The first agreement was a funding agreement providing an initial seed funding contribution totaling \$50,000,000 to the Foundation during the period ended December 31, 2022. This agreement was amended in 2023 to restrict the initial \$50,000,000 contribution funding and to establish an endowment with the initial seed funding, current year funding contributions, and future contributions under the funding agreement. Due to this, \$50,000,000 of net assets without donor restrictions were reclassified to net assets with donor restrictions and to the endowment balance during the year ended December 31, 2023.

The second agreement was a management services agreement appointing IEHP to provide services to the Foundation in the form of in-kind contributions. For the year ended December 31, 2023, in-kind contributions received from IEHP and recognized within the statement of activities included the following:

Salaries, wages, and related expenses	\$ 780,015
Software expenses	38,020
Use of facilities	66,252
Administrative fees	6,552
	\$ 890,839

These contributed expenses are paid for by IEHP and provided to the Foundation. Contributed expenses provided to the Foundation are based on actual costs incurred by IEHP to provide these services, which approximates fair value.

All gifts in-kind received during the year ended December 31, 2023, were without donor restriction.