RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

CONSOLIDATED AND COMBINED AUDITORS' REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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AND COMMUNITY SETTLEMENT ASSOCIATION
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DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Riverside Community Health Foundation
And Community Settlement Association
Riverside, California

Opinion

We have audited the accompanying consolidated and combined financial statements of Riverside Community Health Foundation (a nonprofit organization) and affiliates, which comprise the consolidated and combined statement of financial position as of December 31, 2023 and 2022, and the related consolidated and combined statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated and combined financial statements.

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community Health Foundation and affiliates as of December 31, 2023 and 2022, and the changes in their net assets and their 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Riverside Community Health Foundation and affiliates 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.

Emphasis of Matter – Restatement of 2022 Financial Statements

As discussed in Note 2 to the financial statements, the 2022 Consolidated and Combined Statement of Activities and Consolidated and Combined statement of Functional Expenses have been restated to correct a material misstatement due to error. The Organization corrected the 2022 allocation of grants/program services, management and general, and fundraising expenses to be comparative with the 2023 allocation methods. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated and combined 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 consolidated and combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 and combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Riverside Community Health Foundation and affiliates' 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 Supplemental Information

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

Roorda, Piquet & Bessee, Inc.

Roorda, Piquet & Bessee, Inc.
Riverside, California
July 29, 2024

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION

CONSOLIDATED AND COMBINED STATEMENTS OF FINANCIAL POSITION

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,122,053	$ 1,251,698
Investments (Notes 3 and 4)	92,034,398	84,053,889
Accounts receivable, net of unearned revenue (Note 2)	648,582	339,276
Inventory	71,753	63,635
Prepaid expenses	74,682	83,136
Total current assets	93,951,468	85,791,634
Property and equipment:		
Land	1,219,027	1,211,288
Buildings and leasehold improvements	13,026,801	13,029,855
Furniture and equipment	442,335	1,093,521
Transportation equipment	134,281	284,954
	14,822,444	15,619,618
Accumulated depreciation	(4,412,780)	(4,833,563)
Total property and equipment, net	10,409,664	10,786,055
Other assets:		
Deferred rent receivable	216,493	202,410
Right of use assets, net of amortization (Note 7)	254,974	364,284
Total other assets	471,467	566,694
Total assets	$ 104,832,599	$ 97,144,383

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

CONSOLIDATED AND COMBINED STATEMENTS OF FINANCIAL POSITION

	December 31, 2023	December 31, 2022
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 230,377	$ 146,421
Accrued expenses	352,945	335,262
Grants payable	30,000	44,500
Term loan payable, current portion (Note 6)	419,292	402,960
Operating lease liability, current portion (Note 7)	119,030	110,853
Total current liabilities	1,151,644	1,039,996
Long-term liabilities:		
Term loan payable, net of current portion (Note 6)	2,418,948	2,838,239
Operating lease liability, net of current portion (Note 7)	149,774	268,804
Total long-term liabilities	2,568,722	3,107,043
Other liabilities:		
Estimated future liability for annuity payments (Note 9)	53,586	53,586
Deferred compensation (Note 5)	817,539	721,240
Total other liabilities	871,125	774,826
Total liabilities	4,591,491	4,921,865
Net Assets:		
Without donor restrictions (Note 2)	11,364,252	10,558,123
With donor restrictions (Notes 2 and 12)	88,876,856	81,664,395
Total net assets	100,241,108	92,222,518
Total liabilities and net assets	$ 104,832,599	$ 97,144,383

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

CONSOLIDATED AND COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
(with comparative totals for year ended December 31, 2022)

	For the year ended December 31, 2023			For the year ended December 31, 2022
	Without Donor Restriction	With Donor Restriction	Total	(Restated)
Revenues:				
Grants and contributions	$ 451,040	$ 1,959,719	$ 2,410,759	$ 1,026,919
Service fees	195,653	-	195,653	345,064
Rental income	607,230	-	607,230	710,453
Fundraising	172,033	-	172,033	190,117
Total revenues	1,425,956	1,959,719	3,385,675	2,272,553
Other gains and losses:				
Interest and dividends, net	281,023	2,200,122	2,481,145	2,370,134
Gain on disposal of asset	31,576	-	31,576	-
PPP loan forgiveness (Note 8)	-	-	-	781,600
Bad debt recovery	-	-	-	15,000
Net unrealized and realized gain (loss) on investments	(899,929)	9,878,459	8,978,530	(14,686,763)
Net assets released with satisfaction of program restrictio	6,825,839	(6,825,839)	-	-
Other gains	-	-	-	17,382
Total revenues and gains and losse	7,664,465	7,212,461	14,876,926	(9,230,094)
Expenses:				
Grants/Program services	5,707,230	-	5,707,230	5,292,916
Management and general	983,586	-	983,586	799,959
Fundraising	167,520	-	167,520	138,225
Total expenses	6,858,336	-	6,858,336	6,231,100
Change in net assets	806,129	7,212,461	8,018,590	(15,461,194)
Adoption of ASC 842 (Note 2)	-	-	-	(13,932)
Net assets at beginning of period:				
Riverside Community Health Foundation	9,662,225	81,649,652	91,311,877	106,860,375
Community Settlement Associati	895,898	14,743	910,641	837,269
Net assets at end of period	$ 11,364,252	$ 88,876,856	$ 100,241,108	$ 92,222,518

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

CONSOLIDATED AND COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	For the year ended December 31, 2022		
	Without Donor Restriction (Restated)	With Donor Restriction (Restated)	Total (Restated)
Revenues:			
Grants and contributions	$ 151,052	$ 875,867	$ 1,026,919
Service fees	345,064	-	345,064
Rent	710,453	-	710,453
Fundraising	190,117	-	190,117
Total revenues	1,396,686	875,867	2,272,553
Other gains and losses:			
Interest and dividends, net	356,078	2,014,056	2,370,134
PPP loan forgiveness (Note 8)	781,600	-	781,600
Bad debt recovery	15,000	-	15,000
Net unrealized and realized gain on investments	2,451,477	(17,138,240)	(14,686,763)
Net assets released from restrictions:			
Satisfaction of program restrictions	1,632,317	(1,632,317)	-
Other gains	17,382	-	17,382
Total revenues and other gains and (losses)	6,650,540	(15,880,634)	(9,230,094)
Expenses:			
Grants/Program services (restated, Note 2)	5,292,916	-	5,292,916
Management and general (restated, Note 2)	799,959	-	799,959
Fundraising (restated, Note 2)	138,225	-	138,225
Total expenses	6,231,100	-	6,231,100
Change in net assets	419,440	(15,880,634)	(15,461,194)
Adoption of ASC 842 (Note 2)	(13,932)	-	(13,932)
Net assets at beginning of period:			
Riverside Community Health Foundation	9,333,317	97,527,058	106,860,375
Community Settlement Association	819,298	17,971	837,269
Net assets at end of period	$ 10,558,123	$ 81,664,395	$ 92,222,518

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

CONSOLIDATED AND COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

	For the year ended December 31, 2023			
	Program Services	Management and General	Fundraising	Total
Amortization	$ -	$ 1,488	$ -	$ 1,488
Bank charges	7,124	3,700	448	11,272
Bad debt	-	5,008	-	5,008
Community services and grant	610,803	2,500	19,828	633,131
Conferences and meetings	22,798	3,967	546	27,311
Depreciation	358,920	37,095	-	396,015
Dues and subscriptions	12,900	1,439	-	14,339
Events	99,907	4,365	-	104,272
Insurance	95,342	7,708	-	103,050
Interest	99,160	21,759	-	120,919
Investment management fees	193,286	62,142	-	255,428
Mailing and printing	40,158	3,027	2,898	46,083
Professional services	377,833	53,681	20,027	451,541
Public relations	1,286	1,108	-	2,394
Lease expenses	133,213	2,000	2,025	137,238
Repairs and maintenance	139,900	31,104	-	171,004
Salaries and related benefits	3,154,282	680,519	102,087	3,936,888
Small equipment	45,621	-	-	45,621
Supplies and software	204,338	34,793	18,246	257,377
Local transportation	12,309	2,004	352	14,665
Taxes and licenses	4,598	4,368	1,063	10,029
Utilities	93,452	19,811	-	113,263
Total	$ 5,707,230	$ 983,586	$ 167,520	$ 6,858,336

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND
COMMUNITY SETTLEMENT ASSOCIATION

CONSOLIDATED AND COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

	For the year ended December 31, 2022			
	Program Services (Restated)	Management and General (Restated)	Fundraising (Restated)	Total (Restated)
Amortization	$ -	$ 1,441	$ -	$ 1,441
Bank charges	9,068	3,488	3,978	16,534
Community services and grant	245,730	1,800	16,466	263,996
Conferences and meetings	17,593	3,650	-	21,243
Depreciation	341,896	60,335	-	402,231
Dues and subscriptions	16,602	664	-	17,266
Events	47,257	11,893	-	59,150
Insurance	82,389	14,539	-	96,928
Interest	120,042	21,184	-	141,226
Investment management fees	217,633	38,406	-	256,039
Mailing and printing	63,558	11,216	-	74,774
Professional services	258,928	50,009	17,081	326,018
Public relations	2,127	-	661	2,788
Rent	137,464	-	1,000	138,464
Repairs and maintenance	149,733	26,424	-	176,157
Salaries and related benefits	3,273,682	495,074	98,500	3,867,256
Supplies and software	208,598	36,811	-	245,409
Local transportation	6,439	4,083	168	10,690
Taxes and licenses	6,529	3,475	371	10,375
Utilities	87,648	15,467	-	103,115
Total	$ 5,292,916	$ 799,959	$ 138,225	$ 6,231,100

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

	For the year ended December 31, 2023	For the year ended December 31, 2022
Cash flows from operating activities:		
Changes in net assets	$ 8,018,590	$ (15,461,194)
Adjustments to reconcile changes in net assets to net cash used in operations:		
Net realized and unrealized (gains) losses on securities including interest earned on securities	(11,459,675)	12,316,629
PPP loan forgiveness	-	(781,600)
Gain on disposal of property and equipment	(31,576)	-
Depreciation	396,015	402,231
Right of use amortization	109,310	99,251
Changes in operating assets and liabilities:		
Accounts receivable	(309,306)	491
Prepaid expenses	8,454	914
Inventory	(8,118)	(12,908)
Deferred rent receivable	(14,083)	(202,410)
Accounts payable	83,956	(59,435)
Accrued expenses	17,683	(33,714)
Grants payable	(14,500)	44,500
Deferred compensation	96,299	(88,407)
Operating lease liability	(110,853)	(97,810)
Net cash flows from operating activities	(3,217,804)	(3,873,462)
Cash flows from investing activities		
Proceeds from sale of investments	19,281,196	34,105,322
Purchases of investments	(15,802,030)	(29,879,048)
Proceeds on sale of property and equipment	40,000	-
Purchases of property and equipment	(28,048)	(89,198)
Net cash flows from investing activities	3,491,118	4,137,076
Cash flows from financing activities		
Payments on loan payable	(402,959)	(385,694)
Net cash flows from financing activities	(402,959)	(385,694)

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	For the year ended December 31, 2023	For the year ended December 31, 2022
Net decrease in cash and cash equivalents	(129,645)	(122,080)
Cash and cash equivalents at beginning of period	1,251,698	1,373,778
Cash and cash equivalents at end of period	$ 1,122,053	$ 1,251,698
Supplemental cash flow disclosures:		
Cash paid for interest	$ 120,919	$ 141,226
Cash paid for income taxes	$ 800	$ 800
Disclosure of non-cash activities:		
Liabilities recorded for the amounts included in the measurement of operating lease right of use asset	$ -	$ 477,467
Lease assets obtained in exchange for operating lease liabilities	$ -	$ 463,535

NOTE 1 - NATURE OF BUSINESS

The Riverside Community Health Foundation (formerly known as Riverside Community Hospital Foundation) ("The Foundation or RCHF") is a nonprofit organization formed in May 1973 under the laws of the state of California. RCHF merged with Community Health Corporation, formerly a 25% owner with HCA in ownership of Riverside Community Hospital, in 2003 to consolidate their combined mission of providing grants for inpatient and outpatient services, community health education and providing a platform for delivery of medical and dental services to area low-income residents. RCHF is the successor organization.

Riverside Healthcare Plus, LLC ("RHP LLC") was organized in 2014 under the laws of the State of California. RHP LLC was formed as a subsidiary of RCHF for the purpose of effecting the construction improvements and holding of the new administrative and service facility.

The Community Settlement Association of Riverside ("CSA") was incorporated in 1911 under the California Nonprofit Public Benefit Corporation Law. CSA provides programs and activities to meet the needs of low income residents in Riverside, California. CSA offers programs in social services, family counseling, after school programs, and substance abuse counseling. CSA is funded principally by program service fees, United Way allocations, and donations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and combination

During 2016, the board of directors of RCHF and CSA (combined as "the Organizations") jointly resolved to affiliate the two companies providing financial and organizational support to CSA from RCHF. The President of RCHF also became the Executive Director of CSA, and the boards of directors have common membership. As such the financial statements of the two organizations have been combined for reporting purposes. Each individual organization files its required tax reporting independently.

The consolidated and combined financial statements include the accounts of RCHF and RHP LLC (consolidation) and CSA (combined). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of accounting

The consolidated and combined financial statements of the Organizations have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Correction of misstatement in previously issued financial statements

The comparability of the financial statements between periods has been materially affected by adjustments to correct a material misstatement in previously issued financial statements. For the year ended December 31, 2022, expenses were allocated in error between grant/program services, management and general, and fundraising expenses. Therefore, the consolidated and combined Statements of Activities and the consolidated and combined Statement of Functional Expenses for 2022 have been restated to correct the allocation of expenses.

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Fair value of financial instruments

The Organizations record their assets and liabilities at fair value. Cash and cash equivalents, short term financial instruments, accounts receivable, and accounts payable are reported at their carrying value which approximates fair value because of the short maturity of these instruments and related effective market rates.

Pledges receivable and recognition of contributions revenue

Pledges receivable represent written promises of contributions for various campaigns and expected to be collected during the next year. Management has determined that pledges receivable are fully collectible, therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2023 and December 31, 2022. Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605, all pledges which represent unconditional promises to pay are recognized as income and assets in the year secured.

The Organizations report gifts of cash and other assets as restricted support 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, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

<u>Accounts receivable and recognition of program service revenue</u>

CSA records the current and future revenues as an accounts receivable with an offset to unearned revenue liability for the amount due throughout the program when a client has been directed by the courts to the organization and the client has enrolled in a DUI program by completing and signing a contract for a term assigned by the court. The courts determine the specific program mandated to the client, and the client becomes obligated for the funds due to the program in order to have their drivers licenses reinstated. As clients continue to pay for their programming and classwork, accounts receivable and unearned income are reduced and revenue recognized to the extent of the funds received. The accounts receivable and unearned revenue have been netted together within the accompanying consolidated and combined statements of financial position. The anticipated future revenues to be recognized for clients currently enrolled in the program(s) as of December 31, 2023 and 2022, amounted to $0 and $125,861, respectively, which will be recognized in the periods earned.

<u>Donated services and in-kind contributions</u>

The contribution of goods and services received, that are measurable, are valued at their estimated fair market value and are recorded as revenue when received. No significant contributions of such goods or services were received during the years ended December 31, 2023 and 2022.

<u>Inventory</u>

Inventories are stated at the lower of cost or net realizable value.

<u>Property and equipment</u>

Property and equipment is stated on the basis of the Organizations' purchase cost or fair market value upon donation and costs with a fair value of less than $2,500 are expensed. Depreciation is computed by the straight-line method at rates calculated to amortize the costs of the assets over their estimated useful lives. The general range of useful lives is 5 to 45 years. Depreciation expense for 2023 and 2022 were $396,015 and $402,231, respectively.

<u>Income taxes</u>

The Organizations are organized as California nonprofit corporations and have been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organizations' did not incur Federal and California income tax expense related to unrelated business income tax for the years ended December 31, 2023 and December 31, 2022.

RHP LLC pays $800 in tax and LLC fees to the State of California annually.

The Organizations file returns in the U.S. Federal jurisdiction and the State of California. The Organizations income tax returns are subject to examination by the appropriate jurisdictions.

<u>Operating lease liability</u>
The Organizations lease corporate facilities and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the balance sheet. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the balance sheet.

ROU assets represent the Organizations' right to use an underlying asset for the lease term and lease liabilities represent the related obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organizations use their incremental borrowing rate or a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the options will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organizations have lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, the Organizations accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Organizations' lease agreements do not contain any material residual value guarantees or material restrictive covenants.

<u>Cash and cash equivalents</u>
Cash and cash equivalents include 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, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Irrevocable trust interest

The Foundation has been granted irrevocable interests in certain charitable trusts. Such interests are evaluated each year and recorded as investments in the Foundation records.

Alternative investments

The Foundation uses alternative investment strategies to enhance overall portfolio returns and/or reduce portfolio volatility through the use of investment vehicles that have a low correlation to traditional equity and fixed income asset classes.

Net asset classes

Under ASC 958, an explanation of net assets categories included in the accompanying consolidated and combined financial statements as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net assets category principally consist of certain grants, contributions, gifts, bequests and related income thereon which are available for general operating purposes. The Organizations' board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organizations or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Board-designated endowment funds

During the years ended December 31, 2023 and 2022, the Organizations have reviewed all endowment funds and has determined all endowed funds remain classified as with donor restrictions.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organizations to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2023 or 2022.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets the Board of Directors designated funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets should be managed in a prudent manner to provide for preservation of capital.

Understanding that risk is present in all types of securities and investment styles, the Board of Directors and Investment Committee recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. However, the Investment Managers are instructed to make reasonable efforts to control risk which will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

In addition to the emphasis on capital preservation, it is important that the fund be managed to provide a consistent and superior long-term total rate of return. The return on the fund shall be composed of a flexible balance of income (interest and dividends) combined with net long-term growth of principal.

A portion of the return derived from the portfolio will be used to advance and support the mission of the Foundation. As such, it is expected that 5 percent of the average portfolio market value of the preceding three years will be withdrawn each year. This is known as the spending rate and is documented in a spending policy approved by the Board of Directors.

For the year ended December 31, 2023, the Foundation had the following endowment-related activities:

	2023 Board - Designated Endowment Fund
Balance at the end of December 31, 2022	$ 79,782,312
Purchases	817,000
Investment income	2,181,139
Net market appreciation	9,804,054
Total investment gain	12,802,193
Amounts appropriated for expenditure	(5,183,458)
Net change in endowment funds	7,618,735
Balance at the end of December 31, 2023	$ 87,401,047

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The 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.

A portion of General and Administrative costs that benefit multiple functional areas (indirect costs) have been allocated across Programs and Fundraising Services based on the proportion of full-time employee equivalent of a program or fundraising services versus the organizational full-time employee equivalent.

Recent accounting pronouncements

In June 2016, the FASB issued ASU 2016-03, *Financial Instruments-Credit Losses (Topic 326)*: *Measurement of Credit Losses on Financial Instruments*, which introduces new guidance for estimating credit losses on certain types of financial instruments based on expected losses and the timing of the recognition of such losses. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2022. The Foundation has evaluated ASU 2016-03 and has determined the impact to be immaterial on the Foundation's results of operations, financial position, or cash flows.

NOTE 3 - INVESTMENTS

Available-for-sale investments at December 31, 2023 and 2022 were as follows:

	December 31, 2023		December 31, 2022	
	Cost	Fair Market Value	Cost	Fair Market Value
Cash held for investment	$ 4,329,806	$ 4,329,806	$ 738,808	$ 738,808
Certificate of deposit	30,700	31,352	30,700	31,208
Corporate stocks	49,950,083	53,201,302	57,518,906	51,661,791
Corporate bonds	10,866,217	10,458,622	15,633,721	13,325,267
Tangible assets	12,823	19,283	36,637	31,495
Alternative investments	21,659,249	23,994,033	14,948,530	18,265,320
	$ 86,848,878	$ 92,034,398	$ 88,907,302	$ 84,053,889

A significant amount of the above investments are held in three trust accounts at three investment firms. Two of the investment firms act as the investment agent for these assets, execute all investment transactions based upon investment policies of the Foundation, and are in physical control of all securities. The Foundation relies upon the investment firms custodians' accounting system for the recording and processing of all investment related information.

NOTE 4 - FAIR VALUE OF INVESTMENTS

The Foundation adopted Financial Accounting Standards Board Accounting Standards Codification FASB ASC 820, which provides a framework for measuring fair value under GAAP. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

FASB ASC 820 also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. 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 measurements involving significant unobservable inputs (Level 3 measurements).

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access 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 - Inputs are unobservable inputs for the asset or liability.

It is the Foundation’s policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management’s own estimates, are often calculated based on the portfolio manager's current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

The Foundation's investment in debt and equity securities are recorded at fair value on a recurring basis. The value is developed from market data. As such, the investments are classified as Level 1. Unrealized and realized gains and losses are reported in the statement of activities. Net unrealized and realized gains and (losses) for the years ended December 31, 2023 and 2022 were $7,730,192 and $(13,917,777), respectively. Realized gains or (losses) for securities sold at fair market value are recognized when incurred. The cost basis of the investments at December 31, 2023 and 2022 were $60,847,000 and $73,183,327, respectively. Investment interest and dividend income is reported net of investment management fees for the years ended December 31, 2023 and 2022.

Alternative investments

Management determines the fair value of the Foundation's alternative investments using third party administrators that independently calculate the funds' fair value/NAV on a weekly or sometimes daily basis. The administrators typically receive a direct feed from the funds' prime broker and price the funds securities independently of the manager and classifies the fair value measurement of alternative investments as Level 1, 2, and 3. Net unrealized and realized gains (losses) are reported in the consolidated and combined statements of activities. Net unrealized and realized gains (losses) for the years ended December 31, 2023 and 2022 were $1,248,338 and $(768,986), respectively. Realized gains or losses for securities sold at fair market value are recognized when incurred. At December 31, 2023 and 2022, the cost basis of the investments were $21,659,249 and $14,948,530, respectively.

Risk and uncertainties

The Foundation's level 3 investments consists of alternative investments, as noted above, which is exposed to various risks, such as interest rate, market, and credit risk, as well as valuation assumptions based on earnings, cash flows, and other such techniques. Due to the level of risk associated with alternative investments and to uncertainties inherent in estimates and assumptions, it is at least reasonably possible that changes in the value of the alternative investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Fair value measurement

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Certificate of deposit	$ 31,352	$ 31,352	$ -	$ -
Corporate stocks	53,201,302	53,201,302	-	-
Corporate bonds	10,458,622	10,458,622	-	-
Tangible assets	19,283	-	19,283	-
Alternative investments	23,994,033	-	-	23,994,033
	$ 87,704,592	$ 63,691,276	$ 19,283	$ 23,994,033

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Certificate of deposit	$ 31,208	$ 31,208	$ -	$ -
Corporate stocks	51,661,791	51,661,791	-	-
Corporate bonds	13,325,267	13,325,267	-	-
Tangible assets	31,495	-	31,495	-
Alternative investments	18,265,320	-	-	18,265,320
	$ 83,315,081	$ 65,018,266	$ 31,495	$ 18,265,320

Changes in level 3 instruments

The table below summarizes the activity for investments in debt and equity securities classified as alternative investments measured at fair value on recurring basis using significant Level 3 inputs for the years ended December 31, 2023 and 2022.

	December 31, 2023	**December 31, 2022**
Balance at beginning of year	$ 18,265,320	$ 22,699,536
Purchases	4,047,643	143,766
Withdrawals	(52,392)	(3,964,535)
Interest	485,124	155,539
Net realized/unrealized gains (losses) included in income	1,248,338	(768,986)
Balance at end of year	$ 23,994,033	$ 18,265,320

NOTE 5 - EMPLOYEE BENEFIT PLANS

The Foundation employees are participants in a voluntary salary reduction plan pursuant to Sec. 403(B) of the Internal Revenue Code. Employer contributions are on a discretionary basis.

During 2003, the Foundation established a deferred compensation plan for certain key employees pursuant to Section 457 of the Internal Revenue Code. Under the plan, an employee may elect to defer up to $18,000 of compensation per year. The Foundation shall fund the deferred compensation plan equal to 12% of the salary on behalf of the employees. The total liability of the deferred compensation plan as of December 31, 2023 and 2022 were $817,539 and $721,240, respectively, which was funded in its entirety.

The Foundation's employer contribution to all benefit plans during the years ended December 31, 2023 and 2022 were $45,477 and $134,681, respectively.

NOTE 6 - TERM LOAN PAYABLE

During December 2019, the Foundation entered into a loan payable agreement with a bank to refinance the prior outstanding debt. The Foundation borrowed $4,326,000, bearing interest at 4%, and maturing January 1, 2030. The loan is payable in monthly principal and interest installments of $43,909. The note is secured by all real property held by the Foundation. On December 31, 2023 and 2022, the balance of the term was $2,838,240 and $3,241,199, respectively.

The following maturities of the loan payable for the years ended:

Years ending December 31,		
2024	$	419,292
2025		436,934
2026		454,987
2027		473,786
2028		493,250
Thereafter		559,991
	$	2,838,240

NOTE 7 - OPERATING LEASE LIABILITY

The Foundation has obligations as a lessee for their corporate facilities with initial noncancelable terms in excess of one year. The Foundation classified these leases as operating leases. The Foundation's leases do not include restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus variable payments. Such variable payments are for the leased building's property taxes, insurance, and maintenance. These variable lease payments are not included in leases payments used to determine the lease liability and are recognized as variable costs when incurred.

The balance of the right of use asset is as follows as of:

	December 31, 2023		December 31, 2022	
Right of use assets, beginning of year	$	676,493	$	481,258
Additions during the year		-		195,235
Accumulated amortization		(421,519)		(312,209)
Right of use assets, end of year	$	254,974	$	364,284

The maturities of lease liabilities were as follows:

Years ending December 31,		
2024	$	127,013
2025		101,324
2026		45,378
2027		7,600
Total remaining lease payments		281,315
Less: interest		(12,511)
Present value - operating lease liability		268,804
Less: current portion		(119,030)
Operating lease liability - long-term portion	$	149,774

The following summarizes the weighted average remaining lease term and discount rate for the Foundation's operating leases:

	December 31, 2023
Weighted average remaining lease term	2.76 years
Weighted average discount rate	4%

NOTE 8 - CORONAVIRUS PANDEMIC GOVERNMENT ASSISTANCE

Paycheck Protection Program Loan

On February 3, 2021, the Foundation received loan proceeds in the amounts of approximately $781,600 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable during the loan period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Foundation believes it has used the proceeds from the PPP Loan in accordance with the requirements of the CARES Act, primarily for payroll costs and to retain workers.

Pursuant to the terms of the CARES Act, the Foundation applied for and may be granted forgiveness for all or a portion of the PPP Loan, if and to the extent that the Foundation satisfies all of the requirements applicable to forgiveness of the PPP Loan. Such forgiveness will be determined in part based on the use of PPP Loan proceeds in accordance with the terms of the CARES Act during the 24 week period after loan origination and the maintenance or achievement of certain employee and compensation levels. The Foundation was granted forgiveness on the PPP loan on May 2, 2022. The funds received from the forgiveness of the PPP loan are included in other income.

Employee Retention Credits (ERC)

Under the provisions of the CARES Act signed into law on March 27, 2020 and the subsequent extension and amendment of the CARES Act, the Organizations were eligible for refundable employee retention credits subject to certain criteria for wages and limitation of certain activities in 2021. As of September 30, 2021, the Company was no longer eligible to claim refundable ERC.

During the year ended December 31, 2023, RCHF determined it was eligible for employee retention credits estimated to be $566,000 for wages and employer payroll taxes paid in the year ended December 31, 2021. Subsequent to year end, the Organization completed and submitted the required amended payroll tax filings to be eligible to receive the credits. Due to the uncertainty of the ERC program, the Company has elected to record the ERC refunds as of the date the refunds are received by the Company.

NOTE 9 - GIFT ANNUITY FUND

During the fiscal year ended May 31, 1995, the Foundation established a gift annuity program as an additional means to increase contributions. Under this program, the Foundation received cash and investments from donors and provided the donors with an Annuity Contract that promised fixed payments to named beneficiaries at a future date. At the time a donation is received, the Foundation calculates the estimated future liability for annuity payments and records this amount. The State of California regulates such programs and requires a reserve amount to be separately invested for all annuity contracts; funds in this reserve account can only be used to reimburse the Foundation each year for the annuity payments made. Contribution revenue is recorded for that part of the donation that is in excess of the estimated future liability. There were no new annuitants added in 2023 or 2022. The Foundation's total beneficiary distributions during the years ended December 31, 2023 and 2022 were $630 and $630, respectively.

NOTE 10 - CONCENTRATIONS AND CREDIT RISK

Cash and cash equivalents

The Foundation maintains its cash balances at three financial institutions. Accounts at each institution are guaranteed by the Federal Deposit Insurance Corporation, (FDIC) up to $250,000. At various times during the years ended December 31, 2023 and 2022, the Foundation's cash balances exceeded the FDIC insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

Contributors and donors

Approximately 84% and 94% of the Foundation's accounts receivable at December 31, 2023 and 2022, respectively, were due from significant contributors and donors. Approximately 38% and 0% of the Foundation's revenue at December 31, 2023 and 2022, respectively, were due from significant contributors and donors.

Vendors

Approximately 70% and 38% of the Foundation's accounts payable at December 31, 2023 and 2022, respectively, were due from significant vendors.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available within one year of the consolidated and combined statements of financial position date for general expenditure are as follows:

	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 1,122,053	$ 1,251,698
Accounts receivable, net of unearned revenue	648,582	339,276
Investments	92,034,398	84,053,889
Total financial assets available within one year	93,805,033	85,644,863
Less: amounts unavailable for general expenditures within one year due to:		
Board-designated endowment	87,401,047	79,782,312
Restricted by donors with purpose restrictions	1,444,457	1,850,875
Restricted by donors in perpetuity	31,352	31,208
Total amounts unavailable for general expenditures within one year	88,876,856	81,664,395
Total financial assets available to management for general expenditure within one year	$ 4,928,177	$ 3,980,468

The Organizations board-designated endowment of $87,401,047 is subject to an annual spending rate of 5 percent as described in Note 2. Although the Organizations do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	December 31, 2023	December 31, 2022
Subject to expenditure for specified purposes:		
Stebler Fund	$ 960,404	$ 919,552
Arlanza Capital Campaign	-	655,098
Other grants and programs	515,405	307,432
Total subject to expenditure for specified purposes	1,475,809	1,882,082
Endowments:		
Board-designated endowment	87,401,047	79,782,313
Total endowments	87,401,047	79,782,313
Total net assets with donor restrictions	$ 88,876,856	$ 81,664,395

NOTE 13 - COMMITMENTS

Lease revenue

The Organizations lease land and buildings it owns in Riverside, California as operating leases under the adopted FASB ASC 842. The leases require various monthly payments that range from $12,092 to $33,112, through August 31, 2025. Rental income attributable to these properties for the years ended December 31, 2023 and 2022 was $607,230 and $710,453, respectively.

Future minimum rental commitments are as follows:

Years ending December 31,	
2024	$ 731,448
2025	497,095
	$ 1,228,543

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 29, 2024 the date the financial statements were available to be issued, and concluded that there were no events that require recording or disclosure in the consolidated and combined financial statements as of December 31, 2023.

SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

SCHEDULE I - COMBINING STATEMENT OF FINANCIAL POSITION

	Riverside Community Health Foundation	Community Settlement Association	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 1,094,129	$ 27,924	$ -	$ 1,122,053
Investments	92,034,398	-	-	92,034,398
Accounts receivable, net of unearned revenue	532,609	115,973	-	648,582
Inventory	71,753	-		71,753
Prepaid expenses	55,673	19,009	-	74,682
Total current assets	93,788,562	162,906	-	93,951,468
Property and equipment:				
Land	1,113,061	105,966	-	1,219,027
Buildings and leasehold improvements	11,902,491	1,124,310	-	13,026,801
Furniture and equipment	329,913	112,422	-	442,335
Transportation equipment	134,281	-	-	134,281
	13,479,746	1,342,698	-	14,822,444
Accumulated depreciation	(3,822,305)	(590,475)	-	(4,412,780)
Total property and equipment, net	9,657,441	752,223	-	10,409,664
Other assets:				
Deferred rent receivable	216,493	-	-	216,493
Right of use assets, net of amortization	128,011	126,963	-	254,974
Total other assets	344,504	126,963	-	471,467
Total assets	$ 103,790,507	$ 1,042,092	$ -	$ 104,832,599

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

SCHEDULE I - COMBINING STATEMENT OF FINANCIAL POSITION

	Riverside Community Health Foundation	Community Settlement Association	Eliminations	Total
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 203,023	$ 27,354	$ -	$ 230,377
Accrued expenses	352,245	700	-	352,945
Grants payable	30,000	-	-	30,000
Term loan payable, current portion	419,292	-	-	419,292
Operating lease liability, current portion	119,030	-	-	119,030
Total current liabilities	1,123,590	28,054	-	1,151,644
Long-term liabilities:				
Term loan payable, net of current portion	2,418,948	-	-	2,418,948
Operating lease liability, net of current portion	12,559	137,215	-	149,774
Total long-term liabilities	2,431,507	137,215	-	2,568,722
Other liabilities:				
Estimated future liability for annuity payments	53,586	-	-	53,586
Deferred compensation	817,539	-	-	817,539
Total other liabilities	871,125	-	-	871,125
Total liabilities	4,426,222	165,269	-	4,591,491
Net Assets:				
Without donor restrictions	10,502,172	862,080	-	11,364,252
With donor restrictions	88,862,113	14,743	-	88,876,856
Total net assets	99,364,285	876,823	-	100,241,108
Total liabilities and net assets	$ 103,790,507	$ 1,042,092	$ -	$ 104,832,599

RIVERSIDE COMMUNITY HEALTH FOUNDATION AND COMMUNITY SETTLEMENT ASSOCIATION

SCHEDULE II - COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	For the year ended December 31, 2023			
	Riverside Community Health Foundation	Community Settlement Association	Eliminations	Total
Revenues:				
Grants and contributions	$ 1,929,171	$ 1,048,885	$ (567,297)	$ 2,410,759
Service fees	93,477	102,176	-	195,653
Rent	607,230	-	-	607,230
Fundraising	172,033	-	-	172,033
Total revenues	2,801,911	1,151,061	$ (567,297)	3,385,675
Other gains and losses:				
Interest and dividends, net	2,481,145	-	-	2,481,145
Gain on disposal of asset	37,843	(6,267)	-	31,576
Net unrealized and realized gain on investments	8,978,530	-	-	8,978,530
Total revenues and gains and losses	14,299,429	1,144,794	(567,297)	14,876,926
Expenses:				
Grants/Program services	5,188,411	1,086,116	(567,297)	5,707,230
Management and general	891,090	92,496	-	983,586
Fundraising	167,520	-	-	167,520
Total expenses	6,247,021	1,178,612	(567,297)	6,858,336
Change in net assets	8,052,408	(33,818)	-	8,018,590
Net assets at beginning of peri	91,311,877	910,641	-	92,222,518
Net assets at end of period	$ 99,364,285	$ 876,823	$ -	$ 100,241,108