

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION
FINANCIAL REPORT ON SUPPLEMENTARY INFORMATION
JUNE 30, 2023

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Sisters of St. Joseph Healthcare Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Sisters of St. Joseph of Orange and Affiliates as of and for the year ended June 30, 2023 (not presented herein), and have issued an unmodified opinion thereon dated January 12, 2024. The financial statements of Sisters of St. Joseph Healthcare Foundation, an affiliate of Sisters of St. Joseph of Orange, as of June 30, 2023, and for the year then ended, are included in the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The scope of our auditing procedures was not designed to provide a basis for expressing an opinion about whether the separate financial statements of Sisters of St. Joseph Healthcare Foundation, on a stand-alone basis, are fairly presented in conformity with U.S. generally accepted accounting principles; accordingly, we do not express such an opinion on them. However, the financial statements of Sisters of St. Joseph Healthcare Foundation referred to above have been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements of Sisters of St. Joseph Healthcare Foundation are fairly stated, in all material respects, in relation to the consolidated financial statements of Sisters of St. Joseph of Orange and Affiliates as a whole.

SingerLewak LLP

January 12, 2024

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2023

Assets		
Cash and equivalents		\$ 237,004
Investments		45,771,881
Due from affiliates		<u>53,344</u>
Total assets		<u>\$ 46,062,229</u>
 Net Assets		
Net assets		
Net assets without donor restrictions		\$ -
Net assets with donor restrictions		<u>46,062,229</u>
Total net assets		<u>\$ 46,062,229</u>

See notes to financial statements.

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Revenues	
Dividend and interest	\$ 766,633
Realized and unrealized investment gains	<u>3,757,477</u>
Total revenues	<u>4,524,110</u>
Expenses	
Grants	2,178,500
General administration	<u>179,109</u>
Total expenses	<u>2,357,609</u>
Change in net assets	2,166,501
Net assets at beginning of year	<u>43,895,728</u>
Net assets at end of year	<u>\$ 46,062,229</u>

See notes to financial statements.

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

Cash flows from operating activities	
Change in net assets	\$ 2,166,501
Adjustment to reconcile change in net assets to net cash used by operating activities:	
Net realized and unrealized gains on investments	(3,757,477)
Changes in operating assets and liabilities:	
Due from affiliates	<u>24,113</u>
Net cash used by operating activities	<u>(1,566,863)</u>
Cash flows from investing activities	
Proceeds from sale of investments	4,420,000
Purchases of investments	<u>(3,066,632)</u>
Net cash provided (used) by investing activities	<u>1,353,368</u>
Net change in cash and cash equivalents	(213,495)
Cash and cash equivalents, beginning of year	<u>450,499</u>
Cash and cash equivalents, end of year	<u>\$ 237,004</u>

See notes to financial statements.

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

Sisters of St. Joseph Healthcare Foundation (the Foundation) is a nonprofit public benefit corporation whose sole purpose is to administer funds to organizations that address the health care needs of the working and indigent poor in California. The sole corporate member of the Foundation is Sisters of St. Joseph of Orange (Sisters of St. Joseph).

Sisters of St. Joseph is a corporation under California Nonprofit Religious Corporation Law and has no members. Its purpose is to carry out the religious ministries of the Congregation of Sisters of St. Joseph of Orange (the Order). The Order is an order of the Roman Catholic Church that sponsors various health care, educational, and other charitable ministries.

The Foundation, along with the Sisters of St. Joseph and its other consolidated entities, is solely dedicated to carrying out the religious ministries of the Order and promoting the health, welfare, and physical and spiritual well-being of the persons served. They are devoted to furthering the union of all persons with God and with one another. Their common mission is to further the spiritual welfare of people and serve their temporal needs through ministry, education, and financial support.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in accordance 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with purchased 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 designated by the board of directors, restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of mutual funds and are stated at fair value in the accompanying statement of financial position. Investment income and dividends are reported as investment income unless the income or loss is restricted by donors or law. Investment income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Realized and unrealized gains or losses are reported below the excess (deficiency) of income over expenses as a component of changes in net assets.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, the Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, as follows:

- *Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Foundation. Such amounts include assets not subject to donor-imposed restrictions that have been designated by the Board for specific uses.

- *Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed 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. Donor-restricted contributions received and expended in the same reporting period are recorded as net assets without donor restrictions.

Contributions

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 are not recognized until the conditions on which they depend have been met. There were no conditional contributions as of June 30, 2023.

Income Taxes

The Foundation is a tax-exempt organization pursuant to Internal Revenue Code Section 501(c)(3) and related California provisions; accordingly, no provision has been made for income taxes in the accompanying financial statements.

Management has analyzed the tax positions taken by the Foundation, and has concluded that, as of June 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Disclosures about Fair Value of Financial Instruments

The carrying values of cash and equivalents and amounts due from affiliates are reasonable estimates of fair value because of the relatively short period of time between origination of the instruments and their expected realization.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Foundation's investments and cash and equivalents are limited to use for donor-restricted purposes, which are more fully described in Note 2. The Foundation is structured so that its expenditures, liabilities, and other obligations that come due meet the criteria of donor restrictions detailed in Note 2.

NOTE 4 – RISKS AND UNCERTAINTIES

Cash

The Foundation maintains its cash in several financial institutions which, from time to time, exceed insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Concentrations of Credit Risk

Financial instruments that subject the Foundation to concentration of credit risk consist primarily of investments. All of the investments are managed within the guidelines established by the Board of Directors of Sisters of St. Joseph, which, as a matter of policy, limit the amounts to be invested in various types of securities.

NOTE 5 – INVESTMENTS

Investments are held in separate accounts and include investments funded by a prior year charitable contribution of approximately \$19.4 million from the Health Plan of America (HPA) pursuant to requirements by the California Division of Corporations regarding the conversion of HPA from a nonprofit corporation to a for-profit corporation and the subsequent sale of HPA.

These investments are restricted for the purpose of being disbursed to programs that promote the health, welfare, and physical well-being of the public in areas served by HPA. More specifically, these programs must be dedicated to assisting in the prevention of disease and the advancement of preventive medicine and to promoting and advancing the cure of sick and injured persons. These investments cannot be used to provide any benefit to HPA, Providence St. Joseph Health System, or its affiliated health care providers, or Catholic Healthcare West or its affiliated health care providers.

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – INVESTMENTS (Continued)

Foundation investments, at fair value, consist of the following at June 30, 2023:

Mutual funds	<u>\$ 45,771,881</u>
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Included in investment income attributable to Foundation investments are dividends and interest income totaling approximately \$767,000 for the year ended June 30, 2023.

NOTE 6 – FAIR VALUE MEASUREMENTS

The Foundation's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to fair values determined using unadjusted quoted prices in active markets for identical asset or liabilities (Level 1) and the lowest priority to fair values determined using unobservable inputs (Level 3). An asset's or liability's classification is determined based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Transfers between levels are recognized on the date of the event or change in circumstances that caused the transfer.

The following are descriptions of the valuation methodologies used for assets measured at fair value:

- *Mutual funds* – The fair value is based on quoted market prices.

SISTERS OF ST. JOSEPH HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth information about the level within the fair value hierarchy at which the Foundation's investments are measured at June 30, 2023:

Mutual funds		
Fixed -income funds	\$ 706,261	Level 1
Diversified funds	<u>45,065,620</u>	Level 1
	<u>\$ 45,771,881</u>	

For the year ended June 30, 2023, the application of valuation techniques applied to similar assets has been consistent.

The valuation levels are not necessarily an indication of the risk or liquidity associated with investing in those securities. The Foundation invests in instruments that, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and the consolidated statements of activities and changes in net assets.

NOTE 7 – FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are summarized and categorized based upon their functional classification as grants and donations, purchased services, and direct program operations. Specific expenses that are readily identifiable to a certain activity are charged directly to that function. The following table outlines the Foundation's functional expenses for the year ended June 30, 2023.

Grants and donations	\$ 2,178,500
Purchased services	155,065
Direct program operations	<u>24,044</u>
	<u>\$ 2,357,609</u>

NOTE 8 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through January 12, 2024, the date on which the financial statements were available to be issued.