VALLEY MEDICAL CENTER
foundation

Helping Silicon Valley Care

Financial Statements
December 31, 2022 and 2021

Together with
Independent Auditors' Report

VMC FOUNDATION

Table of Contents

December 31, 2022

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-24

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
VMC Foundation
San Jose, California

Opinion

We have audited the accompanying financial statements of VMC Foundation (the "Foundation," a California nonprofit public benefit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
VMC Foundation
San Jose, California

Auditors' 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

Robert Lee + Associates, LLP

San Jose, California
August 7, 2023

VMC FOUNDATION
Statements of Financial Position

	December 31,	
	2022	2021
ASSETS		
Assets:		
Cash and cash equivalents	$ 1,600,950	$ 7,628,468
Pledges receivable, net	18,957	303,270
Accounts receivable	935,622	497,143
Prepaid expenses	68,256	136,517
Inventories	58,375	115,238
Investments	11,284,669	6,009,134
Cash surrender value of life insurance	266,847	253,120
Property and equipment, net	9,848	14,068
Investments restricted for permanent endowment	10,000	10,000
Total assets	$ 14,253,524	$ 14,966,958
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 265,579	$ 243,554
Deferred revenue	-	34,875
Total liabilities	265,579	278,429
Contingency		
Net assets:		
Without donor restrictions	2,444,453	3,490,087
With donor restrictions	11,543,492	11,198,442
Total net assets	13,987,945	14,688,529
Total liabilities and net assets	$ 14,253,524	$ 14,966,958

The accompanying notes are an integral part of these financial statements

VMC FOUNDATION

Statement of Activities and Change in Net Assets

For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 1,635,113	$ 1,096,036	$ 2,731,149
Grants	-	2,170,962	2,170,962
Investment loss, net	(1,540,568)	(16,984)	(1,557,552)
In-kind contributions	547,552	1,071,513	1,619,065
Special events, net	697,907	-	697,907
Service fees	150	60,169	60,319
Net loss on sale of merchandise	(36,681)	-	(36,681)
Other revenues	2,963	-	2,963
Change in life insurance cash surrender value	13,727	-	13,727
Net assets released from restriction	4,036,646	(4,036,646)	-
Total revenue and support	5,356,809	345,050	5,701,859
EXPENSES			
Program services	4,645,047	-	4,645,047
Supporting services:			
Management and general	983,003	-	983,003
Fundraising	774,393	-	774,393
Total expenses	6,402,443	-	6,402,443
Change in net assets	(1,045,634)	345,050	(700,584)
Net assets, beginning of year	3,490,087	11,198,442	14,688,529
Net assets, end of year	$ 2,444,453	$ 11,543,492	$ 13,987,945

The accompanying notes are an integral part of these financial statements

VMC FOUNDATION
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 1,876,361	$ 3,600,413	$ 5,476,774
Grants	180,000	1,128,326	1,308,326
Investment income, net	570,540	485	571,025
In-kind contributions	537,283	414,593	951,876
Special events, net	367,522	-	367,522
Service fees	800	19,971	20,771
Net loss on sale of merchandise	(48,291)	-	(48,291)
Other revenues	1,056	-	1,056
Change in life insurance cash surrender value	13,265	-	13,265
Net assets released from restriction	6,085,898	(6,085,898)	-
Total revenue and support	9,584,434	(922,110)	8,662,324
EXPENSES			
Program services	6,661,287	-	6,661,287
Supporting services:			
Management and general	889,227	-	889,227
Fundraising	854,437	-	854,437
Total expenses	8,404,951	-	8,404,951
Change in net assets	1,179,483	(922,110)	257,373
Net assets, beginning of year	2,310,604	12,120,552	14,431,156
Net assets, end of year	$ 3,490,087	$ 11,198,442	$ 14,688,529

The accompanying notes are an integral part of these financial statements

VMC FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total support services	Total program and support services
Expenses:					
Salaries and wages	$ 719,830	$ 595,420	$ 437,874	$ 1,033,294	$ 1,753,124
Assistance to U.S. Entities	1,251,342	-	-	-	1,251,342
Office expense and supplies	1,168,920	14,751	198,887	213,638	1,382,558
Management and contractors fees	610,910	-	14,936	14,936	625,846
Events	-	-	723,778	723,778	723,778
Rent	192,886	28,576	135,735	164,311	357,197
Conference, events and meetings	261,726	24,474	16,866	41,340	303,066
Employee benefits	55,537	127,554	40,842	168,396	223,933
Information technology	163,187	6,931	13,304	20,235	183,422
Payroll taxes	50,240	39,408	30,876	70,284	120,524
Advertising and promotions	11,654	18,266	90,069	108,335	119,989
Printing, mailing and postage	58,593	5,063	48,635	53,698	112,291
Gift shop cost of good sold	73,941	-	-	-	73,941
Accounting and professional	3,529	42,828	1,079	43,907	47,436
Bank and investment fees	15,605	466	29,559	30,025	45,630
Retirement contribution	20,457	16,124	7,694	23,818	44,275
Travel	29,839	3,163	2,306	5,469	35,308
Staff training and recognition	8,988	18,700	7,236	25,936	34,924
Insurance	7,504	18,687	-	18,687	26,191
Legal	522	16,351	-	16,351	16,873
Other expenses	9,558	6,241	600	6,841	16,399
Depreciation	4,220	-	-	-	4,220
Total expenses	4,718,988	983,003	1,800,276	2,783,279	7,502,267
Less expenses included with revenues on the statement of activities					
Sale of merchandise cost of goods sold	(73,941)	-	-	-	(73,941)
Cost of direct benefits to donors	-	-	(1,025,883)	(1,025,883)	(1,025,883)
Total expenses included in the expense section on the statement of activities	$ 4,645,047	$ 983,003	$ 774,393	$ 1,757,396	$ 6,402,443

VMC FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total support services	Total program and support services
Expenses:					
Assistance to U.S. Entities	$ 4,121,786	$ -	$ -	$ -	$ 4,121,786
Salaries and wages	795,306	556,008	513,089	1,069,097	1,864,403
Office expense and supplies	527,827	12,263	195,343	207,606	735,433
Management and contractors fees	499,007	77,042	18,167	95,209	594,216
Events	-	-	403,261	403,261	403,261
Rent	187,100	27,719	131,663	159,382	346,482
Conference, events and meetings	156,238	2,562	2,670	5,232	161,470
Employee benefits	45,703	67,134	48,612	115,746	161,449
Payroll taxes	49,492	34,943	34,854	69,797	119,289
Printing, mailing and postage	53,296	5,213	48,771	53,984	107,280
Advertising and promotions	40,063	200	52,947	53,147	93,210
Information technology	68,936	9,150	14,838	23,988	92,924
Gift shop cost of good sold	68,911	-	-	-	68,911
Staff training and recognition	53,863	4,683	-	4,683	58,546
Retirement contribution	20,100	15,338	12,801	28,139	48,239
Accounting and professional	2,550	39,811	1,280	41,091	43,641
Bank and investment fees	6,769	-	27,333	27,333	34,102
Insurance	6,457	17,294	-	17,294	23,751
Other expenses	14,636	1,955	1,515	3,470	18,106
Legal	458	16,715	-	16,715	17,173
Travel	7,479	1,197	748	1,945	9,424
Depreciation	4,221	-	-	-	4,221
Total expenses	6,730,198	889,227	1,507,892	2,397,119	9,127,317
Less expenses included with revenues on the statement of activities					
Sale of merchandise cost of goods sold	(68,911)	-	-	-	(68,911)
Cost of direct benefits to donors	-	-	(653,455)	(653,455)	(653,455)
Total expenses included in the expense section on the statement of activities	$ 6,661,287	$ 889,227	$ 854,437	$ 1,743,664	$ 8,404,951

The accompanying notes are an integral part of these financial statements

VMC FOUNDATION
Statements of Cash Flows

	For the Years Ended December 31, 2022	2021
Cash flows from operating activities:		
Change in net assets	$ (700,584)	$ 257,373
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments	1,788,742	(480,149)
Depreciation	4,220	4,221
Change in discount on pledges receivable	(10,687)	(20,007)
Increase in cash surrender value of life insurance	(13,727)	(13,265)
Changes in operating assets and liabilities:		
Pledges receivable	295,000	295,000
Accounts receivable	(438,479)	(34,933)
Prepaid expenses	68,261	(73,118)
Inventories	56,863	116,049
Accounts payable and accrued liabilities	22,025	(183,264)
Deferred revenue	(34,875)	(6,186)
Net cash provided (used) by operating activities	1,036,759	(138,279)
Cash flows from investing activities:		
Acquisition of investments	(13,048,093)	(3,922,058)
Proceeds from sales of investments	5,983,816	6,367,411
Net cash provided (used) by investing activities	(7,064,277)	2,445,353
Increase (decrease) in cash and cash equivalents	(6,027,518)	2,307,074
Cash and cash equivalents, beginning of year	7,628,468	5,321,394
Cash and cash equivalents, end of year	$ 1,600,950	$ 7,628,468

VMC FOUNDATION
Notes to the Financial Statements
December 31, 2022

Note 1 - Organization and operations:

VMC Foundation (the "Foundation") is an independent community-driven 501(c)(3) public benefit corporation organization founded to support and protect Silicon Valley's most vital public healthcare institution— Santa Clara Valley Medical Center Hospitals & Clinics, which includes Santa Clara Valley Medical Center ("SCVMC"), O'Connor Hospital, St. Louise Regional Hospital, and the DePaul Health Center. In partnership with SCVMC, the VMC Foundation raises philanthropic dollars to improve existing services, pioneer new models of care, and advance the cause of high-quality healthcare for all.

The following are the Foundation's major programs and activities:

Launching the Valley Health Foundation - In 2019, the County of Santa Clara purchased two community hospitals, O'Connor Hospital in San Jose and St. Louise Regional Hospital in Gilroy. These three hospitals comprise Northern California's largest public healthcare system alongside Santa Clara Valley Medical Center. Immediately after the acquisition, the VMC Foundation got to work integrating the former O'Connor and St. Louise Foundations into our operating structure. The final step is in that process, changing the name of our Foundation to reflect all three hospital communities. In May 2023, the VMC Foundation will formally become the Valley Health Foundation with a new mission and vision statement. This represents the most significant change for the Foundation since our founding in 1988 and one that sets us on a path to support, innovate and advocate for better health for all in Santa Clara County.

Friends of St. Louise - The County of Santa Clara purchased three bankrupt and/or closed hospitals in early 2019, two of which had pre-existing foundations later disbanded. The Foundation is now raising funds for and supporting services at Santa Clara Valley Medical Center Hospitals & Clinics, including O'Connor Hospital, St. Louise Regional Hospital, and the DePaul Health Center - in addition to the rest of the County of Santa Clara Health System. "Friends of St. Louise" is the new affiliate group launched by the Foundation to serve as the community-fundraising arm for St. Louise Regional Hospital. Comprised of the former members of the now-defunct St. Louise Hospital Foundation, Friends of St. Louise will be the conduit by which the Foundation supports the expansion of the hospital.

Violence prevention - The Santa Clara County Public Health Department leads a community-wide coalition to address violence in East San Jose as a public health concern. As such, the Foundation has been invited to be part of this coalition and has been chosen as the "Wellness Fund," where dollars raised to support the work of the alliance will be kept and administered. The Foundation's CEO is active on the coalition's leadership team.

Note 1 - Organization and operations (continued):

Spinal cord and brain injury rehabilitation - Securing grants and gifts to enhance the world-class care provided by SCVMC's Spinal Cord Injury ("SCI") and the Traumatic Brain Injury ("TBI") Unit is a major priority, since doing so not only helps patients obtain the best treatment for these kinds of injuries but also helps attract patients with private insurance. This program benefits SCVMC financially beyond what philanthropy alone can do.

Turning Wheels for Kids - The Foundation ensures that children of low-income families can have a brand-new bicycle, promoting outdoor exercise and battling the epidemic of childhood obesity. For the years ended December 31, 2022, and 2021, the volunteers who run this inspiring program bought, built, and distributed more than 880 and 1,200 bikes to children in Silicon Valley, respectively. This was accomplished despite the fact that gatherings of any size were forbidden due to COVID-19 related restrictions.

Neonatal intensive care unit ("NICU") support - SCVMC's NICU provides the highest level of care to hundreds of tiny, premature infants each year. The Foundation, with the help of FIRST 5 Santa Clara County, in Silicon Valley, and other philanthropists, provide technology and social service support to these babies and families.

Education and issue advocacy - The Foundation is one of the only methods that Santa Clara County's Public Health and Hospital System have to promote the excellent and essential services it provides to all residents of the county, regardless of ability to pay. Public knowledge of these services, many of which are provided by the County of Santa Clara Health System and no other hospitals in the Bay Area, can have policy implications. For this reason, the Foundation is dedicated to supporting community education and outreach about The Health System's services, how local and national policy changes may affect the health systems, and how increased understanding of The Health System's role in caring for the community can drive donations, political support, and public perception. Additionally, expanding the understanding of how issues like community violence and homelessness are considered a health crisis, and how Santa Clara County residents can help solve these crises has become a growing priority.

Non-profit Grant Program - The COVID-19 Non-profit Resilience and Sustainability Grant Program aims to strengthen the sustainability and responsiveness of nonprofits in Santa Clara County that have been negatively impacted by the COVID-19 pandemic, with a focus on racial equity. Through this funding, the Foundation envisions a stronger and more vibrant nonprofit sector, providing services to the most vulnerable members of our community in an equitable, diverse, respectful, and inclusive way. This $10 million grant program is funded by the County of Santa Clara through the Federal Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan Act.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting, which recognizes revenue and support when earned and expenses when incurred and, accordingly, reflects all significant receivables and payables and other liabilities.

Basis of presentation - The Foundation reports information regarding its financial position and activities according to two classes of net assets:

- *Without donor restrictions* - net assets which are available to support all activities of the Foundation without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.

- *With donor restrictions* - net assets which are subject to donor-imposed restrictions that will be met rather by actions of the Foundation or the passage of time. Also included in this category are net assets restricted by the donor for investment in perpetuity, such as endowments. The income from such invested assets is available to support the activities of the Foundation.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, 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 these estimates under different assumptions or conditions.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. These reclassifications have no effect on previously reported change in total net assets.

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. The Foundation considers all net assets highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. The carrying amount in the statements of financial position approximates fair value.

Pledges receivable - Pledges receivable are either unconditional or conditional. Unconditional pledges receivable are pledges that depend only on the passage of time or the demand by the promisor for performance. A conditional pledge receivable is a pledge that depends on the occurrence of a specified future and uncertain event to bind the promisor. Unconditional pledges receivable represent the remaining pledges due from the donors who have pledged funds to the Foundation for use in its programs. There were no conditional pledges for the years ended December 31, 2022 and 2021. Pledges that are expected to be collected after one year are reported at present value based on the collectability of the pledge and the timing of the expected cash flows.

Note 2 - Summary of significant accounting policies (continued):

Pledges receivable (continued) - An allowance reserve for uncollectible pledges has been established based on management's best estimates. The financial statements reflect pledges receivable net of the discount and allowance reserve, if any. Management determined no allowance is necessary for pledges receivable as of December 31, 2022 and 2021.

Accounts receivable - Accounts receivable consist of receivables relating to the normal course of business and totaled approximately $936,000, $497,000, and $462,000 as of December 31, 2022, 2021, and 2020, respectively. Accounts receivable are carried at invoice amount less an estimate made for doubtful receivables. The Foundation uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific receivables. There was no allowance as of December 31, 2022 and 2021.

Prepaid expenses - The majority of prepaid expenses includes prepaid health and other insurance expenses and prepaid program expenses.

Inventories - Inventories generally consist of merchandise for sale at the hospital gift shops, and is valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling prices in the ordinary course of business. The Foundation also purchases books for their Campaign to Support a Women and Children's Center program and bicycles for their Turning Wheels for Kids Program.

Investments - The Foundation's investments are valued in accordance with Fair Value Measurements. The Foundation invests in corporate bonds, U.S Treasury securities, mutual funds, and exchange traded products. All debt securities are carried at quoted market prices as of the last trading date of the Foundation's fiscal year. Contributions of investments are recorded at quoted market prices at the date of donation and are sold as soon as reasonably possible. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur as part of net assets without donor restrictions or as net assets with donor restrictions as appropriate. Realized gains and losses resulting from sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are accrued when earned. The Foundation may have risk associated with its concentration of investments in one geographic region and in certain industries.

Property and equipment - Property and equipment are stated at cost or at their estimated fair value at date of donation. Depreciation is computed using straight-line method over the estimated useful lives of the assets ranging from three to five years. Equipment and software purchases over $3,000 and furniture purchases over $5,000 are capitalized. Repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Note 2 - Summary of significant accounting policies (continued):

Deferred revenue - Deferred revenue consists of registration and exhibit fees paid in advance for upcoming conferences and advances related to future programs.

Revenue recognition - Revenue from exchange transactions: The Foundation recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

In accordance with ASC 606, the Foundation recognizes revenue upon the transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. The principles in ASC 606 are applied using the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Foundation satisfies its performance obligation(s). The Foundation recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration. The Foundation records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2022 and 2021:

Service fees - The Foundation recognizes revenues from service fees in the period in which the conditions are met or the service is provided.

Sales of merchandise - The Foundation operates various gift shops in hospitals, which sell various merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Foundation based supplier cost. As each item is individually priced, no allocation of the transaction price is necessary. The Foundation recognizes revenue as the customer pays and takes possession of the merchandise. No liability for probable customer returns was considered necessary as of December 31, 2022 and 2021.

Special events - The Foundation conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event - the exchange component, and a portion represents a contribution to the Foundation. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Foundation. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The performance obligation is delivery of the event. The event fee is set by the Foundation.

Note 2 - Summary of significant accounting policies (continued):

Special events (continued) - FASB ASC 606 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Foundation separately presents in its notes to financial statements, the exchange and contribution components of the gross proceeds from special events. For special event fees received before year-end for an event to occur after year-end, the Foundation follows American Institute of Certified Public Accountants ("AICPA") guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component. Special event fees collected by the Foundation in an advance period of its delivery are initially recognized as deferred revenue and recognized as special event revenue after delivery of the event.

Grant and contribution revenue - The Foundation reports contributions and grants as program revenue when received or pledged by the donor. Contributions are reported as net assets with donor restrictions if such gifts are restricted by the donor to a specific project, and/or include an explicit or implied time restriction. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

In-kind contributions - Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in the related functional expense category. In addition, a number of volunteers have donated their time to program and support services. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition.

Grant assistance to U.S entities - Grants are made in accordance with the Foundation's mission. Unconditional grants that are expected to be paid after one year are reported at fair value based on the several factors included and the timing of the expected cash flows. Such fair value reserves are recorded only if material to the financial statements. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Salaries are allocated to various program and supporting services based on estimated percentage of hours worked by employee. In-kind rent is allocated based on occupancy rates. All other expenses are directly allocated.

Advertising - Costs are expensed as incurred. The years ended December 31, 2022 and 2021, advertising costs were approximately $76,000 and $81,000, respectively.

Note 2 - Summary of significant accounting policies (continued):

Sales tax - The State of California imposes a sales tax on all of the Foundation's sales on inventory sold at the Gift Shop to non-exempt customers. The Foundation collects that sales tax from customers and remits the entire amount to the State. The Foundation's accounting policy is to exclude the tax collected and remit to the State from revenues and cost of goods sold.

Concentration of credit risk - Financial instruments that potentially subject the Foundation to credit risk consist primarily of cash and cash equivalents. The Foundation maintains cash and cash equivalents with a commercial bank and other major financial institutions. These accounts are insured up to $250,000 per depositor by an agency of the Federal government. At times, such amounts might exceed FDIC limits. It is the Foundation's opinion that it is not exposed to any significant credit risks.

Other concentrations - For the year ended December 31, 2022, there were two donors that made up 34% of total grants and contributions. For the year ended December 31, 2021, there was one donor that made up 17% of total grants and contributions. At December 31, 2022, two donors comprised 61% of total receivables. At December 31, 2021, three donors comprised 73% of total receivables.

Fair value of financial instruments - Unless otherwise indicated, the fair values of all reported assets and liabilities approximate the carrying values of such amounts.

Income taxes - The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Additionally, the Foundation is exempt from state income taxes under the California Revenue Code Section 2370(d). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounting for uncertainty for income taxes - The Foundation evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2022 and 2021, management did not identify any uncertain tax positions.

VMC FOUNDATION
Notes to the Financial Statements
December 31, 2022

Note 2 - Summary of significant accounting policies (continued):

Recently adopted accounting principles - In September 2020, FASB issued Accounting Standard Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is meant to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities ("NFP"), including additional disclosure requirements for recognized contributed services. This ASU requires that all NFP receiving nonfinancial assets must present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires further disclosure on the contributed nonfinancial assets in the notes to the financial statements. The ASU will be applied retrospectively and is effective for fiscal years beginning after June 15, 2021, and interim periods beginning after June 15, 2022. Management has adopted the standard as of January 1, 2022. The standard did not have a material impact on the financial statements.

Recent accounting pronouncements - In June 2016, the FASB issued FASB ASU No. 2016-13 "Measurement of Credit Losses on Financial Instruments" to improve financial reporting related to anticipated credit losses. ASU 2016-13 involves several aspects of the accounting for credit losses related to certain financial instruments including assets measured at amortized cost, trade and other receivables, loans, and certain off-balance sheet commitments. ASU 2016-16, and subsequent updates, broadens the information that an entity must consider in developing its estimated credit losses expected to occur over the remaining life of assets measured either collectively or individually to include historical experience, current conditions and reasonable and supportable forecasts, replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses model. The ASU is effective for the Foundation's financial statements for the year ending December 31, 2023. Management has not determined the impact of this pronouncement.

Subsequent events - Subsequent events are evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued and had been determined that no material subsequent events require an estimate to be recorded or disclosed as of December 31, 2022.

VMC FOUNDATION

Notes to the Financial Statements

December 31, 2022

Note 3 - Liquidity and availability of financial assets:

As of December 31, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

		2022		2021
Cash and cash equivalents	$	1,600,950	$	7,628,468
Pledges receivable, net		18,957		303,270
Accounts receivable		935,622		497,143
Investments		11,284,669		6,009,134
Total financial assets		13,840,198		14,438,015
Net assets with donor restrictions		(11,529,285)		(11,175,775)
Financial assets available to meet general expenditures over the next twelve months	$	2,310,913	$	3,262,240

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

Note 4 - Pledges receivable:

The Foundation received a $100,000 multi-year pledge from the Davidson Family Foundation in March 2019. The Foundation received the initial payment of $20,000 in 2019. The Foundation received $20,000 from 2020 to 2022, respectively, with an outstanding balance of $20,000 as of December 31, 2022. The Foundation expects to receive the remaining $20,000 in 2023. The pledge has been discounted at an interest rate of 5.5% with an unamortized discount of approximately $1,000 at December 31, 2022.

The Foundation received an $850,000 multi-year pledge from the Sunlight Giving Foundation in June 2020. The total remaining balance of $275,000 was received in 2022.

There were no additional long-term pledges added in the years ended December 31, 2022 and 2021, respectively.

Note 5 - Investments:

The Foundation follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB ASC. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of significant unobservable inputs. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment. The following are the Foundation's major categories of investments measured at fair value on a reoccurring basis:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Significant other observable inputs
- Level 3: Significant unobservable inputs

As of December 31, 2022:

	Level 1	Level 2	Total
Mutual funds	$ 11,294,669	$ -	$ 11,294,669
Total investments	$ 11,294,669	$ -	$ 11,294,669

Note 5 - Investments (continued):

As of December 31, 2021:

	Level 1	Level 2	Total
Corporate bonds	$ -	$ 159,014	$ 159,014
U.S Treasury securities	544,418	-	544,418
Mutual funds	3,313,059	-	3,313,059
Exchange traded products	2,002,643	-	2,002,643
Total investments	$ 5,860,120	$ 159,014	$ 6,019,134

The following schedule summarizes total investment returns for the years ended December 31:

	2022	2021
Realized and unrealized gain (loss), net	$ (1,788,742)	$ 480,149
Interest and dividends	252,438	154,888
Interest and dividends - checking	1,108	4,359
Total investment income (loss)	(1,535,196)	639,396
Investment-related expenses	(22,356)	(68,371)
Total investment income (loss), net of investment fees	$ (1,557,552)	$ 571,025

The Foundation maintained a beneficial interest in investments of Silicon Valley Community Foundation ("SVCF") which was valued by applying the percentage of ownership of the overall investment portfolio. These investments were carried at estimated fair values as determined by the investment manager after giving consideration to operating results, financial condition, recent sales prices of issuers' securities and other pertinent information. As SVCF's portfolio is composed of various investments with varying levels of observable inputs, valuation of the entire portfolio cannot be valued using observable market data. During 2021, all investment balances held with SVCF were sold and moved to another financial institution.

VMC FOUNDATION
Notes to the Financial Statements
December 31, 2022

Note 6 - Property and equipment:

Property and equipment consisted of the following at December 31:

		2022		2021
Vehicle	$	29,543	$	29,543
Less: accumulated depreciation		(19,695)		(15,475)
Total property and equipment, net	$	9,848	$	14,068

The Foundation recorded approximately $4,200 of depreciation expense for both years ended December 31, 2022 and 2021, respectively.

Note 7 - Deferred revenue:

The activity and balances for deferred revenue from contracts with customers are shown in the following table:

		Programs		Events		Total
Balance at December 31, 2020	$	6,186	$	34,875	$	41,061
Revenue recognized in 2021		(6,186)		-		(6,186)
Balance at December 31, 2021		-		34,875		34,875
Revenue recognized in 2022		-		(34,875)		(34,875)
Balance at December 31, 2022	$	-	$	-	$	-

Note 8 - Net assets with donor restrictions:

At December 31, 2022 and 2021, the Foundation’s net assets with donor restrictions consisted primarily of donations whose use was restricted by the donor to provide support for the Santa Clara Valley Health and Hospital System (“SCVHHS”). Net assets with donor restrictions are released when a grant is made which fulfills the intended use of the contribution. The Foundation also maintains a $10,000 permanently restricted investment contribution in which the donor intended for the Foundation to use towards creating an endowment fund. As of December 31, 2022 and 2021, the Foundation has not created an endowment fund.

VMC FOUNDATION
Notes to the Financial Statements
December 31, 2022

Note 9 - Sales of merchandise:

The sale of merchandise and related costs consisted of the following for the years ended December 31:

		2022		2021
Gross receipts	$	150,634	$	121,601
Cost of sales				
Cost of goods sold		73,941		68,911
Other costs of sales				
Direct labor		99,226		90,899
Education and conference		1,091		468
Store supplies		3,411		3,738
Miscellaneous store expenses		9,646		5,876
Total other costs of sales		113,374		100,981
Total cost of sales		187,315		169,892
Net loss on sale of merchandise	$	(36,681)	$	(48,291)

Note 10 - In-kind contributions:

In-kind contributions of facilities, utilities, inventories, and other various items are recorded as contributions and expenses at their fair value at the time of contribution. In-kind support is recorded at its fair value on the date of donation. The following in-kind contributions were received by the Foundation during the years ended December 31:

		2022		2021	Utalization in program / activities	Donor Restrictions	Valuation techniques and inputs
Occupancy	$	357,197	$	346,482	General and Administrative	No associated donor restrictions	Estimated fair market value rent determined by the landlord
COVID-19 equipment and supplies		1,040,386		411,002	COVID-19 Support	No associated donor restrictions	Average retail value of the items donated
Other		221,482		194,392	General and Administrative	No associated donor restrictions	Average retail value of the items donated
Total in-kind contributions	$	1,619,065	$	951,876			

The in-kind occupancy contributions above were contributed by a related party. A portion of other in-kind contributions were contributed by related parties as disclosed in Note 11.

VMC FOUNDATION
Notes to the Financial Statements
December 31, 2022

Note 11 - Related-party transactions:

During the year ended December 31, 2022, the Foundation received contributions from Board members and management in the amount of approximately $188,000, including in-kind contributions of approximately $13,000 (see Note 10). For the year ended December 31, 2021, the Foundation received contributions from Board members and management in the amount of approximately $275,000, including in-kind contributions of approximately $143,000 (see Note 10).

During the year ended December 31, 2022, the Foundation provided a grant to an organization whose Chief Program Officer is one of the Board members, in the amount of approximately $103,000. The Foundation also provided approximately $15,000 in event sponsorships to the same organization for the year ended December 31, 2022. During the year ended December 31, 2021, the Foundation provided a grant in the amount of approximately $95,000 and approximately $18,000 in event sponsorships to the same organization for the year ended December 31, 2021.

Note 12 - Special events:

The Foundation's special events are reported in the statements of activities and changes in net assets and consist of the following for the year ended December 31, 2022:

	Gala Event	Golf Tournament	SLRH Gala	Stars and Strides	Total
Special event income					
Tickets	$ 50,750	$ 22,461	$ 48,500	$ 57,358	$ 179,069
Contributions	748,972	29,973	178,026	443,126	1,400,097
Fees (Auction, Merchandise)	58,715	7,710	78,199	-	144,624
Total special event income	858,437	60,144	304,725	500,484	1,723,790
Special event expense	399,371	80,800	228,226	317,486	1,025,883
Special events, net	$ 459,066	$ (20,656)	$ 76,499	$ 182,998	$ 697,907

Note 12 - Special events (continued):

For the year ended December 31, 2021, special event revenues and expenses consisted of the following:

	Gala Event	Golf Tournament	SLRH Gala	Stars and Strides	Total
Special event income					
Tickets	$ 51,100	$ 25,677	$ 51,700	$ 55,861	$ 184,338
Contributions	184,340	23,113	174,928	386,541	768,922
Fees (Auction, Merchandise)	28,000	4,030	35,687	-	67,717
Total special event income	263,440	52,820	262,315	442,402	1,020,977
Special event expense	162,130	46,849	161,507	282,969	653,455
Special events, net	$ 101,310	$ 5,971	$ 100,808	$ 159,433	$ 367,522

Total fundraising expenses for the years ended December 31, 2022 and 2021 were approximately $1,800,000 and $1,508,000 respectively.

Note 13 - Simple IRA plan:

The Foundation established a Simple IRA plan for the benefit of its employees. New employees become eligible when they receive at least $5,000 in annual compensation in any two preceding years and is expected to be paid at least $5,000 in the current year is eligible to participate. Participants are eligible to make elective contributions and the Foundation contributes 2% of the employee's compensation and matches up to 3% of compensation. For the years ended December 31, 2022 and 2021, the Foundation contributed approximately $47,000 and $48,000, respectively, on behalf of participants of the plan.

Note 14 - Contingency:

Contingency: Grants and awards - Grants and contracts awarded to the Foundation are subject to the funding agencies criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria.

Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Foundation could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and the grants administered during the period.