

The Health Trust and Subsidiary

Consolidated Financial Statements
and Single Audit Reports and Schedules

June 30, 2021
(With Comparative Totals for 2020)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6 - 7
Notes to Consolidated Financial Statements	8 - 32
Single Audit Reports and Schedules	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34 - 35
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	36 - 37
Schedule of Expenditures of Federal Awards	38 - 39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41 - 42
Summary Schedule of Prior Audit Findings	43

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and the Board of Directors
The Health Trust and Subsidiary
San Jose, California

We have audited the accompanying consolidated financial statements of The Health Trust (a California nonprofit corporation) and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Health Trust and Subsidiary as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As described in Note 18 of the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. However, the ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of 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 information has been subjected to the auditing procedures applied in the 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 or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited The Health Trust and Subsidiary's 2020 consolidated financial statements, and our report dated December 30, 2020 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

December 27, 2021

The Health Trust and Subsidiary
Consolidated Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,478,055	\$ 3,725,524
Restricted cash	147,277	141,266
Investments	118,591,762	93,608,647
Grants receivable, net	2,334,948	4,796,054
Contributions receivable	90,684	128,585
Prepaid expenses and other current assets	385,171	331,170
Total current assets	<u>126,027,897</u>	<u>102,731,246</u>
Noncurrent assets		
Land and building held for investment	9,139,230	7,500,000
Property and equipment, net	4,551,144	4,436,955
Investments - donor restricted endowment	222,481	171,481
Total noncurrent assets	<u>13,912,855</u>	<u>12,108,436</u>
Total assets	<u>\$ 139,940,752</u>	<u>\$ 114,839,682</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 349,598	\$ 453,973
Accrued payroll and related liabilities	1,635,806	1,180,212
Other accrued expenses	230,410	239,599
Deferred revenue	800,000	200,000
Refundable advance - PPP	-	1,837,800
Total current liabilities	<u>3,015,814</u>	<u>3,911,584</u>
Net assets		
Without donor restrictions		
Designated for medically related services	114,768,205	94,912,318
Designated for programs	419,641	234,452
Undesignated	17,660,251	12,737,008
Total without donor restrictions	<u>132,848,097</u>	<u>107,883,778</u>
With donor restrictions		
Restricted for specified purposes	3,678,121	2,777,206
Subject to appropriation and spending policy	176,239	95,633
Held in perpetuity	222,481	171,481
Total with donor restrictions	<u>4,076,841</u>	<u>3,044,320</u>
Total net assets	<u>136,924,938</u>	<u>110,928,098</u>
Total liabilities and net assets	<u>\$ 139,940,752</u>	<u>\$ 114,839,682</u>

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

The Health Trust and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support and revenue				
Support				
Government grants	\$ 10,710,290	\$ 81,600	\$ 10,791,890	\$ 15,132,440
Contributions	600,421	2,341,685	2,942,106	2,838,110
Government grants - PPP	1,774,088	-	1,774,088	-
Contributions in-kind	1,118,693	-	1,118,693	1,221,361
Special events, net of expenses \$0 and \$562 for the years ended June 30, 2021 and 2020, respectively	-	-	-	64,988
Total support	<u>14,203,492</u>	<u>2,423,285</u>	<u>16,626,777</u>	<u>19,256,899</u>
Revenue				
Investment income, net	29,120,179	149,253	29,269,432	570,325
Fees for financial administrative support services	3,879,769	-	3,879,769	3,488,409
Fee for other services	476,836	-	476,836	578,078
Rental income	400,026	-	400,026	229,785
Net assets released from restriction	1,540,017	(1,540,017)	-	-
Total revenue	<u>35,416,827</u>	<u>(1,390,764)</u>	<u>34,026,063</u>	<u>4,866,597</u>
Total support and revenue	<u>49,620,319</u>	<u>1,032,521</u>	<u>50,652,840</u>	<u>24,123,496</u>
Functional expenses				
Program services	17,166,821	-	17,166,821	19,540,170
Management and general	2,850,994	-	2,850,994	2,498,819
Fundraising	560,575	-	560,575	612,914
Financial administrative support services	4,077,610	-	4,077,610	3,604,088
Total functional expenses	<u>24,656,000</u>	<u>-</u>	<u>24,656,000</u>	<u>26,255,991</u>
Change in net assets	24,964,319	1,032,521	25,996,840	(2,132,495)
Net assets, beginning of year	<u>107,883,778</u>	<u>3,044,320</u>	<u>110,928,098</u>	<u>113,060,593</u>
Net assets, end of year	<u>\$ 132,848,097</u>	<u>\$ 4,076,841</u>	<u>\$ 136,924,938</u>	<u>\$ 110,928,098</u>

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

The Health Trust and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services					Support Services			Financial		
	Chronic Disease Services								Administrative		
	Community Health Promotion	HIV/AIDS Services	Health in Housing	Food & Nutrition Services	Total Program Services	Management and General	Fundraising	Total Support Services	Support Services	2021 Total	2020 Total
Grants to others	\$ 1,784,380	\$ 58,750	\$ 174,603	\$ 1,428,117	\$ 3,445,850	\$ -	\$ -	\$ -	\$ -	\$ 3,445,850	\$ 1,642,342
Salaries and related expenses											
Salaries and wages	447,802	1,213,595	1,728,498	1,040,598	4,430,493	966,364	264,492	1,230,856	2,961,156	8,622,505	8,447,567
Employee benefits	142,727	419,330	558,283	324,136	1,444,476	216,652	87,831	304,483	875,269	2,624,228	2,532,228
Payroll taxes	39,342	103,787	143,557	84,317	371,003	66,555	20,385	86,940	248,032	705,975	689,086
Total salaries and related expenses	629,871	1,736,712	2,430,338	1,449,051	6,245,972	1,249,571	372,708	1,622,279	4,084,457	11,952,708	11,668,881
Other expenses											
Purchased services	171,359	157,463	2,922,693	2,067,713	5,319,228	197,062	24,714	221,776	180,364	5,721,368	9,165,103
Supplies	468,889	570,253	20,514	26,504	1,086,160	74,675	83,977	158,652	35,078	1,279,890	1,494,046
Legal and professional fees	3,575	79,985	86,730	25,692	195,982	366,907	44,981	411,888	6,766	614,636	460,834
Building and equipment rental	30,093	112,965	260,410	14,087	417,555	2,477	1,269	3,746	43,691	464,992	620,192
Other operating expenses	8,616	12,728	33,369	56,331	111,044	57,860	11,170	69,030	81,331	261,405	417,427
Utilities	15,301	69,581	46,070	38,056	169,008	27,948	7,809	35,757	49,364	254,129	224,785
Expenses related to rental properties	-	-	-	-	-	244,372	-	244,372	-	244,372	175,905
Depreciation	6,345	50,391	5,502	20,668	82,906	41,060	4,889	45,949	26,829	155,684	136,760
Insurance	5,951	16,397	22,627	17,621	62,596	56,949	2,927	59,876	11,837	134,309	122,360
Building expense	7,905	4,207	3,450	14,958	30,520	32,822	6,131	38,953	-	69,473	127,356
Income taxes	-	-	-	-	-	-	-	-	36,243	36,243	-
Interest	-	-	-	-	-	14,953	-	14,953	5,988	20,941	-
Total other expenses	718,034	1,073,970	3,401,365	2,281,630	7,474,999	1,117,085	187,867	1,304,952	477,491	9,257,442	12,944,768
Total functional expenses before reclassification	3,132,285	2,869,432	6,006,306	5,158,798	17,166,821	2,366,656	560,575	2,927,231	4,561,948	24,656,000	26,255,991
FASS expenses allocated	-	-	-	-	-	484,338	-	484,338	(484,338)	-	-
Total functional expenses	\$ 3,132,285	\$ 2,869,432	\$ 6,006,306	\$ 5,158,798	\$ 17,166,821	\$ 2,850,994	\$ 560,575	\$ 3,411,569	\$ 4,077,610	\$ 24,656,000	\$ 26,255,991

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

The Health Trust and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 25,996,840	\$ (2,132,495)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	226,447	188,424
Contributions restricted for investment in donor restricted endowment funds	(51,000)	-
Net unrealized (gain) losses on investments	(25,004,129)	4,522,257
Net realized gain on investments	(1,358,212)	(830,790)
Loss on disposal of property and equipment	9,312	-
Changes in operating assets and liabilities		
Grants receivable, net	2,461,106	1,101,501
Contributions receivable	37,901	244,780
Prepaid expenses and other current assets	(54,001)	(59,417)
Accounts payable	(104,375)	62,924
Accrued payroll and related liabilities	455,594	153,593
Other accrued expenses	(9,189)	114,362
Grants payable	-	(1,623,389)
Deferred revenue	600,000	150,000
Refundable advance - PPP	(1,837,800)	1,837,800
Net cash provided by operating activities	<u>1,368,494</u>	<u>3,729,550</u>
Cash flows from investing activities		
Purchases of investments	(8,230,571)	(20,496,443)
Proceeds from sale and maturity of investments	7,919,567	19,693,522
Purchases of property and equipment	(349,948)	(243,742)
Net cash used in investing activities	<u>(660,952)</u>	<u>(1,046,663)</u>
Cash flows from financing activities		
Contributions restricted for investments in donor restricted endowment funds	51,000	-
Net cash provided by financing activities	<u>51,000</u>	<u>-</u>
Net increase in cash, cash equivalents and restricted cash	758,542	2,682,887
Cash, cash equivalents and restricted cash, beginning of year	<u>3,866,790</u>	<u>1,183,903</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 4,625,332</u>	<u>\$ 3,866,790</u>

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

The Health Trust and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 4,478,055	\$ 3,725,524
Restricted cash	<u>147,277</u>	<u>141,266</u>
	<u>\$ 4,625,332</u>	<u>\$ 3,866,790</u>

Supplemental disclosure of cash flow information

Cash paid during the year for income taxes	\$ 36,243	\$ 585
--------------------------------------------	-----------	--------

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

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

1. NATURE OF OPERATIONS

The Health Trust ("THT")

The Health Trust's mission is to build health equity in Silicon Valley. The Health Trust believes that everyone in the community should have the opportunity to be healthy. A person's income, race, immigration status, language, age, or zip code should never act as a barrier to health.

In 1996, THT was formed from the sale of three local nonprofit hospitals. Since then, The Health Trust has served the Silicon Valley community as an operating foundation. For over 25 years, THT has ensured that health related grants, policies, and services exist to help give everyone the opportunity to be healthy - especially the most vulnerable. The Health Trust, with the exception of its Financial Administrative Support Services (FASS) subsidiary, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

THT uses a multifaceted approach when tackling health disparities plaguing the most vulnerable populations in our community: older adults, recently housed individuals, and people at risk of, or living with, a chronic condition.

THT aligns its roles as a funder, a provider, and an advocate to create lasting change for the people it serves and to the systems and policies affecting their health. The Health Trust's focus is categorized into three areas: Improving Health Through Food, Making Chronic Diseases More Preventable and Manageable, and Prioritizing Health in Housing.

Funder

As a funder, The Health Trust awards grants to community-based organizations and community initiatives that are building health equity. The Health Trust seeks to amplify its role as a grantmaker by partnering with other like-minded funders.

Annually, The Health Trust commits to invest over \$2,000,000 through its endowment, which provides a direct benefit to residents of Santa Clara and Northern San Benito counties. These restricted dollars are awarded through Health Partnership, Emerging Opportunity, and Community Grants made to nonprofit and public agencies that support the health and well-being of our most vulnerable populations.

In July of 2020, The Health Trust announced an expansion of its funding for the local response to COVID-19. The increase includes an additional \$1,000,000 to address COVID-related needs of the most vulnerable communities, including East San Jose residents and black residents; and provide support for nonprofits to plan and implement longer-term recovery efforts, ultimately building healthier, more resilient communities.

This funding augmentation builds off of the foundation's temporary relief fund strategy from the prior year in which The Health Trust committed \$723,000 to provide general operating support to nonprofit grantees delivering essential health-related services to the community.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

1. NATURE OF OPERATIONS (continued)

Provider

As a provider, The Health Trust provides direct services to vulnerable community members. The Health Trust offers a variety of services - in its focus areas of chronic disease, food, and housing - aimed at improving the health and well-being of vulnerable populations in Santa Clara and Northern San Benito counties.

Chronic Disease Services: provides community-based, chronic disease prevention and management resources to individuals living with complex health conditions.

- *HIV/AIDS Services* - THT is the largest non-medical program in Santa Clara County, providing a variety of services to low-income Santa Clara County residents living with HIV/AIDS. These services include, but are not limited to, medical and non-medical case management, care coordination, and food assistance - serving more than 700 low-income clients.
- *Community Health Promotion (CHP)* - As a program of THT, CHP delivered linguistically inclusive and culturally competent health education programming in the community, providing health navigational support, and enrolling thousands of children and families in health insurance. In order to sustain and expand CHP services, The Health Trust transitioned these services to the Community Health Partnership and the Santa Clara Family Health Plan at the end of the fiscal year.

Food & Nutrition Services: focuses on providing nutritionally appropriate food to meet the complex health conditions of our most vulnerable populations. Specific services include:

- *Food is Medicine* - The Health Trust, as a member of the California Food is Medicine Coalition (Cal FIMC), is participating in the Medi-Cal Medically Tailored Meals Pilot Program for patients with congestive heart failure. The goal of the program is to reduce 30-day and 90-day hospital readmissions for participating clients, reduce healthcare costs, and improve health outcomes. The 122 clients served by THT in this program received over 17,000 meals and over 300 Registered Dietitian sessions. As the pilot is winding down in FY22, the State of California awarded bridge funding to sustain Cal FIMC services until Medi-Cal reimbursement mechanisms are implemented for medically tailored meals.
- *Meals on Wheels* - delivers hot, nutritious meals five days a week, sometimes with the option of a once-a-week frozen meal, to seniors and adults with disabilities. In addition to the meals, The Health Trust's drivers also provide weekly wellness checks, making sure that its clients are safe, alert and stable. The Health Trust's Meals on Wheels program continues to keep pace in addressing food insecurity and community needs associated with the ongoing impacts of the pandemic. THT provided more than 285,000 meals and over 100,000 wellness checks for older adults and disabled individuals during the fiscal year.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

1. NATURE OF OPERATIONS (continued)

- *Friends from Meals on Wheels* - is a friendly visitor program aimed to decrease social isolation by providing more than 2,600 friendly visits or phone calls to older adults. In client surveys, 87% of clients reported that participating in the program made them feel more socially connected.
- *Jerry Larson FOODBasket* - is a community hub that provides high quality food and nutrition services, as well as engagement opportunities for volunteers. Annually, The Health Trust distributes more than 220,000 pounds of food donated by Second Harvest of Silicon Valley to its clients in THT's programs.
- *Food in Housing* - increases food security for high-need permanent supportive housing clients by providing them with nutritionally appropriate bags or boxes of food.
- *Produce Mobile at Tropicana* - in partnership with Second Harvest of Silicon Valley, every first Wednesday of the month, fresh produce and USDA food items are distributed to community members at the Tropicana Shopping Center in East San Jose. Approximately 273,000 pounds of food is distributed to the community, reaching more than 3,000 households per year. The Produce Mobile was rebranded as "Free Grocery" during FY21.
- *Food Access Pilot Project* - in partnership with the State Office of AIDS, THT developed the Food Access Pilot Project (FAPP) for people living with HIV/AIDS in three underserved rural California counties. Based on an intake nutrition assessment, FAPP aims to provide approximately 30% of the daily caloric needs to 148 clients who lack optimal nutrition. With the conclusion of the pilot project in September of 2020, UCSF researchers found that FAPP enrollment was associated with improvement in HIV health outcomes, achievement of viral suppression, and improved immune response for every six months in the program.

Housing Services: provides financial support, case management, housing navigation, and other support services clients need to remain stably housed. The Health Trust focuses on housing services for people living with HIV/AIDS, people who have experienced chronic homelessness, and families with children ages 0-5 who are at-risk of becoming homeless. The Health Trust recognizes stable housing is a social determinant of health and staff provide intensive case management services through rapid rehousing, permanent supportive housing, and rental assistance administration. Housing Services reaches approximately 935 individuals who have been homeless annually, of which 170 are for individuals living with HIV/AIDS. Specific services include:

- *Family Support Services (FSS)* - assists families with children ages 0-5 who are at risk of homelessness, providing a homelessness acuity assessment and rental assistance. Families with non-acute risk of homelessness are connected to local family resource centers for case management. In FY21, 122 families received homelessness prevention services, and 104 families received light touch case management and linkages to community services.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

1. NATURE OF OPERATIONS (continued)

- The HOME Investment Partnerships Program (HOME) and the Rental Subsidy Assistance (RSA) through the U.S. Department of Housing and Urban Development (HUD) - provides a graduated rental assistance program to individuals living in Fair Market Reasonable (FMR) rental units. Rental assistance calculations initially allow for a client to pay 30% of the FMR unit rent. With support over two years, clients may achieve self-sufficiency and be able to pay 100% of the FMR unit rent. The HUD HOME and RSA programs served 67 individuals.
- The City of San Jose Housing Authority Litigation Award (CSJ HALA) - provides rental subsidy assistance (RSA) similar to the HOME program. In FY21, the CSJ HALA program served 36 individuals.
- The Housing Plus Project (HPP) - screens and assesses Ryan White certified participants who are at risk of losing housing due to financial hardship, and provides support services to prevent deterioration of clients' health. Clients receive short-term financial assistance and case management services. In FY21, HPP served 17 individuals.
- Housing for Health (HFH) program - assists individuals living with HIV/AIDS and survivors of intimate partner abuse, who are at risk of homelessness. Funding received from the Santa Clara County Office of Supportive Housing and City of San Jose helps clients maintain their Permanent Supportive Housing (PSH) status through case management, housing inspections, service linkages, and recertifications. In FY21, The Health Trust served 117 clients.
- Coordinated Care Project (CCP) - serves individuals who have experienced chronic homelessness, providing case management as clients enter into and live in Permanent Supportive Housing units. Some clients receive support with managing behavioral health issues, HIV/AIDS, and/or criminal justice involvement. In FY21, The Health Trust served 219 clients residing at "scattered Permanent Supportive Housing sites" across Santa Clara County.
- Veterans Assistance Supportive Housing (VASH) - provides veterans at risk of homelessness with move-in support services and furniture assistance. In FY21, The Health Trust provided 263 veterans with home essentials.

Advocate

As an advocate, The Health Trust champions systems and policy changes that align with its three focus areas. The Health Trust seeks to amplify its role as a bold policy advocate by partnering with government officials, local leaders, and community-based organizations to catalyze change on a broader, county-wide level.

- Health Equity - During FY21, The Health Trust provided support to a local Health and Racial Equity Task Force chaired by San Jose City Councilmember Magdalena Carrasco, co-led a nonprofit subgroup of the County's COVID-19 Vaccine Task Force, and took positions on numerous local health policy initiatives focused on pandemic response.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

1. NATURE OF OPERATIONS (continued)

- State Legislation - The Health Trust sponsored Assembly Bill 789 (Low), a bill focused on increasing hepatitis B and C screenings and linkages to care. With content expertise provided by the Stanford Asian Liver Center, AB 789 focused on addressing health disparities, as hepatitis B and C have a disproportionate impact on communities of color. The Health Trust also co-sponsored Assembly Bill 97 (Nazarian), an insulin affordability bill.
- Food is Medicine - The Health Trust participates actively in the California Food is Medicine Coalition, a consortium of nonprofits throughout the state who seek to develop, refine, and sustain models where medical nutrition services are an integral part of cost-effective and high quality health care. By making medically tailored nutrition and food central to its healthcare system, The Health Trust can produce better health outcomes, lower the cost of care and improve patient satisfaction.

Financial Administrative Support Service ("FASS"): FASS provides financial and administrative support services to other independent nonprofit corporations exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. On July 1, 2012, FASS, which previously was operating as a program of The Health Trust, spun off into a wholly-owned subsidiary (the "Subsidiary") of The Health Trust that is organized as a California for-profit corporation. The related revenue and expenses are recorded as fees / expenses for financial administrative support services on the consolidated statement of activities.

Consolidated Entities (the "Organization"): The Organization consists of The Health Trust and Financial Administrative Support Services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the accounts of The Health Trust and its wholly-owned subsidiary, Financial Administrative Support Services. All significant inter-company balances and transactions have been eliminated in consolidation.

Basis of accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with U.S. GAAP, the Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - include those assets over which the Board of Trustees has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes (see Note 8).
- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period. Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments.

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Organization adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the modified retrospective method. The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial position, result of operations, or cash flows.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates. Significant estimates include the valuation of The Health Trust's investments, the expected useful lives of property and equipment, and the determination of functional expense allocations.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, excluding cash received with a donor-imposed restriction that limits its use to long-term purposes. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts due to this and management believes it is not exposed to any significant risk on cash accounts.

Restricted cash

Restricted cash consists of cash held on the behalf of a California public benefit corporation, for which the Organization serves as the fiscal sponsor.

Investments

Investments are stated at fair value and purchases and sales are recorded on a trade or contract date basis. The estimated fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Alternative investments include private equities, hedge funds and real property assets. The estimated fair value of alternative investments is based on valuations provided by the general partner or fund managers. The Health Trust reviews and evaluates the valuation methods and assumptions used in determining the fair value of the alternative investments. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the consolidated statement of activities in the period that such fluctuations occur. Gains and losses on investments are reported as increases or decreases in net assets with or without donor restrictions based on the nature of restrictions.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. Investments that are included in this category generally include privately held investments and partnership interests.

Grants receivable

Grants receivable primarily represent amounts awarded by governmental agencies that have not yet been received by the Organization. Grants receivable are stated at the amount management expects to collect from outstanding balances. The Organization utilizes the reserve method of accounting for doubtful accounts based on historical experience and management's evaluation of outstanding grants receivable at the end of each year. As of June 30, 2021 and 2020, the allowance for doubtful accounts was \$11,678 and \$10,593, respectively.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$2,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 39 years. Depreciation is charged to the activity benefiting from the use of the property or equipment, including rental properties.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land and building held for investment

Investment properties include land and buildings that are held for long-term rental yields and/or for capital appreciation. Investment properties are initially recognized at cost and subsequently carried at fair value, determined by valuations provided by real estate brokers and/or utilizing the sales price in contracts for the properties. Changes in fair values are recognized in the consolidated statement of activities. Upon the sale of an investment property, the difference between the sale proceeds and the carrying amount is recognized as a gain or loss in the consolidated statement of activities.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. The Organization will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. A promise that calls for specific outcomes to be achieved will be treated as a conditional promise to give. Contributions are recorded as with or without donor restrictions depending on the nature of donor restrictions. For contributions with donor restrictions, funds are reported as increases in net assets with donor restrictions. When the restriction is met, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as grants or contributions support with or without donor restrictions.

The Organization receives a significant amount of government grants through reimbursement from local, state and federally funded programs. The support generated from these programs is recorded as government grants in the consolidated statement of activities. These government grants meet the criteria to be classified as conditional contributions under U.S. GAAP revenue recognition for nonprofit organizations as they contain barriers related to incurrence of qualifying expenditures and a right of return or release. The Organization has elected a simultaneous release option to account for these grants. Therefore, they are recorded as government support without donor restrictions upon satisfaction of the barriers. In the event amounts are received and have not been earned, the Organization records such amounts as refundable advance until earned.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions in-kind

Donated equipment, food and supplies, and rent are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the consolidated financial statements, the estimated value of these services is disclosed in Note 10.

Fees for financial administrative support services

Fees for financial administrative support services are recognized when promised services are transferred to other independent nonprofit corporations in an amount that reflects the consideration to which an entity expects to be entitled for those services by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligation in the contract(s)
- Determine the transaction price
- Allocate the transaction price to the performance obligation in the contract, and
- Recognize revenue when, or as, the Organization satisfies a performance obligation

Fees for financial and administrative support services received in advance for FYE 2021-2022 services as of June 30, 2021 are classified as deferred revenue.

Grants to others

Grants to others are recognized when the unconditional promise to give is approved by the Board of Trustees and communicated to the grantee. Conditional promises to give are recognized as a "grants to others" expense in the period in which the recipient meets the terms of the condition. There were no conditional promises to give as of June 30, 2021 and 2020. Total grants to others was \$3,445,850 and \$1,642,342 for the years ended June 30, 2021 and 2020, respectively.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or support functions of the Organization. The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income tax

The Health Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under Section 23701d of the California Revenue Taxation Code. Any income from activities not directly related to The Health Trust's tax-exempt purpose is subject to taxation as unrelated business income. In addition, The Health Trust qualifies for the charitable contribution deduction under Section 170(b)(1)(a) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

FASS accounts for income taxes in accordance with the liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when management estimates that it is more likely than not that deferred tax assets will not be realized. The provision for income tax expense is comprised of income taxes payable for the current period, plus the net change in deferred tax amounts.

Advertising costs

The Organization's policy is to expense advertising costs as the costs are incurred. Marketing and advertising expense for the years ended June 30, 2021 and 2020 was \$989 and \$2,125, respectively, and is included in other operating expenses on the consolidated statement of functional expenses.

Comparative financial information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2021 for potential recognition or disclosure in the consolidated financial statements. The Organization had subsequent events that required recognition or disclosure in the consolidated financial statements for the year ended June 30, 2021 (see Note 19). Subsequent events have been evaluated through December 27, 2021, which is the date the consolidated financial statements were available to be issued.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments, including investments - donor restricted endowments, consist of the following:

	<u>2021</u>	<u>2020</u>
Marketable alternatives	\$ 29,597,807	\$ 22,474,240
Fixed income securities	28,354,959	25,944,170
Large cap value equities	23,396,089	17,382,390
International equities	22,997,033	17,346,532
All cap growth equities	9,200,896	6,901,711
Venture capital funds and limited partnerships	2,357,072	1,860,643
Small cap equities	<u>2,910,387</u>	<u>1,870,442</u>
	<u>\$ 118,814,243</u>	<u>\$ 93,780,128</u>

Capital commitments related to limited partnerships as of June 30, 2021 and 2020, were \$15,366,400 and \$7,566,400, respectively. As of June 30, 2021, \$8,895,810 was already contributed. Remaining capital contributions to be called are \$6,470,590.

Fixed income securities consist primarily of investment grade instruments issued by government agencies (U.S. and international), corporations and mortgage backed securities.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is possible that the value of The Health Trust's investments and total net assets balance could fluctuate materially.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Marketable alternatives	\$ -	\$ -	\$ 29,597,807	\$ 29,597,807
Fixed income securities	28,354,872	87	-	28,354,959
Large cap value equities	23,396,089	-	-	23,396,089
International equities	22,997,033	-	-	22,997,033
All cap growth equities	9,200,896	-	-	9,200,896
Venture capital funds and limited partnerships	-	-	2,357,072	2,357,072
Small cap equities	<u>2,910,387</u>	<u>-</u>	<u>-</u>	<u>2,910,387</u>
	<u>\$ 86,859,277</u>	<u>\$ 87</u>	<u>\$ 31,954,879</u>	<u>\$ 118,814,243</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income securities	\$ 25,944,040	\$ 130	\$ -	\$ 25,944,170
Marketable alternatives	-	-	22,474,240	22,474,240
Large cap value equities	17,382,390	-	-	17,382,390
International equities	17,346,532	-	-	17,346,532
All cap growth equities	6,901,711	-	-	6,901,711
Venture capital funds and limited partnerships	-	-	1,860,643	1,860,643
Small cap equities	<u>1,870,442</u>	<u>-</u>	<u>-</u>	<u>1,870,442</u>
	<u>\$ 69,445,115</u>	<u>\$ 130</u>	<u>\$ 24,334,883</u>	<u>\$ 93,780,128</u>

Net investment income consisted of the following:

	<u>2021</u>	<u>2020</u>
Net realized and unrealized gains (losses) on investments	\$ 26,362,341	\$ (3,691,467)
Interest income	<u>3,349,822</u>	<u>4,678,359</u>
	29,712,163	986,892
Investment expense	<u>(442,731)</u>	<u>(416,567)</u>
	<u>\$ 29,269,432</u>	<u>\$ 570,325</u>

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth a summary of changes in the fair value of Level 3 investments:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 24,334,883	\$ 29,709,993
Net realized and unrealized gains (losses)	7,869,863	(1,980,903)
Investment management fees	(3,750)	(7,500)
Capital contributions	904,913	685,102
Proceeds from redemptions and distributions	<u>(1,151,030)</u>	<u>(4,071,809)</u>
Balance, end of year	<u><u>\$ 31,954,879</u></u>	<u><u>\$ 24,334,883</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 2,965,588	\$ 2,837,895
Land	2,350,000	2,350,000
Furniture and equipment	1,066,738	949,206
Leasehold improvements	<u>944,295</u>	<u>915,617</u>
	7,326,621	7,052,718
Accumulated depreciation	<u>(2,775,477)</u>	<u>(2,615,763)</u>
	<u><u>\$ 4,551,144</u></u>	<u><u>\$ 4,436,955</u></u>

Total depreciation expense for the years ended June 30, 2021 and 2020 was \$226,447 and \$188,424, respectively. Depreciation expense allocated to rental properties for the years ended June 30, 2021 and 2020 was \$70,763 and \$51,664, respectively.

5. LAND AND BUILDING HELD FOR INVESTMENT

Management obtained valuations provided by real estate brokers and/or utilized the sales price in a contract for sale in estimating the fair value of its land and building held for investment as of June 30, 2021 and 2020. In July 2021, the Organization sold its land and building held for investments for gross proceeds of \$9,720,500 (see Note 19).

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

5. LAND AND BUILDING HELD FOR INVESTMENT (continued)

Land and building held for investment consisted of the following:

	<u>2021</u>	<u>2020</u>
Morgan Hill property	<u>\$ 9,139,230</u>	<u>\$ 7,500,000</u>

6. PAYCHECK PROTECTION PROGRAM LOANS

The Health Trust and FASS both were granted loans under promissory notes issued by Bank of San Francisco, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, and is administered by the U.S. Small Business Administration ("SBA"). On April 27, 2020, The Health Trust received it's round of funding for \$1,314,500 and on April 13, 2020, FASS received it's round of funding for \$523,300. The term of the loans is five years and interest rate is 1%. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

The Health Trust and FASS recognized the PPP loans as refundable advance - PPP in accordance with guidance for conditional contributions. The Health Trust and FASS recorded \$1,837,800 as refundable advance - PPP as of June 30, 2020, since the bank / SBA review was not completed and satisfied as of June 30, 2020. The Health Trust and FASS have applied for and have received formal forgiveness for the loans during the year ended June 30, 2021. On June 9, 2021, The Health Trust received partial forgiveness for \$1,250,788 and FASS received full forgiveness of \$523,300 of the PPP loans from the SBA. The amounts forgiven were recognized as government grants - PPP on the consolidated statement of activities. The remaining principal of the PPP loan of \$63,712 and accrued interest of \$743 was fully paid off by The Health Trust as of June 30, 2021.

7. ENDOWMENT

The Organization's endowment of \$222,481 and \$171,481 as of June 30, 2021 and 2020, respectively, consists of individual donor-restricted endowment funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

While the Uniform Prudent Management of Institutional Funds Act (UPMIFA) only applies to the Organization's Donor Restricted Endowment Funds in the amount of \$222,481 and \$171,481 as of June 30, 2021 and 2020, respectively, it is the intent of the trustees of The Health Trust to have the Finance and Investment Committee also apply the investment standards of UPMIFA in the management of its Board-Designated and Net Assets Without Donor Restrictions (Note 8) in the amounts of \$114,768,205 and \$17,660,251 as of June 30, 2021 and \$94,912,318 and \$12,737,008 as of June 30, 2020.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

7. ENDOWMENT (continued)

Interpretation of relevant law

The Board of Trustees of The Health Trust has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Health Trust classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the California version of UPMIFA, in making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, all of the following factors:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original contributed amount by the donor. In accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP), as of June 30, 2021 and 2020, there were no deficiencies of this nature that are required to be reported in net assets without donor restrictions.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

7. ENDOWMENT (continued)

Investment return objectives, spending policy, risk parameters and strategies

The Health Trust has adopted investment and spending policies, approved by the Board of Trustees, for investment assets that attempt to provide a predictable stream of funding to programs supported by its investment funds while also maintaining the purchasing power of those investment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Investment assets are invested in a well-diversified asset mix, which includes equities, alternative investments, fixed income, and cash and equivalents, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution as determined by the Board of Trustees. The Board of Trustees set a target spending rate of 5% which was calculated from a 5-year moving average of quarterly market values on the investment assets. The Organization expects its investment assets, over time, to produce an average rate of return of approximately 7% annually, which is the spending rate plus an annual inflation rate of 2%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total investment funds; investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

		<u>With Donor Restrictions</u>		
	<u>Without Donor</u>	<u>Subject to</u>	<u>Held in</u>	
	<u>Restrictions</u>	<u>Appropriation</u>	<u>Perpetuity</u>	<u>Total</u>
		<u>and Spending</u>		
		<u>Policy</u>		
Donor-restricted	\$ -	\$ 176,239	\$ 222,481	\$ 398,720
endowment funds				

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

		<u>With Donor Restrictions</u>		
	<u>Without Donor</u>	<u>Subject to</u>	<u>Held in</u>	
	<u>Restrictions</u>	<u>Appropriation</u>	<u>Perpetuity</u>	<u>Total</u>
		<u>and Spending</u>		
		<u>Policy</u>		
Donor-restricted	\$ -	\$ 95,633	\$ 171,481	\$ 267,114
endowment funds				

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

7. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2021 is as follows:

			<u>With Donor Restrictions</u>		
		Without Donor	Subject to	Held in	
		Restrictions	Appropriation	Perpetuity	Total
			and Spending		
			Policy		
Balance, June 30, 2020	\$	-	\$ 95,633	\$ 171,481	\$ 267,114
Contributions		-	-	51,000	51,000
Interest and dividends		-	9,811	-	9,811
Net realized and					
unrealized gains on					
investments		-	72,152	-	72,152
Investment fees		-	(1,357)	-	(1,357)
		-	-	-	-
Balance, June 30, 2021	\$	-	\$ 176,239	\$ 222,481	\$ 398,720

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

			<u>With Donor Restrictions</u>		
		Without Donor	Subject to	Held in	
		Restrictions	Appropriation	Perpetuity	Total
			and Spending		
			Policy		
Balance, June 30, 2019	\$	-	\$ 93,959	\$ 171,481	\$ 265,440
Interest and dividends		-	13,227	-	13,227
Net realized and					
unrealized losses on					
investments		-	(10,404)	-	(10,404)
Investment fees		-	(1,149)	-	(1,149)
		-	-	-	-
Balance, June 30, 2020	\$	-	\$ 95,633	\$ 171,481	\$ 267,114

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

8. DESIGNATED NET ASSETS

Under California Charitable Trust Law, The Health Trust's assets and income must be used consistently with the purposes set forth in The Health Trust's Articles of Incorporation at the time the assets were obtained. After the sale of its hospital related operations in 1996, The Health Trust engaged in extensive negotiations with the Office of the California Attorney General (the "AG") and received court approval for a long-term plan for the use of its assets in October 1997. On June 8, 1998, The Health Trust amended its bylaws to reflect a new agreement with the AG for an alternative plan for the use of its assets. The amended bylaws established a single board-designated fund.

The board-designated fund of \$114,768,205 and \$94,912,318 as of June 30, 2021 and 2020, respectively, is reserved for medically related services and expenditures provided within Santa Clara County and Northern San Benito County (or for the benefit of residents of that service area) by or through a public or not-for-profit tax-exempt hospital. Insurance covering medical services for the medically indigent may also be funded.

The board-designated fund of \$419,641 and \$234,452 as of June 30, 2021 and 2020, respectively, is reserved for the Organization's HIV/AIDS Services and Meals on Wheels programs.

The undesignated portion of The Health Trust's net assets are available for The Health Trust's general purposes to promote and enhance the health of the greater Santa Clara County community and totaled \$17,660,251 and \$12,737,008 as of June 30, 2021 and 2020, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2021	2020
Meals on Wheels	\$ 2,256,225	\$ 1,052,645
Other purposes	448,378	329,861
Food & Nutrition Services	252,178	208,187
AIDS services	242,302	289,638
Held in perpetuity	222,481	171,481
Children's Dental Services	180,900	180,900
Endowment earnings (subject to appropriation and spending policy)	176,239	95,633
Behavioral Health Contractors Association	151,501	112,390
COVID Relief Fund	100,072	88,987
Community Health Promotion	46,565	492,415
Natalie Fund	-	22,183
	<u>\$ 4,076,841</u>	<u>\$ 3,044,320</u>

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2021</u>	<u>2020</u>
Community Health Promotion	\$ 473,950	\$ 424,497
Meals on Wheels	448,361	664,766
Food & Nutrition Services	206,426	142,105
Behavioral Health Contractors Association	145,653	120,238
AIDS services	125,935	267,255
COVID Relief Fund	59,028	56,885
Other purposes	58,481	165,999
Natalie Fund	<u>22,183</u>	<u>-</u>
	<u><u>\$ 1,540,017</u></u>	<u><u>\$ 1,841,745</u></u>

10. CONTRIBUTIONS IN-KIND

The estimated fair value of donated food and supplies, rent, software, legal services, and property and equipment are recorded as contributions.

Contributions in-kind consisted of the following:

	<u>2021</u>	<u>2020</u>
Food and supplies	\$ 853,465	\$ 1,008,218
Building and equipment rental	230,960	208,588
Donated software	32,400	-
Donated legal	1,868	-
Donated property and equipment	<u>-</u>	<u>4,555</u>
	<u><u>\$ 1,118,693</u></u>	<u><u>\$ 1,221,361</u></u>

Volunteers also donated 10,483 and 14,282 hours of non-professional services for the years ended June 30, 2021 and 2020, respectively. Management has estimated the value of these services to be \$299,185 and \$388,470. Since these services did not require specialized skills, they have not been recorded as support and expenses in the consolidated financial statements.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

11. COMMITMENTS AND CONTINGENCIES

Contracts

The Organization's grants and contracts are subject to inspection and audit by the funding governmental agency. The purpose of such audits is to determine whether program funds were used in accordance with their respective guidelines and regulations. While management believes program funds were utilized in accordance with program guidelines, it is possible that funded program costs could ultimately be disallowed. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has recorded no additional provisions for the possible disallowance of program costs on its financial statements.

Litigation

In the normal course of operations, the Organization is involved in various legal discussions. The Organization's management does not expect any of these discussions to lead to legal proceedings resulting in material adverse effect on the Organization's financial statements.

12. OPERATING LEASE COMMITMENTS

The Organization leases facilities and equipment under operating lease agreements which require monthly payments ranging from \$2,500 to \$11,562 per month and expiring at various dates through June 2026. In August 2021, the Organization signed a new facilities lease that commenced September 2021 and expires in December 2026 (see Note 19). Scheduled lease payments for this new lease are included in the below schedule.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2022	\$ 197,885
2023	276,034
2024	284,309
2025	292,838
2026	301,623
Thereafter	<u>81,280</u>
	<u>\$ 1,433,969</u>

Rental expense, including in-kind rent, for the years ended June 30, 2021 and 2020 was \$416,757 and \$623,693, respectively. Rental expense allocated to rental properties for the years ended June 30, 2021 and 2020 was \$4,852 and \$12,908, respectively.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

13. BUILDING RENTAL INCOME

The Organization leases a portion of its office building to various entities. The leases expire on various dates through September 2025. The Organization is responsible for all operating and maintenance expenses and other costs of ownership of the facility.

The future minimum rental income under the leases is as follows:

<u>Year ending June 30,</u>	
2022	\$ 579,618
2023	597,006
2024	614,917
2025	633,634
2026	<u>82,843</u>
	<u>\$ 2,508,018</u>

Rental income for the years ended June 30, 2021 and 2020 was \$400,026 and \$229,785 respectively.

14. CONDITIONAL GOVERNMENT GRANTS

Conditional government grants are recognized when the Organization meets the terms of the conditions in the grant agreement.

The conditional government grants are detailed as follows:

Incurring qualifying expenses for various federal, state and local grants	<u>\$ 4,001,904</u>
---------------------------------------------------------------------------	---------------------

15. PENSION PLANS

The Health Trust and FASS sponsor pension plans under Internal Revenue Code Sections 401(a), 403(b), 401(k) and 457(f). The plans cover all employees who meet the eligibility requirements.

- *401(a) Plan* - Contributions to the 401(a) plan are discretionary and are determined annually by The Health Trust's Board of Trustees. For the years ended June 30, 2021 and 2020, contributions to the 401(a) plan were \$105,889 and \$118,025, respectively.
- *403(b) Plan* - Under the 403(b) plan, eligible employees may contribute a percentage of their compensation as defined in the plan agreements in accordance with Internal Revenue Service regulations. In general, The Health Trust matches 50% of an employee's contribution up to 6% of an employee's salary. For the years ended June 30, 2021 and 2020, employer contributions to the 403(b) plan were \$120,619 and \$129,132, respectively.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

15. PENSION PLANS (continued)

- *401(k) Plan* - Under the 401(k) plan, eligible employees may contribute a percentage of their compensation as defined in the plan agreements in accordance with Internal Revenue Service regulations. In general, Financial Administrative Support Services matches 100% of an employee's first 3% of 401(k) contributions and 50% of the next 2% for a maximum match of 4% (if the employee contributes 5% or more). For the years ended June 30, 2021 and 2020, employer contributions to the 401(k) plan were \$200,160 and \$181,185, respectively.
- *457(f) Plan* - The Health Trust also maintains 457(f) deferred compensation plans for senior executives. Contributions to the plans are determined by the Board of Trustees each year and subject to substantial risk of forfeiture. For the years ended June 30, 2021 and 2020, The Health Trust did not make any contributions to the 457(f) plan.

16. CONFLICT OF INTEREST POLICY

The Board of Trustees has adopted a Conflict of Interest Policy to ensure the highest ethical conduct, integrity and transparency in all their dealings. Trustees, Directors and Officers annually review and acknowledge the Policy, which provides clear guidance and procedures to Trustees, Directors and Officers regarding the identification, disclosure, management, and resolution of real or perceived conflicts of interest.

17. LIQUIDITY

As part of the Organization's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Long-term investments include endowment funds consisting of donor-restricted endowments. Income from donor-restricted endowments is restricted until appropriated in accordance with the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, is not available for general expenditure until appropriated. The Board of Trustees voted to expand the Organization's grantmaking allocation by an additional \$1,000,000 for the year ending June 30, 2022 for COVID-19 recovery efforts. In total for the year ending June 30, 2022, the Board of Trustees has approved a spending rate of 6%. Appropriations totaling \$5,908,624 from the Organization's investments are planned to be available within the next 12 months.

Short-term grants and contributions receivable consists of grants and contributions receivable expected to be received within one year from June 30, 2021. Unrestricted short-term grants and contributions receivable will be available to support general operations of the Organization.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

17. LIQUIDITY (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2021 to fund general expenditures and other obligations when they become due:

Financial assets:	
Cash and cash equivalents	\$ 4,478,055
Restricted cash	147,277
Investments	118,591,762
Grants receivable, net	2,334,948
Contributions receivable	90,684
Investments - donor restricted endowment	222,481
	<u>125,865,207</u>
Less: amounts unavailable for general expenditure within one year:	
Board designated for medically related services (excluding \$5,908,624 of planned appropriation)	(108,859,581)
Board designated for programs	(419,641)
Net assets restricted for specified purposes	(3,678,121)
Unappropriated earnings on endowment	(176,239)
Endowment investments held in perpetuity	(222,481)
	<u>(113,356,063)</u>
	<u>\$ 12,509,144</u>

18. COVID-19 IMPACT

During the COVID-19 pandemic, the services the Organization provides have generally been considered essential in nature and have not been materially interrupted. The COVID-19 pandemic continued to impact demand for services provided by The Health Trust during FY21. Demand for home-delivered meals remained high, approximately triple what demand was pre-pandemic. The Organization also served 52% more households accessing over 272,000 pounds of free groceries. Client demand for mental health services increased as well. The Health Trust staff and volunteers logged 2,152 friendly phone calls to homebound seniors, achieving 176% of the annual goal. See additional details of programmatic services in Note 1.

With a possible resurgence of COVID-19, the Organization continues to closely monitor its ability to provide services to its clients, as well as, the impact on its contractors, sub-contractors, suppliers, vendors and employees.

19. SUBSEQUENT EVENTS

On July 1, 2021, the Organization sold its land and building held for investments for gross proceeds of \$9,720,500 (see Note 5).

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

19. SUBSEQUENT EVENTS (continued)

In August 2021 the Organization signed a new facilities lease that commenced in September 2021 and expires in December 2026 with total scheduled lease payments of \$766,809 (see Note 12).

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees and the Board of Directors
The Health Trust and Subsidiary
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Health Trust (a California nonprofit corporation) and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Jose, California

December 27, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Trustees and the Board of Directors
The Health Trust and Subsidiary
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited The Health Trust (a California nonprofit corporation) and Subsidiary (the "Organization")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Armanino^{LLP}
San Jose, California

December 27, 2021

The Health Trust and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants			
Pass-through program from:			
City of Milpitas	14.218	N/A	\$ 16,000
City of San Jose	14.218	CPS-17-002	125,000
City of Santa Clara	14.218	B-20-MC-06-0022	27,825
Total Community Development Block Grants/Entitlement Grants			<u>168,825</u>
Housing Opportunities for Persons With AIDS			
Pass-through program from:			
City of San Jose	14.241	HOP-16-003	1,122,148
City of San Jose (PSH)	14.241	HPSH-19-001	336,797
City of San Jose (VAWA)	14.241	HVAW-16-001	383,222
Total Housing Opportunities for Persons With AIDS			<u>1,842,167</u>
Home Investment Partnerships Program			
Pass-through program from:			
City of San Jose	14.239	HOME-17-001	<u>336,268</u>
Total U.S. Department of Housing and Urban Development			<u>2,347,260</u>
U.S. Department of Agriculture			
Emergency Food Assistance Program (Food Commodities)			
Pass-through program from:			
State of California Department of Social Services - Second Harvest of Silicon Valley	10.569	N/A	<u>182,761</u>
U.S. Department of the Treasury			
Coronavirus Relief Fund			
Pass-through program from:			
City of San Jose Meal Distribution Services Within San Jose	21.019	N/A	1,692,658
City of San Jose Meal Distribution Services Outside San Jose	21.019	N/A	84,634
Second Harvest of Silicon Valley (Food Commodities)	21.019	N/A	26,700
Total Coronavirus Relief Fund			<u>1,803,992</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

The Health Trust and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services			
Special Programs for the Aging, Title III, Part C, Nutrition Services			
Pass-through program from:			
Sourcewise	93.045	20200402.00	5,000
Sourcewise	93.045	20210402.00	80,000
Sourcewise	93.045	2021.CA0329.00	139,434
County of Santa Clara	93.045	SBC-THT-HDM- FY15/22	97,185
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>321,619</u>
Nutrition Services Incentive Program			
Pass-through program from:			
Sourcewise	93.053	20200402.00	3,987
Sourcewise	93.053	20210402.00	14,182
Total Nutrition Services Incentive Program			<u>18,169</u>
HIV Emergency Relief Program Grants			
Direct awards			
Pass-through program from:			
County of Santa Clara	93.914	N/A	1,797,639
County of Santa Clara	93.914	N/A	33,196
Total HIV Emergency Relief Program Grants			<u>1,830,835</u>
HIV Care Formula Grants			
Direct awards			
Pass-through program from:			
California Department of Public Health Office of AIDS	93.917	4300019191	194,344
California Department of Public Health Office of AIDS	93.917	17-10776	205,930
Total HIV Care Formula Grants			<u>400,274</u>
Total U.S. Department of Health and Human Services			<u>2,570,897</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program	97.024	N/A	40,000
Total Expenditures of Federal Awards			<u>\$ 6,944,910</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

The Health Trust and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Health Trust under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Health Trust, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Health Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Pass-through entity identifying numbers

Pass-through entity identifying numbers are presented where available.

3. INDIRECT COST RATE

The Health Trust has elected to not use the 10% de minimus indirect cost rate for federal awards. The Health Trust applies indirect costs in accordance with the specific terms of its federal award agreements.

The Health Trust and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

The Health Trust and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

The Health Trust and Subsidiary
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

There were no prior year findings.