

## **The Health Trust and Subsidiary**

Consolidated Financial Statements  
and Single Audit Reports and Schedules

June 30, 2022  
(With Comparative Totals for 2021)



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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying consolidated financial statements of The Health Trust and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, 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.

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, 2022, 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.

### **Basis of Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Health Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Report on Summarized Comparative Information**

We have previously audited The Health Trust's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Responsibilities of Management 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, and for 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.



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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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, including omissions, 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Health Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Health Trust'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.

## Supplementary Information

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 14, 2022, 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.



Armanino<sup>LLP</sup>  
San Jose, California

December 14, 2022

The Health Trust and Subsidiary  
Consolidated Statement of Financial Position  
June 30, 2022  
(With Comparative Totals for 2021)

	2022	2021
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,964,005	\$ 4,478,055
Restricted cash	513,837	147,277
Investments	111,832,111	118,591,762
Grants receivable, net	2,746,843	2,334,948
Contributions receivable	301,482	90,684
Prepaid expenses and other current assets	369,491	385,171
Total current assets	117,727,769	126,027,897
Noncurrent assets		
Land and building held for investment	-	9,139,230
Property and equipment, net	4,695,671	4,551,144
Investments - donor restricted endowment	223,481	222,481
Total noncurrent assets	4,919,152	13,912,855
Total assets	\$ 122,646,921	\$ 139,940,752
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 348,055	\$ 349,598
Accrued payroll and related liabilities	1,328,689	1,635,806
Other accrued expenses	276,952	230,410
Deferred revenue	20,000	800,000
Capital lease obligations, current portion	25,007	-
Total current liabilities	1,998,703	3,015,814
Long-term liabilities		
Capital lease obligations, net of current portion	58,350	-
Deferred rent	47,598	-
Total long-term liabilities	105,948	-
Total liabilities	2,104,651	3,015,814
Net assets		
Without donor restrictions		
Designated for medically related services	98,804,915	114,768,205
Designated for programs	565,146	419,641
Undesignated	15,691,516	17,660,251
Total without donor restrictions	115,061,577	132,848,097
With donor restrictions		
Restricted for specified purposes	5,120,689	3,678,121
Subject to appropriation and spending policy	136,523	176,239
Held in perpetuity	223,481	222,481
Total with donor restrictions	5,480,693	4,076,841
Total net assets	120,542,270	136,924,938
Total liabilities and net assets	\$ 122,646,921	\$ 139,940,752

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, 2022  
(With Comparative Totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Support and revenue				
Support				
Government grants	\$ 8,325,810	\$ 13,500	\$ 8,339,310	\$ 10,791,890
Contributions	792,222	2,871,122	3,663,344	2,942,106
Contributions in-kind	1,047,551	-	1,047,551	1,118,693
Government grants - PPP	-	-	-	1,774,088
Special events, net of expenses \$43,683 and \$0 for the year ended June 30, 2022 and 2021, respectively	192,091	-	192,091	-
Net assets released from restriction	<u>1,415,302</u>	<u>(1,415,302)</u>	<u>-</u>	<u>-</u>
Total support	<u>11,772,976</u>	<u>1,469,320</u>	<u>13,242,296</u>	<u>16,626,777</u>
Revenue				
Fees for financial administrative support services	3,952,362	-	3,952,362	3,879,769
Fee for other services	1,038,583	-	1,038,583	476,836
Other revenue	622,777	6,500	629,277	-
Rental income	600,253	-	600,253	400,026
Investment income (loss), net	<u>(12,681,327)</u>	<u>(71,968)</u>	<u>(12,753,295)</u>	<u>29,269,432</u>
Total revenue	<u>(6,467,352)</u>	<u>(65,468)</u>	<u>(6,532,820)</u>	<u>34,026,063</u>
Total support and revenue	<u>5,305,624</u>	<u>1,403,852</u>	<u>6,709,476</u>	<u>50,652,840</u>
Functional expenses				
Program services	15,794,459	-	15,794,459	17,166,821
Management and general	2,380,053	-	2,380,053	2,850,994
Fundraising	699,152	-	699,152	560,575
Financial administrative support services	<u>4,218,480</u>	<u>-</u>	<u>4,218,480</u>	<u>4,077,610</u>
Total functional expenses	<u>23,092,144</u>	<u>-</u>	<u>23,092,144</u>	<u>24,656,000</u>
Change in net assets	(17,786,520)	1,403,852	(16,382,668)	25,996,840
Net assets, beginning of year	<u>132,848,097</u>	<u>4,076,841</u>	<u>136,924,938</u>	<u>110,928,098</u>
Net assets, end of year	<u>\$ 115,061,577</u>	<u>\$ 5,480,693</u>	<u>\$ 120,542,270</u>	<u>\$ 136,924,938</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, 2022  
(With Comparative Totals for 2021)

	Program Services				Support Services			Financial Administrative Support Services	2022 Total	2021 Total	
	Chronic Disease Services		Health in Housing	Food & Nutrition Services	Total Program Services	Management and General	Fundraising				Total Support Services
	Community Health Promotion	HIV/AIDS Services									
Grants to others	\$ 2,905,290	\$ 18,748	\$ 240,380	\$ 649,959	\$ 3,814,377	\$ -	\$ -	\$ -	\$ 150	\$ 3,814,527	\$ 3,445,850
Salaries and related expenses											
Salaries and wages	252,891	1,099,787	1,657,324	1,073,148	4,083,150	708,839	327,918	1,036,757	2,823,128	7,943,035	8,622,505
Employee benefits	49,513	356,363	542,758	354,218	1,302,852	229,349	135,481	364,830	891,494	2,559,176	2,624,228
Payroll taxes	21,065	97,153	143,347	91,932	353,497	49,595	26,276	75,871	237,846	667,214	705,975
Total salaries and related expenses	323,469	1,553,303	2,343,429	1,519,298	5,739,499	987,783	489,675	1,477,458	3,952,468	11,169,425	11,952,708
Other expenses											
Purchased services	206,179	98,923	1,617,932	2,459,018	4,382,052	182,688	25,842	208,530	338,117	4,928,699	5,721,368
Supplies	469,064	491,957	24,260	24,794	1,010,075	64,888	96,916	161,804	46,776	1,218,655	1,279,890
Building and equipment rental	341	104,938	223,489	22,702	351,470	3,071	2,257	5,328	127,370	484,168	464,992
Legal and professional fees	1,257	20,563	54,424	7,291	83,535	152,901	48,398	201,299	8,641	293,475	614,636
Other operating expenses	4,400	11,300	44,084	61,089	120,873	67,926	12,958	80,884	106,050	307,807	261,405
Expenses related to rental properties	-	-	-	-	-	250,616	-	250,616	-	250,616	244,372
Utilities	1,697	60,053	39,452	29,551	130,753	25,484	5,805	31,289	40,907	202,949	254,129
Depreciation	2,183	29,942	7,830	30,398	70,353	82,010	7,363	89,373	30,824	190,550	155,684
Insurance	2,577	18,262	27,862	24,412	73,113	65,986	4,359	70,345	14,381	157,839	134,309
Building expense	1,611	3,783	2,288	10,677	18,359	30,071	5,579	35,650	-	54,009	69,473
Losses on disposal of assets	-	-	-	-	-	-	-	-	14,733	14,733	-
Income taxes	-	-	-	-	-	-	-	-	4,692	4,692	36,243
Interest	-	-	-	-	-	-	-	-	-	-	20,941
Total other expenses	689,309	839,721	2,041,621	2,669,932	6,240,583	925,641	209,477	1,135,118	732,491	8,108,192	9,257,442
Total functional expenses before reclassification	3,918,068	2,411,772	4,625,430	4,839,189	15,794,459	1,913,424	699,152	2,612,576	4,685,109	23,092,144	24,656,000
FASS expenses allocated	-	-	-	-	-	466,629	-	466,629	(466,629)	-	-
Total functional expenses	\$ 3,918,068	\$ 2,411,772	\$ 4,625,430	\$ 4,839,189	\$ 15,794,459	\$ 2,380,053	\$ 699,152	\$ 3,079,205	\$ 4,218,480	\$ 23,092,144	\$ 24,656,000

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, 2022  
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (16,382,668)	\$ 25,996,840
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	273,931	226,447
Contributions restricted for investment in donor restricted endowment funds	(1,000)	(51,000)
Net unrealized (gains) losses on investments	24,257,119	(25,004,129)
Net realized gains on investments	(8,906,206)	(1,358,212)
Loss on disposal of property and equipment	14,733	9,312
Changes in operating assets and liabilities		
Grants receivable, net	(411,895)	2,461,106
Contributions receivable	(210,798)	37,901
Prepaid expenses and other current assets	15,680	(54,001)
Accounts payable	(1,543)	(104,375)
Accrued payroll and related liabilities	(307,117)	455,594
Other accrued expenses	46,542	(9,189)
Deferred revenue	(780,000)	600,000
Refundable advance - PPP	-	(1,837,800)
Deferred rent	47,598	-
Net cash provided by (used in) operating activities	<u>(2,345,624)</u>	<u>1,368,494</u>
Cash flows from investing activities		
Purchases of investments	(77,898,608)	(8,230,571)
Proceeds from sale and maturity of investments	69,306,346	7,919,567
Purchases of property and equipment	(433,191)	(349,948)
Proceeds from sale of property and equipment	9,139,230	-
Net cash provided by (used in) investing activities	<u>113,777</u>	<u>(660,952)</u>
Cash flows from financing activities		
Contributions restricted for investments in donor restricted endowment funds	1,000	51,000
Capital lease obligations	95,861	-
Payments on capital lease obligations	(12,504)	-
Net cash provided by financing activities	<u>84,357</u>	<u>51,000</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(2,147,490)	758,542
Cash, cash equivalents and restricted cash, beginning of year	<u>4,625,332</u>	<u>3,866,790</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,477,842</u>	<u>\$ 4,625,332</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, 2022  
 (With Comparative Totals for 2021)

	2022	2021
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,964,005	\$ 4,478,055
Restricted cash	513,837	147,277
	\$ 2,477,842	\$ 4,625,332

Supplemental disclosure of cash flow information

Cash paid during the year for income taxes	\$ 2,222	\$ 36,243
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The accompanying notes are an integral part of these consolidated financial statements.

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

1. NATURE OF OPERATIONS

The Health Trust ("THT")

The Health Trust's mission is to build health equity in Silicon Valley. THT 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, it has served the Silicon Valley community as a nonprofit operating foundation. For more than 25 years, THT has ensured that health related grants, policies, and services exist to help give everyone the opportunity to be healthy. THT, with the exception of the Financial Administrative Support Services (FASS) subsidiary, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

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

Annually, it commits to invest over \$2.0 million 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 its most vulnerable populations.

Since the start of the pandemic in March 2020, The Health Trust has expanded grantmaking to address COVID-related needs. During the last two and a half years, THT committed an additional \$2.7 million in grantmaking to deliver essential health-related services, plan longer-term pandemic recovery efforts, and reach residents in the communities hardest-hit by the pandemic.

Provider

As a provider, THT provides direct services to community members in the areas of food and nutrition, chronic disease prevention and management, and housing.

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

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

1. NATURE OF OPERATIONS (continued)

- *Food is Medicine* - THT, 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. While this pilot was slated to wind down in FY21, THT received short-term state funding to provide Medically Tailored Meals to an expanded list of eligible clients during FY22. With the addition of this funding, THT doubled the number of clients served and provided triple the number of meals. The 272 clients served by THT in this program received 57,000 meals and more than 500 Registered Dietitian sessions.
- *Meals on Wheels* - delivers nutritious meals five days a week to low-income, homebound seniors and adults with disabilities. In addition to the meals, drivers also provide wellness checks, making sure that clients are safe, alert, and stable. In FY22, demand for meals remained high at about triple pre-pandemic levels. THT provide more than 275,000 meals and more than 49,000 wellness checks during the fiscal year.
- *Friends from Meals on Wheels* - is a friendly visitor program aimed to decrease social isolation by providing more than 1,900 friendly visits or phone calls to older adults. In client surveys, 96% of clients reported that participating in the program made them feel more socially connected, and 80% believed that the program was very important to their daily well-being.
- *Jerry Larson FOODBasket* - is a community hub that provides high quality food and nutrition services, as well as engagement opportunities for volunteers. Annually, THT distributes more than 198,000 pounds of food donated primarily by Second Harvest of Silicon Valley to 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.
- *Free Grocery 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 the community members at the Tropicana Shopping Center in East San Jose. Approximately 245,000 pounds of food is distributed to the Community, reaching more than 2,600 households per year.

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

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

1. NATURE OF OPERATIONS (continued)

- *HIV/AIDS Services* - THT is the largest non-medical HIV/AIDS program in Santa Clara County, providing variety of services include medical and non-medical case management, care coordination and food assistance - serving more than 600 low-income clients. During Q4 of FY22, 93% of clients on highly active antiretroviral therapy had undetectable HIV viral loads (compared to 88% nationally for 2020), and 100% of clients engaged in medical care.

Housing Services: provides financial support, case management, housing navigation, and other support services clients need to remain stably housed. THT specializes in 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. THT 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 more than 600 individuals who have been homeless annually, of which 179 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 FY22, 104 families received homelessness prevention services, 121 families received COVID rent support, and 71 families received case management and linkages to community services.
- The Housing Plus Project (HPP) - screens and assesses individuals living with HIV/AIDS who are at risk of losing housing due to financial hardship, and provides support services to eligible clients to prevent deterioration of health. Clients receive short-term financial assistance and case management services. In FY22, HPP served 40 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 FY22, HFH served 96 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 FY22, THT served 213 clients residing at "scattered Permanent Supportive Housing sites" across Santa Clara County.

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

1. NATURE OF OPERATIONS (continued)

FY22 also marked the start of California Advancing and Innovating Medi-Cal (CalAIM), a multi-year initiative by the Department of Health Care Services (DHCS) to improve the quality of life and health outcomes of Medi-Cal members. The initiative focuses on implementing a broad delivery system, program, and payment reform across the Medi-Cal program. One CalAIM goal is to improve quality of life for Medi-Cal members through services provided through community-based organizations. In FY22, THT entered into contracts with Santa Clara County's two Medi-Cal managed care plans to provide Enhanced Care Management (ECM) and Community Support (CS) services, as part of CalAIM.

Advocate

As an advocate, THT champions systems and policy changes that align with its three focus areas. During FY22, THT amplified 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 FY22, THT provided staff support to a local Health and Racial Equity Task Force led by Santa Clara County Supervisor Cindy Chavez and San Jose City Council member Magdalena Carrasco. THT also co-led a nonprofit subgroup of the County of Santa Clara's COVID-19 Vaccine Task Force, served on the City of San Jose's COVID-19 Recovery Task Force, and took positions on numerous local health policy initiatives.
- THT also co-led a collaborative initiative with other local health organizations to develop a shared *Healthy Equity Agenda*, a curated set of community health indicators that organizations will jointly track in Santa Clara County.
- State Legislation - THT 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. THT also co-sponsored Assembly Bill 97 (Nazarian), an insulin affordability bill.
- Behavioral Health Workforce Pipeline Project - THT convened local health partners to launch a behavioral health workforce pipeline project, with a goal of recruiting, training, and retaining diverse staff who can support residents with behavioral health challenges. THT raised seed funding for the project, and the Behavioral Health Contractor's Association of Santa Clara County is now leading project implementation.
- Food is Medicine - THT 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 health care, THT can produce better health outcomes, lower the cost of care, and improve patient satisfaction.

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

1. NATURE OF OPERATIONS (continued)

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").

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In September 2020, the Financial Accounting Standards Boards ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including fixed assets, supplies, services, and other items. The update includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Organization adopted ASU 2020-07 with a date of the initial application of July 1, 2021, using full retrospective method.

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 and 2021, the allowance for doubtful accounts was \$40,348 and \$11,678, 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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

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.

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 Administrative Support Services received in advance for fiscal year end 2022-2023 services as of June 30, 2022 are classified as deferred revenue.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 and 2021. Total grants to others was \$3,814,527 and \$3,445,850 for the years ended June 30, 2022 and 2021, respectively.

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, employee 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, 2022 and 2021 was \$1,204 and \$989, respectively, and is included in other operating expenses on the consolidated statement of functional expenses.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021, from which the summarized information was derived.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2022 for potential recognition or disclosure in the consolidated financial statements. The Organization has no subsequent events that required recognition or disclosure in the consolidated financial statements for the year ended June 30, 2022. Subsequent events have been evaluated through December 14, 2022, 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>2022</u>	<u>2021</u>
Marketable alternatives	\$ 36,756,201	\$ 29,597,807
Fixed income securities	27,953,146	28,354,959
International equities	19,369,850	22,997,033
Large cap value equities	17,130,107	23,396,089
All cap growth equities	7,463,753	9,200,896
Small cap equities	2,158,169	2,910,387
Venture capital funds and limited partnerships	<u>1,224,366</u>	<u>2,357,072</u>
	<u>\$ 112,055,592</u>	<u>\$ 118,814,243</u>

Capital commitments related to limited partnerships as of June 30, 2022 and 2021, were \$6,566,400 and \$15,366,400, respectively.

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

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3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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 following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Marketable alternatives	\$ -	\$ -	\$ 36,756,201	\$ 36,756,201
Fixed income securities	27,953,084	62	-	27,953,146
International equities	19,369,850	-	-	19,369,850
Large cap value equities	17,130,107	-	-	17,130,107
All cap growth equities	7,463,753	-	-	7,463,753
Small cap equities	2,158,169	-	-	2,158,169
Venture capital funds and limited partnerships	<u>-</u>	<u>-</u>	<u>1,224,366</u>	<u>1,224,366</u>
	<u>\$ 74,074,963</u>	<u>\$ 62</u>	<u>\$ 37,980,567</u>	<u>\$ 112,055,592</u>

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
International equities	22,997,033	-	-	22,997,033
Large cap value equities	23,396,089	-	-	23,396,089
All cap growth equities	9,200,896	-	-	9,200,896
Small cap equities	2,910,387	-	-	2,910,387
Venture capital funds and limited partnerships	<u>-</u>	<u>-</u>	<u>2,357,072</u>	<u>2,357,072</u>
	<u>\$ 86,859,277</u>	<u>\$ 87</u>	<u>\$ 31,954,879</u>	<u>\$ 118,814,243</u>

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3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Net investment income (loss) consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest income	\$ 10,888,136	\$ 3,349,822
Net realized and unrealized gains (losses) on investments	<u>(23,148,641)</u>	<u>26,362,341</u>
	(12,260,505)	29,712,163
Investment expense	<u>(492,790)</u>	<u>(442,731)</u>
	<u>\$ (12,753,295)</u>	<u>\$ 29,269,432</u>

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 31,954,879	\$ 24,334,883
Net realized and unrealized gains	912,668	7,869,863
Investment management fees	(1,415)	(3,750)
Return of capital	(1,403,015)	-
Capital contributions	7,432,079	904,913
Proceeds from redemptions and distributions	<u>(914,629)</u>	<u>(1,151,030)</u>
Balance, end of year	<u>\$ 37,980,567</u>	<u>\$ 31,954,879</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 3,149,436	\$ 2,965,588
Land	2,350,000	2,350,000
Furniture and equipment	1,232,088	1,066,738
Leasehold improvements	<u>941,072</u>	<u>944,295</u>
	7,672,596	7,326,621
Accumulated depreciation	<u>(2,976,925)</u>	<u>(2,775,477)</u>
	<u>\$ 4,695,671</u>	<u>\$ 4,551,144</u>

Total depreciation expense for the years ended June 30, 2022 and 2021 was \$273,931 and \$226,447, respectively. Depreciation expense allocated to rental properties for the years ended June 30, 2022 and 2021 was \$83,381 and \$70,763, respectively.

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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. In July 2021, the Organization sold its land and building held for investments for gross proceeds of \$9,720,500.

Land and building held for investment consisted of the following:

	2022	2021
Morgan Hill property	\$ -	\$ 9,139,230

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 its round of funding for \$1,314,500 and on April 13, 2020, FASS received its 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 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 \$223,481 and \$222,481 as of June 30, 2022 and 2021, 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.

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7. ENDOWMENT (continued)

While the Uniform Prudent Management of Institutional Funds Act (UPMIFA) only applies to the Organization's Donor Restricted Endowment Funds in the amount of \$223,481 and \$222,481 as of June 30, 2022 and 2021, 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 \$98,804,915 and \$15,691,516 as of June 30, 2022 and \$114,768,205 and \$17,660,251 as of June 30, 2021 respectively.

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, 2022 and 2021, there were no deficiencies of this nature that are required to be reported in net assets with donor restrictions.

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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, 2022 is as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u> Subject to Appropriation and Spending Policy	Held in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 136,523	\$ 223,481	\$ 360,004

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

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

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7. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Subject to Appropriation and Spending Policy	Held in Perpetuity	
Balance, June 30, 2021	\$ -	\$ 176,239	\$ 222,481	\$ 398,720
Contributions	-	-	1,000	1,000
Interest and dividends	-	36,793	-	36,793
Net realized and unrealized losses on investments	-	(74,925)	-	(74,925)
Investment fees	-	(1,584)	-	(1,584)
Balance, June 30, 2022	<u>\$ -</u>	<u>\$ 136,523</u>	<u>\$ 223,481</u>	<u>\$ 360,004</u>

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

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

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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 \$98,804,915 and \$114,768,205 as of June 30, 2022 and 2021, 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 \$565,146 and \$419,641 as of June 30, 2022 and 2021, 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 \$15,691,516 and \$17,660,251 as of June 30, 2022 and 2021, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2022	2021
Meals on Wheels	\$ 3,637,044	\$ 2,256,225
Other purposes	492,155	448,378
Behavioral Health Contractors Association	431,174	151,501
AIDS services	270,572	242,302
Held in perpetuity	223,481	222,481
Food & Nutrition Services	153,228	252,178
Endowment earnings (subject to appropriation and spending policy)	136,523	176,239
COVID Relief Fund	86,516	100,072
Children's Dental Services	50,000	180,900
Community Health Promotion	-	46,565
	\$ 5,480,693	\$ 4,076,841

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9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	<u>2022</u>	<u>2021</u>
Food & Nutrition Services	\$ 771,412	\$ 206,426
Behavioral Health Contractors Association	246,214	145,653
Housing services	157,511	-
Children's Dental Services	130,900	-
Community Health Promotion	46,565	473,950
COVID Relief Fund	32,310	59,028
AIDS services	29,390	125,935
Other purposes	1,000	58,481
Meals on Wheels	-	448,361
Natalie Fund	-	22,183
	<u>\$ 1,415,302</u>	<u>\$ 1,540,017</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>2022</u>	<u>2021</u>
Food and supplies	\$ 847,808	\$ 853,465
Building and equipment rental	161,226	230,960
Donated IT supplies and software	25,800	32,400
Donated freezer	7,317	-
Donated storage container	5,400	-
Donated legal	-	1,868
	<u>\$ 1,047,551</u>	<u>\$ 1,118,693</u>

The Health Trust recognized contributed nonfinancial assets within revenue, including contributed food, building rental, storage container, freezer, and IT supplies. Unless otherwise noted, contributed non financial assets did not have donor-imposed restrictions.

The contributed food was utilized in the following programs: HIV/AIDS Services, Housing Services, and Food & Nutrition Services. Contributed food was valued using the values provided by Feeding America, the national network of food banks.

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

10. CONTRIBUTIONS IN-KIND (continued)

The contributed rent was used for the Housing Services and HIV/AIDS Services in order to conduct program services. In valuing the contributed rent and common area maintenance expenses, which is located in San Jose, The Health Trust used the value provided by the donor of the in-kind donation value.

The contributed storage container and freezer were utilized in the following programs: HIV/AIDS Services, Housing Services, and Food & Nutrition Services to properly store food. The Health Trust estimated the fair value based on the fair value it would cost to purchase similar items.

The contributed IT supplies will be used throughout the organization for general IT purposes. The Health Trust estimated the fair value based on the fair value it would cost to purchase similar items.

Volunteers also donated 9,404 and 10,483 hours of non-professional services for the years ended June 30, 2022 and 2021, respectively. Management has estimated the value of these services to be \$281,650 and \$299,185. The value of volunteer time is based on the estimated hourly value of volunteer time in the United States as determined by Independent Sector ([independentsector.org](http://independentsector.org)). Independent Sector estimates this hourly average based on average annual wages of non-management, non-agricultural workers, as provided by the Bureau of Labor Statistics, increased by 15.7 percent for estimated fringe benefits. Since these services did not require specialized skills, they have not been recorded as support and expenses in the consolidated financial statements.

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.

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

12. CAPITAL LEASE OBLIGATIONS

During the year ended June 30, 2022, the Organization entered into a long-term capital lease as a lessee for lighting upgrades. At inception of the lease, the Organization recorded a \$95,861 capital lease asset as a component of "Building improvements" and liability on its consolidated statement of financial position based on the present value of minimum lease payments. The capital lease asset is being depreciated on a straight-line basis over the estimated life of the asset and the related depreciation expense in the amount of \$5,592 is included in the consolidated statement of activities. The lease has a term of 46 months which ends in 2026.

Capital lease obligations consisted of the following:

	2022	2021
Capital lease obligations	\$ 83,357	\$ -
Current portion	(25,007)	-
Noncurrent portion	\$ 58,350	\$ -

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

Year ending June 30,	
2023	\$ 25,007
2024	25,007
2025	25,007
2026	8,336
	\$ 83,357

13. OPERATING LEASE COMMITMENTS AND DEFERRED RENT

The Organization leases facilities and equipment under operating lease agreements which require monthly payments ranging from \$2,500 to \$12,036 per month and expiring at various dates through December 2026. In August 2021, the Organization signed a new facilities lease that commenced September 2021 and expires in December 2026. Scheduled lease payments for this new lease are included in the below schedule. Deferred rent is provided to reflect the difference between rent recorded in the financial statements and actual rent paid according to the lease agreement. The Organization's deferred rent balance totaled \$47,598 and \$0 as of June 30, 2022 and 2021, respectively.

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

13. OPERATING LEASE COMMITMENTS AND DEFERRED RENT (continued)

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

<u>Year ending June 30,</u>	
2023	\$ 276,034
2024	284,309
2025	292,838
2026	301,623
2027	<u>81,280</u>
	<u>\$ 1,236,084</u>

Rental expense, including in-kind rent, for the years ended June 30, 2022 and 2021 was \$437,295 and \$416,757, respectively. Rental expense allocated to rental properties for the years ended June 30, 2022 and 2021 was \$7,870 and \$4,852, respectively.

14. 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>	
2023	\$ 597,006
2024	614,916
2025	633,364
2026	<u>82,243</u>
	<u>\$ 1,927,529</u>

Rental income for the years ended June 30, 2022 and 2021 was \$600,253 and \$400,026, respectively.

15. CONDITIONAL GOVERNMENT GRANTS

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

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

15. CONDITIONAL GOVERNMENT GRANTS (continued)

The conditional government grants are detailed as follows:

Incurring qualifying expenses for various federal, state and local grants	<u>\$ 2,190,964</u>
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16. 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, 2022 and 2021, contributions to the 401(a) plan were \$126,665 and \$105,889, 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, 2022 and 2021, employer contributions to the 403(b) plan were \$82,854 and \$120,619, respectively.
- *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, 2022 and 2021, employer contributions to the 401(k) plan were \$211,160 and \$200,160, 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, 2022 and 2021, The Health Trust did not make any contributions to the 457(f) plan.

17. 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.

18. 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.

The Health Trust and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

18. LIQUIDITY (continued)

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.

Board designated net assets for medically related services include investments. For FY2023, the Board of Trustees has approved appropriations totaling \$5,228,168 from board designated net assets for medically related services which will be available within the next 12 months.

Short-term grants and contributions receivable consists of grants and pledges receivable expected to be received within one year from June 30, 2022. Unrestricted short-term grants, bequests, and pledges receivable will be available to support general operations of the Organization.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2022 to fund general expenditures and other obligations when they become due:

Financial assets:	
Cash and cash equivalents	\$ 1,964,005
Restricted cash	513,837
Investments	111,832,111
Grants receivable, net	2,746,843
Contributions receivable	301,482
Investments - donor restricted endowment	<u>223,481</u>
	<u>117,581,759</u>
Less: amounts unavailable for general expenditure within one year:	
Board designated for medically related services (excluding \$5,228,168 of planned appropriations)	(93,576,747)
Board designated for programs	(565,146)
Net assets restricted for specified purposes	(5,120,689)
Unappropriated earnings on endowment	(136,523)
Endowment investments held in perpetuity	<u>(223,481)</u>
	<u>(99,622,586)</u>
	<u>\$ 17,959,173</u>

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 and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, 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 14, 2022.

### **Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

## **Report on 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 consolidated financial statements. 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.



Armanino<sup>LLP</sup>  
San Jose, California

December 14, 2022



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**

**Opinion on Each Major Federal Program**

We have audited The Health Trust and Subsidiary (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

**Basis for Opinion on Each Major Federal Program**

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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

Armanino<sup>LLP</sup>  
San Jose, California

December 14, 2022

The Health Trust and Subsidiary  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

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	\$ 19,812
City of San Jose	14.218	CPS-17-002	125,000
City of Santa Clara	14.218	B-21-MC-06-0022	27,825
City of Gilroy	14.218	21-254-21-259-2621-5227-4558	8,643
Total Community Development Block Grants/Entitlement Grants			<u>181,280</u>
Housing Opportunities for Persons With AIDS			
Pass-through program from:			
City of San Jose	14.241	HOP-16-003	1,352,687
City of San Jose (PSH)	14.241	HPSH-19-001	340,158
Total Housing Opportunities for Persons With AIDS			<u>1,692,845</u>
Total U.S. Department of Housing and Urban Development			<u>1,874,125</u>
U.S. Department of Agriculture			
Emergency Food Assistance Program (Food Commodities)			
Pass-through from:			
State of California Department of Social Services	10.569	N/A	<u>63,950</u>
U.S. Department of the Treasury			
Coronavirus Relief Fund			
Pass-through program from:			
City of San Jose	21.019	N/A	<u>79,872</u>
Coronavirus State and Local Fiscal Recovery Funds			
Pass-through program from:			
City of San Jose	21.027	N/A	<u>899,238</u>
Total U.S. Department of the Treasury			<u>979,110</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, 2022

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	20221301.00	85,937
Sourcewise	93.045	2021.CA0329.00 2022CAA1301.0	110,566
Sourcewise	93.045	0 SBC-THT-HDM- FY21/22	100,690
County of Santa Clara	93.045		<u>295,339</u>
Total Special Programs for the Aging - Title III, Part C - Nutrition Services			<u>592,532</u>
Nutrition Services Incentive Program			
Pass-through program from:			
Sourcewise	93.053	20221301.00	<u>13,355</u>
HIV Care Formula Grants			
Pass-through program from:			
County of Santa Clara	93.917	N/A	<u>245,526</u>
HIV Emergency Relief Project Grants			
Direct awards			
Pass-through program from:			
County of Santa Clara	93.914	N/A	625,247
County of Santa Clara	93.914	N/A	389,486
County of Santa Clara	93.914	N/A	334,867
Total HIV Emergency Relief Project Grants			<u>1,349,600</u>
Total U.S. Department of Health and Human Services			<u>2,201,013</u>
Department of Homeland Security			
Emergency Food and Shelter National Board Program			
Pass-through from:			
Second Harvest of Silicon Valley (Food Commodities)	97.024	N/A	<u>946</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Pass-through program from:			
City of San Jose	97.036	N/A	<u>455,180</u>
Total Expenditures of Federal Awards			<u>\$ 5,574,324</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, 2022

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, 2022. 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 minimis 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, 2022

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>
HIV Emergency Relief Project Grants	93.914
Coronavirus State and Local Fiscal Recovery Funds	21.027
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, 2022

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, 2022

There were no prior year findings.