

The Health Trust and Subsidiary

Consolidated Financial Statements
and Single Audit Reports and Schedules

June 30, 2023
(With Comparative Totals for 2022)



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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, 2023, 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, 2023, 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 for 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.

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.

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 January 2, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited The Health Trust's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

January 2, 2024

The Health Trust and Subsidiary
Consolidated Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,560,421	\$ 1,964,005
Restricted cash	452,505	513,837
Investments	114,906,394	111,832,111
Grants receivable, net	3,330,189	2,746,843
Contributions receivable	12,000	301,482
Prepaid expenses and other current assets	384,242	369,491
Total current assets	<u>120,645,751</u>	<u>117,727,769</u>
Noncurrent assets		
Operating lease right-of-use assets	865,886	-
Finance lease right-of-use assets	140,003	-
Property and equipment, net	4,323,846	4,695,671
Investments - donor restricted endowment	223,481	223,481
Total noncurrent assets	<u>5,553,216</u>	<u>4,919,152</u>
 Total assets	 <u>\$ 126,198,967</u>	 <u>\$ 122,646,921</u>

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

The Health Trust and Subsidiary
Consolidated Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 314,097	\$ 348,055
Accrued payroll and related liabilities	1,242,895	1,328,689
Other accrued expenses	487,440	274,352
Deferred revenue	71,096	22,600
Capital lease obligations, current portion	-	25,007
Operating lease liabilities, current portion	262,067	-
Finance lease liabilities, current portion	56,722	-
Fiscal agent liability	218,501	-
Total current liabilities	<u>2,652,818</u>	<u>1,998,703</u>
Long-term liabilities		
Capital lease obligations, net of current portion	-	58,350
Deferred rent	-	47,598
Operating lease liabilities, net of current portion	654,538	-
Finance lease liabilities, net of current portion	61,788	-
Total long-term liabilities	<u>716,326</u>	<u>105,948</u>
Total liabilities	<u>3,369,144</u>	<u>2,104,651</u>
Net assets		
Without donor restrictions		
Designated for medically related services	100,288,959	98,804,915
Designated for programs	630,850	565,146
Undesignated	<u>16,924,903</u>	<u>15,691,516</u>
Total without donor restrictions	<u>117,844,712</u>	<u>115,061,577</u>
With donor restrictions		
Restricted for specified purposes	4,601,057	5,120,689
Subject to appropriation and spending policy	160,573	136,523
Held in perpetuity	<u>223,481</u>	<u>223,481</u>
Total with donor restrictions	<u>4,985,111</u>	<u>5,480,693</u>
Total net assets	<u>122,829,823</u>	<u>120,542,270</u>
Total liabilities and net assets	<u>\$ 126,198,967</u>	<u>\$ 122,646,921</u>

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

The Health Trust and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Support and revenue				
Support				
Government grants	\$ 8,202,364	\$ 13,500	\$ 8,215,864	\$ 8,339,310
Contributions	442,225	2,317,375	2,759,600	3,663,344
Contributions in-kind	909,543	-	909,543	1,047,551
Special events, net of expenses \$41,896 and \$43,683 for the year ended June 30, 2023 and 2022, respectively	159,469	2,000	161,469	192,091
Net assets released from restriction	<u>2,870,740</u>	<u>(2,870,740)</u>	<u>-</u>	<u>-</u>
Total support	<u>12,584,341</u>	<u>(537,865)</u>	<u>12,046,476</u>	<u>13,242,296</u>
Revenue				
Investment income (loss), net	7,300,168	42,283	7,342,451	(12,753,295)
Fees for financial administrative support services	3,968,404	-	3,968,404	3,952,362
Fee for other services	1,087,264	-	1,087,264	1,038,583
Rental income	611,778	-	611,778	600,253
Other revenue	58,670	-	58,670	629,277
Total revenue	<u>13,026,284</u>	<u>42,283</u>	<u>13,068,567</u>	<u>(6,532,820)</u>
Total support and revenue	<u>25,610,625</u>	<u>(495,582)</u>	<u>25,115,043</u>	<u>6,709,476</u>
Functional expenses				
Program services	15,617,266	-	15,617,266	15,794,459
Management and general	2,437,419	-	2,437,419	2,380,053
Fundraising	711,721	-	711,721	699,152
Financial administrative support services	<u>4,061,084</u>	<u>-</u>	<u>4,061,084</u>	<u>4,218,480</u>
Total functional expenses	<u>22,827,490</u>	<u>-</u>	<u>22,827,490</u>	<u>23,092,144</u>
Change in net assets	2,783,135	(495,582)	2,287,553	(16,382,668)
Net assets, beginning of year	<u>115,061,577</u>	<u>5,480,693</u>	<u>120,542,270</u>	<u>136,924,938</u>
Net assets, end of year	<u>\$ 117,844,712</u>	<u>\$ 4,985,111</u>	<u>\$ 122,829,823</u>	<u>\$ 120,542,270</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, 2023
(With Comparative Totals for 2022)

	Program Services					Support Services			Financial		
	Chronic Disease Services								Administrative		
	Community Health Promotion	HIV/AIDS Services	Health in Housing	Food & Nutrition Services	Total Program Services	Management and General	Fundraising	Total Support Services	Support Services	2023 Total	2022 Total
Grants to others	\$ 1,449,068	\$ 18,750	\$ 408,750	\$ 498,432	\$ 2,375,000	\$ -	\$ -	\$ -	\$ -	\$ 2,375,000	\$ 3,814,527
Salaries and related expenses											
Salaries and wages	300,397	981,540	1,928,747	1,218,018	4,428,702	775,528	327,285	1,102,813	2,589,222	8,120,737	7,943,035
Employee benefits	73,230	324,156	549,263	400,074	1,346,723	260,108	135,168	395,276	926,478	2,668,477	2,559,176
Payroll taxes	26,361	89,396	172,143	108,907	396,807	58,074	26,967	85,041	219,516	701,364	667,214
Total salaries and related expenses	399,988	1,395,092	2,650,153	1,726,999	6,172,232	1,093,710	489,420	1,583,130	3,735,216	11,490,578	11,169,425
Other expenses											
Purchased services	68,124	115,664	2,123,165	2,521,971	4,828,924	130,773	26,742	157,515	445,082	5,431,521	4,928,699
Supplies	383,475	519,499	73,060	87,287	1,063,321	24,090	109,221	133,311	21,588	1,218,220	1,218,655
Building and equipment rental	486	118,169	230,427	25,647	374,729	12,051	2,000	14,051	151,105	539,885	484,168
Other operating expenses	13,475	16,598	118,314	188,303	336,690	58,556	11,897	70,453	75,935	483,078	307,807
Legal and professional fees	5,119	17,261	90,961	11,716	125,057	145,189	44,400	189,589	15,298	329,944	293,475
Expenses related to rental properties	-	-	-	-	-	269,987	-	269,987	-	269,987	250,616
Utilities	2,667	63,979	45,113	34,547	146,306	26,640	6,573	33,213	48,387	227,906	202,949
Insurance	3,461	15,654	27,008	26,497	72,620	73,470	6,253	79,723	37,477	189,820	157,839
Depreciation	1,940	31,213	9,932	35,725	78,810	73,777	9,027	82,804	24,647	186,261	190,550
Building expense	1,285	2,179	1,673	12,015	17,152	32,022	6,017	38,039	-	55,191	54,009
Loss on disposal of property and equipment	-	-	-	25,342	25,342	-	-	-	166	25,508	14,733
Income taxes	-	-	-	-	-	-	-	-	2,477	2,477	4,692
Interest	-	456	456	171	1,083	618	171	789	242	2,114	-
Total other expenses	480,032	900,672	2,720,109	2,969,221	7,070,034	847,173	222,301	1,069,474	822,404	8,961,912	8,108,192
Total functional expenses before reclassification	2,329,088	2,314,514	5,779,012	5,194,652	15,617,266	1,940,883	711,721	2,652,604	4,557,620	22,827,490	23,092,144
FASS expenses allocated	-	-	-	-	-	496,536	-	496,536	(496,536)	-	-
Total functional expenses	\$ 2,329,088	\$ 2,314,514	\$ 5,779,012	\$ 5,194,652	\$ 15,617,266	\$ 2,437,419	\$ 711,721	\$ 3,149,140	\$ 4,061,084	\$ 22,827,490	\$ 23,092,144

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, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 2,287,553	\$ (16,382,668)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	276,095	273,931
Amortization of operating lease right-of-use asset	249,603	-
Amortization of finance lease right-of-use asset	41,252	-
Net unrealized (gains) losses on investments	(1,163,304)	24,257,119
Net realized gains on investments	(292,431)	(8,906,206)
Loss on disposal of property and equipment	25,508	14,733
Contributions restricted for investment in donor restricted endowment funds	-	(1,000)
Changes in operating assets and liabilities		
Grants receivable, net	(583,346)	(411,895)
Contributions receivable	289,482	(210,798)
Prepaid expenses and other current assets	(14,751)	15,680
Accounts payable	(33,958)	(1,543)
Accrued payroll and related liabilities	(85,794)	(307,117)
Other accrued expenses	213,088	46,542
Deferred revenue	48,496	(780,000)
Operating lease liabilities	(246,482)	-
Fiscal agent liability	218,501	-
Deferred rent	-	47,598
Net cash provided by (used in) operating activities	<u>1,229,512</u>	<u>(2,345,624)</u>
Cash flows from investing activities		
Purchases of investments	(27,966,249)	(77,898,608)
Proceeds from sale and maturity of investments	26,347,701	69,306,346
Purchases of property and equipment	(20,047)	(433,191)
Proceeds from sale of property and equipment	-	9,139,230
Net cash provided by (used in) investing activities	<u>(1,638,595)</u>	<u>113,777</u>
Cash flows from financing activities		
Contributions restricted for investments in donor restricted endowment funds	-	1,000
Capital lease obligations	-	95,861
Payments on finance lease liability	(55,833)	-
Payments on capital lease obligations	-	(12,504)
Net cash provided by (used in) financing activities	<u>(55,833)</u>	<u>84,357</u>
Net decrease in cash, cash equivalents and restricted cash	(464,916)	(2,147,490)
Cash, cash equivalents and restricted cash, beginning of year	<u>2,477,842</u>	<u>4,625,332</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,012,926</u>	<u>\$ 2,477,842</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, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,560,421	\$ 1,964,005
Restricted cash	<u>452,505</u>	<u>513,837</u>
	<u>\$ 2,012,926</u>	<u>\$ 2,477,842</u>

Supplemental disclosure of cash flow information

Cash paid during the year for income taxes	\$ 2,477	\$ 2,222
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Supplemental schedule of noncash investing and financing activities

Right-of-use assets acquired by operating leases	\$ 1,115,488	\$ -
Right-of-use assets acquired by finance leases	\$ 181,254	\$ -

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

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

1. NATURE OF OPERATIONS

The Health Trust ("THT")

Through grantmaking, policy advocacy, and providing services directly, The Health Trust focuses on food and nutrition, chronic disease prevention and management, and housing support to build a Silicon Valley where every resident has the opportunity to live a healthy life. In its pursuit of building a more robust Silicon Valley for all, The Health Trust addresses the health disparities that exist in the community by focusing on the most marginalized and those facing the greatest barriers to health. The Health Trust's focus populations include older adults, people living with HIV/AIDS and people who are unhoused.

Since its inception, The Health Trust focused on food and nutrition, chronic disease prevention and management, and housing support because they are high-impact basic needs in someone's day-to-day life that make up foundational building blocks to their health. The Health Trust operates according to its organizational values of respect, integrity, innovation, collaboration, diversity, and stewardship.

The Health Trust funds grants in support of organizations and initiatives that prioritize community health.

The Health Trust advocates for health-related public policies that contribute to a healthier Silicon Valley.

The Health Trust provides services to address food access, housing support, and chronic disease prevention and management to directly support individuals in need. Through its direct services, The Health Trust is both compassionate and effective and has helped:

- Meals on Wheels clients report that the program helps them to remain independent in their homes.
- HIV/AIDS Services clients maintain undetectable HIV viral loads with active retroviral therapy, meaning they cannot transmit the virus.
- Housing Services clients who receive intensive case management to retain their housing.

Funder

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

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

1. NATURE OF OPERATIONS (continued)

Annually, The Health Trust commits to invest over \$2.3 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 communities experiencing deep health disparities.

Since the start of the pandemic in March 2020, The Health Trust has expanded grantmaking to address COVID-related needs. During the last three and a half years, The Health Trust 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.

In an effort to deepen its impact, The Health Trust remains dedicated to collaboratively funding initiatives with like-minded partners. The Health Trust successfully co-funded three projects, contributing \$352,500 from its restricted fund and leveraging an additional \$737,000 from other funding sources, resulting in a total investment of \$1,089,500 in the community.

Provider

As a provider, The Health Trust 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:

- *Medically Tailored Meals* - With the end of the statewide Medi-Cal Medically Tailored Meals Pilot Program in FY22, The Health Trust independently contracted with two major medical providers in Santa Clara County: Anthem Blue Cross and Santa Clara Family Health Plan. These fee-for-service agreements enabled The Health Trust to sustain its Medically Tailored Food and Nutrition services while expanding its reach to clients with a wide range of medical conditions and complex care coordination requirements. The Health Trust doubled the number of clients served and tripled the number of meals provided. In collaboration with the managed care health plans, The Health Trust developed a new service line, “Medically Tailored Groceries”, that provides a step-down option for clients to maintain their ability to better manage their health. The Health Trust remains a member of the California Food is Medicine Coalition (“Cal FIMC”). The 318 clients served by The Health Trust in this program received more than 47,000 meals, 700 grocery bags, and 530 Registered Dietitian sessions.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

1. NATURE OF OPERATIONS (continued)

- *Meals on Wheels ("MOW")* - 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 FY23, The Health Trust provided more than 252,000 meals and more than 45,000 wellness checks during the fiscal year.
- *Friends from Meals on Wheels ("FMOW")* - is a friendly visitor program aimed at decreasing social isolation by providing more than 2,100 friendly visits or phone calls to older adults. In client surveys, 92% of clients reported that participating in the program made them feel more socially connected, and 92% believed that the program was very important to their daily well-being.
- *Jerry Larson Food Basket* - is a community hub that provides high quality food and nutrition services, as well as engagement opportunities for volunteers. Annually, The Health Trust distributes more than 195,000 pounds of food donated primarily by Second Harvest of Silicon Valley to clients in The Health Trust'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 community members at the Tropicana Shopping Center in East San Jose. Approximately 198,000 pounds of food is distributed to the community, reaching more than 2,900 households per year.

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

- **HIV/AIDS Services** - The Health Trust is the largest non-medical HIV/AIDS program in Santa Clara County, providing a variety of services to low-income Santa Clara County residents living with HIV/AIDS. These services include medical and non-medical case management, care coordination, and food assistance - serving more than 620 low-income clients. During Q4 of FY23, 89% of clients on highly active antiretroviral therapy had undetectable HIV viral loads (compared to 66% nationally and 64% in California for 2021), and 77% 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. The Health Trust 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. The Health Trust recognizes stable housing is a social determinant of health, and staff provide intensive case management services through rapid rehousing, permanent supportive housing, and rental assistance administration. Housing Services reaches more than 640 individuals, of which 212 are for individuals living with HIV/AIDS. Specific services include:

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

1. NATURE OF OPERATIONS (continued)

- *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 FY23, HPP served 68 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 FY23, HFH served 111 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 matters, HIV/AIDS, and/or criminal justice involvement. In FY23, The Health Trust served 212 clients residing at "scattered Permanent Supportive Housing sites" across Santa Clara County.
- *Enhanced Care Management ("ECM") and Community Supports ("CS")* - are covered services under 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. The goal is to provide non-clinical interventions focused on a whole-person care approach that target social determinants of health to reduce health disparities and inequities. The Health Trust continues to contract with Santa Clara County's two Medi-Cal managed care plans to provide Enhanced Care Management and Community Support services to improve quality of life for Medi-Cal members. In FY23, The Health Trust provided ECM services to 156 clients and CS to 99 clients.

Advocate

As an advocate, The Health Trust champions systems and policy changes that align with its three focus areas. During FY23, The Health Trust 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 Agenda* - The Health Trust continued to meet twice a month with other local health organizations to develop a shared Health Equity Agenda, a curated set of community health indicators and recommendations that organizations will jointly advance in Santa Clara County.

The Health Trust and Subsidiary
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1. NATURE OF OPERATIONS (continued)

- *Behavioral Health Workforce Pipeline Project* - The Health Trust continued to participate with local health partners to support a behavioral health workforce pipeline project, with a goal of recruiting, training, and retaining diverse staff who can support residents with behavioral health challenges. The Behavioral Health Contractors' Association of Santa Clara County, which is fiscally sponsored by The Health Trust, is leading project implementation.
- *Equity Forward* - The Health Trust continued to participate on the Equity Forward Advisory Committee. With backbone support from the Silicon Valley Community Foundation, Equity Forward is a bold, multi-sector movement to close the racial wealth gap in Santa Clara and San Mateo counties.
- *Food is Medicine* - The Health Trust participates actively in the California Food is Medicine Coalition, a consortium of nonprofits throughout the state who seek to develop, refine, and sustain models where medical nutrition services are an integral part of cost-effective and high-quality health care. By making medically tailored nutrition and food central to health care, The Health Trust can produce better health outcomes, lower the cost of care, and improve patient satisfaction.

Financial Administrative Support Service ("FASS"): FASS provides financial and administrative support services to 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 operated 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 for financial administrative support services revenue and program expense on the consolidated statement of activities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

Basis of accounting

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

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation

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

- *Net assets without donor restrictions* - include those assets over which the Board of Trustees has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes (see Note 6).
- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period. Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance on July 1, 2022, the Organization recognized an initial operating lease liability of \$1,163,087 and an initial finance lease liability of \$174,343, which represents the present value of the remaining lease payments of \$1,236,077 and \$178,015, respectively, discounted using a risk-free rate.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The standard did not have a significant impact on the Organization's consolidated financial statements for the year ended June 30, 2023. The most significant impact was the recognition of the ROU assets and lease liabilities for the leases on the consolidated statement of financial position as of June 30, 2023.

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.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
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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.

The Health Trust and Subsidiary
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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, 2023 and 2022, the allowance for doubtful accounts was \$140,874 and \$40,348, respectively.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$5,000 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.

Contributions

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

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

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

The Health Trust and Subsidiary
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions in-kind

Donated equipment, food and supplies, and rent are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the consolidated financial statements, the estimated value of these services is disclosed in Note 8.

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 2023-2024 services as of June 30, 2023 are classified as deferred revenue.

Grants to others

Grants to others are recognized when the unconditional promise to give is approved by the Board of Trustees and communicated to the grantee. Conditional promises to give are recognized as a "grants to others" expense in the period in which the recipient meets the terms of the condition. There were no conditional promises to give as of June 30, 2023 and 2022. Total grants to others was \$2,375,000 and \$3,814,527 for the years ended June 30, 2023 and 2022, respectively.

The Health Trust and Subsidiary
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or support functions of the Organization. The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, 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, 2023 and 2022 was \$1,500 and \$1,204, respectively, and is included in other operating expenses on the consolidated statement of functional expenses.

Comparative financial information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

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

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2023 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, 2023. Subsequent events have been evaluated through January 2, 2024, which is the date the consolidated financial statements were available to be issued.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

	<u>2023</u>	<u>2022</u>
Marketable alternatives	\$ 35,679,341	\$ 36,756,201
Fixed income securities	28,887,732	27,953,146
International equities	20,755,523	19,369,850
Large cap value equities	18,493,088	17,130,107
All cap growth equities	8,018,152	7,463,753
Small cap equities	2,276,502	2,158,169
Venture capital funds and limited partnerships	<u>1,019,537</u>	<u>1,224,366</u>
	<u>\$ 115,129,875</u>	<u>\$ 112,055,592</u>

Capital commitments related to limited partnerships were \$6,566,400 as of both June 30, 2023 and 2022.

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

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

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3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Marketable alternatives	\$ -	\$ -	\$ 35,679,341	\$ 35,679,341
Fixed income securities	28,887,677	55	-	28,887,732
International equities	20,755,523	-	-	20,755,523
Large cap value equities	18,493,088	-	-	18,493,088
All cap growth equities	8,018,152	-	-	8,018,152
Small cap equities	2,276,502	-	-	2,276,502
Venture capital funds and limited partnerships	-	-	1,019,537	1,019,537
	<u>\$ 78,430,942</u>	<u>\$ 55</u>	<u>\$ 36,698,878</u>	<u>\$ 115,129,875</u>

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	-	-	1,224,366	1,224,366
	<u>\$ 74,074,963</u>	<u>\$ 62</u>	<u>\$ 37,980,567</u>	<u>\$ 112,055,592</u>

Net investment income (loss) consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 5,805,268	\$ 10,888,136
Net realized and unrealized gains (losses) on investments	<u>2,092,641</u>	<u>(23,148,641)</u>
	7,897,909	(12,260,505)
Investment expense	<u>(555,458)</u>	<u>(492,790)</u>
	<u>\$ 7,342,451</u>	<u>\$ (12,753,295)</u>

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3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 37,980,567	\$ 31,954,879
Net realized and unrealized gains (losses)	(425,525)	912,668
Investment management fees	(1,815)	(1,415)
Return of capital	(2,865,873)	(1,403,015)
Capital contributions	2,141,425	7,432,079
Proceeds from redemptions and distributions	<u>(129,901)</u>	<u>(914,629)</u>
Balance, end of year	<u><u>\$ 36,698,878</u></u>	<u><u>\$ 37,980,567</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 3,053,575	\$ 3,149,436
Land	2,350,000	2,350,000
Furniture and equipment	1,182,167	1,232,088
Leasehold improvements	<u>941,072</u>	<u>941,072</u>
	7,526,814	7,672,596
Accumulated depreciation	<u>(3,202,968)</u>	<u>(2,976,925)</u>
	<u><u>\$ 4,323,846</u></u>	<u><u>\$ 4,695,671</u></u>

Total depreciation expense for the years ended June 30, 2023 and 2022 was \$276,095 and \$273,931, respectively. Depreciation expense allocated to rental properties for the years ended June 30, 2023 and 2022 was \$89,834 and \$83,381, respectively.

5. ENDOWMENT

The Organization's endowment balance of \$223,481 as of both June 30, 2023 and 2022 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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5. 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 as of both June 30, 2023 and 2022, 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 6) in the amounts of \$100,288,959 and \$16,924,903 as of June 30, 2023 and \$98,804,915 and \$15,691,516 as of June 30, 2022, 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, 2023 and 2022, there were no deficiencies of this nature that are required to be reported in net assets with donor restrictions.

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5. 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, 2023 is as follows:

		<u>With Donor Restrictions</u>		
	Without Donor	Subject to	Held in	
	Restrictions	Appropriation	Perpetuity	Total
	Policy			
Donor-restricted				
endowment funds	\$ -	\$ 160,573	\$ 223,481	\$ 384,054

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

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

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5. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

			<u>With Donor Restrictions</u>		
		Without Donor	Subject to	Held in	
		Restrictions	Appropriation	Perpetuity	Total
			and Spending		
			Policy		
Balance, June 30, 2022	\$	-	\$ 136,523	\$ 223,481	\$ 360,004
Interest and dividends		-	18,640	-	18,640
Net realized and					
unrealized gains on					
investments		-	7,194	-	7,194
Investment fees		-	(1,784)	-	(1,784)
		-	-	-	-
Balance, June 30, 2023	\$	-	\$ 160,573	\$ 223,481	\$ 384,054

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

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

The Health Trust and Subsidiary
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6. 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 \$100,288,959 and \$98,804,915 as of June 30, 2023 and 2022, 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 \$630,850 and \$565,146 as of June 30, 2023 and 2022, 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 \$16,924,903 and \$15,691,516 as of June 30, 2023 and 2022, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Meals on Wheels	\$ 3,438,922	\$ 3,637,044
Other purposes	393,677	492,155
Behavioral Health Contractors Association	350,768	431,174
AIDS services	271,928	270,572
Held in perpetuity	223,481	223,481
Endowment earnings (subject to appropriation and spending policy)	160,573	136,523
Food & Nutrition Services	93,499	153,228
Children's Dental Services	50,000	50,000
COVID Relief Fund	<u>2,263</u>	<u>86,516</u>
	<u>\$ 4,985,111</u>	<u>\$ 5,480,693</u>

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	<u>2023</u>	<u>2022</u>
Meals on Wheels	\$ 1,394,806	\$ 610,692
Other purposes	885,916	1,000
Behavioral Health Contractors Association	322,101	246,214
Food & Nutrition Services	132,276	160,720
COVID Relief Fund	84,249	32,310
Housing services	28,644	157,511
AIDS services	22,748	29,390
Children's Dental Services	-	130,900
Community Health Promotion	-	46,565
	<u>\$ 2,870,740</u>	<u>\$ 1,415,302</u>

8. 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>2023</u>	<u>2022</u>
Food and supplies	\$ 751,572	\$ 847,808
Building and equipment rental	143,376	161,226
Donated services	13,866	-
Donated IT supplies and software	729	25,800
Donated freezer	-	7,317
Donated storage container	-	5,400
	<u>\$ 909,543</u>	<u>\$ 1,047,551</u>

The Health Trust recognized contributed nonfinancial assets within revenue, including contributed food, building rental, legal services, consulting services, and IT supplies. Unless otherwise noted, contributed nonfinancial 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, 2023
(With Comparative Totals for 2022)

8. CONTRIBUTIONS IN-KIND (continued)

The contributed rent was used for the Housing 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 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 10,773 and 9,404 hours of non-professional services for the years ended June 30, 2023 and 2022, respectively. Management has estimated the value of these services to be \$342,581 and \$281,650. 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). 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.

9. 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.

10. LEASES

In July 2022, the Organization adopted the new lease accounting guidance under ASC 842. The most significant change requires lessees to record the present value of the operating lease payments as right-of-use assets and lease liabilities on the consolidated statement of financial position. The new guidance continues to require lessees to classify leases between operating and financing (formerly "capital leases").

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

10. LEASES (continued)

The Organization has several leases that were previously recognized under the prior standard, ASC 840, as operating leases at June 30, 2022. Upon adoption of ASC 842, these leases have been recognized as right-of-use assets on the accompanying statement of financial position at June 30, 2023. The Organization leases facilities and equipment under separate lease agreements which expire at various dates through December 2026. The Organization did not enter into any new leases during the year ended June 30, 2023.

The right-of-use asset is detailed as follows:

Operating lease right-of-use assets	\$ 865,886
Finance lease right-of-use assets	<u>140,003</u>
	<u><u>\$ 1,005,889</u></u>

The lease liability is detailed as follows:

Lease liabilities, current portion	
Operating lease liabilities	\$ 262,067
Finance lease liabilities	<u>56,722</u>
	<u>318,789</u>
Lease liabilities, noncurrent portion	
Operating lease liabilities	654,538
Finance lease liabilities	<u>61,788</u>
	<u>716,326</u>
	<u><u>\$ 1,035,115</u></u>

The weighted-average lease terms and discount rates are the following at June 30, 2023:

	<u>Operating</u>	<u>Finance</u>
Weighted-average remaining lease term (in years)	4.285	3.104
Weighted-average discount rate	2.87 %	1.47 %

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

10. LEASES (continued)

Future maturities of lease liabilities are as follows:

<u>Year ending June 30,</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2024	\$ 284,309	\$ 57,947	\$ 342,256
2025	292,838	52,789	345,627
2026	301,622	9,332	310,954
2027	<u>81,280</u>	<u>-</u>	<u>81,280</u>
	960,049	120,068	1,080,117
Less: imputed interest	<u>(43,444)</u>	<u>(1,558)</u>	<u>(45,002)</u>
Present value of lease liability	916,605	118,510	1,035,115
Current portion	<u>(262,067)</u>	<u>(56,722)</u>	<u>(318,789)</u>
	<u>\$ 654,538</u>	<u>\$ 61,788</u>	<u>\$ 716,326</u>

For the year ended June 30, 2023, lease expenses are as follows:

	<u>Operating</u>	<u>Finance</u>
Lease expense	\$ 279,148	\$ -
Amortization of right-of-use assets	-	41,252
Interest on lease liabilities	<u>-</u>	<u>2,114</u>
	<u>\$ 279,148</u>	<u>\$ 43,366</u>

Cash paid for amounts included in the measurement of lease liabilities during the year ended June 30, 2023 are as follows:

	<u>Operating</u>	<u>Finance</u>
Cash flows: interest	\$ 29,546	\$ 2,114
Cash flows: principal	<u>246,482</u>	<u>55,833</u>
	<u>\$ 276,028</u>	<u>\$ 57,947</u>

Supplemental noncash information and noncash activities related to the Organization's operating and finance leases are included on the accompanying consolidated statements of cash flows.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

11. 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>	
2024	\$ 632,917
2025	633,364
2026	<u>82,243</u>
	<u>\$ 1,348,524</u>

Rental income for the years ended June 30, 2023 and 2022 was \$611,778 and \$600,253, respectively.

12. CONDITIONAL GOVERNMENT GRANTS

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

The conditional government grants are detailed as follows:

Incurring qualifying expenses for various federal, state and local grants	<u>\$ 4,862,479</u>
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13. 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, 2023 and 2022, contributions to the 401(a) plan were \$112,261 and \$126,665, 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, 2023 and 2022, employer contributions to the 403(b) plan were \$128,172 and \$82,854, respectively.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

13. PENSION PLANS (continued)

- *401(k) Plan* - Under the 401(k) plan, eligible employees may contribute a percentage of their compensation as defined in the plan agreements in accordance with Internal Revenue Service regulations. In general, Financial Administrative Support Services matches 100% of an employee's first 3% of 401(k) contributions and 50% of the next 2% for a maximum match of 4% (if the employee contributes 5% or more). For the years ended June 30, 2023 and 2022, employer contributions to the 401(k) plan were \$193,365 and \$211,160, 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, 2023 and 2022, The Health Trust did not make any contributions to the 457(f) plan.

14. 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.

15. LIQUIDITY

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

Long-term investments include endowment funds consisting of donor-restricted endowments. Income from donor-restricted endowments is restricted until appropriated in accordance with the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, is not available for general expenditure until appropriated.

For FY2024, the Board of Trustees has approved the spending rate of 5%. Accordingly, approximately \$5,341,666 of appropriations from the endowment 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, 2023 and 2022. Unrestricted short-term grants and contributions receivable will be available to support general operations of the Organization.

The Health Trust and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

15. LIQUIDITY (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2023 and 2022 to fund general expenditures and other obligations when they become due:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,560,421	\$ 1,964,005
Restricted cash	452,505	513,837
Investments	114,906,394	111,832,111
Grants receivable, net	3,330,189	2,746,843
Contributions receivable	12,000	301,482
Investments - donor restricted endowment	<u>223,481</u>	<u>223,481</u>
	<u>120,484,990</u>	<u>117,581,759</u>
Less: amounts unavailable for general expenditure within one year:		
Board designated for medically related services (excluding \$5,341,666 of planned appropriations for FY2024 and \$5,225,168 for FY2023)	(94,947,293)	(93,576,747)
Board designated for programs	(630,850)	(565,146)
Net assets restricted for specified purposes	(4,601,054)	(5,120,689)
Unappropriated earnings on endowment	(160,573)	(136,523)
Endowment investments held in perpetuity	(223,481)	(223,481)
Fiscal agent liability	<u>(218,501)</u>	<u>-</u>
	<u>(100,781,752)</u>	<u>(99,622,586)</u>
	<u>\$ 19,703,238</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, 2023, 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 January 2, 2024.

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.

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

Armanino^{LLP}
San Jose, California

January 2, 2024



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, 2023. 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, 2023.

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 weaknesses 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^{LLP}
San Jose, California

January 2, 2024

The Health Trust and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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	\$ 15,188
City of Santa Clara	14.218	B-21-MC-06-0022	30,000
City of San Jose	14.218	CPS-17-002	225,000
Total Community Development Block Grants/Entitlement Grants			<u>270,188</u>
Housing Opportunities for Persons With AIDS			
Pass-through program from:			
City of San Jose	14.241	HOP-16-003	1,492,374
City of San Jose (PSH)	14.241	HPSH-19-001	316,610
City of San Jose (PSH)	14.241	HPSH-22-001	97,058
Total Housing Opportunities for Persons With AIDS			<u>1,906,042</u>
Total U.S. Department of Housing and Urban Development			<u>2,176,230</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>37,466</u>
U.S. Department of the Treasury			
Coronavirus State and Local Fiscal Recovery Funds			
Pass-through program from:			
City of San Jose	21.027	CDBGCV-22-005	412,500
City of San Jose	21.027	N/A	<u>330,000</u>
Total U.S. Department of the Treasury			<u>742,500</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, 2023

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	20231301.00	140,447
		2022CAA1301.0	
Sourcewise	93.045	0	90,910
Sourcewise	93.045	2023SWARP09	150,000
		2023HCBS.SNI.	
Sourcewise	93.045	003	29,246
Sourcewise	93.045	2023OARR.004	29,239
		SBC-THT-HDM-	
County of Santa Clara	93.045	FY21/22	99,264
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>539,106</u>
Nutrition Services Incentive Program			
Pass-through program from:			
Sourcewise	93.053	20221301.00	<u>26,710</u>
HIV Care Formula Grants			
Pass-through program from:			
County of Santa Clara	93.917	N/A	<u>416,240</u>
HIV Emergency Relief Project Grants			
Pass-through program from:			
County of Santa Clara	93.914	N/A	571,728
County of Santa Clara	93.914	N/A	395,301
County of Santa Clara	93.914	N/A	<u>351,090</u>
Total HIV Emergency Relief Project Grants			<u>1,318,119</u>
Total U.S. Department of Health and Human Services			<u>2,300,175</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program			
Direct awards			
Emergency Food and Shelter National Board Program	97.024	N/A	43,814
Pass-through from:			
Second Harvest of Silicon Valley (Food Commodities)	97.024	N/A	<u>870</u>
Total U.S. Department of Homeland Security			<u>44,684</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,301,055</u></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, 2023

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, 2023. 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, 2023

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>
Housing Opportunities for Persons With AIDS	14.241
HIV Emergency Relief Project Grants	93.914
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, 2023

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, 2023

There were no prior year findings.