

The Health Trust and Subsidiary

Consolidated Financial Statements and
Supplementary Information on Federal Financial Awards
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 26
Supplementary Information	
Schedule of Expenditures of Federal Awards	27
Notes to Schedule of Expenditures of Federal Awards	28
Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29 - 30
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	31 - 32
Schedule of Findings and Questioned Costs	
Schedule of Findings and Questioned Costs	33
Summary Schedule of Prior Audit Findings	34
Other Supplementary Information	
Consolidating Statement of Financial Position	35
Consolidating Statement of Activities	36
Consolidating Statement of Cash Flows	37



INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Health Trust (a California nonprofit public benefit corporation) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Health Trust and Subsidiary as of June 30, 2015, and the changes in its net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The Health Trust and Subsidiary's financial statements as of and for the year ended June 30, 2014 were audited by Berger Lewis Accountancy Corporation, whose practice became part of Armanino^{LLP} as of January 1, 2015, and whose report dated November 10, 2014, expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities and consolidating statement of cash flows are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of The Health Trust and Subsidiary'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 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 Health Trust and Subsidiary's internal control over financial reporting and compliance.



Armanino^{LLP}
San Jose, California

November 18, 2015

FINANCIAL SECTION

THE HEALTH TRUST AND SUBSIDIARY
Consolidated Statement of Financial Position
June 30, 2015
(With Comparative Totals as of June 30, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 2,738,644	\$ 2,862,146
Investments	99,515,788	104,509,984
Accounts receivable, net of allowance	2,303,424	1,767,266
Grants receivable	148,785	515,583
Prepaid expenses	156,975	150,599
Other current assets	<u>7,442</u>	<u>-</u>
Total current assets	<u>104,871,058</u>	<u>109,805,578</u>
Property and equipment, net	<u>6,030,477</u>	<u>6,424,798</u>
Other assets		
Restricted investments	152,413	198,146
Land and building held for investment	7,500,000	7,500,000
Investments - donor restricted endowment	<u>170,480</u>	<u>169,980</u>
Total other assets	<u>7,822,893</u>	<u>7,868,126</u>
Total assets	<u>\$ 118,724,428</u>	<u>\$ 124,098,502</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 600,403	\$ 558,685
Accrued payroll and related liabilities	1,376,049	1,195,287
Grants payable	106,691	1,326,012
Other accrued expenses	<u>93,198</u>	<u>99,602</u>
Total current liabilities	<u>2,176,341</u>	<u>3,179,586</u>
Long-term liabilities		
Accrued expenses due to discontinued operations	<u>67,111</u>	<u>112,323</u>
Total liabilities	<u>2,243,452</u>	<u>3,291,909</u>
Net assets		
Unrestricted net assets		
Designated for medically related services	100,142,949	102,742,455
Undesignated	<u>12,954,722</u>	<u>14,064,764</u>
Total unrestricted net assets	113,097,671	116,807,219
Temporarily restricted net assets	3,212,825	3,829,394
Permanently restricted net assets	<u>170,480</u>	<u>169,980</u>
Total net assets	<u>116,480,976</u>	<u>120,806,593</u>
Total liabilities and net assets	<u>\$ 118,724,428</u>	<u>\$ 124,098,502</u>

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

THE HEALTH TRUST AND SUBSIDIARY
Consolidated Statement of Activities
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue					
Support					
Government grants	\$ 6,145,428	\$ 1,039,523	\$ -	\$ 7,184,951	\$ 4,734,893
Contributions	43,790	1,482,414	500	1,526,704	2,681,491
Contributions in-kind	886,265	-	-	886,265	911,775
Income from settlement agreement	-	-	-	-	230,000
Total support	<u>7,075,483</u>	<u>2,521,937</u>	<u>500</u>	<u>9,597,920</u>	<u>8,558,159</u>
Revenue					
Fees for financial administrative support services	2,293,566	-	-	2,293,566	1,991,743
Investment income, net	1,818,714	13,863	-	1,832,577	14,607,623
Fee for other services	843,929	183,000	-	1,026,929	828,741
Rental income	272,900	-	-	272,900	263,874
Other revenue	24,820	-	-	24,820	8,848
Loss on sale of land and building held for investment	-	-	-	-	(133,735)
Total revenue	<u>5,253,929</u>	<u>196,863</u>	<u>-</u>	<u>5,450,792</u>	<u>17,567,094</u>
Total support and revenue	12,329,412	2,718,800	500	15,048,712	26,125,253
Net assets released from restrictions	<u>3,335,369</u>	<u>(3,335,369)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restrictions	<u>15,664,781</u>	<u>(616,569)</u>	<u>500</u>	<u>15,048,712</u>	<u>26,125,253</u>
Expenses					
Program services					
Healthy Living	8,660,580	-	-	8,660,580	7,891,501
Healthy Aging	2,648,392	-	-	2,648,392	2,666,108
Healthy Eating	3,295,324	-	-	3,295,324	2,119,434
Total program services	<u>14,604,296</u>	<u>-</u>	<u>-</u>	<u>14,604,296</u>	<u>12,677,043</u>
Supporting services					
Management and general	2,224,834	-	-	2,224,834	2,247,787
Fundraising	308,288	-	-	308,288	506,219
Total supporting services	<u>2,533,122</u>	<u>-</u>	<u>-</u>	<u>2,533,122</u>	<u>2,754,006</u>
Financial administrative support services	<u>2,236,911</u>	<u>-</u>	<u>-</u>	<u>2,236,911</u>	<u>1,985,168</u>
Total expenses	<u>19,374,329</u>	<u>-</u>	<u>-</u>	<u>19,374,329</u>	<u>17,416,217</u>
Change in net assets	(3,709,548)	(616,569)	500	(4,325,617)	8,709,036
Net assets, beginning of year	<u>116,807,219</u>	<u>3,829,394</u>	<u>169,980</u>	<u>120,806,593</u>	<u>112,097,557</u>
Net assets, end of year	<u>\$ 113,097,671</u>	<u>\$ 3,212,825</u>	<u>\$ 170,480</u>	<u>\$ 116,480,976</u>	<u>\$ 120,806,593</u>

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

THE HEALTH TRUST AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Program Services				Supporting Services			Financial Administrative Support Services	Total	
	Healthy Living	Healthy Aging	Healthy Eating	Total	Management and General	Fundraising	Total		2015	2014
Grants to others	\$ 580,236	\$ 168,069	\$ 1,948,319	\$ 2,696,624	\$ -	\$ -	\$ -	\$ 7,875	\$ 2,704,499	\$ 3,255,123
Salaries and related expenses										
Salaries and wages	2,766,532	669,721	741,670	4,177,923	827,503	138,276	965,779	1,450,107	6,593,809	5,723,535
Employee benefits	888,614	205,949	173,957	1,268,520	280,919	45,919	326,838	461,066	2,056,424	1,854,613
Payroll taxes	238,145	56,304	58,488	352,937	58,939	12,093	71,032	137,371	561,340	473,200
Total salaries and related expenses	3,893,291	931,974	974,115	5,799,380	1,167,361	196,288	1,363,649	2,048,544	9,211,573	8,051,348
Other expenses										
Purchased services	2,154,160	393,254	170,182	2,717,596	139,136	13,913	153,049	213,534	3,084,179	2,141,721
Supplies	348,224	614,797	71,875	1,034,896	63,254	10,386	73,640	35,940	1,144,476	1,150,558
Building and equipment rental	691,638	352,523	16,842	1,061,003	3,848	7,690	11,538	7,898	1,080,439	1,052,846
Investment management and bank fees	-	-	-	-	905,937	-	905,937	-	905,937	869,703
Professional fees	494,103	32,257	33,316	559,676	158,674	14,405	173,079	49,212	781,967	466,921
Depreciation	282,824	44,167	22,919	349,910	99,989	13,753	113,742	12,404	476,056	480,660
Other operating expenses	84,366	64,528	23,029	171,923	100,049	26,803	126,852	58,831	357,606	320,109
Building expense	40,845	15,306	20,677	76,828	113,514	18,952	132,466	-	209,294	179,836
Utilities	76,890	25,564	12,363	114,817	21,522	5,054	26,576	7,316	148,709	131,698
Insurance	14,003	5,953	1,687	21,643	78,780	1,044	79,824	8,374	109,841	112,484
Expenses related to rental properties	-	-	-	-	32,391	-	32,391	-	32,391	53,244
Income taxes	-	-	-	-	-	-	-	26,600	26,600	19,669
Total other expenses	4,187,053	1,548,349	372,890	6,108,292	1,717,094	112,000	1,829,094	420,109	8,357,495	6,979,449
Total functional expenses before reclassification	8,660,580	2,648,392	3,295,324	14,604,296	2,884,455	308,288	3,192,743	2,476,528	20,273,567	18,285,920
FASS expenses allocated	-	-	-	-	239,617	-	239,617	(239,617)	-	-
Total functional expenses	8,660,580	2,648,392	3,295,324	14,604,296	3,124,072	308,288	3,432,360	2,236,911	20,273,567	18,285,920
Less: expenses included with revenues on the consolidated statement of activities	-	-	-	-	(899,238)	-	(899,238)	-	(899,238)	(869,703)
Total functional expenses included in expense section on the consolidated statement of activities	\$ 8,660,580	\$ 2,648,392	\$ 3,295,324	\$ 14,604,296	\$ 2,224,834	\$ 308,288	\$ 2,533,122	\$ 2,236,911	\$ 19,374,329	\$ 17,416,217
Percentage of total	51 %	15 %	19 %	85 %	13 %	2 %	15 %			

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

THE HEALTH TRUST AND SUBSIDIARY
Consolidated Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (4,325,617)	\$ 8,709,036
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	476,056	480,660
Contributions restricted for investment in donor restricted endowment funds	(500)	(500)
Unrealized (gain) loss on investments	1,786,516	(10,418,276)
Realized gain on investments	(2,954,622)	(3,443,615)
Loss on sale of land and building held for investment	-	133,735
Changes in operating assets and liabilities		
Accounts receivable	(536,158)	(650,266)
Grants receivable	366,798	(440,583)
Prepaid expenses	(6,376)	68,275
Other current assets	(7,442)	-
Accounts payable	41,718	(153,945)
Accrued payroll and related liabilities	180,762	274,226
Grants payable	(1,219,321)	(529,567)
Other accrued expenses	(6,404)	30,995
Accrued expenses due to discontinued operations	(45,212)	25,647
Net cash used in operating activities	(6,249,802)	(5,914,178)
Cash flows from investing activities		
Purchases of investments	(42,463,343)	(24,155,659)
Proceeds from sales and maturity of investments	48,625,145	25,254,307
Purchases of property and equipment	(81,735)	(35,795)
Changes in restricted investments	45,733	(95,546)
Sale of real estate held for investment	-	3,566,265
Net cash provided by investing activities	6,125,800	4,533,572
Cash flows from financing activities		
Contributions restricted for investment in donor restricted endowment funds	500	500
Net cash provided by financing activities	500	500
Net decrease in cash and cash equivalents	(123,502)	(1,380,106)
Cash and cash equivalents, beginning of year	2,862,146	4,242,252
Cash and cash equivalents, end of year	\$ 2,738,644	\$ 2,862,146
Supplemental disclosure of cash flows information		
Cash paid for income taxes	\$ -	\$ 10,400

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

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

1. Organization

The Health Trust (THT)

The Health Trust is a California nonprofit public benefit corporation founded in 1996 from the sale of three local nonprofit hospitals. For more than 19 years The Health Trust has been a catalyst for identifying and implementing innovative solutions to health and wellness issues in Silicon Valley. The Health Trust, with the exception of its Financial Administrative Support Services (FASS) subsidiary, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Health Trust engages in policy and advocacy and provides grants and services. Specific services that are included within the broad program services categories described in Note 2 are as follows:

Meals On Wheels - provides more than 85,000 meals annually to older adults and disabled individuals who lack the ability to shop or cook for themselves, supporting the nutrition, health and independence of these residents.

AIDS Services - is the largest non-medical program in Santa Clara County for individuals and their families with HIV/AIDS, providing case management, housing assistance, food and transportation, and serving 800 low-income clients.

Children's Dental Centers - on the East side of San Jose and in Sunnyvale provided more than 57,000 oral health visits for both preventive and restorative oral health care to over 20,000 children without ready access to a dentist.

Wellness Access and Education - helps over 4,000 children and adults enroll in public health insurance programs each year, leads chronic disease and diabetes management classes for more than 800 adults and also educates local communities about health and wellness through grassroots activities. The annual Open Air Health Fair provides adults with free cholesterol and blood glucose testing, flu shots, vision screening, and health insurance and resource linkages.

Family Resource Centers - located in targeted zip codes in two Supervisorial Districts in San Jose, provide health linkages, health education, and child development services to families with 0-5 year olds. The program reaches hundreds of families during the year and provides a number of volunteer opportunities for the larger community.

Destination: Home - The Health Trust serves as the home for Destination: Home, a public/private partnership committed to ending homelessness in Santa Clara County.

Financial Administrative Support Services (FASS) - On July 1, 2012, FASS, which previously was operating as a program of The Health Trust, spun off into a wholly-owned subsidiary (the "Subsidiary") of The Health Trust that is organized as a California for-profit corporation.

Consolidated entities (the "Organization") - The Organization consists of The Health Trust and Financial Administrative Support Services as described above.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

2. Program Services

In January of 2014, The Health Trust announced its recommitment for the next five years to three initiatives - Healthy Living, Healthy Aging and Healthy Eating.

Healthy Living - The Healthy Living Initiative focuses on reducing and eliminating health disparities using the following strategies:

- Preventing and managing chronic disease through the delivery of evidence based classes and workshops;
- Providing low income people living with HIV/AIDS with case management, housing and nutrition services;
- Promoting healthy families school readiness programs, as well as parenting and family education, at family resource centers;
- Providing rapid rehousing for homeless individuals;
- Linking people to the health care they need through insurance enrollment and a "health market" at the Flea market;
- Providing medical nutrition therapy services to complement diabetes self management workshops;
- Providing oral health education and treatment services for children, and leading the campaign to bring water fluoridation to San Jose; and
- Promoting application of the Disruptive Innovation theory and practices within the nonprofit community.
- Destination: Home is working to end homelessness through collective impact strategies. The vision is to eradicate homelessness by leveraging local and national resources and inspiring community members to improve existing systems.

Healthy Aging

The Healthy Aging Initiative focuses on supporting the health of our aging population so they can spend more years in good health and be engaged as vital members of their communities. Healthy Aging relies on the following strategies:

- Leadership and Advocacy that includes:
 - Providing leadership and coordination for a county-wide Aging Services Collaborative that advances the well-being of older adults and their caregivers with joint advocacy, planning and fund development;
 - Coordination of AGENTS for Change, a cadre of volunteers committed to advocating for social justice for older adults;
- Providing information and assistance to older adults and their families through trained peer volunteers and;

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

2. Program Services (continued)

- System integration and reform through supporting efforts to develop and enhance long term supports and services for older adults.

Healthy Eating

The Healthy Eating Initiative focuses on reducing obesity by increasing access to healthy foods and physical activity. The Initiative utilizes grant making, advocacy, and collaboration to support local efforts to create policies and environmental changes so that places - neighborhoods, worksites, schools and other organizations - foster wellness and healthy behaviors. Strategies include:

- Supporting the development of community/school gardens and urban/sustainable agriculture to expand access to fruits and vegetables;
- Developing social enterprises that increase access to healthy foods, especially in low-income communities, such as mobile produce vending and healthy corner stores and small farmers markets;
- Increasing salad bars in schools; and
- Providing healthy, delivered meals to home-bound older and disabled adults.

Financial Administrative Support Services

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

3. 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 intercompany 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.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

3. Summary of Significant Accounting Policies (continued)

Basis of presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with generally accepted accounting principles, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets 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 10).

Temporarily restricted net assets 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.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

3. 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 statement of activities in the period that such fluctuations occur. Gains and losses on investments are reported as increases or decreases in unrestricted or temporarily restricted net assets 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
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

3. Summary of Significant Accounting Policies (continued)

Accounts receivable

The Organization utilizes the reserve method of accounting for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. As of June 30, 2015 and 2014, the Organization did not have doubtful accounts and no allowance for doubtful accounts have been recorded.

Grants receivable

The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Property and equipment

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

Land and building held for investment

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

Accrued paid time off

Accrued paid time off represents time earned, but not taken as of June 30, 2015 and 2014, and is included in "accrued payroll and related liabilities" in the consolidated statement of financial position. The accrued paid time off balance as of June 30, 2015 and 2014 was \$451,042 and \$410,623, respectively.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Funds raised on behalf of other organizations are not recognized as support in the consolidated statement of activities. Instead they are recorded as assets and liabilities in the consolidated statement of financial position.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

3. Summary of Significant Accounting Policies (continued)

Contributions in-kind

Donated equipment, 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 13.

Grants to others

Grants to others are recognized when the unconditional promise to give is approved by the Board of Trustees. 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. Conditional promises to give as of June 30, 2014 were \$1,093,500. There were no conditional promises to give as of June 30, 2015.

Allocation of functional expenses

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management's estimate of indirect salary expense allocation is based on individual employee estimated time spent by function, time studies and/or time sheets. Management's estimate of other indirect costs is based on salary expense or square footage.

Income taxes

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 23701(d) of the California Revenue Taxation Code. However, income from certain 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.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

3. Summary of Significant Accounting Policies (continued)

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that it has appropriate support for its tax positions taken on its unrelated business taxable income relating to the Health Trust and that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization's federal returns for the fiscal years ended June 30, 2014, 2013 and 2012 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization's state returns for the years ended June 30, 2014, 2013, 2012 and 2011 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Marketing and advertising expense for the years ended June 30, 2015 and 2014 was \$23,794 and \$23,160, respectively.

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, 2015 for potential recognition or disclosure in the consolidated financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended June 30, 2015. Subsequent events have been evaluated through the date the financial statements became available to be issued November 18, 2015.

4. The Uniform Prudent Management of Institutional Funds Act (UPMIFA)

While the Uniform Prudent Management of Institutional Funds Act (UPMIFA) only applies to the Organization's Donor-Restricted Endowment Funds in the amount of \$170,480 as of June 30, 2015, 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 as Unrestricted Net Assets (Note 10) in the amounts of \$100,142,949 and \$12,954,722 as of June 30, 2015.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

4. The Uniform Prudent Management of Institutional Funds Acts (UPMIFA) (continued)

Interpretation of relevant law

The Board of Trustees of The Health Trust has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Health Trust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA. 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 endowment 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

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 of 5.9% based on the moving average fair value of the prior 5 years through the fiscal year-end preceding the fiscal year in which the distribution is planned, while growing the funds if possible. Therefore, the Organization expects its investment assets, over time, to produce an average rate of return of approximately 8.4% annually. 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.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

5. Endowment

The Organization's endowment of \$170,480 and \$169,980 as of June 30, 2015 and 2014, respectively, consists of individual donor-restricted endowment funds established for a variety of purposes. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 Generally Accepted Accounting Principles (GAAP), deficiencies of this nature that are required to be reported in unrestricted net assets totaled \$0 and \$0 as of June 30, 2015 and 2014.

Endowment net asset composition as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 42,804	\$ 170,480	\$ 213,284

Changes in donor-restricted endowment net assets for the fiscal year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 39,352	\$ 169,980	\$ 209,332
Contributions	-	-	500	500
Interest and dividends	-	3,330	-	3,330
Net realized and unrealized gain on investments	-	2,042	-	2,042
Investment fees	-	(1,920)	-	(1,920)
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 42,804</u>	<u>\$ 170,480</u>	<u>\$ 213,284</u>

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

6. Investments

Investments held at fair value as of June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
Investments	\$ 99,515,788	\$104,509,984
Investments - donor-restricted endowment	<u>170,480</u>	<u>169,980</u>
Total investments	<u>\$ 99,686,268</u>	<u>\$104,679,964</u>

Investments held at fair value by type as of June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
International equities	\$ 26,072,387	\$ 28,505,210
Fixed income securities	19,705,063	20,301,760
Marketable alternatives	18,559,320	18,214,391
R.E.I.T. equities	9,694,280	10,505,745
Large cap value equities	8,469,474	9,051,050
All cap growth equities	8,301,561	-
Small cap equities	6,072,902	6,474,655
Venture capital funds and limited partnerships	2,811,281	2,810,369
Large cap growth equities	<u>-</u>	<u>8,816,784</u>
Total Investments	<u>\$ 99,686,268</u>	<u>\$104,679,964</u>

Capital commitments related to limited partnerships as of June 30, 2015 and 2014 were \$6,566,400 and \$3,566,400, respectively. At June 30, 2015 \$4,101,861 was already contributed. Remaining capital contributions to be called are \$2,464,539.

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

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

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

6. Investments (continued)

Fair value of assets measured on a recurring basis as of June 30, 2015 was as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
International equities	\$ 26,072,387	\$ 26,072,387	\$ -	\$ -
Fixed income securities	19,705,063	9,936,179	9,768,884	-
Marketable alternatives	18,559,320	-	-	18,559,320
R.E.I.T. equities	9,694,280	8,898,892	-	795,388
Large cap value equities	8,469,474	8,469,474	-	-
All cap growth equities	8,301,561	8,301,561	-	-
Small cap equities	6,072,902	6,072,902	-	-
Venture capital funds and limited partnerships	<u>2,811,281</u>	<u>-</u>	<u>-</u>	<u>2,811,281</u>
Total investments	<u>\$ 99,686,268</u>	<u>\$ 67,751,395</u>	<u>\$ 9,768,884</u>	<u>\$ 22,165,989</u>

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

6. Investments (continued)

Fair value of assets measured on a recurring basis as of June 30, 2014 was as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
International equities	\$ 28,505,210	\$ 28,505,210	\$ -	\$ -
Fixed Income securities	20,301,760	10,505,892	9,795,868	-
Marketable alternatives	18,214,391	-	-	18,214,391
R.E.I.T. equities	10,505,745	7,762,253	2,743,492	-
Large cap value equities	9,051,050	9,051,050	-	-
Large cap growth equities	8,816,784	8,816,784	-	-
Small cap equities	6,474,655	6,474,655	-	-
Venture capital funds and limited partnerships	<u>2,810,369</u>	<u>-</u>	<u>-</u>	<u>2,810,369</u>
Total investments	<u>\$ 104,679,964</u>	<u>\$ 71,115,844</u>	<u>\$ 12,539,360</u>	<u>\$ 21,024,760</u>

The following schedule summarizes The Health Trust's Level 3 investments activities for the year ended June 30, 2015:

Balance as of June 30, 2014	\$ 21,024,760
Unrealized/realized gain net of expenses	2,293,056
Investment management fees	(215,572)
Transfers in and out, net	(5,602,951)
Capital contributions	4,758,117
Proceeds from redemptions and distributions	<u>(91,421)</u>
Balance as of June 30, 2015	<u>\$ 22,165,989</u>

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

6. Investments (continued)

The following schedule summarizes the investment returns and their classifications in the consolidated statement of activities for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 154,308	\$ 1,474	\$ 155,782
Dividend income	1,389,458	13,212	1,402,670
Net unrealized/realized gain	<u>1,159,465</u>	<u>8,641</u>	<u>1,168,106</u>
Total investment income	2,703,231	23,327	2,726,558
Less: investment expenses	<u>(884,517)</u>	<u>(9,464)</u>	<u>(893,981)</u>
Net investment income	<u>\$ 1,818,714</u>	<u>\$ 13,863</u>	<u>\$ 1,832,577</u>

The following schedule summarizes the investment returns and their classifications in the statement of activities for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 169,990	\$ 1,229	\$ 171,219
Dividend income	1,433,914	10,302	1,444,216
Net unrealized/realized gain	<u>13,719,466</u>	<u>142,425</u>	<u>13,861,891</u>
Total investment income	15,323,370	153,956	15,477,326
Less: investment expenses	<u>(862,433)</u>	<u>(7,270)</u>	<u>(869,703)</u>
Net investment income	<u>\$ 14,460,937</u>	<u>\$ 146,686</u>	<u>\$ 14,607,623</u>

7. Property and Equipment

The cost and related accumulated depreciation of the property and equipment as of June 30 consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 2,350,000	\$ 2,350,000
Building	2,786,324	2,786,324
Leasehold improvements	2,477,896	2,454,499
Furniture and equipment	<u>1,845,352</u>	<u>1,949,265</u>
	9,459,572	9,540,088
Less: accumulated depreciation	<u>(3,429,095)</u>	<u>(3,115,290)</u>
Property and equipment, net	<u>\$ 6,030,477</u>	<u>\$ 6,424,798</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$476,056 and \$480,660, respectively.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

8. Restricted Investments/Discontinued Operations

The Health Trust is the fiduciary of a retirement account for a physician. The balance in this account is reported as a restricted investment in the consolidated statement of financial position and the offset balance is included in accrued expenses due to discontinued operations under long-term liabilities. As of June 30, 2015 and 2014, the balance of this retirement account was \$67,111 and \$112,323, respectively. Restricted investments also include balances in 457(f) deferred compensation plans for two executives.

9. Land and Building Held for Investment

Management obtained valuations provided by real estate brokers and/or utilized the sales price in a contract for sale in estimating the fair value of its land and building held for investment as of June 30, 2015 and 2014. Consequently, land and building held for investment are stated at fair value at June 30, consisted of the following:

	2015	2014
Morgan Hill property	\$ 7,500,000	\$ 7,500,000

Changes in the carrying value of the land and building held for investment for the years ended June 30, was as follows:

	2015	2014
Land and building held for investment, beginning of year	\$ 7,500,000	\$ 11,200,000
Sale of land and building held for investment	-	(3,700,000)
Land and building held for investment, end of year	\$ 7,500,000	\$ 7,500,000

There were no sales during the year ended June 30, 2015. On January 10, 2014, the Organization finalized the sale of the Blossom Hill property, held as Investment in Real Estate, for consideration of \$3,566,265. During the year ended June 30, 2014 the Organization recognized a loss on the sale of this investment as follows:

	2015
Blossom Hill property - sales proceeds	\$ 3,566,265
Blossom Hill property - carrying value	(3,700,000)
Loss on sale of land and building held for investment	\$ (133,735)

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

10. Designated Net Assets

Under California Charitable Trust Law, The Health Trust's assets and income derived therefrom 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 \$100,142,949 and \$102,742,455 as of June 30, 2015 and 2014, is reserved for medically related services and expenditures provided within Santa Clara County and Northern San Benito County 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 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 \$12,954,722 and \$14,064,764 as of June 30, 2015 and 2014.

11. Temporarily Restricted Net Assets

The Organization's temporarily restricted net assets as of June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
Destination: Home	\$ 982,504	\$ 1,237,245
Other Purposes	872,808	307,146
Children's Dental Services	633,065	746,311
Healthy Eating	299,895	647,704
Meals on Wheels	235,860	414,549
Behavioral Health Contractors Association	64,935	58,908
AIDS Services	38,189	331,280
Natalie Fund	32,183	32,183
Wellness Access and Education	24,943	27,767
Healthy Aging	17,443	15,301
Healthy Living	<u>11,000</u>	<u>11,000</u>
Total temporarily restricted net assets	<u>\$ 3,212,825</u>	<u>\$ 3,829,394</u>

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

12. Net Assets Released from Restrictions

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2015
Destination: Home	\$ 1,625,653
Healthy Eating	443,541
Meals on Wheels	430,852
Wellness Access and Education	304,214
AIDS Services	236,087
Children's Dental Services	113,246
Behavioral Health Contractors Association	96,729
Healthy Aging	70,819
Healthy Living	7,971
Donor Advised Funds	5,257
Other Purposes	1,000
Total net assets released from restrictions	\$ 3,335,369

13. Contributions In-Kind

The estimated fair value of donated supplies, rent and expert services are recorded as contributions. During the years ended June 30, the following in-kind contributions were received by the Organization:

	2015	2014
Supplies	\$ 572,692	\$ 609,258
Building and equipment rental	313,573	302,517
Total contributions in-kind	\$ 886,265	\$ 911,775

Volunteers also donated 19,398 and 27,964 hours of non-professional services for the years ended June 30, 2015 and 2014, respectively. Management has estimated the value of these services to be \$447,512 and \$368,399. Since these services did not require specialized skills, they have not been recorded as support and expenses in the consolidated financial statements.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

14. Income from Settlement Agreement

During the year ended June 30, 2014 the Organization received \$230,000 as part of the settlement agreement for claims related to distribution of assets of a certain trust.

15. Operating Lease Commitments

The Organization is obligated under the following leases excluding common area maintenance costs:

1153 South King Road, San Jose, California - lease rate of \$20,025 per month with escalating payments. The lease agreement ends on November 30, 2017.

46 and 48A Race Street, San Jose, California - lease rate of \$6,343 per month. The lease agreement ends on June 30, 2016.

1400 Parkmoor Avenue, San Jose, California - lease rate of \$1 per month. The lease agreement ends on May 31, 2018. The fair value of monthly lease is \$20,652 and is included as a component of contributions in-kind (see Note 13).

897 West El Camino Real, Sunnyvale, California - lease rate of \$9,120 per month. The lease agreement ends on February 28, 2021.

The minimum future lease payments under non-cancelable leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 495,902
2017	404,213
2018	243,990
2019	130,677
2020	134,597
Thereafter	<u>138,635</u>
Total future minimum lease payments	<u>\$ 1,548,014</u>

Rental expense, including in-kind, for the years ended June 30, 2015 and 2014 was \$1,080,439 and \$1,052,846, respectively.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

16. Building Rental Income

The Organization leases a portion of its office building to various entities. The leases expire on various dates through 2019. The Organization is responsible for all operating and maintenance expenses and other costs of ownership of the facility.

Future minimum rental income is as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2016	\$ 276,710
2017	139,195
2018	94,427
2019	<u>47,769</u>
Total future minimum rental income	<u>\$ 558,101</u>

Rental income for the years ended June 30, 2015 and 2014 was \$272,900 and \$263,874 respectively.

17. 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, 2015 and 2014, contributions to the 401(a) plan were \$109,528 and \$103,990, 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, 2015 and 2014, employer contributions to the 403(b) plan were \$104,878 and \$97,386, respectively

401(k) Plan - Under the 401(k) plan, eligible employees may contribute a percentage of their compensation as defined in the plan agreements in accordance with Internal Revenue Service regulations. In general, Financial Administrative Support Services matches 50% of an employee's contribution up to 6% of an employee's salary. For the years ended June 30, 2015 and 2014, employer contributions to the 401(k) plan were \$54,380 and \$40,420, 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, 2015 and 2014, The Health Trust did not make any contributions to the 457(f) plan.

THE HEALTH TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
Year Ended June 30, 2015

18. Conflict of Interest Policy

Included among the Organization's Board of Trustees and Officers are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of business transactions. The Organization has adopted a conflict of interest policy whereby Board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency. Board Members annually sign an Annual Affirmation and Conflict of Interest Statement.

SUPPLEMENTARY INFORMATION

THE HEALTH TRUST
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor Pass-through Grantor Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grants/Entitlement Grants			
Pass-through from City of San Jose	14.218	CPS-12-003A	\$ 97,717
Pass-through from City of Milpitas	14.218	N/A	5,000
Pass-through from City of Sunnyvale	14.218	1415-827550	<u>10,307</u>
Total Community Development Block Grants/Entitlement Grants			<u>113,024</u>
Housing Opportunities for Persons With AIDS			
Pass-through from City of San Jose	14.241	HOP-12-001A	637,030
Pass-through from City of San Jose	14.241	HPSH-13-001	<u>386,333</u>
Total Housing Opportunities for Persons With AIDS			<u>1,023,363</u>
Home Investment Partnerships Program			
Pass-through from City of San Jose	14.239	HOME-14-001	<u>449,679</u>
Total U.S. Department of Housing and Urban Development			<u>1,586,066</u>
<u>Corporation for National and Community Service</u>			
(ARRA) AmeriCorps			
Pass-through from State of California	94.006	11AFHY19-F154	43,977
Pass-through from State of California	94.006	14AFHY21-F154	<u>224,642</u>
Total Corporation for National and Community Service			<u>268,619</u>
<u>U.S. Department of Health and Human Services</u>			
Aging Cluster			
Pass-through from Council on Aging			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	20151602.0	63,903
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	20150402.0	49,950
Nutrition Services Incentive Program	93.053	20150402.0	<u>22,353</u>
Total Pass-through from Council on Aging - Aging Cluster			<u>136,206</u>
HIV Emergency Relief Formula Grants			
Pass-through from County of Santa Clara	93.915	N/A	<u>1,151,620</u>
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program	97.024		<u>6,680</u>
<u>U.S. Department of Agriculture</u>			
Community Food Projects	10.225		124,623
Passed through from Santa Clara County Public Health Department State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	13-20507	230,005
Pass-through from Second Harvest Food Bank of Santa Clara and San Mateo Counties			
Emergency Food Assistance Program (Food Commodities)	10.569	1060	<u>36,480</u>
Total U.S. Department of Agriculture			<u>391,108</u>
Total Expenditures of Federal Awards			<u>\$ 3,540,299</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

THE HEALTH TRUST
Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The Health Trust under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying number

Pass-through entity identifying numbers are presented where available.

3. Uniform Guidance for Federal Awards

The OMB Uniform Guidance became effective on December 26, 2014. Non-Federal entities are required to implement the reforms to administrative requirements and cost principles if the federal award is received on or after December 26, 2014 and has terms and conditions as per the Uniform Guidance. The Health Trust did not have any federal awards subject to the Uniform Guidance during the year ended June 30, 2015.

REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Health Trust (a California nonprofit public benefit corporation) and Subsidiary which comprise the consolidated statement of financial position as of June 30, 2015, 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 November 18, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Health Trust and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the The Health Trust and Subsidiary'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 The Health Trust and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Armanino^{LLP}
San Jose, California

November 18, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited The Health Trust's (a California nonprofit public benefit corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Health Trust's major federal programs for the year ended June 30, 2015. The Health Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Health Trust's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Health Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, The Health Trust 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, 2015.

Report on Internal Control Over Compliance

Management of The Health Trust is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Health Trust's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Health Trust's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Armanino^{LLP}
San Jose, California

November 18, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THE HEALTH TRUST AND SUBSIDIARY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of The Health Trust and Subsidiary.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the 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*.
3. No instances of noncompliance material to the consolidated financial statements of The Health Trust and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for The Health Trust expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as a major programs were:
CFDA 14.241 Housing Opportunities for Persons with AIDS
CFDA 14.239 Home Investment Partnerships Program
CFDA 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Health Trust was determined to be a low-risk auditee.

Summary of Financial Statement Findings

None

Summary of Federal Award Findings and Questioned Costs

U.S. Department of Housing and Urban Development
Name of Program - Housing Opportunities for Persons with AIDS
CFDA No. 14.241
None

U.S. Department of Housing and Urban Development
Name of Program - Home Investment Partnership Program
CFDA No. 14.239
None

U.S. Department of Agriculture
Name of Program - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
CFDA No. 10.561
None

THE HEALTH TRUST AND SUBSIDIARY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

None

OTHER SUPPLEMENTARY INFORMATION

THE HEALTH TRUST AND SUBSIDIARY
Consolidating Statement of Financial Position
June 30, 2015

ASSETS

	The Health Trust	FASS	Eliminating Entries	Total
Current assets				
Cash and cash equivalents	\$ 2,239,828	\$ 498,816	\$ -	\$ 2,738,644
Investments	99,559,002	-	(43,214)	99,515,788
Accounts receivable, net of allowance	2,281,950	53,814	(32,340)	2,303,424
Grants receivable	148,785	-	-	148,785
Prepaid expenses	134,593	22,382	-	156,975
Other current assets	7,442	-	-	7,442
Total current assets	<u>104,371,600</u>	<u>575,012</u>	<u>(75,554)</u>	<u>104,871,058</u>
Property and equipment, net	<u>6,002,804</u>	<u>27,673</u>	<u>-</u>	<u>6,030,477</u>
Other assets				
Restricted investments	152,413	-	-	152,413
Land and building held for investment	7,500,000	-	-	7,500,000
Investments - donor restricted endowment	170,480	-	-	170,480
Total other assets	<u>7,822,893</u>	<u>-</u>	<u>-</u>	<u>7,822,893</u>
Total assets	<u>\$ 118,197,297</u>	<u>\$ 602,685</u>	<u>\$ (75,554)</u>	<u>\$ 118,724,428</u>

LIABILITIES AND NET ASSETS

Current liabilities				
Accounts payable	\$ 566,622	\$ 66,121	\$ (32,340)	\$ 600,403
Accrued payroll and related liabilities	949,848	426,201	-	1,376,049
Grants payable	106,691	-	-	106,691
Other accrued expenses	93,198	-	-	93,198
Total current liabilities	<u>1,716,359</u>	<u>492,322</u>	<u>(32,340)</u>	<u>2,176,341</u>
Long-term liabilities				
Accrued expenses due to discontinued operations	67,111	-	-	67,111
Total liabilities	<u>1,783,470</u>	<u>492,322</u>	<u>(32,340)</u>	<u>2,243,452</u>
Net assets				
Unrestricted net assets				
Designated for medically related services	100,142,949	-	-	100,142,949
Undesignated	12,887,573	142,703	(75,554)	12,954,722
Dividends paid	-	(32,340)	32,340	-
Total unrestricted net assets	<u>113,030,522</u>	<u>110,363</u>	<u>(43,214)</u>	<u>113,097,671</u>
Temporarily restricted assets	3,212,825	-	-	3,212,825
Permanently restricted net assets	170,480	-	-	170,480
Total net assets	<u>116,413,827</u>	<u>110,363</u>	<u>(43,214)</u>	<u>116,480,976</u>
Total liabilities and net assets	<u>\$ 118,197,297</u>	<u>\$ 602,685</u>	<u>\$ (75,554)</u>	<u>\$ 118,724,428</u>

THE HEALTH TRUST AND SUBSIDIARY
Consolidating Statement of Activities
Year Ended June 30, 2015

	<u>The Health Trust</u>	<u>FASS</u>	<u>Eliminating Entries</u>	<u>Reclassifying Entries</u>	<u>Total</u>
Support and revenue					
Support					
Government grants	\$ 7,184,951	\$ -	\$ -	\$ -	\$ 7,184,951
Contributions	1,526,704	-	-	-	1,526,704
Contributions in-kind	<u>886,265</u>	-	-	-	<u>886,265</u>
Total support	<u>9,597,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,597,920</u>
Revenue					
Fees for financial administrative support services	-	2,759,506	(465,940)	-	2,293,566
Investment income, net	1,832,577	-	-	-	1,832,577
Fee for other services	1,153,056	-	(126,127)	-	1,026,929
Rental income	361,586	-	(88,686)	-	272,900
Other revenue	<u>57,160</u>	<u>-</u>	<u>(32,340)</u>	<u>-</u>	<u>24,820</u>
Total revenue	<u>3,404,379</u>	<u>2,759,506</u>	<u>(713,093)</u>	<u>-</u>	<u>5,450,792</u>
Total support and revenue	<u>13,002,299</u>	<u>2,759,506</u>	<u>(713,093)</u>	<u>-</u>	<u>15,048,712</u>
Expenses					
Program services					
Healthy Living	8,660,580	-	-	-	8,660,580
Healthy Aging	2,648,392	-	-	-	2,648,392
Healthy Eating	<u>3,295,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,295,324</u>
Total program services	<u>14,604,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,604,296</u>
Support services					
Management and general	2,451,157	-	(465,940)	239,617	2,224,834
Fundraising	<u>308,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,288</u>
Total supporting services	<u>2,759,445</u>	<u>-</u>	<u>(465,940)</u>	<u>239,617</u>	<u>2,533,122</u>
Financial administrative support services	<u>-</u>	<u>2,691,341</u>	<u>(214,813)</u>	<u>(239,617)</u>	<u>2,236,911</u>
Total expenses	<u>17,363,741</u>	<u>2,691,341</u>	<u>(680,753)</u>	<u>-</u>	<u>19,374,329</u>
Change in net assets	(4,361,442)	68,165	(32,340)	-	(4,325,617)
Net assets, beginning of year	120,775,269	74,538	(43,214)	-	120,806,593
Dividends paid	<u>-</u>	<u>(32,340)</u>	<u>32,340</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 116,413,827</u>	<u>\$ 110,363</u>	<u>\$ (43,214)</u>	<u>\$ -</u>	<u>\$ 116,480,976</u>

THE HEALTH TRUST AND SUBSIDIARY
Consolidating Statement of Cash Flows
Year Ended June 30, 2015

	<u>The Health Trust</u>	<u>FASS</u>	<u>Eliminating Entries</u>	<u>Total</u>
Cash flows from operating activities				
Change in net assets	\$ (4,361,442)	\$ 68,165	\$ (32,340)	\$ (4,325,617)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation	463,652	12,404	-	476,056
Contributions restricted for investment in donor restricted endowment funds	(500)	-	-	(500)
Unrealized loss on investments	1,786,516	-	-	1,786,516
Realized gain on investments	(2,954,622)	-	-	(2,954,622)
Changes in operating assets and liabilities				
Accounts receivable	(461,139)	(20,051)	54,968	(536,158)
Grants receivable	366,798	-	-	366,798
Prepaid expenses	(28,238)	21,862	-	(6,376)
Other current assets	(7,442)	-	-	(7,442)
Accounts payable	60,371	(73,621)	54,968	41,718
Accrued payroll and related liabilities	54,554	126,208	-	180,762
Grants payable	(1,219,321)	-	-	(1,219,321)
Other accrued expenses	(6,404)	-	-	(6,404)
Accrued expenses due to discontinued operations	(45,212)	-	-	(45,212)
Net cash provided by (used in) operating activities	<u>(6,352,429)</u>	<u>134,967</u>	<u>77,596</u>	<u>(6,249,802)</u>
Cash flows from investing activities				
Purchase of investments	(42,463,343)	-	-	(42,463,343)
Proceeds from sales and maturity of investments	48,625,145	-	-	48,625,145
Purchases of property and equipment	(56,099)	(25,636)	-	(81,735)
Changes in restricted investments	45,733	-	-	45,733
Net cash provided by (used in) investing activities	<u>6,151,436</u>	<u>(25,636)</u>	<u>-</u>	<u>6,125,800</u>
Cash flows from financing activities				
Dividends paid	-	(32,340)	32,340	-
Contributions restricted for investment in donor restricted endowment funds	500	-	-	500
Net cash provided by (used in) financing activities	<u>500</u>	<u>(32,340)</u>	<u>32,340</u>	<u>500</u>
Net increase (decrease) in cash and cash equivalents	(200,493)	76,991	-	(123,502)
Cash and cash equivalents, beginning of year	<u>2,440,321</u>	<u>421,825</u>	<u>-</u>	<u>2,862,146</u>
Cash and cash equivalents, end of year	<u>\$ 2,239,828</u>	<u>\$ 498,816</u>	<u>\$ -</u>	<u>\$ 2,738,644</u>

FINANCIAL SECTION

SUPPLEMENTARY INFORMATION

REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OTHER SUPPLEMENTARY INFORMATION