



**Financial Statements
December 31, 2023 and 2022**

**Together with
Independent Auditors' Report
and Single Audit Reports**

VALLEY HEALTH FOUNDATION (VHF)

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December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Valley Health Foundation
San Jose, California

Opinion

We have audited the financial statements of Valley Health Foundation (VHF) ("VHF"), a California nonprofit public benefit corporation, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VHF as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Additionally, for the fiscal year ended December 31, 2023, we conducted our audit in accordance with 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VHF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
Valley Health Foundation
San Jose, California

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VHF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VHF'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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
Valley Health Foundation
San Jose, California

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 May 10, 2024, on our consideration of VHF'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 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 VHF's internal control over financial reporting and compliance.

Handwritten signature of Robert Lee in cursive script.

San Jose, California
May 10, 2024

VALLEY HEALTH FOUNDATION (VHF)
Statements of Financial Position

	December 31,	
	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 10,069,836	\$ 1,600,950
Grants and pledges receivable, net	1,676,750	435,540
Accounts receivable	115,247	519,039
Prepaid expenses	74,036	68,256
Inventories	221,675	58,375
Investments	13,060,021	11,284,669
Cash surrender value of life insurance	281,309	266,847
Property and equipment, net	5,628	9,848
Investments restricted for permanent endowment	<u>10,000</u>	<u>10,000</u>
Total assets	\$ <u>25,514,502</u>	\$ <u>14,253,524</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 383,323	\$ 265,579
Deferred revenue	<u>6,832,000</u>	<u>-</u>
Total liabilities	<u>7,215,323</u>	<u>265,579</u>
Contingency		
Net assets:		
Without donor restrictions	4,775,033	2,444,453
With donor restrictions	<u>13,524,146</u>	<u>11,543,492</u>
Total net assets	<u>18,299,179</u>	<u>13,987,945</u>
Total liabilities and net assets	\$ <u>25,514,502</u>	\$ <u>14,253,524</u>

The accompanying notes are an integral part of these financial statements

VALLEY HEALTH FOUNDATION (VHF)**Statement of Activities and Change in Net Assets**

For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
<u>REVENUE AND SUPPORT</u>			
Contributions	\$ 1,405,271	\$ 1,724,165	\$ 3,129,436
Grants	763,722	13,378,957	14,142,679
Investment income, net	1,929,580	16,270	1,945,850
In-kind contributions	434,687	2,123,445	2,558,132
Special events, net	575,507	-	575,507
Service fees	410	192,422	192,832
Net loss on sale of merchandise	(38,630)	-	(38,630)
Change in life insurance cash surrender value	14,462	-	14,462
Net assets released from restriction	15,454,605	(15,454,605)	-
Total revenue and support	20,539,614	1,980,654	22,520,268
<u>EXPENSES</u>			
Program services	15,918,380	-	15,918,380
Supporting services:			
Management and general	1,107,247	-	1,107,247
Fundraising	1,183,407	-	1,183,407
Total expenses	18,209,034	-	18,209,034
Change in net assets	2,330,580	1,980,654	4,311,234
Net assets, beginning of year	2,444,453	11,543,492	13,987,945
Net assets, end of year	\$ 4,775,033	\$ 13,524,146	\$ 18,299,179

The accompanying notes are an integral part of these financial statements

VALLEY HEALTH FOUNDATION (VHF)**Statement of Activities and Change in Net Assets**

For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
<u>REVENUE AND SUPPORT</u>			
Contributions	\$ 1,636,797	\$ 1,096,036	\$ 2,732,833
Grants	-	2,170,962	2,170,962
Investment los, net	(1,540,568)	(16,984)	(1,557,552)
In-kind contributions	547,552	1,071,513	1,619,065
Special events, net	697,907	-	697,907
Service fees	150	60,169	60,319
Net loss on sale of merchandise	(36,681)	-	(36,681)
Other revenues	1,279	-	1,279
Change in life insurance cash surrender value	13,727	-	13,727
Net assets released from restriction	4,036,646	(4,036,646)	-
Total revenue and support	5,356,809	345,050	5,701,859
<u>EXPENSES</u>			
Program services	4,645,047	-	4,645,047
Supporting services:			
Management and general	983,003	-	983,003
Fundraising	774,393	-	774,393
Total expenses	6,402,443	-	6,402,443
Change in net assets	(1,045,634)	345,050	(700,584)
Net assets, beginning of year	3,490,087	11,198,442	14,688,529
Net assets, end of year	\$ 2,444,453	\$ 11,543,492	\$ 13,987,945

The accompanying notes are an integral part of these financial statements

Valley Health Foundation (VHF)
Statement of Functional Expenses
For the Year Ended December 31, 2023

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support services</u>	<u>Total program and support services</u>
Expenses:					
Assistance to U.S. entities	\$ 9,978,867	\$ -	\$ 2,537	\$ 2,537	\$ 9,981,404
Salaries and wages	1,283,891	713,190	630,471	1,343,661	2,627,552
Donated items	2,124,344	-	178,689	178,689	2,303,033
Management and contractors fees	1,064,269	18,185	52,118	70,303	1,134,572
Conferences, events, and meetings	353,354	7,174	449,904	457,078	810,432
Rent	198,673	29,433	139,807	169,240	367,913
Equipment	343,994	-	-	-	343,994
Employee benefits	133,950	136,553	62,969	199,522	333,472
Advertising and promotions	71,316	4,376	176,026	180,402	251,718
Payroll taxes	92,493	48,476	45,426	93,902	186,395
Office expense and supplies	131,206	28,913	19,017	47,930	179,136
Information technology	82,617	10,752	27,748	38,500	121,117
Gift shop cost of good sold	112,192	-	-	-	112,192
Printing, mailing, and postage	18,255	13,269	49,144	62,413	80,668
Staff training and recognition	75,803	4,686	143	4,829	80,632
Retirement contribution	28,388	19,134	12,105	31,239	59,627
Bank fees	28,875	99	27,039	27,138	56,013
Accounting and professional	4,149	46,118	1,025	47,143	51,292
Travel	23,078	1,696	2,776	4,472	27,550
Insurance	2,751	17,881	-	17,881	20,632
Legal	509	7,312	390	7,702	8,211
Depreciation	4,220	-	-	-	4,220
Total expenses	16,157,194	1,107,247	1,877,334	2,984,581	19,141,775
Less expenses included with revenues on the statement of activities:					
Sale of merchandise cost of goods sold	(238,814)	-	-	-	(238,814)
Cost of direct benefits to donors	-	-	(693,927)	(693,927)	(693,927)
Total expenses included in the expense section on the statement of activities	\$ <u>15,918,380</u>	\$ <u>1,107,247</u>	\$ <u>1,183,407</u>	\$ <u>2,290,654</u>	\$ <u>18,209,034</u>

The accompanying notes are an integral part of these financial statements

Valley Health Foundation (VHF)
Statement of Functional Expenses
For the Year Ended December 31, 2022

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

The accompanying notes are an integral part of these financial statements

Valley Health Foundation (VHF)
Statements of Cash Flows

	For the Years Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 4,311,234	\$ (700,584)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments	(1,463,531)	1,788,742
Depreciation	4,220	4,220
Change in discount on pledges receivable	73,968	(10,687)
Increase in cash surrender value of life insurance	(14,462)	(13,727)
Changes in operating assets and liabilities:		
Grants and pledges receivable	(1,315,178)	295,000
Accounts receivable	403,792	(438,479)
Prepaid expenses	(5,780)	68,261
Inventories	(163,300)	56,863
Accounts payable and accrued liabilities	117,744	22,025
Deferred revenue	6,832,000	(34,875)
Net cash provided by operating activities	8,780,707	1,036,759
Cash flows from investing activities:		
Acquisition of investments	(342,024)	(13,048,093)
Proceeds from sales of investments	30,203	5,983,816
Net cash used by investing activities	(311,821)	(7,064,277)
Increase (decrease) in cash and cash equivalents	8,468,886	(6,027,518)
Cash and cash equivalents, beginning of year	1,600,950	7,628,468
Cash and cash equivalents, end of year	\$ 10,069,836	\$ 1,600,950

The accompanying notes are an integral part of these financial statements

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

Note 1 - Organization and operations:

Valley Health Foundation (VHF) (“VHF”) is a non-profit leader in community health and healthcare that fundraises to support, innovate, and advocate for better health for all in Santa Clara County. VHF helps patients, families, and dedicated healthcare professionals who serve in public healthcare facilities in Santa Clara County. VHF is for Santa Clara Valley Medical Center (“SCVMC”), O’Connor Hospital, St. Louise Regional Hospital (“SLRH”), 14 primary and specialty care health centers, Santa Clara County Public Health, Behavioral Health Services, and Custody Health. VHF also supports many community-based programs and services that share our mission to ensure better health for all.

The following are VHF's major programs and activities:

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

Friends of St. Louise - The County of Santa Clara purchased three bankrupt and/or closed hospitals in early 2019, two of which had pre-existing foundations that later disbanded. VHF is now raising funds for and supporting services at SCVMC Hospital and clinics, O'Connor Hospital, SLRH, and the rest of the County of Santa Clara Health System. Friends of St. Louise is the new giving society launched by VHF to serve as the community-fundraising arm for SLRH. Comprised of the former members of the now-defunct St. Louise Hospital Foundation, Friends of St. Louise will be the conduit by which VHF supports the expansion of the hospital.

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

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

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

Note 1 - Organization and operations (continued):

Turning Wheels for Kids - VHF ensures that children of low-income families can have a brand-new bicycle, promoting outdoor exercise and battling the childhood obesity epidemic. In 2023, volunteers built 1,200 bikes which were distributed to 24 community-based organizations and schools that serve children.

Neonatal Intensive Care Unit (“NICU”) support - SCVMC's NICU provides the highest level of care to hundreds of tiny, premature infants each year. VHF, with the help of FIRST 5 Santa Clara County in Silicon Valley, and other philanthropists, provides technology and social service support to these babies and families.

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

Santa Clara County Community Grants Partnership - The Community Grants Partnership team at Valley Health Foundation administers three grant programs funded by the County of Santa Clara through the Federal Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan Act (“ARPA”), the State of California Mental Health Services Act Funds (MHSA), and the State of California Juvenile Justice Crime Prevention Act (JJCPA). The three grant programs include (1) the COVID-19 Nonprofit Resiliency and Sustainability Grant Program, (2) Children Expansion Grant Program, and (3) the School-Based Wellness Center Grant Program. In total, the \$37,000,000 in grant programs will distribute \$33,900,000 to qualified organizations in Santa Clara County by 2025, with administrative cost of \$3,100,000.

Note 2 - Summary of significant accounting policies:

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

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

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

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

- *Without donor restrictions* - net assets which are available to support all activities of VHF without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.
- *With donor restrictions* - net assets which are subject to donor-imposed restrictions that will be met rather by actions of VHF or the passage of time. Also included in this category are net assets restricted by the donor for investment in perpetuity, such as endowments. The income from such invested assets is available to support the activities of VHF.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates under different assumptions or conditions.

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

Grants and pledges receivable - Grants and pledges receivable are either unconditional or conditional. Unconditional grants and pledges receivable depend only on the passage of time or the demand by the promisor for performance. A conditional grant or pledge receivable depends on the occurrence of a specified future and uncertain event to bind the promisor. Unconditional grants and pledges receivable represent the remaining amount due from the donors who have granted or pledged funds to VHF for use in its programs. There were no conditional grants or pledges for the years ended December 31, 2023 and 2022. Grants and pledges that are expected to be collected after one year are reported at present value based on the collectability of the grant or pledge and the timing of the expected cash flows.

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

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

Grants and pledges receivable (continued) - An allowance reserve for uncollectible grants and pledges has been established based on management's best estimates regarding collectability and current and future economic conditions. The financial statements reflect grants and pledges receivable net of the discount and allowance reserve, if any. Management determined no allowance is necessary for grants or pledges receivable as of December 31, 2023 and 2022.

Accounts receivable - Accounts receivable consist of receivables relating to the normal course of business and totaled approximately \$115,000, \$936,000, and \$497,000 as of December 31, 2023, 2022, and 2021, respectively. Accounts receivable are carried at the invoice amount less an estimate made for current expected credit losses. VHF separates accounts receivable into risk pools based on their aging and uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience, management's analysis of specific receivables, and expectations about current and future economic conditions. There was no allowance as of December 31, 2023 and 2022.

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

Inventories - Inventories generally consist of merchandise for sale at the hospital gift shops and are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling prices in the ordinary course of business. VHF also purchases books for their campaign to support the Women and Children's Center program and the Reach Out & Read programs, as well as bicycles for their Turning Wheels for Kids Program.

Investments - VHF invests in mutual funds which are valued in accordance with Fair Value Measurements. Contributions of investments are recorded at quoted market prices at the date of donation and are sold as soon as reasonably possible. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur as part of net assets without donor restrictions or as net assets with donor restrictions as appropriate. Realized gains and losses resulting from sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are accrued when earned. VHF may have risk associated with its concentration of investments in one geographic region and in certain industries.

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

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

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

Deferred revenue - Deferred revenue consists of grant funds for various grant programs including federal grant funds for VHF's School-Based Wellness Center Program, Childcare and Early Education Infrastructure Grant Program, and Community-based Organization Grant Program. Additional deferred revenue funds are related to the Behavioral Health Patient Navigator Outreach Grant Program beginning in April 2024 as well as funds for the 2024 Stars and Strides special event and the 2024 Women's Policy Leadership Summit.

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

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

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

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

Revenue recognition (continued) - VHF recorded the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2023 and 2022:

- *Special events* - VHF conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event - the exchange component, and a portion represents a contribution to VHF. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to VHF. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The performance obligation is delivery of the event. The event fee is set by VHF. FASB ASC 606 requires allocation of the transaction price to the performance obligation(s). Accordingly, VHF separately presents subsequent notes to the financial statements, the exchange and contribution components of the gross proceeds from special events. For special event fees received before year-end for an event to occur after year-end, VHF follows American Institute of Certified Public Accountants ("AICPA") guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component. Special event fees collected by VHF in an advance period of its delivery are initially recognized as deferred revenue and recognized as special event revenue after delivery of the event.
- *Service fees* - VHF recognizes revenues from service fees in the period in which the conditions are met or the service is provided.
- *Sales of merchandise* - VHF operates various hospital gift shops, which sell various merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by VHF based supplier cost. As each item is individually priced, no allocation of the transaction price is necessary. VHF recognizes revenue as the customer pays and takes possession of the merchandise. No liability for probable customer returns was considered necessary as of December 31, 2023 and 2022.

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

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

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

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

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

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

Advertising - Advertising costs are expensed as incurred. For the years ended December 31, 2023 and 2022, advertising costs were approximately \$183,000 and \$113,000, respectively.

Sales tax - The State of California (the "State") imposes a sales tax on all of VHF's sales of inventory sold at hospital gift shops to non-exempt customers. VHF collects sales tax from customers and remits the entire amount to the State. VHF's accounting policy is to exclude the tax collected and remit to the State from revenues and cost of goods sold.

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

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

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

Other concentrations - For the year ended December 31, 2023, there was one donor that made up 59% of total grants and contributions. For the year ended December 31, 2022, there were two donors that made up 34% of total grants and contributions. At December 31, 2023, three donors comprised 67% of total receivables. At December 31, 2022, two donors comprised 61% of total receivables.

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

Income taxes - VHF is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Additionally, VHF is exempt from state income taxes under the California Revenue Code Section 23701(d). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounting for uncertainty for income taxes - VHF evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2023 and 2022, management did not identify any uncertain tax positions.

Reclassification - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications have no effect on previously reported changes in net assets with donor restrictions.

Recently adopted accounting principles - VHF adopted the FASB Accounting Standards Update (“ASU”) 2016-13 *Measurement of Credit Losses on Financial Instruments*, using the modified retrospective method for all financial assets measured at amortized cost. Results for reporting periods beginning after December 31, 2022 are presented under ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable Generally Accepted Accounting Principles (“GAAP”). The change in methodology did not have an impact to the financial statement, therefore no cumulative adjustment was recorded.

Subsequent events - Subsequent events are evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued and had been determined that no material subsequent events require an estimate to be recorded or disclosed as of December 31, 2023.

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

Note 3 - Liquidity and availability of financial assets:

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 10,069,836	\$ 1,600,950
Grants and pledges receivable, net	1,676,750	435,540
Accounts receivable	115,247	519,039
Investments	<u>13,060,021</u>	<u>11,284,669</u>
Total financial assets	24,921,854	13,840,198
Net assets with donor restrictions	(13,504,400)	(11,529,285)
Deferred revenue, restricted for future obligations	<u>(6,750,000)</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,667,454</u>	<u>\$ 2,310,913</u>

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

Note 4 - Grants and pledges receivable:

VHF received an \$825,000 multi-year pledge from the Sunlight Giving Foundation in April 2023. VHF received \$275,000 in 2023, with an outstanding balance of \$550,000 as of December 31, 2023. VHF expects to receive the remaining \$550,000 through 2025. The pledge has been discounted at an interest rate of 8.25% with an unamortized discount of approximately \$61,000 at December 31, 2023.

VHF received a \$180,000 multi-year pledge from the Santa Clara Family Health Plan in August 2023. VHF received \$60,000 in 2023, with an outstanding balance of \$120,000 as of December 31, 2023. VHF expects to receive the remaining \$120,000 through 2026. The pledge has been discounted at an interest rate of 8.50% with an unamortized discount of approximately \$14,000 at December 31, 2023.

The remaining balance of grants and pledges receivables consists of grants receivable due within one year.

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

Note 5 - Investments:

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

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

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

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. VHF's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to VHF's perceived risk of that investment. VHF's investments are all Level 1, which are measured at fair value on a recurring basis based on quoted prices in active markets for identical assets.

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measure at fair value on a recurring basis, all of which were within Level 1 of the fair value hierarchy as of December 31:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 13,070,021	\$ 11,294,669
Less: investments restricted for permanent endowment	<u>(10,000)</u>	<u>(10,000)</u>
Total investments	<u>\$ 13,060,021</u>	<u>\$ 11,284,669</u>

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

Note 5 - Investments (continued):

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

	<u>2023</u>	<u>2022</u>
Realized and unrealized gain (loss), net	\$ 1,463,531	\$ (1,788,742)
Interest and dividends	510,282	252,438
Interest and dividends - checking	<u>2,200</u>	<u>1,108</u>
Total investment income (loss)	1,976,013	(1,535,196)
Investment-related expenses	<u>(30,163)</u>	<u>(22,356)</u>
Total investment income (loss), net of investment fees	<u>\$ 1,945,850</u>	<u>\$ (1,557,552)</u>

Note 6 - Property and equipment:

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Vehicle	\$ 29,543	\$ 29,543
Less: accumulated depreciation	<u>(23,915)</u>	<u>(19,695)</u>
Total property and equipment, net	<u>\$ 5,628</u>	<u>\$ 9,848</u>

Depreciation expense totaled approximately \$4,000 for the years ended December 31, 2023 and 2022.

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

Note 7 - Deferred revenue:

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

	<u>Programs</u>	<u>Events</u>	<u>Total</u>
Balance at December 31, 2021	\$ -	\$ 34,875	\$ 34,875
Revenue recognized in 2022	<u>-</u>	<u>(34,875)</u>	<u>(34,875)</u>
Balance at December 31, 2022	-	-	-
Payments received for future obligations	<u>6,750,000</u>	<u>82,000</u>	<u>6,832,000</u>
Balance at December 31, 2023	<u>\$ 6,750,000</u>	<u>\$ 82,000</u>	<u>\$ 6,832,000</u>

Note 8 - Net assets with donor restrictions:

At December 31, 2023 and 2022, VHF's net assets with donor restrictions consisted primarily of donations whose use was restricted by the donor to provide support for the Santa Clara Valley Health and Hospital System ("SCVHHS"). Net assets with donor restrictions are released when a grant is made which fulfills the intended use of the contribution. VHF also maintains a \$10,000 permanently restricted investment contribution in which the donor intended for VHF to use towards creating an endowment fund. As of December 31, 2023 and 2022, VHF has not created an endowment fund.

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

Note 9 - Sales of merchandise:

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

	<u>2023</u>	<u>2022</u>
Gross receipts	\$ 200,184	\$ 150,634
Cost of sales:		
Cost of goods sold	112,193	73,941
Other costs of sales		
Direct labor	107,892	99,226
Education and conference	1,275	1,091
Store supplies	5,811	3,411
Miscellaneous store expenses	11,643	9,646
Total other costs of sales	126,621	113,374
Total cost of sales	238,814	187,315
Net loss on sale of merchandise	\$ (38,630)	\$ (36,681)

Note 10 - In-kind contributions:

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

	<u>2023</u>	<u>2022</u>	<u>Utilization in</u> <u>program / activities</u>	<u>Donor Restrictions</u>	<u>Valuation techniques</u> <u>and inputs</u>
Occupancy	\$ 367,913	\$ 357,197	Management and general	No associated donor restrictions	Estimated fair market value rent determined by landlord
COVID-19 equipment and supplies	2,115,072.00	1,040,386	COVID-19 support	No associated donor restrictions	Average retail value of donated items
Other	187,961	221,482	Management and general	No associated donor restrictions	Average retail value of donated items
Total in-kind contributions	2,670,946	1,619,065			
Less: special event in-kind	(112,814)	-			
	<u>\$ 2,558,132</u>	<u>\$ 1,619,065</u>			

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

Note 10 - In-kind contributions (continued):

In-kind occupancy and a portion of other in-kind contributions were contributed by related parties as disclosed in Note 11.

Note 11 - Related-party transactions:

During the years ended December 31, 2023 and 2022, VHF received contributions from Board members and management totaling approximately \$159,000 and \$188,000, respectively, including in-kind contributions of approximately \$25,000 and \$13,000, respectively, as disclosed in Note 10.

During the years ended December 31, 2023 and 2022, VHF provided a grant of approximately \$103,000 to an organization whose Vice President of Programs service on the 2022 VHF Board of Directors and then as a VHF employee. VHF also provided approximately \$10,000 and \$15,000 in event sponsorships to the same organization for the years ended December 31, 2023 and 2022, respectively.

Note 12 - Special events:

VHF's special events are reported in the statements of activities and changes in net assets and consist of the following for the years ended December 31:

	<u>Gala Event</u>	<u>Golf Tournament</u>	<u>Stars and Strides</u>	<u>Total</u>
Special event income:				
Tickets	\$ 103,950	\$ 25,000	\$ 91,741	\$ 220,691
Contributions	339,154	122,239	403,329	864,722
Fees (auction, merchandise)	<u>135,126</u>	<u>36,195</u>	<u>12,700</u>	<u>184,021</u>
Total special event income	578,230	183,434	507,770	1,269,434
Special event expense	<u>276,822</u>	<u>96,204</u>	<u>320,901</u>	<u>693,927</u>
Special events, net	<u>\$ 301,408</u>	<u>\$ 87,230</u>	<u>\$ 186,869</u>	<u>\$ 575,507</u>

Valley Health Foundation (VHF)
Notes to the Financial Statements
December 31, 2023

Note 12 - Special events (continued):

For the year ended December 31, 2022, special event revenues and expenses consisted of the following:

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

Total fundraising expenses for the years ended December 31, 2023 and 2022 were approximately \$1,877,000 and \$1,800,000, respectively.

Note 13 - SIMPLE IRA plan:

VHF established a Savings Incentive Match Plan for Employees (“SIMPLE”) Individual Retirement Plan (“IRA”) for the benefit of its employees. New employees become eligible when they receive at least \$5,000 in annual compensation in any two preceding years and are expected to be paid at least \$5,000 in the current year. Participants are eligible to make elective contributions and VHF contributes 2% of the employee’s compensation and matches up to 3% of compensation. For the years ended December 31, 2023 and 2022, VHF contributed approximately \$60,000 and \$44,000, respectively, on behalf of participants of the SIMPLE IRA.

Note 14 - Contingency:

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

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

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' 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 Directors of
Valley Health Foundation
San Jose, California

We have audited 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, the financial statements of Valley Health Foundation (VHF) ("VHF," a California nonprofit public benefit corporation), which comprise the statements of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 10, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered VHF's internal control over financial reporting (internal control) as a basis for designing 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 VHF's internal control. Accordingly, we do not express an opinion on the effectiveness of VHF'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.

INDEPENDENT AUDITORS' 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 (CONTINUED)

To the Board of Directors of
Valley Health Foundation
San Jose, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VHF's 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 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*. We noted no certain other matters that were reported to management of VHF in a separate letter.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Robert Lee in cursive script.

San Jose, California
May 10, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors of
Valley Health Foundation
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Valley Health Foundation (VHF) ("VHF," a California nonprofit public benefit corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of VHF's major federal programs for the year ended December 31, 2023. VHF's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE (CONTINUED)

To the Board of Directors of
Valley Health Foundation
San Jose, California

Opinion on Each Major Federal Program

In our opinion, VHF 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 December 31, 2023.

Report on Internal Control over Compliance

Management of VHF 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 VHF's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of VHF'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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE (CONTINUED)

To the Board of Directors of
Valley Health Foundation
San Jose, California

Report on Internal Control over Compliance (continued)

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.

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 dark ink, appearing to read "Robert Lee & Associates, LLP". The signature is fluid and cursive.

San Jose, California
May 10, 2024

Valley Health Foundation (VHF)
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number (ALN)	Pass-through Entity Identifying Number	Federal Program Expenditures
<u>EXPENDITURES OF FEDERAL AWARDS:</u>			
U.S. Department of the Treasury:			
Passed-through Programs from the County of Santa Clara, for Community-Based Organization Grant Program Coronavirus State and Local Fiscal Recovery Funds*	21.027	4300021954	\$ 9,266,436
Passed-through Programs from the County of Santa Clara, for School-Based Wellness Center Program Coronavirus State and Local Fiscal Recovery Funds*	21.027	4400008503	28,745
Passed-through Programs from the County of Santa Clara, for Childcare and Early Education Infrastructure Grant Program Coronavirus State and Local Fiscal Recovery Funds*	21.027	4300022307	330,663
Total U.S. Department of the Treasury			<u>9,625,844</u>
Total Expenditures of Federal Awards			\$ <u><u>9,625,844</u></u>

* Denotes a major program

Valley Health Foundation (VHF)
Single Audit Reports
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2023

Note 1 - Organization and operations:

Valley Health Foundation (VHF) (“VHF”) is a non-profit leader in community health and healthcare that fundraises to support, innovate, and advocate for better health for all in Santa Clara County. VHF helps patients, families, and dedicated healthcare professionals who serve in public healthcare facilities in Santa Clara County. VHF is for Santa Clara Valley Medical Center (“SCVMC”), O’Connor Hospital, St. Louise Regional Hospital (“SLRH”), 14 primary and specialty care health centers, Santa Clara County Public Health, Behavioral Health Services, and Custody Health. VHF also supports many community-based programs and services that share our mission to ensure better health for all.

VHF has received a determination letter from the Internal Revenue Service that it is exempt from federal taxation under Section 501(c)(3) of the U.S. Internal Revenue Code. VHF is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

Note 2 - Summary of significant accounting policies:

Basis of accounting - Expenditures in the Schedule of Expenditures of Federal Awards (“SEFA”) 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 are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. VHF has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The information in the accompanying SEFA includes the federal grant and loan activity of VHF under programs of the federal government for the year ending December 31, 2023. The information in the SEFA 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”). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements. Although VHF is required to match certain grants, as defined by the grants, no such matching has been included as expenditures in the SEFA.

Valley Health Foundation (VHF)
Single Audit Reports
Schedule of Findings and Questioned Costs (continued)
December 31, 2023

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of VHF.
2. No significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the financial statements of VHF were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the financial statements.
5. The auditors' report on compliance for the major federal award programs for VHF expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for VHF is reported in Part C of this Schedule below.
7. The programs tested as major programs include:

<u>Major Programs</u>	<u>ALN #</u>	<u>Expenditures</u>
U.S. Department of the Treasury:		
Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ <u>9,625,844</u>
Total Major Program Expenditures		\$ <u>9,625,844</u>
Total Federal Award Expenditures		\$ <u>9,625,844</u>
Percent of Total Federal Award Expenditures		<u>100%</u>

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. VHF was determined to be a high risk auditee.

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Current Year Findings

No financial statements audit findings noted in the current year.

Prior Year Findings

No financial statements audit findings noted in the prior year.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM
AUDIT**

Current Year Findings

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Prior Year Findings

There are no prior year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.