

Audited Financial Statements



June 30, 2023

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Independent Auditor's Report

Board of Directors
Peninsula Healthcare Connection, Inc.
Palo Alto, California

Opinion

We have audited the accompanying financial statements of Peninsula Healthcare Connection, Inc. (PHC), a nonprofit organization, which comprise the statement of financial position as of June 30, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PHC as of June 30, 2023, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of PHC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 PHC's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

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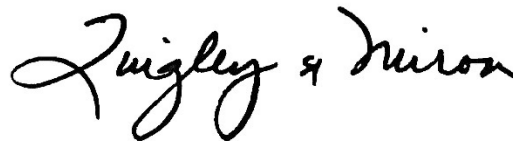
In performing an audit in accordance with GAAS, we:

- 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 PHC'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 PHC'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.

Report on Summarized Comparative Information

We have previously audited Peninsula Healthcare Connection, Inc.'s June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Peninsula Healthcare Connection, Inc.
Statement of Financial Position
June 30, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 581,411	\$ 929,153
Government grants receivable—Note 3	743,899	415,868
Grants and contributions receivable—Note 4	351,769	
Accounts receivable	319,808	488,084
Loan receivable from related party—Note 9	375,000	450,000
Prepaid expenses and deposits	39,487	10,216
Operating lease right-of-use asset—Note 7	249,012	
Property and equipment, net—Note 4	23,174	28,967
	<u>2,683,560</u>	<u>2,322,288</u>
Total Assets	\$ 2,683,560	\$ 2,322,288
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 90,258	\$ 266,022
Salaries and employee benefits payable	357,489	241,024
Operating lease liability—Note 7	253,086	
	<u>700,833</u>	<u>507,046</u>
Total Liabilities	700,833	507,046
Net Assets		
Without donor restrictions	1,539,184	1,640,113
With donor restrictions—Note 5	443,543	175,129
	<u>1,982,727</u>	<u>1,815,242</u>
Total Net Assets	1,982,727	1,815,242
Total Liabilities and Net Assets	\$ 2,683,560	\$ 2,322,288

See notes to financial statements.

Peninsula Healthcare Connection, Inc.
Statement of Activities
Year Ended June 30, 2023
(with summarized comparative totals for 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Operating Activities				
Public Support and Revenue				
Government grants	\$ 3,133,428	\$	\$ 3,133,428	\$ 2,841,812
Grants and contributions	1,928,832	443,543	2,372,375	1,211,046
In-kind contributions—Note 8	292,489		292,489	249,842
Fees for services	23,711		23,711	25,108
Clinical fees	48,861		48,861	52,597
Interest income	7,949		7,949	3,927
Net assets released from restrictions	175,129	(175,129)		
Total Public Support and Revenue	5,610,399	268,414	5,878,813	4,384,332
Expenses				
New Directions	4,326,400		4,326,400	2,743,942
Clinical services	671,444		671,444	952,957
Supporting services				
Management and general	511,449		511,449	196,843
Fundraising	202,035		202,035	72,593
Total Expenses	5,711,328		5,711,328	3,966,335
Change in Net Assets From Operations	(100,929)	268,414	167,485	417,997
Net Assets at Beginning of Year	1,640,113	175,129	1,815,242	1,397,245
Net Assets at End of Year	\$ 1,539,184	\$ 443,543	\$ 1,982,727	\$ 1,815,242

See notes to financial statements.

Peninsula Healthcare Connection, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023
(with summarized comparative totals for 2022)

	Program Services			Supporting Services		2023 Total	2022 Total
	New Directions	Clinical Services	Total Program Services	Management and General	Fundraising		
Expenses							
Salaries	\$ 3,072,617	\$ 201,004	\$ 3,273,621	\$ 227,965	\$ 161,655	\$ 3,663,241	\$ 2,323,264
Payroll taxes	248,213	16,326	264,539	28,297	14,230	307,066	199,160
Employee benefits	400,531	26,067	426,598	49,239	16,791	492,628	338,314
Total Personnel Expenses	3,721,361	243,397	3,964,758	305,501	192,676	4,462,935	2,860,738
Professional fees	235,831	402,557	638,388	75,675	3,200	717,263	714,263
Occupancy	121,986	19,614	141,600	4,095		145,695	112,918
Program outreach	64,968	1,373	66,341	9,027		75,368	84,218
Computer	43,778	37	43,815	13,955		57,770	27,500
Supplies	10,248	745	10,993	35,770		46,763	22,137
Transportation	35,545	388	35,933	4,024		39,957	29,725
Telephone	27,472	319	27,791	11,693	444	39,928	31,941
Insurance	16,590	1,566	18,156	16,329		34,485	32,257
Dues and subscriptions	22,486	1,058	23,544	8,232	2,702	34,478	22,285
Office expenses	17,690		17,690	12,486	2,618	32,794	18,386
Interest expense	3,276	309	3,585	4,546		8,131	3,897
Meetings and trainings	3,877	76	3,953	3,185		7,138	3,064
Depreciation				5,793		5,793	
Printing	1,292	5	1,297	1,138	395	2,830	3,006
Total Expenses	\$ 4,326,400	\$ 671,444	\$ 4,997,844	\$ 511,449	\$ 202,035	\$ 5,711,328	\$ 3,966,335

See notes to financial statements.

Peninsula Healthcare Connection, Inc.
Statement of Cash Flows
Year Ended June 30, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operations		
Change in net assets	\$ 167,485	\$ 417,997
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Noncash lease expenses	(249,012)	
Depreciation	5,793	
Changes in operating assets and liabilities:		
Government grants receivable	(328,031)	(148,798)
Grants and contributions receivable	(351,769)	175,000
Accounts receivable	168,276	(374,834)
Prepaid expenses and deposits	(29,271)	852
Accounts payable and accrued expenses	(175,764)	224,718
Salaries and employee benefits payable	116,465	37,140
Operating lease liability	253,086	
Cash Provided by (Used in) Operating Activities	<u>(422,742)</u>	<u>332,075</u>
Cash Flows from Investing Activities		
Purchases of property and equipment		(28,967)
Loans to related party		(450,000)
Payments on loan to related party	75,000	
Cash Provided by (Used in) Investing Activities	<u>75,000</u>	<u>(478,967)</u>
Decrease in Cash and Cash Equivalents	<u>(347,742)</u>	<u>(146,892)</u>
Cash and Cash Equivalents at Beginning of Year	<u>929,153</u>	<u>1,076,045</u>
Cash and Cash Equivalents at End of Year	<u>\$ 581,411</u>	<u>\$ 929,153</u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$ 8,131</u>	<u>\$ 3,897</u>

See notes to financial statements.

Peninsula Healthcare Connection, Inc.
Notes to Financial Statements
June 30, 2023
(with comparative totals for 2022)

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Peninsula Healthcare Connection, Inc. (PHC), a Palo Alto-based 501(c)(3) nonprofit organization, was founded in 2005 as a collaborative venture between the Community Working Group, Palo Alto Medical Foundation, and Stanford University School of Medicine. Formerly known as Opportunity Health Partners, PHC opened its medical clinic in 2006 at the Opportunity Center in Palo Alto to provide affordable healthcare to underserved and at-risk men and women, particularly individuals experiencing homelessness. In 2011, PHC became a California state licensed clinic, and in 2019 was officially designated as a Federally Qualified Health Center Lookalike (FQHC-LAL). In 2013, PHC partnered with New Directions, a case management program previously operated under the Hospital Council of Northern and Central California, to provide community-based, wraparound services to individuals with complex medical and psychosocial needs.

New Directions—New Directions is a community based, medical social work, and case management program of PHC for individuals with complex medical and psychosocial needs, many of whom are chronically homeless. PHC's case management model and "whatever it takes" philosophy have proven to be effective in reducing the frequency of emergency room visits and hospital admissions and providing overall improvement to quality of life for our clients. Referrals to the New Directions program come directly from partner agencies.

Clinical Services—The Clinical Services program is staffed by licensed medical physicians who volunteer their time offering free primary, preventative, and behavioral healthcare to homeless adults or low-income residents within Santa Clara County and South San Mateo County. PHC also provides for those with Medi-Cal and Medicare coverage.

PHC's clinical services offer the following:

- Treatment for common primary care and non-emergent medical conditions
- Psychiatric service available for behavioral conditions
- Substance use treatment including Medication Assisted Treatment
- Community Outreach, including but not limited to health education, harm reduction resources, and basic needs distribution
- TB tests, flu shots (seasonal), and adult immunizations
- Gynecology services, including PAP and pregnancy testing

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. PHC recognizes grants and contributions as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of PHC and changes therein are classified and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of PHC. These net assets may be used at the discretion of PHC's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of PHC and/or the passage of time.

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statement of activities as net assets released from restrictions. It is the policy of PHC to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of activities to provide primary and mental healthcare and intensive case management for homeless individuals or those at risk of becoming homeless. Nonoperating activities consist of other revenues not part of PHC's normal operations. PHC did not engage in any reportable nonoperating activities during the years ended June 30, 2023 and 2022.

Income Taxes—The Internal Revenue Service (IRS) has classified PHC as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and PHC is exempt from California state income taxes from the Franchise Tax Board. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2023 and 2022. Generally, PHC's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—PHC considers all highly liquid investments with a maturity of three months or less when purchases to be cash equivalents. Cash consists of balances in checking and savings accounts and in certificates of deposit at banks.

Accounts Receivable—Accounts receivable consists primarily of amounts due from fee for service and clinical fees, and are stated at the amount that management expects to collect from outstanding balances. Management believes that accounts receivable as of June 30, 2023 and 2022 are fully collectible, and PHC has therefore not recorded an allowance for doubtful accounts. Accounts receivable are written off when they are determined to be uncollectible.

Property and Equipment—Property and equipment are stated at cost or estimated fair market value at date of gift, and depreciated using the straight-line method over the estimated useful lives of five to seven years. Amounts over \$2,500 are capitalized when such amounts are determined to benefit future periods.

Concentration of Credit Risk—Financial instruments which potentially subject PHC to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and receivables.

PHC places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Such cash balances may exceed FDIC insurance limits during the normal course of business.

While PHC is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, PHC's management has assessed the credit risk associated with its cash deposits and investments at June 30, 2023 and 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 11), the potential related impact cannot be reasonably estimated at this time.

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Receivables are due from well-known charitable organizations with substantial assets, government entities and other entities well-known to PHC. PHC's management has assessed the credit risk associated with the cash and cash equivalents balances and receivables outstanding at June 30, 2023 and 2022 and has determined that an allowance for potential uncollectible amounts is not necessary.

PHC received 37% and 32% of its public support from the County of Santa Clara during the year ended June 30, 2023 and 2022, respectively. A significant reduction in the level of this support may have an adverse effect on the programs and activities of PHC. Management anticipates that future levels of grants will remain stable.

Recently Adopted Accounting Principles

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This amendment is applicable to leases with terms exceeding 12 months and requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period in exchange for consideration. The lessee in a lease is required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. PHC has adopted ASU No. 2016-02 on a prospective basis for the year ended June 30, 2023, and has adjusted the presentation of the financial statements accordingly.

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 has been adopted by PHC for the year ended June 30, 2022, on a retrospective basis, which had no material effect on the financial statements.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Government Grants—Revenues from government grants are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred or as services are performed, based on the terms of each grant. The amount expended in excess of reimbursements are reported as government grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

Grants and Contributions—PHC recognizes all unconditional grants and contributions and promises to give in the period notified. Grants and contributions are reported as increases without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unconditional promises to give are recorded as grants and contributions receivable at net realizable value.

Peninsula Healthcare Connection, Inc.
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Fees for Services—Fees are recognized at the time services are provided.

Clinical Fees—Clinical fees are recognized at the time clinical services are provided.

In-Kind Contributions—PHC records the value of donated materials and services, which includes donated office space, professional services, supplies, and use of facilities, at their fair value of donation. Donated services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, employee benefits, and payroll taxes are allocated on the basis of time and effort. All other functional expenses are allocated directly to the program or function benefitted.

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 certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and 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 those estimates.

Comparative Totals for 2022—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. 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 PHC's audited financial statements for the year ended June 30, 2022, from which the summarized information was derived

Reclassifications—Certain amounts in 2022 have been reclassified to conform with the 2023 financial statement presentation.

Note 2—Availability of Financial Assets and Liquidity

PHC's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$700,000).

The following represents the availability and liquidity of PHC's financial assets at June 30, 2023 and 2022 to cover operating expenses for the next fiscal year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents, net of donor restrictions	\$ 406,282	\$ 754,024
Government grants receivable	743,899	415,868
Grants and contributions receivable	351,769	
Accounts receivable	319,808	488,084
	<u>1,821,758</u>	<u>1,657,976</u>
Current Availability of Financial Assets	\$ 1,821,758	\$ 1,657,976

Peninsula Healthcare Connection, Inc.
Notes to Financial Statements—Continued

Note 3—Government Grants Receivable

Government grants receivable at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
County of Santa Clara	\$ 733,316	\$ 374,283
Health Resources and Services Administration	8,600	41,585
City of Palo Alto	1,983	
Totals	<u>\$ 743,899</u>	<u>\$ 415,868</u>

Note 4—Property and Equipment, Net

Net property and equipment at June 30, 2023 and 2022 consists of the following

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 28,967	\$ 28,967
Property and Equipment	28,967	28,967
Less accumulated depreciation	(5,793)	
Property and Equipment, Net	<u>\$ 23,174</u>	<u>\$ 28,967</u>

Depreciation for the year ended June 30, 2023 amounted to \$5,793. There was no depreciation expense for the year ended June 30, 2022.

Note 5—Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Subject to purpose restrictions:		
Intensive case management services	\$ 58,333	\$ 70,000
Clinic	33,441	52,629
Specific time period		37,500
Psychiatric services		15,000
Total Subject to Purpose Restrictions	91,774	175,129
Subject to time restrictions:		
General operations	351,769	
Total Net Assets with Donor Restrictions	<u>\$ 443,543</u>	<u>\$ 175,129</u>

Peninsula Healthcare Connection, Inc.
Notes to Financial Statements—Continued

Note 5—Net Assets with Donor Restrictions—Continued

Net assets released from donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Intensive case management services	\$ 70,000	\$
Clinic	52,629	77,500
Specific time period	37,500	
Psychiatric services	15,000	
Satisfaction of time restrictions:		
Medical respite program		175,000
Total Net Assets Released from Donor Restrictions	<u>\$ 175,129</u>	<u>\$ 252,500</u>

Note 6—Employee Benefit Plan

PHC has adopted a 401(k) defined contribution plan (the Plan) that covers employees who are at least 21 years of age and have completed 1,000 hours of service in 12 months of employment. Participants may elect to defer up to 80% of their annual salaries under the Plan, subject to Internal Revenue Service limitations. The Plan provides for matching of 100% of deferrals up to the first 6% of compensation. Employees vest immediately in all voluntary contributions to the Plan. PHC's contribution to the Plan was \$100,667 and \$63,894 for the years ended June 30, 2023 and 2022.

Note 7—Commitments

During the year ended June 30, 2023, PHC signed an operating lease for its administrative office space which expires August 2025. The lease requires monthly payments of \$10,181 with 3.5% increases in the second and third years.

With the adoption of ASU 2016-02 in the year ended June 30, 2023, an operating lease right-of-use asset and an operating lease liability were recorded relating to this operating lease using the lease term and monthly rental amounts, and a discount rate of 9.25%, amounted to \$340,386 and \$340,386, respectively.

Future minimum annual rental commitments by year for operating leases with maturities greater than one year from June 30, 2023, are as follows.

<u>Year Ending June 30,</u>		
2024	\$	126,085
2025		126,085
2026		21,102
		<u>273,272</u>
	Gross Rental Payments	273,272
	Less effect of discounting	(20,186)
	Operating Lease Liability	<u>\$ 253,086</u>

Rental expenses relating to the lease totaled \$100,074 during the year ended June 30, 2023.

Peninsula Healthcare Connection, Inc.
Notes to Financial Statements—Continued

Note 8—In-Kind Contributions

In-kind contributions of \$292,489 and \$249,842 for the years ended June 30, 2023 and 2022, respectively, have been recorded in the without donor restricted in-kind contributions caption of the statement of activities at their fair value and included in the statement of functional expenses as follows:

	<u>2023</u>	<u>2022</u>
Professional fees	\$ 272,875	\$ 234,962
Occupancy	19,614	14,880
Totals	<u>\$ 292,489</u>	<u>\$ 249,842</u>

PHC recognized in-kind professional services of \$272,875 and \$234,962 during the years ended June 30, 2023 and 2022, respectively, for medical services valued at approximately \$200 per hour.

PHC recognized in-kind occupancy of \$19,614 and \$14,880 during the years ended June 30, 2023 and 2022, respectively, for the use of its 496 square foot clinic in downtown Palo Alto valued at \$2.50 per square foot.

Note 9—Related Party Transactions

PHC enters into various intercompany transactions with Downtown Streets, Inc. (DST), a separate nonprofit organization with two common officers of PHC through January 2023. PHC shares certain common expenses with DST to receive volume discounts, with PHC's purchases reimbursed to DST; such expenses during the years ended June 30, 2023 and 2022 amounted \$46,250 and \$113,083, respectively.

PHC contracted with DST for fee for services during the year ended June 30, 2023 in the amount of \$23,711. There were no fees for services during the year ended June 30, 2022.

PHC issued a series of interest free short-term loans to DST during the year ended June 30, 2022 which totaled \$450,000. Although there are no specific payment timeline terms, the note shall be paid in full no later than January 31, 2026. The outstanding balance at June 30, 2023 and 2022, was \$375,000 and \$450,000.

PHC previously subleased its administrative office from DST under a month-to-month lease; such rental expense paid during the year ended June 30, 2022 totaled \$86,000. During the year ended June 30, 2023, PHC no longer subleased from DST.

Note 10—Risks and Uncertainties

In March 2023 the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As noted in Note 1, PHC maintains cash and cash equivalents balances in excess of federally insured limits. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.

Peninsula Healthcare Connection, Inc.
Notes to Financial Statements—Continued

Note 11—Subsequent Events

Subsequent to year end, PHC was eligible and applied for employee retention credits (ERC) in the amount of \$113,628. PHC also intends to apply for additional ERC funding.

Management evaluated all activities of PHC through December 12, 2023, which is the date the financial statements were available to be issued and concluded that other than the ERC funding described above, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.