

Sacred Heart Community Service

Consolidated Financial Statements
and Supplementary Information
and Single Audit Reports and Schedules

June 30, 2023
(With Comparative Totals for 2022)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacred Heart Community Service
San Jose, California

Opinion

We have audited the accompanying consolidated financial statements of Sacred Heart Community Service (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sacred Heart Community Service and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sacred Heart Community Service's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sacred Heart Community Service's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on 55 - 65 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Additionally, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Sacred Heart Community Service's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 3, 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 consolidated financial statements from which it has been derived.

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

Armanino^{LLP}
San Jose, California

March 27, 2024

Sacred Heart Community Service
Consolidated Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,647,844	\$ 10,118,742
Restricted cash for new markets tax credit reserve funds	271,050	317,900
Grants receivable	3,380,928	7,681,034
Inventory	198,363	136,758
Prepaid expenses and other assets	508,951	424,194
Total current assets	13,007,136	18,678,628
Property and equipment, net	12,819,845	12,553,305
Other assets		
Restricted cash for facility improvements	429,965	426,866
New markets tax credit leverage loan receivable (Notes 10, 11 and 12)	6,851,500	6,851,500
Investments held for endowment purposes	1,129,062	1,045,160
Total other assets	8,410,527	8,323,526
Total assets	\$ 34,237,508	\$ 39,555,459

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

Sacred Heart Community Service
Consolidated Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 2,210,660	\$ 3,516,309
Accrued liabilities	507,133	541,503
Refundable advances	1,128,135	647,187
Note payable, current portion	-	59,088
Total current liabilities	3,845,928	4,764,087
Long-term liabilities		
Note payable, net of current portion	1,000,000	4,940,912
New markets tax credit loans payable (Notes 10, 11 and 12)	9,265,000	9,265,000
Total long-term liabilities	10,265,000	14,205,912
Total liabilities	14,110,928	18,969,999
Net assets		
Without donor restrictions		
Board designated operating reserve fund	5,155,873	7,100,010
Board designated facilities reserve fund	2,000,000	2,000,000
Board designated endowment fund	334,129	309,247
Property and equipment fund	9,406,345	5,139,805
Total without donor restrictions	16,896,347	14,549,062
With donor restrictions		
Restricted to passage of time	765,417	500,000
Restricted for a specified purpose	1,669,883	4,800,485
Subject to appropriation and spending policy	333,488	274,468
Held in perpetuity (donor restricted endowment corpus)	461,445	461,445
Total with donor restrictions	3,230,233	6,036,398
Total net assets	20,126,580	20,585,460
Total liabilities and net assets	\$ 34,237,508	\$ 39,555,459

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

Sacred Heart Community Service
Consolidated Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and revenue				
Contributions	\$ 21,954,629	\$ 4,047,601	\$ 26,002,230	\$ 25,022,194
Contributions in-kind	9,645,083	-	9,645,083	6,267,545
Government grants - cash	8,338,676	-	8,338,676	22,547,673
Government grants - food	577,932	-	577,932	725,336
Endowment investment income (loss), net	24,882	59,020	83,902	(96,185)
Interest income	53,686	-	53,686	-
Miscellaneous income	25,138	-	25,138	34,308
Gain on sale of equipment	4,000	-	4,000	-
Net assets released from restriction	<u>6,912,786</u>	<u>(6,912,786)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and net assets released from restriction	<u>47,536,812</u>	<u>(2,806,165)</u>	<u>44,730,647</u>	<u>54,500,871</u>
Functional expenses				
Program services				
Essential services	11,810,624	-	11,810,624	8,532,216
Self-sufficiency	1,747,438	-	1,747,438	1,555,493
Policy and organizing	1,400,977	-	1,400,977	1,304,838
Community outreach and education	670,447	-	670,447	927,083
Housing and family assistance	8,256,581	-	8,256,581	29,688,905
Energy assistance	1,686,277	-	1,686,277	1,516,275
Organizational development	916,361	-	916,361	590,545
HPS network coordination	<u>15,189,913</u>	<u>-</u>	<u>15,189,913</u>	<u>2,201,159</u>
Total program services	<u>41,678,618</u>	<u>-</u>	<u>41,678,618</u>	<u>46,316,514</u>
Support services				
Management and general	2,753,633	-	2,753,633	2,332,428
Fundraising	<u>757,276</u>	<u>-</u>	<u>757,276</u>	<u>443,770</u>
Total support services	<u>3,510,909</u>	<u>-</u>	<u>3,510,909</u>	<u>2,776,198</u>
Total functional expenses	<u>45,189,527</u>	<u>-</u>	<u>45,189,527</u>	<u>49,092,712</u>
Change in net assets (see Note 15)	2,347,285	(2,806,165)	(458,880)	5,408,159
Net assets, beginning of year	<u>14,549,062</u>	<u>6,036,398</u>	<u>20,585,460</u>	<u>15,177,301</u>
Net assets, end of year	<u>\$ 16,896,347</u>	<u>\$ 3,230,233</u>	<u>\$ 20,126,580</u>	<u>\$ 20,585,460</u>

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

Sacred Heart Community Service
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services								Support Services		2023 Total	2022 Total	
	Essential Services	Self- Sufficiency	Policy and Organizing	Community Outreach and Education	Housing and Family Assistance	Energy Assistance	Organizational Development	HPS Network Coordination	Total Program Services	Management And General			Fundraising
Personnel expenses													
Salaries and wages	\$ 622,817	\$ 994,978	\$ 611,221	\$ 415,414	\$ 1,391,297	\$ 710,698	\$ 483,825	\$ 644,937	\$ 5,875,187	\$ 1,341,100	\$ 452,134	\$ 7,668,421	\$ 7,608,258
Employee benefits	81,525	130,239	80,007	54,376	182,366	93,028	63,331	84,420	769,292	174,369	59,183	1,002,844	1,042,033
Payroll taxes	51,739	82,153	50,731	34,728	115,516	58,763	70,384	53,763	517,777	110,467	37,097	665,341	597,188
Total personnel expenses	756,081	1,207,370	741,959	504,518	1,689,179	862,489	617,540	783,120	7,162,256	1,625,936	548,414	9,336,606	9,247,479
Subcontracts	-	-	360,000	-	314,389	-	85,000	12,869,207	13,628,596	-	-	13,628,596	22,202,484
Assistance to individuals	511,696	43,310	-	400	5,947,013	517,890	19	1,303,694	8,324,022	-	-	8,324,022	6,897,946
Donated food	7,649,400	-	-	-	-	-	-	-	7,649,400	-	-	7,649,400	5,870,399
Donated clothing	2,201,784	-	-	-	-	-	-	-	2,201,784	-	-	2,201,784	1,009,179
Professional services	2,706	96,771	53,228	20,646	5,182	2,636	4,406	31,957	217,532	292,576	1,664	511,772	896,582
Technology support	17,059	35,953	27,921	12,286	55,750	45,120	23,206	86,015	303,310	113,697	12,231	429,238	348,710
Interest	-	-	-	-	-	-	-	-	-	385,971	-	385,971	204,533
Donated toys, bedding, educational materials and gift cards	356,234	-	-	-	-	-	-	-	356,234	-	-	356,234	259,248
Miscellaneous	32,039	113,729	58,376	33,784	9,124	15,674	10,583	8,815	282,124	21,553	1,376	305,053	558,316
Supplies	44,167	46,103	2,539	4,056	6,431	48,295	2,944	2,101	156,636	24,723	1,619	182,978	124,425
Maintenance of equipment	12,549	19,926	12,305	8,423	28,018	14,279	17,071	13,040	125,611	26,924	8,998	161,533	127,426
Office expenses	10,180	19,341	11,943	8,175	27,195	15,551	16,570	12,657	121,612	28,134	8,733	158,479	152,130
Utilities	11,804	18,743	11,574	7,923	26,355	15,735	16,058	12,266	120,458	25,943	8,463	154,864	102,832
Insurance	8,312	18,268	6,463	4,424	14,717	30,440	8,967	6,849	98,440	41,635	4,726	144,801	56,751
Repairs and maintenance	38,131	14,117	7,921	5,422	18,037	9,175	10,990	8,394	112,187	17,336	5,792	135,315	59,192
Temporary help	29,939	12,415	31,502	14,828	-	-	18,550	-	107,234	2,388	22,647	132,269	130,370
Telephone	7,336	12,849	7,193	7,174	16,979	10,403	10,480	7,623	80,037	17,053	6,309	103,399	106,134
Other	8,582	14,481	8,776	7,525	2,413	18,862	15,070	288	75,997	8,438	2,364	86,799	119,367
Bank charges	-	-	-	-	-	-	-	-	-	10,113	64,510	74,623	66,597
Storage expenses	53,094	-	-	-	777	-	-	-	53,871	-	-	53,871	174,146
Printing and publications	17,719	1,928	96	1,676	1,130	-	-	-	22,549	816	27,601	50,966	53,306
Postage and shipping	171	272	223	1,151	582	31,490	233	178	34,300	2,629	1,575	38,504	31,382
Travel and transportation	52	1,716	17,179	121	455	1,003	2,098	493	23,117	1,972	285	25,374	-
Membership dues	-	-	1,000	-	-	-	-	-	1,000	14,590	150	15,740	-
Volunteer expenses	-	4,109	-	-	-	-	-	-	4,109	-	-	4,109	-
Conferences and meetings	-	-	-	-	-	-	-	-	-	1,985	-	1,985	-
Total expenses before depreciation	11,769,035	1,681,401	1,360,198	642,532	8,163,726	1,639,042	859,785	15,146,697	41,262,416	2,664,412	727,457	44,654,285	48,798,934
Depreciation	41,589	66,037	40,779	27,915	92,855	47,235	56,576	43,216	416,202	89,221	29,819	535,242	293,778
Total functional expenses	\$ 11,810,624	\$ 1,747,438	\$ 1,400,977	\$ 670,447	\$ 8,256,581	\$ 1,686,277	\$ 916,361	\$ 15,189,913	\$ 41,678,618	\$ 2,753,633	\$ 757,276	\$ 45,189,527	\$ 49,092,712
Percentage of total	26 %	4 %	3 %	1 %	18 %	4 %	2 %	34 %	92 %	6 %	2 %	100 %	

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

Sacred Heart Community Service
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services								Support Services		2023 Total	2022 Total	
	Essential Services	Self- Sufficiency	Policy and Organizing	Community Outreach and Education	Housing and Family Assistance	Energy Assistance	Organizational Development	HPS Network Coordination	Total Program Services	Management And General			Fundraising
Total functional expenses	<u>\$ 11,810,624</u>	<u>\$ 1,747,438</u>	<u>\$ 1,400,977</u>	<u>\$ 670,447</u>	<u>\$ 8,256,581</u>	<u>\$ 1,686,277</u>	<u>\$ 916,361</u>	<u>\$ 15,189,913</u>	<u>\$ 41,678,618</u>	<u>\$ 2,753,633</u>	<u>\$ 757,276</u>	<u>\$ 45,189,527</u>	<u>\$ 49,092,712</u>
Donated items excluded	<u>(10,207,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,207,418)</u>	<u>-</u>	<u>-</u>	<u>(10,207,418)</u>	<u>(7,138,826)</u>
Total functional expenses excluding donated items	<u>\$ 1,603,206</u>	<u>\$ 1,747,438</u>	<u>\$ 1,400,977</u>	<u>\$ 670,447</u>	<u>\$ 8,256,581</u>	<u>\$ 1,686,277</u>	<u>\$ 916,361</u>	<u>\$ 15,189,913</u>	<u>\$ 31,471,200</u>	<u>\$ 2,753,633</u>	<u>\$ 757,276</u>	<u>\$ 34,982,109</u>	<u>\$ 41,953,886</u>
Percentage of total	<u>5 %</u>	<u>5 %</u>	<u>4 %</u>	<u>2 %</u>	<u>24 %</u>	<u>5 %</u>	<u>3 %</u>	<u>42 %</u>	<u>90 %</u>	<u>8 %</u>	<u>2 %</u>	<u>100 %</u>	

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

Sacred Heart Community Service
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (458,880)	\$ 5,408,159
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	535,242	293,778
Capital campaign contributions for new building acquisition and improvement	(920,653)	(4,851,466)
Government grants - food	(577,932)	(725,336)
In-kind contributions of food, clothing, toys, bedding, educational materials and gift cards	(9,645,083)	(6,267,545)
Distribution of donated food, clothing, toys, bedding, educational materials and gift cards	10,207,418	7,138,826
Net realized and unrealized (gains) losses on investments	(57,925)	138,204
Changes in operating assets and liabilities		
Grants receivable	4,300,106	139,142
Inventory	(46,008)	(77,750)
Prepaid expenses and other assets	(84,757)	693,931
Accounts payable	(1,305,649)	1,879,708
Accrued liabilities	(34,370)	185,554
Refundable advances	480,948	(3,156,669)
Net cash provided by operating activities	<u>2,392,457</u>	<u>798,536</u>
Cash flows from investing activities		
Payments on new markets tax credit leverage loan receivable	-	(6,851,500)
Purchase of property and equipment	(801,782)	(8,440,051)
Proceeds from sale of endowment fund investments	63,868	5,001
Purchase of endowment fund investments	(89,845)	(47,020)
Net cash used in investing activities	<u>(827,759)</u>	<u>(15,333,570)</u>
Cash flows from financing activities		
Capital campaign contributions for new building acquisition and improvement	920,653	4,851,466
Proceeds from notes payable	1,000,000	5,000,000
Proceeds from new markets tax credit loans payable	-	9,265,000
Payment on note payable	(5,000,000)	-
Net cash provided by (used in) financing activities	<u>(3,079,347)</u>	<u>19,116,466</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,514,649)	4,581,432
Cash, cash equivalents and restricted cash, beginning of year	<u>10,863,508</u>	<u>6,282,076</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 9,348,859</u>	<u>\$ 10,863,508</u>

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

Sacred Heart Community Service
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 8,647,844	\$ 10,118,742
Restricted cash for new markets tax credit reserve funds	271,050	317,900
Restricted cash for facility improvements	429,965	426,866
	\$ 9,348,859	\$ 10,863,508

Supplemental disclosure of cash flow information

Cash paid during the year interest	\$ 385,971	\$ 204,533
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The accompanying notes are an integral part of these consolidated financial statements.

Sacred Heart Community Service
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

1. GENERAL INFORMATION

Sacred Heart Community Service is a California nonprofit public benefit corporation founded in 1964 to provide assistance and support to the community in San Jose, California. Sacred Heart Community Service offers essential services, including food and clothing, tools for developing self-sufficiency, such as education programs, employment support, and financial education, and opportunities for community engagement and action, including volunteer programs and community advocacy. Sacred Heart Community Service provides these services free of charge to over 50,000 individuals each year. Sacred Heart Community Service's vision is a community united to ensure that every child and adult is free from poverty.

In 2021, Sacred Heart Community Service founded Sacred Heart Support Corporation (collectively the "Organization"). Sacred Heart Support Corporation is a public benefit corporation and is organized exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the Organization. In conjunction with its charitable purpose, Sacred Heart Support Corporation owns a building in San Jose, California critical to the Organization's mission. Sacred Heart Support Corporation participates in transactions that qualify under the Federal New Markets Tax Credit ("NMTC") program, pursuant to Section 45D of the Internal Revenue Code of 1986, as amended (see Notes 10, 11 and 12). Through Sacred Heart Support Corporation's participation in the NMTC program, the Organization has secured financing related to eligible capital projects.

2. PROGRAM SERVICES

The Organization offers the following program services:

Essential Services

- *Welcome Center* - main registration area for the Organization, providing resource referral and information. The Welcome Center also distributes newborn layettes to expecting parents.
- *Food Pantry* - provides a 3-day supplemental supply of food once per week regardless of zip code. The Pantry also provides surplus fruits and vegetables up to once per week and approximately 300 bag lunches per day for customers.
- *Clothes Closet* - provides gently used clothing, blankets, and linens to customers, once per week and distributes backpacks full of hygiene supplies, underwear, and socks for unhoused customers.

Sacred Heart Community Service
Notes to Consolidated Financial Statements
June 30, 2023
(With Comparative Totals for 2022)

2. PROGRAM SERVICES (continued)

Self-Sufficiency Program

Education Programs

- *Resilient Families-Infants Program* - Teaches parents/caretakers from San Jose and Gilroy to provide sensitive and supportive care that helps their age 0-3 children develop a healthy attachment. Children who have a healthy attachment with a caretaker are more resilient, making it more likely for them to overcome challenges associated with poverty and perform better socially, behaviorally, and academically. Families that go through this program may be less likely to need intervention services from schools and child protective services.
- *Parents of Preschoolers ("POPS") and Early Childhood Education ("ECE")* - English as a Second Language ("ESL") and parenting classes for parents and preschool classes for their children 3 to 5 years of age. POPS classes teach parents of young children different approaches to parenting and child development with a focus on teaching basic English skills that parents need to communicate with their child's physician, teacher, etc. Simultaneous ECE classes teach kindergarten readiness skills to children.
- *After School Academy* - after school learning, outreach, and enrichment program for children from grades 1-5; tutoring and homework time; organized activities and field trips; protein and fruit snacks provided each day. Past Academy students in grades 6-8 engage in leadership development by assisting younger students and learning mindfulness techniques to cope with stress and emotions in a healthy manner.
- *Summer Academy* - summer camp with an academic focus for children entering grades 4-8; designed to enrich their summer with learning and prepare them for the coming school year; weekly field trips; afternoon enrichment activities.
- *Computer Classes* - classes taught at varied skill levels are offered in both English and Spanish.

Economic and family self-sufficiency

- *JobLink Employment Services* - assists job-seekers to secure employment by providing them with support and resources that empower them to become economically self-sufficient. Services include individualized assessment, job readiness and skills development workshops, vocational counseling, and financial education.
- *La Mesa Verde* - organizes low-income families and master gardeners to build organic home gardens to grow healthy food.

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2. PROGRAM SERVICES (continued)

Self-Sufficiency Program (continued)

- *Asset Building for Independence* - provides individuals and families with concrete pathways to economic self-sufficiency through financial educational classes, individualized coaching, and income tax assistance. Programs include: Volunteer Income Tax Assistance ("VITA"), financial education workshops, public benefits eligibility screening, and individualized credit coaching.
- *Logrando Juntos* - provides a financial literacy club that harnesses peer support to help individuals and families improve their lives. In this program, members are grouped into cohorts of 10 to 15 people. Through the Logrando Juntos program, the Organization offers workshops on identity theft, credit building strategies, budgeting and saving and planning for paying for college.

Energy Assistance Programs

- *Low-Income Home Energy Assistance Program* - provides assistance to help pay utility bills and avoid energy-related crises for households that are experiencing financial hardship.

Policy and Organizing

- *Power and Organizing* - enriches our community by strengthening the voice and presence of low-income community members and their allies in decision-making processes that impact the structural causes of poverty. Through leadership development, research, education, and action, the Organization's members directly benefit the communities it serves by identifying and addressing the issues that matter to individuals the most. Since 2009, the Organization has leveraged that trust of the community in creative ways to build a grassroots base, program collaborations, and advocacy coalitions. Collective campaigns have led to meaningful victories for affordable housing funding and production, minimum wages, tenant protections, carceral reform, racial equity, and immigrant rights.

Community Outreach and Education

- *Volunteer Office* - engages community members and customers in structured volunteer service at the Organization.
- *Outreach and Education* - reaches out to the community to engage and educate people about poverty and potential solutions to poverty in Santa Clara County. Includes educational classes and immersion programs.

Sacred Heart Community Service
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2. PROGRAM SERVICES (continued)

Housing and Family Assistance

- *Housing and Family Assistance* - provides assistance to families and individuals at high risk of losing their housing. The intervention delivers case management coordinated with multi-month rental assistance for secure and appropriate rental housing.
- *Financial Assistance* - provides one-time financial assistance for security deposits, past due rents, or other emergency needs to stabilize housing and prevent homelessness.

Organizational Development

- *Data Analysis & Program Improvement* - provides for the collection of data on strategic priorities, service provision, and their outcomes for use in analyzing the effectiveness of programs and strategies and informing any modification of services, policies, and procedures as necessary.

HPS Network Coordination

- *Homeless Prevention and Rapid Re-Housing* - in partnership with Destination: Home, the Organization's staff support county-wide homelessness prevention services by training dozens of partners and centralizing administrative work associated with contracting and compliance. With five years of success and rapid growth of partners this team has grown and was entrusted to manage county-wide COVID-19 relief.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Sacred Heart Community Service and Sacred Heart Support Corporation (collectively the "Organization"). The entities are consolidated since both have an economic interest in each other and Sacred Heart Community Service board members and staff control Sacred Heart Support Corporation through a majority voting interest in its governing board. All significant intra-entity transactions have been eliminated.

Basis of accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Sacred Heart Community Service
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP"). The Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

- *Net assets without donor restrictions* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating reserve fund, property and equipment fund, plus any net assets designated by the board for specific purposes.
- *Net assets with donor restrictions* - include contributions received from donors that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction. Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments.

Adoption of new accounting standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

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

The adoption of the new lease accounting standard had no impact on the Organization's consolidated statements of financial position, activities and cash flows. The office lease expense and income between Sacred Heart Community Service and Sacred Heart Support Corporation is eliminated in the consolidated financial statements (see Note 20).

Sacred Heart Community Service
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative financial information

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Restricted cash for new markets tax credit reserve funds

The Organization entered into agreements for the financing of the acquisition and improvement of a building and parking lot at 550 South First Street and 551 South Second Street in San Jose, California (see Notes 10, 11 and 12). The financing agreements require the Organization to maintain cash reserve accounts. The cash reserve accounts are considered to be restricted and totaled \$271,050 and \$317,900 as of June 30, 2023 and 2022, respectively.

Grants receivable

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

Sacred Heart Community Service
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to give

Unconditional promises to give, less an allowance for doubtful amounts, are recognized as contribution support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. A provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Organization determines that payments will not be received. Any subsequent receipts are credited to the allowance. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Inventory

Inventory consists primarily of donated food and clothing. Donated non-government food and food related products were valued at \$1.93 and \$1.92 per pound for the years ended June 30, 2023 and 2022, respectively. Donated government food was valued at \$1.57 and \$1.53 per pound for the years ended June 30, 2023 and 2022, respectively. This valuation is based on a cost study conducted for Feeding America. Donated clothing was valued based on published studies performed on eBay sales of used clothing, toys, and other household items titled "It's Deductible - Tax Year 2023 and 2022 Software" (see Note 17).

Property and equipment

Property and equipment are recorded at cost for purchased items or estimated fair value for donated items. Equipment purchases over \$500 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 39 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Sacred Heart Community Service
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2023 and 2022, and is included in "accrued liabilities" in the consolidated statement of financial position. The accrued vacation balance as of June 30, 2023 and 2022 was \$361,108 and \$389,148, respectively.

Contributions and grants

Contributions, including unconditional promises to give, are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any restrictions and are then reclassified to net assets without donor restrictions upon satisfaction of any restrictions through the net assets released from restriction. Contributions and unconditional promises to give that are expected to be collected or paid in future years are discounted using a net present value technique, unless management determines the discount amount is insignificant.

Sacred Heart Community Service
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants (continued)

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

The Organization generates a significant amount of support from providing services to accomplish its program and support services through cost reimbursement government funded programs. The support generated from these services is recorded as government grants in the consolidated statement of activities. These government grants meet the criteria to be classified as conditional contributions under GAAP revenue recognition for nonprofit organizations as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. The Organization has elected a simultaneous release option to account for these grants. Therefore, they are recorded as government grants without donor restrictions upon satisfaction of the barriers. In the event amounts are received but the barriers have not been met, the Organization records such amounts as refundable advances.

Contributions in-kind

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation (see Note 17). Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the consolidated financial statements, the estimated value of these services is disclosed in Note 17.

Functional expense allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Certain categories of expenses are attributable to more than one program or support function and are allocated on a reasonable basis that is consistently applied. The indirect expenses are allocated on the basis of estimates of time and effort or on a square footage basis.

Sacred Heart Community Service
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

Sacred Heart Community Service and Sacred Heart Support Corporation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, Sacred Heart Community Service and Sacred Heart Support Corporation qualify for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and have been classified as organizations that are not private foundations under Section 509(a)(1) of the Internal Revenue Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Sacred Heart Community Service and Sacred Heart Support Corporation in their federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended June 30, 2022 for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2023 for potential recognition or disclosure in the financial statements. The Organization had no subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended June 30, 2023. Subsequent events have been evaluated through the date the financial statements became available to be issued, March 27, 2024.

4. INVENTORY

Inventory consists of donated food and non-food items, and purchased non-food items. Goods donated to the Organization are valued at their estimated fair value and recognized as support in the consolidated statement of activities. Donated goods remaining in inventory at year end are also recorded at their estimated fair value. The estimated fair value of contributed goods received for the years ended June 30, 2023 and 2022 was \$10,223,015 and \$6,992,881, respectively.

In accordance with generally accepted accounting principles all donated goods inventory is classified as Level 2 inventory and all purchased inventory is classified as Level 1 inventory (see Note 3).

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4. INVENTORY (continued)

Inventory consisted of the following:

	2023	2022
Donated food - non-government	\$ 144,079	\$ 104,031
Donated clothing	26,669	32,727
Donated gift cards	22,508	-
Bus passes	5,107	-
	\$ 198,363	\$ 136,758

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2023	2022
Land	\$ 6,500,354	\$ 6,500,354
Building and improvements	9,418,435	6,459,531
Furniture and equipment	1,192,292	1,038,799
Vehicles	312,294	312,294
Leasehold improvements	10,277	10,277
Construction in progress	-	2,310,615
	17,433,652	16,631,870
Accumulated depreciation	(4,613,807)	(4,078,565)
	\$ 12,819,845	\$ 12,553,305

Depreciation expense for the years ended June 30, 2023 and 2022, was \$535,242 and \$293,778, respectively.

6. RESTRICTED CASH FOR FACILITY IMPROVEMENTS

Restricted cash for facility improvements at June 30, 2023 and 2022, consisted of contributions received for the construction and improvement of the Organization's facility and are invested in short-term interest-bearing cash deposits. Under the terms of the related donations, these funds are considered donor restricted until they have been disbursed for facility improvements (see Note 14).

7. INVESTMENTS HELD FOR ENDOWMENT PURPOSES

Investments are held for endowment purposes and consist of contributions to Sacred Heart Community Service's board designated and donor restricted endowment funds.

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7. INVESTMENTS HELD FOR ENDOWMENT PURPOSES (continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$ 583,772	\$ -	\$ -	\$ 583,772
Fixed income securities	-	396,937	-	396,937
Cash equivalents	<u>148,353</u>	<u>-</u>	<u>-</u>	<u>148,353</u>
	<u>\$ 732,125</u>	<u>\$ 396,937</u>	<u>\$ -</u>	<u>\$ 1,129,062</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$ 537,137	\$ -	\$ -	\$ 537,137
Fixed income securities	-	416,165	-	416,165
Cash equivalents	<u>91,858</u>	<u>-</u>	<u>-</u>	<u>91,858</u>
	<u>\$ 628,995</u>	<u>\$ 416,165</u>	<u>\$ -</u>	<u>\$ 1,045,160</u>

Endowment income (loss) during the year consisted of the following:

	<u>2023</u>	<u>2022</u>
Net realized and unrealized gains (losses)	\$ 57,925	\$ (138,204)
Interest and dividend income	34,004	50,624
Fees	<u>(8,027)</u>	<u>(8,605)</u>
	<u>\$ 83,902</u>	<u>\$ (96,185)</u>

8. LINE OF CREDIT

The Organization has a \$1,000,000 line of credit with Comerica Bank. The line of credit is due on demand and is secured by substantially all the assets of the Organization and bears interest at a per annum rate equal to the Prime Referenced Rate plus the Applicable Margin of 0.35% per annum. There was no balance outstanding on the line of credit as of June 30, 2023 and 2022.

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9. NOTES PAYABLE

On October 29, 2021, Sacred Heart Community Service entered into a loan agreement (the "Loan" or "Acquisition and Renovation Loan") with Community Vision Capital and Consulting for \$5,000,000 to complete needed funding for the acquisition and renovation of the building and parking lot at 550 South First Street and 551 South Second Street in San Jose (the "Property"). The Loan accrued interest at a rate of 5.50% per annum. The Loan required interest payments only for the first twelve months commencing on October 29, 2021. Afterwards, monthly principal and interest payments of \$34,610 were required through the maturity date, October 29, 2029. The remaining unpaid balance of \$4,036,381 was originally due at the maturity date. The Loan was secured by the Security Interest as defined in the Security Agreement, including all Sacred Heart Community Service assets, excluding the office building. In June 2023, the Organization paid off the remaining principal balance and unpaid accrued interest.

On February 1, 2023, Sacred Heart Community Service entered into a loan agreement with the County of Santa Clara Office of Supportive Housing for \$1,000,000, at 0% interest (the "County Loan"), and secured by leasehold interest in the Property (see Note 10). The fund was used for the repayment of a portion of the Acquisition and Renovation Loan. The unpaid balance of the County Loan will be forgiven on the maturity date on June 30, 2033, if the Organization remains at the Property, and the Property has been continuously used to provide services in the prevention of homelessness for vulnerable County residents.

10. NEW MARKETS TAX CREDIT TRANSACTIONS

During the year ended June 30, 2022, the Organization sponsored the financing of the acquisition and improvement of a building and parking lot at 550 South First Street and 551 South Second Street in San Jose, California under the New Markets Tax Credit ("NMTC") program. NMTC financing allows organizations to receive low-interest loans or investment capital from certified community development entities ("CDE's") which allow third party investors to receive Federal income tax credits based upon the amount of total investment in projects in certain low-income communities.

The NMTC agreement involves borrowing and investing transactions which is expected to result in the Organization receiving forgiveness of its loan balance at the end of seven years (see Notes 11 and 12).

As an inducement to such third-party tax credit investors and a CDE to invest in the project, Sacred Heart Community Service committed \$6,851,500 via a leverage loan to Twain Investment Fund 577, LLC (the "Fund"), a Missouri limited liability company. The loan bears interest at 1% and requires quarterly interest only payments from December 2021 until June 2029 at which time quarterly principal and interest payments of \$81,114 are required. The loan matures in December 2052. The leverage loan of \$6,851,500 is reflected as a leverage loan receivable on the consolidated statement of financial position as of June 30, 2023 and 2022. U.S. Bancorp Community Development Corporation ("USBCDC") invested \$3,705,000 in the Fund. The Fund is a wholly owned subsidiary of USBCDC.

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10. NEW MARKETS TAX CREDIT TRANSACTIONS (continued)

The Fund then contributed \$7,000,000 to Partners for the Common Good Sub CDE 13, LLC ("PCG Sub CDE 13") and, the entity having the authority to provide the Federal income tax credits to investors, as a capital contribution. PCG Sub CDE 13 is 99.99% owned by the Fund and is .01% owned by Partners for the Common Good, Inc. ("PCG"), the organization that manages the CDE.

The Fund also contributed \$2,500,000 to USBCDE Sub-CDE 222, LLC ("USB Sub-CDE") and, the entity having the authority to provide the Federal income tax credits to investors, as a capital contribution. USB Sub-CDE is 99.99% owned by the Fund and is .01% owned by USBCDE, LLC, the organization that manages the CDE.

PCG Sub CDE 13 made qualified low-income community investments (the "QLICs") in Sacred Heart Support Corporation, in the form of loans: (i) \$5,001,400 (Loan A) and (ii) \$1,788,600 (Loan B). Such loans are secured by the assets and property of Sacred Heart Support Corporation, which consists of cash, land, buildings, and equipment financed by the loans under the program.

USBCDE Sub-CDE 222, LLC made QLICs in Sacred Heart Support Corporation, in the form of loans: (i) \$1,850,100 (Loan A) and (ii) \$624,900 (Loan B). Such loans are secured by the assets and property of Sacred Heart Support Corporation, which consists of cash, land, buildings, and equipment financed by the loans under the program.

Sacred Heart Community Service and Sacred Heart Support Corporation then entered into a lease for the 550 South 1st Street facility that began October 29, 2021. The real estate lease is for 25 years (see Note 20).

Sacred Heart Community Service entered into a put and call agreement with USBCDC during the year ended June 30, 2022. The agreement grants USBCDC the right to exercise the requirement that Sacred Heart Community Service purchase USBCDC'S interest in the Fund and in USBCDE Sub-CDE 222, LLC for a put exercise price of \$1,000. This right may be exercised upon the occurrence of the first day following the end of the tax credit investment period, which is defined by Section 45D of the Internal Revenue Code of 1986 as the date on which the investment is initially made and each of the six anniversary dates of such date thereafter. This right may also be exercised upon the occurrence of a NMTC recapture event, which is a disallowance of any NMTCs attributable to any Qualified Equity Investment ("QEI") in the Community Development Entity ("CDE"), the proceeds of which were or will be used to fund the QLICs or related fees, but only to the extent such recapture or disallowance is the direct or indirect result of certain events as disclosed in the Guaranty Agreement.

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11. NEW MARKETS TAX CREDIT LEVERAGE LOAN RECEIVABLE

The new markets tax credit leverage loan receivable consisted of the following:

	2023	2022
<u>Twain Investment Fund 577, LLC Leverage Loan</u> - As an inducement to such third-party tax credit investors and a CDE to invest in the new markets tax credit project, Sacred Heart Community Service committed \$6,851,500 via a leverage loan to Twain Investment Fund 577, LLC (the "Fund"), a Missouri limited liability company (see Note 10). The loan bears interest at 1% and requires quarterly interest only payments from December 2021 until June 2029 at which time quarterly principal and interest payments of \$81,114 are required. The loan matures in December 2052 (also see Note 12).	<u>\$ 6,851,500</u>	<u>\$ 6,851,500</u>

The future maturities of the notes receivable are as follows:

<u>Year ending June 30,</u>		
2024	\$	-
2025		-
2026		-
2027		-
2028		-
Thereafter		<u>6,851,500</u>
		<u>\$ 6,851,500</u>

Sacred Heart Community Service
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12. NEW MARKETS TAX CREDIT LOANS PAYABLE

The new markets tax credit loans payable consisted of the following:

	2023	2022
<p><u>PCG Sub CDE 13, LLC QLICI Loan A</u> - In October 2021, Sacred Heart Support Corporation entered into a \$5,001,400 construction loan, secured by substantially all of its assets. The loan has an interest rate of 1.12% and requires quarterly interest only payments on the unpaid balance from December 2021 until June 2029 at which time quarterly principal and interest payments of \$46,852 are required. The loan matures in December 2060. The loan and the completion of the project are guaranteed by Sacred Heart Community Service. See Note 10.</p>	\$ 5,001,400	\$ 5,001,400
<p><u>PCG Sub CDE 13, LLC QLICI Loan B</u> - In October 2021, Sacred Heart Support Corporation entered into a \$1,788,600 construction loan, secured by substantially all of its assets. The loan has an interest rate of 1.12% and requires quarterly interest only payments on the unpaid balance from December 2021 until June 2029 at which time quarterly principal and interest payments of \$16,755 are required. The loan matures in December 2060. The loan and the completion of the project are guaranteed by Sacred Heart Community Service. See Note 10.</p>	1,788,600	1,788,600
<p><u>USBCDE Sub-CDE 222, LLC QLICI Loan A</u> - In October 2021, the Sacred Heart Support Corporation entered into a \$1,850,100 construction loan, secured by substantially all of its assets. The loan has an interest rate of 1.12% and requires quarterly interest only payments on the unpaid balance from December 2021 until June 2029 at which time quarterly principal and interest payments of \$17,331 are required. The loan matures in December 2060. The loan and the completion of the project are guaranteed by Sacred Heart Community Service. The loan has a put option feature that is exercisable in October 2028 (see Note 10).</p>	1,850,100	1,850,100

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12. NEW MARKETS TAX CREDIT LOANS PAYABLE (continued)

	2023	2022
<p><u>USBCDE Sub-CDE 222, LLC QLICI Loan B</u> - In October 2021, the Sacred Heart Support Corporation entered into a \$624,900 construction loan, secured by substantially all of its assets. The loan has an interest rate of 1.12% and requires quarterly interest only payments on the unpaid balance from December 2021 until June 2029 at which time quarterly principal and interest payments of \$5,854 are required. The loan matures in December 2060. The loan and the completion of the project are guaranteed by Sacred Heart Community Service. The loan has a put option feature that is exercisable in October 2028 (see Note 10).</p>	<p style="border-top: 1px solid black;">624,900</p>	<p style="border-top: 1px solid black;">624,900</p>
	<p>\$ 9,265,000</p>	<p>\$ 9,265,000</p>

The future maturities of the debt payable are as follows:

<u>Year ending June 30,</u>	
2024	\$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	9,265,000
	<p>\$ 9,265,000</p>

In accordance with the new markets tax credit program, if at the end of the seven-year tax credit investment period all entities are in compliance with all terms and conditions of the program, management expects the put option to be exercised (see Note 10). If that does occur, management anticipates revenue from the forgiveness of the Loan B balances totaling \$2,413,500 (less any settlement costs relating to the forgiveness) in the year ending June 30, 2029. All entities related to the new markets tax credit financing transaction, excluding Sacred Heart Community Service and Sacred Heart Support Corporation would then be dissolved, ending the new markets tax credit structured financing deal.

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12. NEW MARKETS TAX CREDIT LOANS PAYABLE (continued)

Following is a summary of the new markets tax credit loans payable and receivable balances expected to be extinguished and forgiven in the year ending June 30, 2029:

	<u>Amounts Expected to be Offset in Year 7</u>	<u>Amounts Expected to be Forgiven in Year 7</u>	<u>Total</u>
New markets tax credit loans payable			
PCG Sub CDE 13, LLC QLICI Loan A	\$ 5,001,400	\$ -	\$ 5,001,400
PCG Sub CDE 13, LLC QLICI Loan B	-	1,788,600	1,788,600
USBCDE Sub-CDE 222, LLC QLICI Loan A	1,850,100	-	1,850,100
USBCDE Sub-CDE 222, LLC QLICI Loan B	-	624,900	624,900
	<u>6,851,500</u>	<u>2,413,500</u>	<u>9,265,000</u>
New markets tax credit leverage loan receivable	<u>(6,851,500)</u>	-	<u>(6,851,500)</u>
	<u>\$ -</u>	<u>\$ 2,413,500</u>	<u>\$ 2,413,500</u>

13. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following:

	<u>2023</u>	<u>2022</u>
Board designated operating reserve fund	\$ 5,155,873	\$ 7,100,010
Board designated facilities reserve fund	2,000,000	2,000,000
Board designated endowment fund	<u>334,129</u>	<u>309,247</u>
	<u>\$ 7,490,002</u>	<u>\$ 9,409,257</u>

Board designated operating reserve fund

The Organization maintains a reserve to stabilize cash flow, cover unexpected support or revenue shortfalls, cover unexpected expenses, help fund significant equipment repairs and replacement, as well as address future increased capacity or expansion.

Board designated facilities reserve fund

The Organization maintains a reserve fund to attend to significant long-term building repairs and equipment replacement as well as to address increased capacity and need for expansion.

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13. BOARD DESIGNATED NET ASSETS (continued)

Board designated endowment fund

The Board of Directors has designated certain investments as an endowment fund. Each year, up to 5% of the fund's fair market value (based on the fund's fair market value at the beginning of the fiscal year) may be used to finance the Organization's charitable activities. The Organization did not make any appropriations during the years ended June 30, 2023 and 2022.

Board designations do not meet the criteria for being classified as restricted net assets. Board designations are not donor imposed restrictions and are subject to change at the Board's discretion.

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions held in perpetuity (donor restricted endowment corpus) as of June 30, 2023 and 2022, totaled \$461,445, and consisted of amounts held in the Organization's donor restricted endowment fund whose usage is restricted by donors. Under no circumstances shall donor restricted endowment contributions be expended.

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14. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions consisted of the following:

	<u>Balance at June</u> <u>30, 2022</u>	<u>Additions</u>	<u>Release</u>	<u>Balance at June</u> <u>30, 2023</u>
Restricted to passage of time General operating support for future periods	\$ 500,000	\$ 1,361,250	\$ (1,095,833)	\$ 765,417
Restricted for a specified purpose				
Restricted cash for new building acquisition and improvement	3,151,466	920,653	(4,072,119)	-
Restricted cash for facility improvements	426,866	3,099	-	429,965
Policy and organizing	330,298	421,000	(291,609)	459,689
Self-sufficiency - education	423,033	160,000	(220,823)	362,210
Self-sufficiency - asset development	65,978	194,099	(97,924)	162,153
Essential services - pantry and clothes closet	239,349	300,000	(456,961)	82,388
Family assistance - housing	88,495	37,500	(31,742)	94,253
REAL - racial equity	-	485,000	(422,176)	62,824
HPS Network Coordination	-	165,000	(148,599)	16,401
Self-sufficiency - urban gardening	75,000	-	(75,000)	-
	<u>4,800,485</u>	<u>2,686,351</u>	<u>(5,816,953)</u>	<u>1,669,883</u>
Subject to appropriation and spending policy (endowment accumulated earnings)	<u>274,468</u>	<u>59,020</u>	<u>-</u>	<u>333,488</u>
Held in perpetuity (donor restricted endowment corpus)	<u>461,445</u>	<u>-</u>	<u>-</u>	<u>461,445</u>
	<u>\$ 6,036,398</u>	<u>\$ 4,106,621</u>	<u>\$ (6,912,786)</u>	<u>\$ 3,230,233</u>

Sacred Heart Community Service
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15. CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS EXCLUDING DEPRECIATION

The positive change in net assets for the year ended June 30, 2023 and 2022 is largely due to operating funds raised in response to the COVID-19 pandemic as well as the Organization's ongoing capital needs. The economic fallout from the pandemic could last several years. The operating funds will be used in these years to address the ongoing needs of the community. The capital funds will be used in subsequent years to improve the existing facilities to accommodate the community and the Organization's expanding needs.

Changes in net assets without donor restrictions, excluding depreciation, in the consolidated statement of activities is as follows:

	2023	2022
Change in net assets without donor restrictions	\$ 2,347,285	\$ 2,832,861
Depreciation	535,242	293,778
	\$ 2,882,527	\$ 3,126,639

16. CONDITIONAL GOVERNMENT GRANTS

Conditional government grants as of June 30, 2023 consisted of the following:

Incurring allowable expenditures for federal, state, and local government grants	\$ 10,086,447
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17. CONTRIBUTIONS IN-KIND

The Organization receives a significant amount of donated food, clothing, and household items from the community that are distributed as part of its essential services program. The estimated fair value of donated goods received are recorded as contributions.

Donated food received from Second Harvest of Silicon Valley

Donated non-government food and food related products were valued at \$1.93 and \$1.92 per pound for the years ended June 30, 2023 and 2022, respectively. Donated government food was valued at \$1.57 and \$1.53 per pound for the years ended June 30, 2023 and 2022, respectively. These valuations were based on cost studies conducted for Feeding America.

Donated food received from other sources

During the years ended June 30, 2023 and 2022, donated food received from other sources were valued at \$20 per bag (which is a multiple of 12 items, each valued at \$1.67), cans of food were valued at \$1.67 per can, turkeys were valued at \$22 each. Gleaned food was valued at \$1.93 and \$1.92 per pound for the years ended June 30, 2023 and 2022, respectively.

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17. CONTRIBUTIONS IN-KIND (continued)

Donated clothing

While the Organization provides a best effort estimate in valuing its donated clothing received, the estimate is inherently imprecise due to the following factors:

- *Quantity estimate* - donated clothing is tracked and valued based on the number of bags received during the year. The sizes of the bags are inconsistent ranging from large garbage bags to standard grocery bags. The variance in the size of the bags can result in inconsistencies in estimating the quantity of clothing received during the year.
- *Value estimate* - the dollar value per bag is estimated annually based on a statistical sampling of bags tested during the year using a published study performed on eBay sales of used clothing titled "It's Deductible - Tax Year 2023 and 2022 Software". The clothing items in each sampled bag as well as the size of the bag can vary significantly.

In summary, the inconsistencies in the size of the bags, as well as the inconsistencies in the contents and quality of clothing in the bags, can result in significant variances in the estimated value of donated clothing from year to year.

Donated services

The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. Much of this time is to assist the Organization by performing a variety of tasks related to specific essential services, self-sufficiency programs, campaign solicitations, and various committee assignments. During the years ended June 30, 2023 and 2022, the Organization received 53,475 and 48,638 hours of volunteer time, respectively. The estimated value of these services for the years ended June 30, 2023 and 2022, respectively, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to \$1,995,687 and \$1,729,556, respectively. The value of these services is not reflected in the consolidated financial statements.

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17. CONTRIBUTIONS IN-KIND (continued)

Contributions in-kind

Contributions in-kind received consisted of the following:

	2023	2022
Contributions in-kind - government		
Food - government	\$ 577,932	\$ 725,336
Contributions in-kind - non-government		
Food	7,111,536	5,148,766
Clothing	2,315,583	1,051,525
Other	113,704	39,359
Toys	61,016	2,900
Educational materials	36,804	18,351
Bedding, linens, and other	3,350	5,019
Gift cards	3,090	1,625
	9,645,083	6,267,545
	\$ 10,223,015	\$ 6,992,881

18. EMPLOYEE PENSION PLAN

The Organization maintains a tax deferred 403(b) retirement plan (the "Plan") to provide retirement benefits for all eligible employees. The Plan provides for discretionary employer match for employees who complete at least 1,000 hours of service during the plan year and are employed by the Organization on the last day of the plan year. The Organization did not make any discretionary employer match during the years ended June 30, 2023 and 2022.

19. CONCENTRATIONS

During the years ended June 30, 2023 and 2022, the Organization received approximately 24% and 47%, respectively, of its cash support and revenue (not including contributions in-kind) from various government grantors. Significant reductions in future funding from one or more of these government grantors could have an impact on the Organization's program service operations.

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20. LEASES

Real Property Lease: 550 South First Street and 551 South Second Street, San Jose, California - Sacred Heart Support Corporation (lessor) and Sacred Heart Community Service (lessee) signed a lease in October 2021 to lease the real property associated with the new markets tax credit transaction (see Note 10). The term of the lease is from October 29, 2021 through December 31, 2046. The lease requires quarterly payments on the 1st of March, June, September and December. The annual base rent from October 29, 2021 through December 31, 2028 is \$86,000 per calendar year (prorated in the first year) and then on January 1, 2029 increases to \$392,000 per calendar year through December 31, 2046. This lease between Sacred Heart Support Corporation and Sacred Heart Community Service has been eliminated in consolidation.

Equipment Lease - Sacred Heart Support Corporation (lessor) and Sacred Heart Community Service (lessee) signed a lease in October 2021 to lease equipment located in the building at 550 South First Street, San Jose, California. The term of the lease is from March 1, 2022 through December 31, 2024. The lease requires quarterly payments on the 1st of March, June, September and December. The annual rent through December 31, 2024 is \$2,000 per calendar year (prorated in the first year). This lease between Sacred Heart Support Corporation and Sacred Heart Community Service has been eliminated in consolidation.

21. ENDOWMENT

The Organization's endowment consists of both a donor restricted endowment fund and a fund designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law

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

In accordance with the California version of UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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21. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2023 and 2022.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the Organization diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee does not believe it is necessary or desirable that securities held in the endowment fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry. Individual treasury securities may represent 10% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the endowment fund's aggregate bond position.

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21. ENDOWMENT (continued)

Strategies employed for achieving objectives (continued)

The Investment Committee will provide guidance and recommendations to the Board as to the asset allocation ranges. Such ranges will be reviewed at least annually by the Investment Committee and ratified by the Board.

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of appropriating for distribution each year up to 5% of its endowment fund's fair market value as of the first day of the fiscal year. The payout on this basis may exceed current income. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects that the annual payout will constitute only a portion of the fund's total return (income and appreciation), thus building up the endowment over time, off-setting inflation, and preserving the purchasing power of the fund.

This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The recommended payout rate is reviewed annually by the Investment Committee, which will make recommendations to the Board of Directors.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2023 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Subject to Appropriation and Spending Policy</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 333,488	\$ 461,445	\$ 794,933
Board designated endowment funds	<u>334,129</u>	<u>-</u>	<u>-</u>	<u>334,129</u>
	<u>\$ 334,129</u>	<u>\$ 333,488</u>	<u>\$ 461,445</u>	<u>\$ 1,129,062</u>

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21. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2022 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Subject to Appropriation and Spending Policy</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 274,468	\$ 461,445	\$ 735,913
Board designated endowment funds	<u>309,247</u>	<u>-</u>	<u>-</u>	<u>309,247</u>
	<u>\$ 309,247</u>	<u>\$ 274,468</u>	<u>\$ 461,445</u>	<u>\$ 1,045,160</u>

Changes in endowment net assets for the year ended June 30, 2023 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Subject to Appropriation and Spending Policy</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Balance, June 30, 2022	<u>\$ 309,247</u>	<u>\$ 274,468</u>	<u>\$ 461,445</u>	<u>\$ 1,045,160</u>
Investment income, net				
Net investment income	27,260	64,669	-	91,929
Fees	<u>(2,378)</u>	<u>(5,649)</u>	<u>-</u>	<u>(8,027)</u>
Total investment income, net	<u>24,882</u>	<u>59,020</u>	<u>-</u>	<u>83,902</u>
Balance, June 30, 2023	<u>\$ 334,129</u>	<u>\$ 333,488</u>	<u>\$ 461,445</u>	<u>\$ 1,129,062</u>

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21. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the year ended June 30, 2022 consisted of the following:

	Without Donor Restrictions	<u>With Donor Restrictions</u> Subject to Appropriation and Spending Policy	Held in Perpetuity	<u>Total</u>
Balance, June 30, 2021	\$ 338,453	\$ 341,447	\$ 461,445	\$ 1,141,345
Investment loss, net				
Net investment loss	(26,654)	(60,926)	-	(87,580)
Fees	(2,552)	(6,053)	-	(8,605)
Total investment loss, net	<u>(29,206)</u>	<u>(66,979)</u>	<u>-</u>	<u>(96,185)</u>
Balance, June 30, 2022	<u>\$ 309,247</u>	<u>\$ 274,468</u>	<u>\$ 461,445</u>	<u>\$ 1,045,160</u>

22. CONTINGENCIES

The Organization may occasionally be involved in various legal actions in the ordinary course of operations. Based on historical experiences, the management believes that the resolution of such matters relating to litigation will not have a material adverse impact on the Organization's financial position.

23. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Long-term investments include endowment funds consisting of donor restricted and board designated endowments. As described in Note 21, the endowment has a policy of appropriating for distribution each year up to 5% of its endowment's fair market value as of the first day of the fiscal year. Accordingly, \$56,453 of appropriations from the endowment will be available within the next 12 months. The board designated endowment could be available in its entirety if needed.

Short-term grants receivable are expected to be received within one year from June 30, 2023. Short-term grants receivable without donor restrictions will be available to support general operations of the Organization.

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23. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

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

	2023
Financial assets	
Cash and cash equivalents	\$ 8,647,844
Restricted cash for new markets tax credit reserve funds	271,050
Grants receivable	3,380,928
Restricted cash for facility improvements	429,965
Investments held for endowment purposes	1,129,062
	13,858,849
Less amounts unavailable for general expenditure within one year	
Restricted cash for new markets tax credit reserve funds	(271,050)
Board designated for facilities reserve	(2,000,000)
Board designated endowment fund	(334,129)
Net assets restricted for a specified purpose	(1,669,883)
Net assets restricted for more than one year	(158,333)
Subject to appropriation and spending policy	(333,488)
Held in perpetuity (donor restricted endowment corpus)	(461,445)
	(5,228,328)
Financial assets available to meet cash needs for general expenditures within one year*	\$ 8,630,521

* In the event of an unanticipated liquidity need, the Organization could also draw upon its \$1,000,000 line of credit (see Note 8).

SINGLE AUDIT REPORTS AND SCHEDULES



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

To the Board of Directors
Sacred Heart Community Service
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Sacred Heart Community Service (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated March 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sacred Heart Community Service's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
San Jose, California

March 27, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Directors
Sacred Heart Community Service
San Jose, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sacred Heart Community Service (a California nonprofit corporation) (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Armanino^{LLP}
San Jose, California

March 27, 2024

Sacred Heart Community Service
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Expenditures	Amounts Provided to Subrecipients
<u>Expenditures of Federal Awards</u>				
U.S. Department of the Treasury				
Coronavirus State and Local Fiscal Recovery Funds				
Pass-through program from:				
County of Santa Clara - OSH HPS ARPA Emergency Rental Assistance Program	21.027	N/A	\$ 1,860,165	1,357,409
Pass-through program from City of San Jose - EDSPH	21.023	N/A	1,065,200	-
Total U.S. Department of the Treasury			2,925,365	1,357,409
U.S. Department of Health and Human Services				
Low-Income Home Energy Assistance				
Pass-through program from:				
State of California Department of Community Services and Development	93.568	22B-4035	455,204	-
State of California Department of Community Services and Development	93.568	23B-5035	127,050	-
State of California Department of Community Services and Development	93.568	22Q-4584	9,252	-
State of California Department of Community Services and Development	93.568	23Q-5584	14,452	-
State of California Department of Community Services and Development	93.568	23J-5739	3,788	-
State of California Department of Community Services and Development	93.568	21V-5584	326,256	-
State of California Department of Community Services and Development	93.568	21Z-9571	109,252	-
State of California Department of Community Services and Development	93.568	21B-5035 ADJ	619	-
State of California Department of Community Services and Development	93.568	20U-2584 ADJ	(227)	-
Total Low-Income Home Energy Assistance			1,045,646	-
Community Services Block Grant				
Pass-through program from:				
State of California Department of Community Services and Development	93.569	22F-5042	571,231	-
State of California Department of Community Services and Development	93.569	22F-5042 ADJ	13,468	-
State of California Department of Community Services and Development	93.569	22F-5042 (Discretionary)	31,000	-
State of California Department of Community Services and Development	93.569	23F-4042	891,175	-
State of California Department of Community Services and Development	93.569	20F-3681 ADJ	(58,386)	-

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Sacred Heart Community Service
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Expenditures	Amounts Provided to Subrecipients
State of California Department of Community Services and Development	93.569	21F-4042 ADJ	\$ 144,005	\$ -
State of California Department of Community Services and Development	93.569	21F-4443 ADJ	<u>3,674</u>	<u>-</u>
Total Community Services Block Grant			<u>1,596,167</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>2,641,813</u>	<u>-</u>
U.S. Department of Homeland Security Emergency Food and Shelter National Board Program Pass-through program from:				
Second Harvest of Silicon Valley (FEMA)	97.024	N/A	21,503	-
Second Harvest of Silicon Valley EFSP Rent Assistance (FEMA)	97.024	N/A	<u>65,116</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>86,619</u>	<u>-</u>
U.S. Department of Housing and Urban Development Community Services Block Grants/Entitlement Grants Pass-through program from:				
County of Santa Clara	14.218	CV-22-04/CV- 22-05	396,937	376,674
County of Santa Clara	14.218	PS-23-16	<u>9,254</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>406,191</u>	<u>376,674</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Sacred Heart Community Service
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Expenditures	Amounts Provided to Subrecipients
U.S. Department of Agriculture				
Child and Adult Care Food Program				
Pass-through program from:				
California Department of Education - Department of Nutrition Services	10.558	N/A	4,030	-
California Department of Education - Department of Nutrition Services	10.558	CACFP	18,597	-
California Department of Education - Department of Nutrition Services	10.558	SFSP	<u>4,443</u>	<u>-</u>
Total Child and Adult Care Food Program			<u>27,070</u>	<u>-</u>
Emergency Food Assistance Program (Food Commodities)				
Pass-through program from:				
Second Harvest of Silicon Valley	10.569	N/A	<u>556,429</u>	<u>-</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
Pass-through program from:				
County of Santa Clara	10.561	SSA-SHCS- CFET-FFY20/21	<u>25,364</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>608,863</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 6,668,851</u>	<u>\$ 1,734,083</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Sacred Heart Community Service
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Sacred Heart Community Service (a California nonprofit corporation) (the "Organization") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. EMERGENCY FOOD ASSISTANCE PROGRAM (FOOD COMMODITIES)

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the Organization had food commodities totaling \$0 in inventory.

4. INDIRECT COST RATE

The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The Organization's indirect cost rate for a given program is calculated by applying that program's proportional direct expenses to the overall pool of indirect expenses.

Sacred Heart Community Service
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Community Services Block Grant	93.569
Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Sacred Heart Community Service
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

Finding number:	2023-001 UNBILLED ACCOUNTS RECEIVABLE TRUE UP
Criteria and condition:	During the course of our audit procedures, we noted that the Organization's unbilled accounts receivable balance was significantly overstated due to its errantly recognizing contribution revenue in incorrect fiscal years.
Cause:	The Organization changed its accounting system in the fiscal year 2022, and the unbilled accounts receivable was not carried over properly. Also the Organization did not implement procedures for monthly reconciliations of unbilled accounts receivable.
Effect:	The unbilled accounts receivable and contributions were overstated as of and for the year ended June 30, 2023.
Recommendation:	We recommend that management review the unbilled accounts receivable schedule for completeness and accuracy on a monthly basis as part of its monthly closing process.
View of responsible officials:	The Organization agrees with the finding and has implemented a policy to perform monthly reconciliations and verifications of unbilled accounts receivable balances.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Sacred Heart Community Service
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

There were no prior year findings.



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Corrective Action Plan
For the Year Ended June 30, 2023

Finding 2023-001

During our audit we noted that the Organization's unbilled accounts receivable balance was significantly overstated due to its errantly recognizing revenue in incorrect fiscal years while attempting to correct a prior year adjustment. These identified errors were improperly adjusted, and the Organization's ending balance was not accurately stated.

Corrective Action Plan:

Sacred Heart Community Service is implementing an updated policy to reconcile and verify unbilled and billed accounts receivable balances – identifying and addressing discrepancies monthly. This process includes designating the Deputy Director, who is separate from those responsible for the reconciliation, to review and approve the accuracy of the reconciled balances each month.

Name of Responsible Person:

Darren Seaton, Deputy Director (408) 278-2177

Anticipated Completion Date:

This updated policy was implemented on December 15, 2023

X *Darren Seaton*

Darren Seaton
Deputy Director

SUPPORTING SCHEDULES REQUIRED BY CALIFORNIA DEPARTMENT OF COMMUNITY
SERVICES AND DEVELOPMENT (CSD)

Sacred Heart Community Service
Supplemental Schedule of Revenue and Expenditures
CSD Contract No. 22B-4035
For the Period November 1, 2021 through June 30, 2023

	November 1, 2021 through June 30, 2022	July 1, 2022 through June 30, 2023	Total Expenses Reported	Total Budget
REVENUE				
Grant Revenue	<u>\$ 206,021</u>	<u>\$ 455,204</u>	<u>\$ 661,225</u>	<u>\$ 661,225</u>
EXPENDITURES				
Administrative Costs				
Administrative	<u>\$ 16,840</u>	<u>\$ 36,626</u>	<u>\$ 53,466</u>	<u>\$ 53,466</u>
Program Costs				
Assurance 16 Activities	36,815	95,651	132,466	132,466
Intake	43,758	118,596	162,354	162,354
Outreach	28,787	77,309	106,096	106,096
Training and Technical Assistance	10,133	32,705	42,838	42,838
Program Service Cost	<u>69,688</u>	<u>94,317</u>	<u>164,005</u>	<u>164,005</u>
Total Program Costs	<u>189,181</u>	<u>418,578</u>	<u>607,759</u>	<u>607,759</u>
Total Expenditures	<u>\$ 206,021</u>	<u>\$ 455,204</u>	<u>\$ 661,225</u>	<u>\$ 661,225</u>

Sacred Heart Community Service
Supplemental Schedule of Revenue and Expenditures
CSD Contract No. 23B-5035
For the Period November 1, 2022 through June 30, 2023

	November 1, 2022 through June 30, 2023	Total Expenses Reported	Total Budget
REVENUE			
Grant Revenue	<u>\$ 127,050</u>	<u>\$ 127,050</u>	<u>\$ 1,566,996</u>
EXPENDITURES			
Administrative Costs			
Administrative	<u>\$ 8,684</u>	<u>\$ 8,684</u>	<u>\$ 290,490</u>
Program Costs			
Assurance 16 Activities	24,893	24,893	290,490
Intake	33,036	33,036	394,406
Outreach	29,863	29,863	246,504
Training and Technical Assistance	9,781	9,781	98,602
Program Service Cost	<u>20,793</u>	<u>20,793</u>	<u>246,504</u>
Total Program Costs	<u>118,366</u>	<u>118,366</u>	<u>1,276,506</u>
Total Expenditures	<u>\$ 127,050</u>	<u>\$ 127,050</u>	<u>\$ 1,566,996</u>

Sacred Heart Community Service
 Supplemental Schedule of Revenue and Expenditures
 CSD Contract No. 22Q-4584
 For the Period September 1, 2022 through June 30, 2023

	September 1, 2022 through June 30, 2023	Total Expenses Reported	Total Budget
REVENUE			
Grant Revenue	\$ 9,252	\$ 9,252	\$ 9,252
EXPENDITURES			
Administrative Costs			
Administrative	\$ 1,907	\$ 1,907	\$ 1,907
Program Costs			
Assurance 16 Activities	1,907	1,907	1,907
Intake	2,769	2,769	2,769
Outreach	1,500	1,500	1,500
Training and Technical Assistance	500	500	500
Program Service Cost	669	669	669
Total Program Costs	7,345	7,345	7,345
Total Expenditures	\$ 9,252	\$ 9,252	\$ 9,252

Sacred Heart Community Service
Supplemental Schedule of Revenue and Expenditures
CSD Contract No. 23Q-5584
For the Period May 1, 2023 through June 30, 2023

	May 1, 2023 through June 30, 2023	Total Expenses Reported	Total Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Grant Revenue	\$ 14,452	\$ 14,452	\$ 46,051
EXPENDITURES			
Administrative Costs			
Administrative	\$ 1,960	\$ 1,960	\$ 9,798
Program Costs			
Assurance 16 Activities	2,390	2,390	9,798
Intake	2,719	2,719	14,109
Outreach	2,508	2,508	8,818
Training and Technical Assistance	464	464	3,527
Program Service Cost	4,410	4,410	1
Total Program Costs	<u>12,492</u>	<u>12,492</u>	<u>36,253</u>
Total Expenditures	<u>\$ 14,452</u>	<u>\$ 14,452</u>	<u>\$ 46,051</u>

Sacred Heart Community Service
Supplemental Schedule of Revenue and Expenditures
CSD Contract No. 23J-5739
For the Period April 15, 2023 through June 30, 2023

	April 15, 2023 through June 30, 2023	Total Expenses Reported	Total Budget
REVENUE			
Grant Revenue	<u>\$ 3,788</u>	<u>\$ 3,788</u>	<u>\$ 597,011</u>
EXPENDITURES			
Administrative Costs			
Administrative	<u>\$ 490</u>	<u>\$ 490</u>	<u>\$ 110,558</u>
Program Costs			
Assurance 16 Activities	438	438	110,558
Intake	1,428	1,428	150,358
Outreach	624	624	93,974
Training and Technical Assistance	147	147	37,590
Program Service Cost	<u>661</u>	<u>661</u>	<u>93,973</u>
Total Program Costs	<u>3,298</u>	<u>3,298</u>	<u>486,453</u>
Total Expenditures	<u>\$ 3,788</u>	<u>\$ 3,788</u>	<u>\$ 597,011</u>

Sacred Heart Community Service
Supplemental Schedule of Revenue and Expenditures
CSD Contract No. 21V-5584
For the Period August 1, 2021 through June 30, 2023

	August 1, 2021 through June 30, 2022	July 1, 2022 through June 30, 2023	Total Expenses Reported	Total Budget
REVENUE				
Grant Revenue	<u>\$ 261,805</u>	<u>\$ 326,256</u>	<u>\$ 588,061</u>	<u>\$ 645,000</u>
EXPENDITURES				
Assurance 16 Costs				
Assurance 16 Activities	<u>\$ 56,750</u>	<u>\$ 73,250</u>	<u>\$ 130,000</u>	<u>\$ 130,000</u>
Administrative Costs				
Administrative	<u>17,303</u>	<u>22,697</u>	<u>40,000</u>	<u>40,000</u>
Program Costs				
Intake	90,507	79,493	170,000	170,000
Outreach	65,222	59,778	125,000	125,000
Training and Technical Assistance	12,574	17,426	30,000	30,000
Automation Costs	-	7,409	7,409	10,000
Program Costs	<u>19,449</u>	<u>66,203</u>	<u>85,652</u>	<u>140,000</u>
Total Program Costs	<u>187,752</u>	<u>230,309</u>	<u>418,061</u>	<u>475,000</u>
Total Expenditures	<u>\$ 261,805</u>	<u>\$ 326,256</u>	<u>\$ 588,061</u>	<u>\$ 645,000</u>

Sacred Heart Community Service
 Supplemental Schedule of Revenue and Expenditures
 CSD Contract No. 21Z-9571
 For the Period April 1, 2022 through June 30, 2023

	April 1, 2022 through June 30, 2022	July 1, 2022 through June 30, 2023	Total Expenses Reported	Total Budget
REVENUE				
Grant Revenue	\$ 734	\$ 109,252	\$ 109,986	\$ 875,962
EXPENDITURES				
Administrative Costs				
Administrative	\$ -	\$ 20,029	\$ 20,029	\$ 375,412
Program Costs				
Program Support Costs	734	89,223	89,957	500,550
Total Expenditures	\$ 734	\$ 109,252	\$ 109,986	\$ 875,962

Sacred Heart Community Service
Supplemental Schedule of Revenue and Expenditures
CSD Contract No. 22F-5042
For the Period January 1, 2022 through June 30, 2023

	January 1, 2022 through June 30, 2022	July 1, 2022 through December 31, 2012	Total Expenses Reported	Total Budget
REVENUE				
Grant Revenue	\$ 917,679	\$ 571,231	\$ 1,488,910	\$ 1,488,910
EXPENDITURES				
Administrative Costs				
Salaries and Wages	\$ 545,298	\$ 311,931	\$ 857,229	\$ 860,028
Fringe Benefits	251,076	61,114	312,190	283,809
Operating Expenses	1,943	11,604	13,547	23,882
Total Administrative Costs	<u>798,317</u>	<u>384,649</u>	<u>1,182,966</u>	<u>1,167,719</u>
Program Costs				
Salaries and Wages	81,361	136,920	218,281	241,497
Fringe Benefits	38,001	49,662	87,663	79,694
Total Program Cost	<u>119,362</u>	<u>186,582</u>	<u>305,944</u>	<u>321,191</u>
Total Expenditures	<u>\$ 917,679</u>	<u>\$ 571,231</u>	<u>\$ 1,488,910</u>	<u>\$ 1,488,910</u>

Sacred Heart Community Service
 Supplemental Schedule of Revenue and Expenditures
 CSD Contract No. 22F-5042 (Discretionary)
 For the Period January 1, 2022 through June 30, 2023

	January 1, 2022 through June 30, 2022	July 1, 2022 through June 30, 2023	Total Expenses Reported	Total Budget
REVENUE				
Grant Revenue	\$ -	\$ 31,000	\$ 31,000	\$ 31,000
EXPENDITURES				
Program Costs				
Salaries and Wages	\$ -	\$ 22,552	\$ 22,552	\$ 23,320
Fringe Benefits	-	8,448	8,448	7,680
Total Program Cost	-	31,000	31,000	31,000
Total Expenditures	\$ -	\$ 31,000	\$ 31,000	\$ 31,000

Sacred Heart Community Service
 Supplemental Schedule of Revenue and Expenditures
 CSD Contract No. 23F-4042
 For the Period January 1, 2023 through June 30, 2023

	January 1, 2023 through June 30, 2023	Total Expenses Reported	Total Budget
REVENUE			
Grant Revenue	<u>\$ 891,175</u>	<u>\$ 891,175</u>	<u>\$ 1,351,934</u>
EXPENDITURES			
Administrative Costs			
Salaries and Wages	\$ 625,146	\$ 625,146	\$ 905,100
Fringe Benefits	208,611	208,611	298,683
Operating Expenses	<u>-</u>	<u>-</u>	<u>7,899</u>
Total Administrative Costs	<u>833,758</u>	<u>833,758</u>	<u>1,211,682</u>
Program Costs			
Salaries and Wages	43,051	43,051	105,453
Fringe Benefits	<u>14,366</u>	<u>14,366</u>	<u>34,799</u>
Total Program Cost	<u>57,417</u>	<u>57,417</u>	<u>140,252</u>
Total Expenditures	<u>\$ 891,175</u>	<u>\$ 891,175</u>	<u>\$ 1,351,934</u>

Sacred Heart Community Service
 Supplemental Schedule of Revenue and Expenditures
 CSD Contract No. 23F-4042 (Discretionary)
 For the Period January 1, 2023 through June 30, 2023

	January 1, 2023 through June 30, 2023	Total Expenses Reported	Total Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Grant Revenue	\$ -	\$ -	\$ 113,564
EXPENDITURES			
Program Costs			
Salaries and Wages	\$ -	\$ -	\$ 85,333
Fringe Benefits	-	-	28,160
Operating Expenses	<u>-</u>	<u>-</u>	<u>71</u>
Total Program Cost	<u>-</u>	<u>-</u>	<u>113,564</u>
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,564</u>