

Audited Financial Statements

Indian Health Center of Santa Clara Valley

For the years ended June 30, 2023 and 2022

Indian Health Center of Santa Clara Valley

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Independent Auditor's Report

Board of Directors
Indian Health Center of Santa Clara Valley
San Jose, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Indian Health Center of Santa Clara Valley, ("IHCSCV"), which comprise the balance sheets as of June 30, 2023, and 2022, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of IHCSCV as of June 30, 2023, and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 IHCSCV and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IHCSCV's ability to continue as a going concern for one year after the date that the 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 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 not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IHCSCV's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IHCSCV'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 financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024 on our consideration of IHCSCV'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 solely 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 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 IHCSCV's internal control over financial reporting and compliance.

CAW. LLP

Fresno, California

March 1, 2024

Indian Health Center of Santa Clara Valley
Balance Sheets
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,924,261	\$ 22,768,416
Investments	937,468	935,117
Patient accounts receivable, net	12,157,969	1,610,447
Grants and contributions receivable, net	1,548,999	1,105,897
Other receivables	564,279	1,604,341
Estimated third-party payor settlements	153,757	202,512
Deposits and prepaid expenses	530,796	595,372
Total current assets	20,817,529	28,822,102
Right of use asset	1,720,178	-
Property and equipment, net	17,845,371	16,846,445
Total assets	\$ 40,383,078	\$ 45,668,547
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and other accrued expenses	1,260,388	1,014,203
Accrued payroll and related liabilities	2,665,473	2,530,551
Deferred revenue	2,007,904	3,055,135
Estimated third-party payor settlement	5,810,720	6,612,228
Other current liabilities	-	41,883
Lease liability, current portion	766,323	-
Long-term debt, current portion	95,795	94,203
Total current liabilities	12,606,603	13,348,203
Lease liability	1,052,135	-
Long-term debt, net of current portion	4,219,670	4,317,517
Total liabilities	17,878,408	17,665,720
Net Assets:		
Net assets without donor restrictions	21,964,583	26,362,860
Net assets with donor restrictions	540,087	1,639,967
Total net assets	22,504,670	28,002,827
Total liabilities and net assets	\$ 40,383,078	\$ 45,668,547

See accompanying Notes to the Financial Statements

Indian Health Center of Santa Clara Valley
Statement of Operations and Changes in Net Assets
For the years ended June 30, 2023 and 2022

	2023	2022
Change in net assets without donor restrictions		
Revenues and support:		
Patient service revenue, net	\$ 16,597,953	\$ 18,366,338
Risk pool, quality incentive and other revenues	1,398,117	1,750,421
Capitation revenue	1,932,844	1,827,873
Grant revenue	12,321,034	12,492,832
Contributions and other revenue	905,835	746,392
In-kind contributions	1,053,151	1,298,847
Net assets released from donor restrictions	2,972,150	586,016
Total revenues, gains, and other support	37,181,084	37,068,719
Expenses:		
Salaries and wages	21,578,146	19,402,431
Employee benefits	4,373,330	4,120,079
Payroll taxes	1,522,472	1,377,946
Total personnel expenses	27,473,948	24,900,456
Contracted services	2,509,802	2,086,787
Supplies	2,287,757	2,720,680
Rent and leases	1,188,631	1,233,699
Depreciation and amortization	1,245,583	1,014,302
Occupancy	1,110,073	1,208,203
Professional services	1,472,592	988,119
Dues and subscriptions	1,308,098	714,874
Communications	327,871	301,387
Insurance	177,973	194,232
Interest	133,375	147,678
Other operating expenses	2,343,658	2,161,451
Total expenses	41,579,361	37,671,868
Change in net assets without donor restrictions	(4,398,277)	(603,149)
Change in net assets with donor restrictions		
Contributions	1,872,270	2,045,160
Net assets released from donor restriction	(2,972,150)	(586,016)
Change in net assets with donor restriction	(1,099,880)	1,459,144
Change in net assets	(5,498,157)	855,995
Net Assets		
Beginning of year	28,002,827	27,146,832
End of year	\$ 22,504,670	\$ 28,002,827

See accompanying Notes to the Financial Statements

Indian Health Center of Santa Clara Valley
Statements of Cash Flows
For the years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (5,498,157)	\$ 855,995
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,245,583	1,014,302
Changes in operating assets and liabilities:		
Patient accounts receivable	(10,547,522)	2,122,007
Grants, contracts, and other receivables	(443,102)	3,070,386
Other receivables	1,040,062	(1,113,698)
Deposits and prepaid expenses	64,576	(132,870)
Accounts payable and other accrued expenses	246,185	181,306
Accrued payroll and related liabilities	134,922	182,581
Deferred revenue	(1,047,231)	2,014,401
Estimated third-party payor settlement	(752,753)	1,194,390
Other current liabilities	(41,883)	(3,910)
	98,280	-
Net cash provided by (used in) operating activities	(15,501,040)	9,384,890
Cash flows from investing activities:		
Purchase of investments	(2,351)	(1,790)
Purchases of property and equipment	(2,244,509)	(1,581,987)
Net cash used in investing activities	(2,246,860)	(1,583,777)
Cash flows from financing activities:		
Proceeds from new debt	-	4,412,955
Principal payments on debt borrowings	(96,255)	(4,451,109)
Net cash used in financing activities	(96,255)	(38,154)
Net increase (decrease) in cash and cash equivalents	(17,844,155)	7,762,959
Cash and cash equivalents at beginning of year	22,768,416	15,005,457
Cash and cash equivalents at end of year	\$ 4,924,261	\$ 22,768,416
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 133,375	\$ 147,678
In-kind supply contribution	\$ 1,053,151	\$ 1,298,847

See accompanying Notes to the Financial Statements

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 1: Nature of Operations

Indian Health Center of Santa Clara Valley (“IHCSCV”) is a California nonprofit community based organization that helps ensure the survival of American Indian Families and the local community by providing quality health care and wellness services by supporting the healing process, by encouraging, educating, and empowering its clients in seeking and maintaining wellness and enhancing their quality of life, and by facilitating the equity and accessibility of comprehensive health care for the American Indian community. The services IHCSCV provides include medical, dental, counseling, community health services, and women, infant, and children (WIC) nutrition programs. The majority of IHCSCV's funding is from Federal, California and County of Santa Clara grants and programs. IHCSCV provides the following comprehensive, culturally competent services:

- **Medical Services:** A full range of primary health services for low-income children, families, and adults including general medical care, immunization, comprehensive prenatal and postnatal care, cancer prevention and screening, chronic disease management, and geriatric health services.
- **Dental Services:** A full range of restorative, preventive, and general dentistry services.
- **Nutrition Services - WIC (Woman-Infant-Children):** Food vouchers, nutrition counseling, and breastfeeding support for low-income women and their children.
- **Counseling Services:** Individual and group mental health counseling, psychiatric care, a state certified outpatient substance abuse program, and traditional American Indian ceremonies and gatherings.
- **Community Wellness Services:** Health education, an award-winning and evidence-based diabetes prevention program, fitness in a state-of-the-art facility, nutrition counseling, case management, community outreach, and integrated wellness and medical services.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting:

IHCSCV prepares its financial statements on the accrual basis of accounting recognizing revenues when earned and expenses when incurred.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles require the use of management estimates and assumptions that affect certain reported amounts of assets and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support and expenses during the accounting period. Actual results could differ from those estimates and disclosures in these financial statements. The most significant estimates relate to estimated third-party payor settlements, depreciation and amortization, and allowance for doubtful accounts on patient accounts receivable and grants and contributions receivable.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation:

The accompanying financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of IHCSCV and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for use and are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of IHCSCV and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from donor restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

Cash and Cash Equivalents:

IHCSCV considers all highly liquid instruments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. Of the cash balance as of June 30, 2023, \$1,423,057 was covered by federal depository insurance and \$3,501,204 was uninsured.

Investments:

Investments consist of certificate of deposits with maturities of more than three months at the date of acquisition.

Patient Accounts Receivable:

Accounts receivable are recorded at amounts that reflect the consideration to which IHCSCV expects to be entitled in exchange for providing patient care. In evaluating the collectability of patient accounts receivable, IHCSCV regularly analyzes its history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in patient accounts receivable.

For receivables associated with services provided to patients who have third-party coverage, IHCSCV analyzes contractually due amounts and provides additional implicit and explicit price concessions, if necessary, based upon historical collection history for deductibles and copayments on accounts for which the third-party payer had not yet paid, or for remaining payer balances.

For receivables associated with self-pay patients, which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, IHCSCV records a significant implicit price concession in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in patient accounts receivable.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (Continued)

Property and Equipment:

Property and equipment are stated at cost at the date of acquisition less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Leasehold improvements are amortized over the shorter of the term of the lease or useful life of the improvement usually over 7 years. Repairs and maintenance are expensed as incurred while major improvements that extend the useful life of an asset are capitalized.

Upon sale or retirement of property and equipment, the costs and related accumulated depreciation and amortization from the accounts are removed. Any resulting gains and losses are included in the determination of changes in net assets. Items received by donation, gift or bequest are stated at fair value at the date of donation. IHSCCV capitalizes items with costs greater than or equal to \$5,000. Assets purchased with government grants are expensed in accordance with government program guidelines.

Revenues and Support:

Net patient service revenue is reported at the amount that reflects the consideration to which IHSCCV expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, IHSCCV bills the patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

IHSCCV provides medical, dental, and mental health services to eligible patients at a discounted rate or for a nominal fee, based on eligibility determined by the patient's household size and income.

IHSCCV has agreements with Santa Clara County to provide a comprehensive range of professional health care and social services. Under the agreements, IHSCCV received monthly capitation payments based on the number of participants, regardless of the services actually performed by IHSCCV. Capitation payments are recognized as capitation revenue during the period in which IHSCCV is obligated to provide services to participants. IHSCCV also receives interim payments from the Medi-Cal program. These payments are reconciled on an annual basis to insure IHSCCV ultimately receives the established Medi-Cal payment rate for all visits under these contracts.

Government grant revenue is funded primarily by Federal, State, and County grants which generally limit the use of such funds to cover the operating expenses directly related to providing primary care services under contracts and grants. IHSCCV recognizes revenues from grants and contracts to the extent of expenditures incurred but not exceeding the actual grant and contract awards. These grants are recognized as revenues over the periods specified in the related grant award agreements or as earned.

Contributions that have been received for a specified purpose but have not yet been spent are classified as net assets with restrictions. When the services are rendered, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restriction.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (Continued)

Income Tax Status:

IHCSCV is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code. It is only required to submit annual federal and state information returns and no provision for Federal and State income taxes is required. IHCSCV has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions and believes that all of the positions taken by IHCSCV in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

IHCSCV's returns are subject to examination by federal and state taxing authorities generally for three years (federal) and four years (state) after they are filed.

Fair Value Measurements:

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. IHCSCV determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1: quoted market prices are available in active market for identical assets or liabilities as of the reporting date. Certificate of deposits held by IHCSCV are considered to be level 1 investments.
- Level 2: pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3: pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Recently Adopted Accounting Pronouncement:

In February 2016, the FASB issued Accounting Standards Update "ASU" No. 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. IHCSCV has adopted ASU 2016-02 for the year beginning July 1, 2022 using the modified retrospective approach. The adoption of ASU 2016-02 also included additional disclosure requirements.

Subsequent Events:

IHCSCV has evaluated events and transactions that occurred after June 30, 2023, and through March 1, 2024, the date the financial statements were available to be issued.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (Continued)

In-kind Contributions:

IHCSCV receives significant in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by IHCSCV. Donated supplies are based on the fair market value at the time of donation. IHCSCV recognizes in-kind contribution revenue and a corresponding expense at the time of the donation. IHCSCV received the following in-kind contributions for the years ending June 30, 2023 and 2022:

	2023	2022
Donated supplies	\$ 1,053,151	\$ 1,298,847

Donated supplies are valued based on the reported costs of the vaccines from the State of California for the Vaccine for Children and Vaccine for Adults programs.

All donated services and assets were utilized by IHCSCV's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

Note 3: Investments

Investments include the following at June 30, 2023 and 2022:

	2023	2022
Certificates of deposit	\$ 937,468	\$ 935,117

Investment income is primarily comprised of interest income, which amounted to \$42,126 and \$10,675 For the years ended June 30, 2023 and 2022.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 4: Patient Service Revenue, Net

Performance obligations are determined based on the nature of the services provided by IHCSVC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. IHCSVC believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Because all of its performance obligations relate to contracts with a duration of less than one year, IHCSVC has elected to apply the optional exemption provided in FASB ASC Topic 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

IHCSVC determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with IHCSVC's sliding fee policy, and implicit price concessions provided to uninsured patients. IHCSVC determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. IHCSVC determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Effective with the adoption of ASU 2014-09 on July 1, 2020, for changes in credit issues not assessed at the date of service, such as a payor files for bankruptcy or a patient defaults on a payment plan, IHCSVC recognizes these write-offs as bad debt expense, which is presented on the accompanying statements of operations and changes in net assets as a component of other expenses.

IHCSVC is approved as a Federally Qualified Health Center ("FQHC") for both Medicare and Medi-Cal reimbursement purposes. IHCSVC has agreements with third-party payors that provide for payments to IHCSVC at amounts different from its established rates. These payment arrangements include:

Medicare: Covered services rendered to Medicare program beneficiaries are paid based on a prospective payment system (PPS). Medicare payment under the FQHC PPS are 80% of the lesser of the health center's actual charge or the applicable PPS rate (patient coinsurance will be 20% of the lesser of the health center's actual charge or the applicable PPS rate). Accordingly, to the extent a health center's charge is below the applicable PPS rate, Medicare FQHC reimbursement can be limited.

Medi-Cal: Covered services rendered to Medi-Cal beneficiaries are paid under a Prospective Payment System, using rates established by IHCSVC's "Base Years" - fiscal years ended December 31, 2000 and 1999 cost reports filed under the previous cost-based reimbursement system. These rates are adjusted annually according to changes in the Medicare Economic Index and any approved changes in IHCSVC's scope of service. IHCSVC is required to file a payment reconciliation report with the state. In the opinion of management, any reconciliation settlement of the payment reconciliation will not materially affect the financial statements of IHCSVC.

Other: Payments for services rendered to those payors other than Medicare or Medi-Cal are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 4: Patient Service Revenue, Net (Continued)

As of June 30, the following table reflects the net patient service revenue by major payor groups:

	2023	2022
Medicare	\$ 325,776	\$ 801,748
Medi-Cal	13,258,508	15,894,273
Other third-party payors	2,071,412	1,373,765
Private pay	942,257	296,552
Net patient service revenue	\$ 16,597,953	\$ 18,366,338

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge IHSCCV's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon IHSCCV. In addition, the contracts IHSCCV has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and IHSCCV's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

IHSCCV has recorded an estimated third-party payor receivable of \$153,757 and \$202,512 as of June 30, 2023 and 2022, respectively, and estimated third-party payor liabilities of \$5,810,720 and \$6,612,228 as of June 30, 2023 and 2022, respectively. These balances comprise estimated settlements due to PPS Reconciliation Requests. Management periodically evaluates estimated third-party payor settlements based on the current information available and believes the final settlements will not materially affect the financial statements of IHSCCV.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 5: Grants and Contributions Receivable

Grants and contributions receivable were comprised of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
County of Santa Clara	\$ 312,908	\$ 398,659
Federal – Indian Health Services	118,156	53,235
Federal – HRSA Section 330 Grant	196,259	171,209
Federal – Women, Infants, and Children Program	238,126	135,995
HRSA-ARPA, H8F, C8E	250,255	111,505
Others	433,295	235,294
Total	<u>\$ 1,548,999</u>	<u>\$ 1,105,897</u>

Note 6: Property and Equipment

Property and equipment at June 30, 2023 and 2022 was comprised of the following:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 6,485,126	\$ 6,485,126
Building and building improvements	6,532,127	6,532,127
Leasehold improvements	9,946,683	9,940,483
Furniture and equipment	1,448,563	870,615
Computer equipment	399,407	399,407
Software	1,170,131	-
Vehicles	740,583	698,814
Construction in progress	1,635,352	1,186,891
Subtotal	<u>28,357,972</u>	<u>26,113,463</u>
Accumulated depreciation	<u>(10,512,601)</u>	<u>(9,267,018)</u>
Total	<u>\$ 17,845,371</u>	<u>\$ 16,846,445</u>

Depreciation and amortization expense for the years ending June 30, 2023 and 2022 was \$1,245,583 and \$1,014,302. As of June 30, 2023, remaining commitments related to ongoing construction contracts was approximately \$2,081,771.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 7: Concentration of Credit Risk

Financial instruments that potentially subject IHSCCV to concentrations of credit risk are primarily cash and cash equivalents and investments. IHSCCV deposits its cash accounts with several financial institutions, which are insured by the Federal Deposit Insurance Corporation up to legal limits. IHSCCV places its cash deposits with high-credit, quality financial institutions and has certificate of deposit placement programs with one financial institution, which, by policy, limit its credit exposure. IHSCCV has not experienced any losses in such accounts and believes it is not exposed to significant credit risk.

Indian Health Center of Santa Clara Valley operates several locations within the Santa Clara County in California and provides services to patients who reside in these local geographic areas. IHSCCV grants credit without collateral to its patients and third-party payors. Patient accounts receivable from the government agencies administering the Medicare and the Medi-Cal programs and private insurance companies administering the Medi-Cal Managed Care programs represent the only concentrated group of credit risk for IHSCCV and management does not believe that there are significant credit risks associated with these agencies and private insurance companies. Other contracted and private pay patient receivables consist of payors and individuals involved in diverse activities, subject to differing economic conditions and does not represent any concentrated risks to IHSCCV. Significant concentrations of net patient accounts receivable as of June 30, 2023 and 2022 were as follows:

	2023	2022
Medi-Cal	96%	53%
Medicare	1%	8%
Other third-party payors	1%	35%
Self pay	2%	4%
	100%	100%

For the years ended June 30, 2023 and 2022, IHSCCV received \$4,170,224 and \$3,601,590 in Community Health Center grants from the Department of Health and Human Services, which represents 11% and 10% of the total revenue received.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 8: Notes Payable

Notes payable are detailed as follows:

	2023	2022
<u>First Republic Bank</u> – Loan dated May 1, 2022 for \$4,412,955 with fixed interest rate of 3%. 360 monthly principal and interest payments of \$18,674 until maturity on May 1, 2052. The note’s purpose is to refinance the prior notes used to purchase the commercial properties located at 1118-1130 Meridian Avenue and 2039 Forest Avenue. Secured with IHSCCV property.	\$ 4,305,247	\$ 4,396,856
<u>Vehicle Loan</u> – The loan of \$27,739 bears interest at 6.99% per annum with monthly principal and interest payments of \$549.14 and matures on June 1, 2025.	10,218	14,865
Total Long-term debt	4,315,465	4,411,721
Less: current portion	(95,795)	(94,203)
	\$ 4,219,670	\$ 4,317,518

Future principal payments are as follows for the year ended June 30:

Year	Principal
2024	\$ 95,795
2025	105,841
2026	100,340
2027	103,435
2027	106,303
Thereafter	3,803,751
Total	\$ 4,315,465

Interest expense for the years ended June 30, 2023 and 2022 was \$133,375 and \$147,678 respectively. The loan agreements contain various covenants, which among other things place restrictions on IHSCCV’s ability to incur additional indebtedness and require IHSCCV to maintain certain financial ratios. IHSCCV was in compliance with these requirements as of June 30, 2023.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 9: Deferred Revenue

Deferred revenue consisted of the following at June 30, 2023 and 2022:

	2023	2022
Sierra Foundation	\$ -	\$ 79,148
IHS Funding	1,947,904	2,975,987
Other	60,000	-
Total	\$ 2,007,904	\$ 3,055,135

Note 10: Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following programs at June 30, 2023 and 2022:

	2023	2022
Palo Alto Medical Foundation	\$ 38,085	\$ 93,087
Silicon Valley Community Found	-	34,100
County of Santa Clara	312,291	1,493,945
Health trust	104,213	-
Other	85,498	18,835
Total	\$ 540,087	\$ 1,639,967

As net assets with donor restrictions are expended, the net assets released from restrictions are recognized as revenue without donor restrictions. As of June 30, 2023 and 2022 net assets released from donor restrictions consist of the following:

	2023	2022
Palo Alto Medical Foundation	\$ 170,003	\$ 86,913
Health Trust	45,786	-
County of Santa Clara	2,702,874	371,215
Other	53,487	127,888
Total	\$ 2,972,150	\$ 586,016

Note 11: Pension Plan

IHCSCV maintains a 401(k) pension plan ("Plan") covering all employees who are eligible to participate in the plan. All regular employees who have completed 60 days of service are eligible to enroll in the Plan on the first day of the month following eligibility. An eligible employee may contribute up to a maximum of 100% of compensation subject to the maximum dollar limit determined by Internal Revenue Service each year. The Plan provides for a match of 100% up to 3% of compensation and 50% between 3% and 5% of compensation. The match is fully vested immediately. IHCSCV contributed \$499,716 and \$559,716 for the years ended June 30, 2023, and 2022, respectively, accounted for in employee benefits.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 12: Malpractice Insurance

IHCSCV as an eligible Federally Qualified Health Center (FQHC) is covered under the Federal Tort Claims Act (FTCA) through submission of an annual renewal requiring application to the U.S. Department of Health and Human Services, Health Resources and Services Administration, Bureau of Primary Health Care. IHCSCV, their employees, and eligible contractors are considered federal employees for medical malpractice claims while acting within the scope of their employment. In addition to coverage under the FTCA, IHCSCV insures privately for professional liability coverage for any claims that may not be covered under FTCA. Under the policy, insurance premiums cover those claims asserted within policy limits. Management does not believe there are any material uninsured malpractice costs at June 30, 2023.

Note 13: Commitments and Contingencies

Risks and Uncertainties:

Future funding for IHCSCV's program is contingent upon the availability of funds from Federal, State, County and other sources, as well as the operating performance of the programs.

IHCSCV has received Federal, State, and County funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management does not anticipate any material questioned costs for the contracts and grants administered during the period.

The health care industry is subject to numerous laws and regulations of Federal, State, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While IHCSCV is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have a material adverse effect on IHCSCV's financial position.

Note 14: Contingent Grant Expenditure Adjustments

Grants and contracts require the fulfillment of conditions, as set forth in the terms of the grant or contract agreements, and are subject to audit by the grantor. Failure to comply with these conditions could result in the return of funds to the grantor. Although this is a possibility, IHCSCV believes that it has complied with the conditions of the grants and no significant liabilities are expected to result from an audit.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 15: Liquidity and Availability of Resources

As part of IHCSV'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.

Patient accounts receivable, grants and contributions receivable and other receivables consist of amounts expected to be received within one year from June 30, 2023. These receivables will be available to support general operations of IHCSV.

The following is a quantitative disclosure which describes financial assets available as of June 30, 2023 and 2022 to fund general expenditures and other obligations for one year:

	2023	2022
Cash and cash equivalents	\$ 4,924,261	\$ 22,768,416
Investments	937,468	935,117
Patient accounts receivable, net	12,157,969	1,610,447
Grants and contributions receivable	1,548,999	1,105,897
Other receivables	564,279	1,604,341
Total financial assets	20,132,976	28,024,218
Deferred revenue	(2,007,904)	(3,055,135)
Net assets with donor restrictions	(540,087)	(1,639,967)
Financial assets available to meet cash needs for general expenditures within one year	\$ 17,584,985	\$ 23,329,116

In addition to financial assets available to meet general expenditures over the next 12 months, IHCSV operates with a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by grants or donor-restricted resources.

Note 16: Leases

IHCSV has operating leases for clinics, corporate offices, and certain equipment. The leases have remaining lease terms of 1 year to 5 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year. IHCSV elected the short-term lease practical expedient related to leases that are 12 months or less.

Leases for clinics typically include multiple optional renewal periods. Upon opening a new clinic location, IHCSV typically installs leasehold improvements with various useful life. Due to the specialized nature of clinic space and leasehold improvements installed, Management concludes that it is reasonably certain that a renewal option will be exercised, and thus that renewal period is included in the lease term, and the related payments are reflected in the right of use asset and lease liability.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 16: Leases (Continued)

Each operating lease includes fixed rental payments, however, it is common for the lease payments to increase at pre-determined dates based on the change in the consumer price index. IHCSVCV's operating leases are comprised of both gross leases and net leases, in which separate payments are made to the lessor based on the lessor's property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance associated with the property. IHCSVCV has elected the practical expedient not to separate lease and non-lease components for all building leases

During the years ended June 30, 2023 and 2022, total lease expense was \$890,230 and \$1,021,830, respectively. During the years ended June 30, 2023 and 2022, the following were the cash and non-cash activities associated with IHCSVCV's operating leases:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 672,774	\$ -
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for lease obligations	\$ 2,395,515	\$ -

As of June 30, 2023, the weighted-average remaining lease term for all operating leases is 3.1 years. Because IHCSVCV generally does not have access to the rate implicit in the lease, TVHC utilizes the incremental borrowing rate as the discount rate. The weighted average discount rate associated with operating leases as of June 30, 2023 is 4%

The future payments due under operating leases as of June 30, 2023 are as follows:

2024	\$ 823,795
2025	520,283
2026	240,556
2027	247,773
2028	104,506
	1,936,913
Less effects of discounting	(118,455)
Operating lease liabilities recognized	\$ 1,818,458

As previously disclosed in IHCSVCV's 2022 financial statements, and under ASC 840, future minimum lease payments required under noncancelable lease agreements as of June 30, 2022 are as follows:: \$512,334 in 2023; \$426,812 in 2024; and \$278,919 in 2025. Rent expense was \$1,021,830 and \$1,032,157 for the years ending June 30, 2022 and 2021 respectively.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 17: Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and facility costs, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Expenses for the years ended June 30, 2023 include:

	Program Services						Total
	Medical Services	Dental Services	Nutrition Services	Counseling Services	Total Program Services	Management and General	
Salaries and wages	\$ 12,275,432	\$ 2,288,033	\$ 525,484	\$ 3,096,276	\$ 18,185,225	\$ 3,392,921	\$ 21,578,146
Employee benefits	2,434,997	512,509	100,412	600,136	3,648,054	725,276	4,373,330
Payroll taxes	887,328	164,304	38,198	208,179	1,298,009	224,463	1,522,472
Total personnel expenses	15,597,757	2,964,846	664,094	3,904,591	23,131,288	4,342,660	27,473,948
Contracted services	1,689,891	40,535	580	404,093	2,135,099	374,703	2,509,802
Supplies	1,737,614	223,154	11,043	82,667	2,054,478	233,279	2,287,757
Rent and leases	664,228	23,332	97,184	134,536	919,280	269,351	1,188,631
Depreciation and amortization	736,227	248,133	6,696	129,542	1,120,598	124,985	1,245,583
Occupancy	836,682	92,959	24,538	85,722	1,039,901	70,172	1,110,073
Professional services	1,217,004	73,973	3,961	77,953	1,372,891	99,701	1,472,592
Dues and subscriptions	704,996	133,113	3,797	128,696	970,602	337,496	1,308,098
Communications	133,858	24,238	6,324	28,378	192,798	135,073	327,871
Interest	38,665	10,278	-	901	49,844	83,531	133,375
Insurance	93,006	16,778	4,589	17,300	131,673	46,300	177,973
Other operating expenses	873,751	209,281	14,281	210,580	1,307,893	1,035,766	2,343,659
Total expenses	\$ 24,323,679	\$ 4,060,620	\$ 837,087	\$ 5,204,959	\$ 34,426,345	\$ 7,153,017	\$ 41,579,362

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

Note 17: Functional Expenses (continued)

Expenses for the years ended June 30, 2022 include:

	Program Services					Management and General	Total
	Medical Services	Dental Services	Nutrition Services	Counseling Services	Total Program Services		
Salaries and wages	\$ 11,014,529	\$ 2,159,932	\$ 488,491	\$ 2,579,976	\$ 16,242,928	\$ 3,159,503	\$ 19,402,431
Employee benefits	2,322,748	493,363	105,104	533,838	3,455,053	665,026	4,120,079
Payroll taxes	793,236	155,649	36,742	188,214	1,173,841	204,105	1,377,946
Total personnel expenses	14,130,513	2,808,944	630,337	3,302,028	20,871,822	4,028,634	24,900,456
Contracted services	1,565,978	93,599	711	238,712	1,899,000	187,787	2,086,787
Supplies	2,136,604	264,356	10,865	100,746	2,512,571	208,109	2,720,680
Rent and leases	764,100	20,954	87,469	138,048	1,010,571	223,128	1,233,699
Depreciation and amortization	568,703	214,807	734	114,153	898,397	115,905	1,014,302
Occupancy	884,380	98,722	35,449	96,648	1,115,199	93,004	1,208,203
Professional services	757,242	73,628	4,718	67,308	902,896	85,223	988,119
Dues and subscriptions	318,275	47,269	3,046	41,847	410,437	304,437	714,874
Communications	141,462	25,917	6,349	24,256	197,984	103,403	301,387
Interest	41,388	11,025	-	-	52,413	95,265	147,678
Insurance	109,532	20,530	5,575	18,316	153,953	40,279	194,232
Other operating expenses	635,337	242,660	6,306	123,770	1,008,073	1,153,378	2,161,451
Total expenses	\$ 22,053,514	\$ 3,922,411	\$ 791,559	\$ 4,265,832	\$ 31,033,316	\$ 6,638,552	\$ 37,671,868

SINGLE AUDIT REPORTS

**Indian Health Center of Santa Clara Valley
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023**

Federal Grant / Program Title	ALN	Pass-Through Identification Number	Expenditures
U.S. Department of Health and Human Services			
Direct Programs:			
Community Health Cluster	93.224	N/A	\$ 1,954,076
HRSA AIM	93.224	N/A	84,945
HRSA SUD	93.224	N/A	110,120
HRSA IBHS	93.224	N/A	164,672
HRSA Hypertension Control	93.224	N/A	144,137
HRSA Expanded Service	93.527	N/A	278,280
COVID-19 American Rescue Plan Act	93.224	N/A	1,433,994
Total Community Health Cluster			4,170,224
Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	93.237	N/A	330,387
Urban Indian Health Services	*93.193	N/A	297,851
Urban Indian Health Services - ARPA	*93.193	N/A	976,179
Indian Health Care Improvement	*93.193	N/A	1,945,344
Restoring Balance to our Youth II	93.243	N/A	291,819
SAMHSA - SPF	93.243	N/A	400,472
Indian Health Services Tribal Practices for Wellness	93.762	N/A	133,861
HIS SAPTA	93.654	N/A	385,710
IHS Behavioral Health Integration	93.654	N/A	95,583
COVID-19 ARPA Capital	93.526	N/A	481,463
Indian Health Services BH21	93.933	N/A	286,044
Total Direct Programs			9,794,937
Passed Through:			
California Department of Health and Human Services:			
MAT SOR 2 Coronavirus Telehealth	93.958	809SM083945	79,149
Total U.S. Department of Health & Human Services			9,874,086
U.S. Department of Agriculture			
Passed Through:			
California Department of Health and Human Services:			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	19-10151 A03 /22-10251 A01	864,794
Total federal financial assistance			\$ 10,738,880

* Denotes major program

Indian Health Center of Santa Clara Valley
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) summarizes the expenditures of Indian Health Center of Santa Clara Valley (“IHCSCV”) 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 IHCSCV, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows for IHCSCV.

Note B: 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 are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. IHCSCV elected not to use the de minimis cost rate because it has a negotiated indirect cost rate in place.

**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**

Independent Auditor's Report

Board of Directors
Indian Health Center of Santa Clara Valley
San Jose, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Indian Health Center of Santa Clara Valley ("IHSCCV"), which comprise the balance sheets as of June 30, 2023 and 2022 and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IHSCCV'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 IHSCCV's internal control. Accordingly, we do not express an opinion on the effectiveness of IHSCCV'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 IHSCCV's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

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 IHSCCV's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IHSCCV's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CAW. LLP

Fresno, California

March 1, 2024

**Report on Compliance For Each Major Federal Program
And Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Indian Health Center of Santa Clara Valley
San Jose, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Indian Health Center of Santa Clara Valley ("IHSCCV") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of IHSCCV's major federal programs for the year ended June 30, 2023. IHSCCV'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, IHSCCV 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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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 IHSCCV 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 IHSCCV'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 IHSCCV'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 IHSCCV'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 GAAS, *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 IHSCCV's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 IHSCCV'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 IHSCCV'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 IHSCCV'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 have not been 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.

CAW. LLP

Fresno, California

March 1, 2024

**Indian Health Center of Santa Clara Valley
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control over financial reporting: Material weakness identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u> X </u> None Reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs: Material weakness identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u> X </u> None Reported

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes <u> X </u> no
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Major Programs

	<u>ALN</u>
Urban Indian Health Services	93.193
Urban Indian Health Services - ARPA	93.193
Indian Health Care Improvement	93.193
Dollar threshold used to distinguish Types A and B programs	\$ 750,000
Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no

**Indian Health Center of Santa Clara Valley
Schedule of Findings and Questioned Costs (continued)
For the year ended June 30, 2023**

II. Financial Statement Findings

None Reported

III. Federal Award Findings And Questioned Costs

None Reported

Prior Year Findings And Questioned Costs

None Reported