

Audited Financial Statements

Indian Health Center of Santa Clara Valley

For the years ended June 30, 2021 and 2020

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 Financial Statements

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, 2021 and 2020 and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indian Health Center of Santa Clara Valley as of June 30, 2021 and 2020 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, IHCSCV adopted Accounting Standards Update (“ASU”) ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

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 February 23, 2022 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 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
February 23, 2022

Indian Health Center of Santa Clara Valley
Balance Sheets
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,005,457	\$ 16,868,538
Investments	933,327	1,688,243
Patient accounts receivable, net	3,732,454	2,686,452
Grants and contributions receivable, net	4,176,283	1,898,281
Other receivables	490,643	456,257
Estimated third-party payor settlements	506,281	1,567,626
Deposits and prepaid expenses	462,502	406,313
Total current assets	25,306,947	25,571,710
Property and equipment, net	16,278,760	11,987,723
Total assets	\$ 41,585,707	\$ 37,559,433
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and other accrued expenses	832,897	614,636
Accrued payroll and related liabilities	2,347,970	1,912,176
Deferred revenue	1,040,734	3,485,653
Estimated third-party payor settlement	5,721,607	5,612,622
Other current liabilities	45,793	31,400
Long-term debt, current portion	133,130	59,812
Total current liabilities	10,122,131	11,716,299
Long-term debt, net of current portion	4,316,744	1,669,252
Total liabilities	14,438,875	13,385,551
Net Assets:		
Net assets without donor restrictions	26,966,009	24,084,992
Net assets with donor restrictions	180,823	88,890
Total net assets	27,146,832	24,173,882
Total liabilities and net assets	\$ 41,585,707	\$ 37,559,433

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, 2021 and 2020

	2021	2020
Change in net assets without donor restrictions		
Revenues and support:		
Patient service revenue, net	\$ 15,645,701	\$ 18,162,614
Risk pool, quality incentive and other revenues	1,370,381	1,664,014
Capitation revenue	1,674,946	1,472,030
Grant revenue	17,004,498	11,148,728
Contributions and other revenue	851,719	1,125,697
In-kind contributions	1,131,920	1,117,485
Net assets released from donor restrictions	175,610	121,731
Total revenues, gains, and other support	37,854,775	34,812,299
Expenses:		
Salaries and wages	17,697,957	16,902,989
Employee benefits	4,329,693	3,850,891
Payroll taxes	1,255,500	1,212,806
Total personnel expenses	23,283,150	21,966,686
Contracted services	1,960,167	1,577,590
Supplies	2,525,579	2,186,084
Rent and leases	1,238,378	1,196,098
Depreciation and amortization	943,650	960,082
Occupancy	1,333,352	824,642
Professional services	870,075	689,010
Dues and subscriptions	666,089	504,009
Communications	340,535	306,167
Insurance	166,741	148,608
Interest	103,282	69,658
Other operating expenses	1,542,760	1,443,382
Total expenses	34,973,758	31,872,016
Excess of revenues over expenses	2,881,017	2,940,283
Change in net assets with donor restrictions		
Contributions	267,543	129,375
Net assets released from donor restriction	(175,610)	(121,731)
Change in net assets with donor restriction	91,933	7,644
Change in net assets	2,972,950	2,947,927
Net Assets		
Beginning of year	24,173,882	21,225,955
End of year	\$ 27,146,832	\$ 24,173,882

See accompanying Notes to the Financial Statements

Indian Health Center of Santa Clara Valley
Statements of Cash Flows
For the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,972,950	\$ 2,947,927
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	943,650	960,082
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,046,002)	309,426
Grants, contracts, and other receivables	(2,278,002)	413,801
Other receivables	(34,386)	1,633
Deposits and prepaid expenses	(56,189)	16,886
Accounts payable and other accrued expenses	218,261	(59,670)
Accrued payroll and related liabilities	435,794	145,969
Deferred revenue	(2,444,919)	3,454,406
Estimated third-party payor settlement	1,170,330	1,789,477
Other current liabilities	14,393	(159,082)
Net cash provided by operating activities	(104,120)	9,820,855
Cash flows from investing activities:		
Purchase of investments	-	(1,519,552)
Sale/maturities of investments	754,916	-
Purchases of property and equipment	(5,234,687)	(678,391)
Net cash used in investing activities	(4,479,771)	(2,197,943)
Cash flows from financing activities:		
Proceeds from new debt	2,800,000	-
Principal payments on debt borrowings	(79,190)	(29,524)
Net cash provided by (used in) financing activities	2,720,810	(29,524)
Net increase in cash and cash equivalents	(1,863,081)	7,593,388
Cash and cash equivalents at beginning of year	16,868,538	9,275,150
Cash and cash equivalents at end of year	\$ 15,005,457	\$ 16,868,538
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 103,282	\$ 69,658

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, 2021 and 2020

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, 2021 and 2020

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, 2021, \$1,500,000 was covered by federal depository insurance and \$13,505,457 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, 2021 and 2020

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. In-kind contributions are recognized as revenues at the amount that IHSCCV would have to pay for similar items, which approximates its fair value. For the years ended June 30, 2021 and 2020, IHSCCV received in-kind donations in the form of vaccines amounting to \$1,119,341 and \$1,117,485 from the State of California which is reported as in-kind contributions in the statement of activities.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (Continued)

IHCSCV received contributed services from unpaid volunteers performing a variety of tasks that assist IHCSCV with specific assistance programs and various committee assignments. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria for recognition.

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.

Subsequent Events:

IHCSCV has evaluated events and transactions that occurred after June 30, 2021, and through February 23, 2022, the date the financial statements were available to be issued.

There were no subsequent events, that would have a material impact on the financial statements of IHCSCV as of June 30, 2021.

**Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020**

Note 2: Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement:

In May 2014, the FASB issued Accounting Standards Update "ASU" No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfied a performance obligation. In August 2015, the FASB issued ASU No. 2015-14, Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the implementation guidance on principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, Identifying Performance Obligations and Licensing, which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance in ASU 2014-09, while retaining the related principles for those areas. In May 2016, the FASB issued ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients, which provides narrow scope improvements and practical expedients to ASU 2014-09.

IHCSCV adopted the provisions of ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 using the modified retrospective method applied to all contracts existing as of July 1, 2020. Prior to the adoption of ASU 2014-09, a significant portion of the provision and allowance for uncollectible accounts was related to uninsured patients and expected uncollectible deductibles and copayments on accounts which the third- party payor had not yet paid. Under ASU 2014-09, the estimated uncollectible amounts due from these patients are generally considered implicit price concessions that represent a direct reduction to net patient service revenue and a corresponding reduction to patient accounts receivable. The adoption of ASU 2014-09 also implemented additional disclosure requirements.

Note 3: Investments

Investments include the following at June 30, 2021 and 2020:

	2021	2020
Certificates of deposit	\$ 933,327	\$ 1,688,243

Investment income is primarily comprised of interest income, which amounted to \$9,539 and \$19,778 For the years ended June 30, 2021 and 2020.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020

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, 2021 and 2020

Note 4: Patient Service Revenue, Net (Continued):

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

	2021	2020
Medicare	\$ 908,708	\$ 1,177,323
Medi-Cal	12,968,201	15,236,572
Other third-party payors	1,528,966	1,509,625
Private pay	239,826	239,094
Net patient service revenue	\$ 15,645,701	\$ 18,162,614

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 \$506,281 and \$1,567,626 as of June 30, 2021 and 2020, respectively, and estimated third-party payor liabilities of \$5,721,607 and \$5,612,622 as of June 30, 2021 and 2020, 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, 2021 and 2020

Note 5: Grants and Contributions Receivable

Grants and contributions receivable were comprised of the following at June 30, 2021 and 2020:

	2021	2020
County of Santa Clara	\$ 1,794,284	\$ 770,228
Federal – Indian Health Services	644,690	34,837
Federal – HRSA Section 330 Grant	162,254	236,622
Federal – Women, Infants, and Children Program	404,363	418,622
HRSA-H8F-ARPA	918,954	-
Others	251,738	437,972
Total	\$ 4,176,283	\$ 1,898,281

Note 6: Property and Equipment

Property and equipment at June 30, 2021 and 2020 was comprised of the following:

	2021	2020
Land and land improvements	\$ 6,485,126	\$ 3,985,126
Building and building improvements	6,532,127	4,985,390
Leasehold improvements	9,634,698	9,436,311
Furniture and equipment	661,003	417,031
Computer equipment	384,310	213,145
Vehicles	685,937	100,459
Construction in progress	148,277	159,329
Subtotal	24,531,478	19,296,791
Accumulated depreciation	(8,252,718)	(7,309,068)
Total	\$ 16,278,760	\$ 11,987,723

Depreciation and amortization expense for the years ending June 30, 2021 and 2020 was \$943,650 and \$960,082. As of June 30, 2021, there were no remaining commitments related to ongoing construction contracts.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020

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, 2021 and 2020 were as follows:

	2021	2020
Medi-Cal	60%	83%
Medicare	6%	12%
Other third-party payors	31%	2%
Self pay	3%	3%
	100%	100%

For the years ended June 30, 2021 and 2020, IHSCCV received \$4,806,742 and \$2,538,758 in Community Health Center grants from the Department of Health and Human Services, which represents 13% and 7% of the total revenue received.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020

Note 8: Notes Payable

Notes payable are detailed as follows:

	2021	2020
<u>First Republic Bank Promissory Note</u> – A fixed term / adjustable rate loan payable in monthly installments with a maturity date of November 1, 2025. Fixed rate interest rate (3.95%) period is until September 1, 2020. Following September 1, 2020 until the maturity date, lender shall increase or decrease the Note Rate in accordance with the loan’s terms and conditions. The new Note Rate which becomes effective on each Interest Change Date shall be equal to the Current Index applicable to the Interest Change Date plus 2.80% per annum rounded upward to the next highest 0.125% unless the result of such addition is equal to a number which is a multiple of 0.125%. The note is collateralized by real property at 2039 Forest Avenue, Unit 105, 204, and B2, San Jose, California 95128.	\$ 1,647,672	\$ 1,705,778
<u>First Republic Bank Promissory Note</u> – Loan dated April 9, 2021 for \$2,800,000 with fixed interest rate of 3.5%. 119 monthly principal and interest payments of \$14,095 and one irregular payment of \$1,978,646 due on April 9, 2031. The note’s purpose is to finance the purchase of a commercial property located at 1118-1130 Meridian Ave. Secured with IHSCV property.	2,782,937	-
<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.	19,265	23,286
Total Long-term debt	\$ 4,449,874	\$ 1,729,064
Less: current portion	(133,130)	(59,812)
	\$ 4,316,744	\$ 1,669,252

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

Year	Principal
2022	\$ 133,130
2023	138,302
2024	143,426
2025	152,598
2026	150,351
Thereafter	3,732,067
Total	\$ 4,449,874

Interest expense for the years ended June 30, 2021 and 2020 was \$103,282 and \$69,658 respectively. The loan agreements contain various covenants, which among other things place restrictions on IHSCV’s ability to incur additional indebtedness and require IHSCV to maintain certain financial ratios. IHSCV was in compliance with these requirements as of June 30, 2021.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020

Note 9: Deferred Revenue

Deferred revenue consisted of the following at June 30, 2021 and 2020:

	2021	2020
Paycheck Protection Program	\$ -	\$ 2,692,243
HHS Provider Relief Funds	-	793,410
IHS Funding	1,039,934	-
Other	800	-
Total	\$ 1,040,734	\$ 3,485,653

Note 10: Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following programs at June 30, 2021 and 2020:

	2021	2020
Palo Alto Medical Foundation	\$ 50,000	\$ 50,000
Silicon Valley Community Found	39,081	19,250
Other	91,742	19,640
Total	\$ 180,823	\$ 88,890

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, 2021 and 2020 net assets released from donor restrictions consist of the following:

	2021	2020
Palo Alto Medical Foundation	\$ 100,000	\$ 50,000
Direct Relief	10,266	39,734
Other	65,344	31,997
Total	\$ 175,610	\$ 121,731

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 \$458,143 and \$410,361 for the years ended June 30, 2021, and 2020, respectively, accounted for in employee benefits.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020

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, 2021.

Note 13: Commitments and Contingencies

Operating Leases:

IHCSCV leases certain facilities and equipment under operating leases expiring at various times through 2025. The future minimum lease payment for the succeeding years under these committed lease arrangements is approximately: \$719,455 in 2022; \$512,334 in 2023; \$426,812 in 2024; and \$278,919 in 2025. Rent expense was \$1,032,157 and \$1,020,644 for the years ending June 30, 2021 and 2020 respectively.

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.

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020

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, IHCSVCV believes that it has complied with the conditions of the grants and no significant liabilities are expected to result from an audit.

Note 15: Liquidity and Availability of Resources

As part of IHCSVCV'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, 2021. These receivables will be available to support general operations of IHCSVCV.

The following is a quantitative disclosure which describes financial assets available as of June 30, 2021 and 2020 to fund general expenditures and other obligations for one year:

	2021	2020
Cash and cash equivalents	\$ 15,005,457	\$ 16,868,538
Investments	933,327	1,688,243
Patient accounts receivable, net	3,732,454	2,686,452
Grants and contributions receivable	4,176,283	1,898,281
Other receivables	490,643	456,257
Total financial assets	24,338,164	23,597,771
Deferred revenue	(1,040,734)	(3,485,653)
Net assets with donor restrictions	(180,823)	(88,890)
Financial assets available to meet cash needs for general expenditures within one year	\$ 23,116,607	\$ 20,023,228

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

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020

Note 16: 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, 2021 include:

	Program Services						Management and General	Total
	Medical Services	Dental Services	Nutrition Services	Counseling Services	Community Services	Total Program Services		
Salaries and wages	\$ 10,183,972	\$ 1,869,484	\$ 458,188	\$ 1,966,772	\$ 431,220	\$ 14,909,636	\$ 2,788,321	\$ 17,697,957
Employee benefits	2,485,320	506,101	109,215	433,541	117,982	3,652,159	677,534	4,329,693
Payroll taxes	720,388	133,993	34,285	147,504	32,035	1,068,205	187,295	1,255,500
Total personnel expenses	13,389,680	2,509,578	601,688	2,547,817	581,237	19,630,000	3,653,150	23,283,150
Contracted services	1,537,140	15,677	407	231,969	794	1,785,987	174,180	1,960,167
Supplies	2,008,708	171,421	17,344	92,645	17,571	2,307,689	217,890	2,525,579
Rent and leases	725,222	16,675	83,733	173,612	17,482	1,016,724	221,654	1,238,378
Depreciation and amortization	500,853	228,001	3,206	107,906	71,406	911,372	32,278	943,650
Occupancy	888,832	108,995	33,205	120,492	67,287	1,218,811	114,541	1,333,352
Professional services	610,893	67,319	6,736	54,398	43,772	783,118	86,957	870,075
Dues and subscriptions	372,645	53,775	5,078	47,499	2,295	481,292	184,797	666,089
Communications	180,408	37,049	8,030	32,312	11,462	269,261	71,274	340,535
Interest	78,148	12,480	-	1,527	-	92,155	11,127	103,282
Insurance	94,934	16,914	5,023	14,752	4,359	135,982	30,759	166,741
Other operating expenses	617,274	177,398	17,473	103,339	17,042	932,526	610,234	1,542,760
Total expenses	\$ 21,004,737	\$ 3,415,282	\$ 781,923	\$ 3,528,268	\$ 834,707	\$ 29,564,917	\$ 5,408,841	\$ 34,973,758

Indian Health Center of Santa Clara Valley
Notes to the Financial Statements
For the years ended June 30, 2021 and 2020

Note 16: Functional Expenses (continued)

Expenses for the years ended June 30, 2020 include:

	Program Services					Total Program Services	Management and General	Total
	Medical Services	Dental Services	Nutrition Services	Counseling Services	Community Services			
Salaries and wages	\$ 9,546,851	\$ 2,118,903	\$ 452,484	\$ 1,633,058	\$ 453,718	\$ 14,205,014	\$ 2,697,975	\$ 16,902,989
Employee benefits	2,203,755	522,374	131,100	325,264	116,894	3,299,387	551,504	3,850,891
Payroll taxes	689,154	154,372	33,872	117,360	33,748	1,028,506	184,300	1,212,806
Total personnel expenses	12,439,760	2,795,649	617,456	2,075,682	604,360	18,532,907	3,433,779	21,966,686
Contracted services	1,120,100	13,941	311	277,383	800	1,412,535	165,055	1,577,590
Supplies	1,839,232	183,004	14,281	45,294	10,462	2,092,273	93,811	2,186,084
Rent and leases	673,128	16,523	76,044	211,327	12,947	989,969	206,129	1,196,098
Depreciation and amortization	579,479	231,577	2,962	71,893	69,129	955,040	5,042	960,082
Occupancy	533,734	66,928	25,532	79,716	44,268	750,178	74,464	824,642
Professional services	420,027	67,363	3,913	67,383	41,518	600,204	88,806	689,010
Dues and subscriptions	278,588	51,591	4,717	36,912	1,175	372,983	131,026	504,009
Communications	157,328	34,269	7,499	27,624	11,640	238,360	67,807	306,167
Interest	55,030	14,628	-	-	-	69,658	-	69,658
Insurance	78,325	17,374	4,752	10,788	4,384	115,623	32,985	148,608
Other operating expenses	457,438	177,321	25,392	186,180	25,895	872,226	571,156	1,443,382
Total expenses	\$ 18,632,169	\$ 3,670,168	\$ 782,859	\$ 3,090,182	\$ 826,578	\$ 27,001,956	\$ 4,870,060	\$ 31,872,016

SINGLE AUDIT REPORTS

**Indian Health Center of Santa Clara Valley
Schedule of Expenditures of Federal Awards
For the years ended June 30, 2021 and 2020**

Federal Grant / Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
U.S. Department of Health and Human Services			
Direct Programs:			
Community Health Cluster	93.224	N/A	\$ 2,596,207
COVID-19 Fed CARES	93.224	N/A	914,623
COVID-19 Fed ECT	93.224	N/A	376,957
American Rescue Plan Act	93.224	N/A	918,954
Total Community Health Cluster			4,806,741
Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	93.237	N/A	333,249
COVID-19 Provider Relief Funds	*93.498	N/A	793,410
Urban Indian Health Services	*93.193	N/A	1,163,224
Urban Indian Health Services - ARP	*93.193	N/A	609,079
Indian Health Care Improvement	*93.193	N/A	974,588
Substance Abuse and Mental Health Services Projects of Regional and National Significance - Native Connections	93.243	N/A	232,064
Substance Abuse and Mental Health Services Projects of Regional and National Significance - Circle of Care	93.243	N/A	358,405
SAMHSA - TBH Covid19	93.243	N/A	97,402
Indian Health Services Tribal Practices for Wellness	93.762	N/A	131,011
Indian Health Services BH21	93.933	N/A	701,723
Total Direct Programs			10,200,896
Passed Through:			
Native American Health Center:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance - Native Youth Wellness Initiative	93.243	1H79SM062909	27,993
National Council of Urban Indian Health			
CDC-COVID 19	93.421	CDC-RFA-OT18-1802020SUPP20	225,000
Total U.S. Department of Health & Human Services			10,453,889
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	785,256
Federal Communications Commission			
Passed Through:			
National Council of Urban Indian Health			
COVID-19 Telehealth Program	32.006	289	359,858
Total federal financial assistance			\$ 11,599,003

* Denotes major program

Indian Health Center of Santa Clara Valley
Notes to Schedule of Expenditures of Federal Awards
For the years ended June 30, 2021 and 2020

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 years ended June 30, 2021 and 2020. 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. For CFDA 93.498, the amount included on the Schedule is based on the Period 1 PRF report. 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 ("IHCSCV"), which comprise the balance sheets as of June 30, 2021 and 2020 and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Indian Health Center of Santa Clara Valley internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IHCSCV's internal control. Accordingly, we do not express an opinion on the effectiveness of IHCSCV'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 IHCSCV's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

CAW. LLP

Fresno, California
February 23, 2022

**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

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, 2021. IHSCCV's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Indian Health Center of Santa Clara Valley complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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
February 23, 2022

**Indian Health Center of Santa Clara Valley
Schedule of Findings and Questioned Costs
For the years ended June 30, 2021 and 2020**

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

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>CFDA Number</u>
COVID-19 Provider Relief Funds	93.498
Urban Indian Health Services	93.193
Urban Indian Health Services - ARP	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 years ended June 30, 2021 and 2020**

II. Financial Statement Findings

None Reported

III. Federal Award Findings And Questioned Costs

None Reported

Prior Year Findings And Questioned Costs

None Reported