

Indian Health Center of Santa Clara Valley

Consolidated Financial Statements and
Supplementary Information

Years Ended June 30, 2024 and 2023

An abstract geometric graphic in the bottom left corner, composed of several overlapping, semi-transparent, light gray triangular and quadrilateral shapes that create a sense of depth and movement, resembling a stylized mountain or a modern architectural structure.

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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, which comprise the balance sheet as of June 30, 2024, 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.

In our opinion, the accompanying 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, 2024, 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 ("GAAP").

Basis for Opinion

We conducted our audit 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 of America. 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 Indian Health Center of Santa Clara Valley and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Indian Health Center of Santa Clara Valley's ability to continue as a going concern for one year after the date 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 is 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 judgment 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 Indian Health Center of Santa Clara Valley'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 Indian Health Center of Santa Clara Valley'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.

Other Matter

The financial statements of Indian Health Center of Santa Clara Valley for the year ended June 30, 2023, were audited by another auditor, whose report dated March 1, 2024 expressed an unmodified opinion on those financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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 GAAS. 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 27, 2025 on our consideration of Indian Health Center of Santa Clara Valley'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 the effectiveness of Indian Health Center of Santa Clara Valley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indian Health Center of Santa Clara Valley's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Minneapolis, Minnesota

March 27, 2025

Indian Health Center of Santa Clara Valley

Balance Sheets

<i>As of June 30,</i>	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,687,885	\$ 4,924,261
Investments	966,935	937,468
Patient accounts receivable - Net	1,771,382	12,157,969
Grants and contributions receivable	2,413,930	1,548,999
Other accounts receivable	1,003,351	564,279
Estimated third-party payor settlements	153,757	153,757
Deposits and prepaid expenses	733,570	530,796
Total current assets	12,730,810	20,817,529
Right of use asset - Operating	1,020,105	1,720,178
Right of use asset - Finance	101,469	-
Property and equipment - Net	26,366,454	17,845,371
Total assets	\$ 40,218,838	\$ 40,383,078
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 1,291,956	\$ 1,260,388
Accrued payroll and related liabilities	2,774,494	2,665,473
Deferred revenue	1,023,870	2,007,904
Estimated third-party payor settlement	6,335,585	5,810,720
Current portion of operating lease obligations	520,283	766,323
Current portion of finance lease obligations	47,232	-
Current portion of long-term debt	198,677	95,795
Security deposit	30,208	-
Total current liabilities	12,222,305	12,606,603
Long-term liabilities:		
Operating lease obligations, less current portion	533,639	1,052,135
Finance lease obligations, less current portion	54,237	-
Long-term debt, less current portion	8,838,653	4,219,670
Total long-term liabilities	9,426,529	5,271,805
Total liabilities	21,648,834	17,878,408
Net assets:		
Net assets without donor restrictions	17,921,755	21,964,583
Net assets with donor restrictions	648,249	540,087
Total net assets	18,570,004	22,504,670
Total liabilities and net assets	\$ 40,218,838	\$ 40,383,078

See accompanying notes to financial statements.

Indian Health Center of Santa Clara Valley

Statements of Operations and Changes in Net Assets

<i>Years Ended June 30,</i>	2024	2023
Change in net assets with donor restrictions:		
Revenues and support:		
Patient service revenue	\$ 20,085,443	\$ 16,597,953
Risk pool, quality incentive, and other revenues	1,578,632	1,398,117
Capitation revenue	2,185,267	1,932,844
Grant revenue	10,283,070	12,321,034
Contributions and other revenue	1,663,390	905,835
In-kind contributions	1,271,108	1,053,151
Net assets released from donor restrictions	868,486	2,972,150
Total revenues and support	37,935,396	37,181,084
Expenses:		
Salaries and wages	21,269,049	21,578,146
Employee benefits	4,823,704	4,373,330
Payroll taxes	1,519,155	1,522,472
Contract services	2,616,376	2,509,802
Supplies	2,633,038	2,287,757
Rent and leases	1,194,567	1,188,631
Depreciation and amortization	1,358,534	1,245,583
Occupancy	1,022,278	1,110,073
Professional services	1,435,160	1,472,592
Dues and subscriptions	1,141,775	1,308,098
Communications	315,497	327,871
Insurance	211,292	177,973
Interest	137,312	133,375
Other operating expenses	2,300,487	2,343,658
Total expenses	41,978,224	41,579,361
Expenses in excess of revenue and change in net assets without donor restrictions	(4,042,828)	(4,398,277)
Change in net assets with donor restrictions:		
Contributions	976,648	1,872,270
Net assets released from donor restriction	(868,486)	(2,972,150)
Change in net assets with donor restrictions	108,162	(1,099,880)
Change in net assets	(3,934,666)	(5,498,157)
Net assets, beginning of year	22,504,670	28,002,827
Net assets, end of year	\$ 18,570,004	\$ 22,504,670

See accompanying notes to financial statements.

Indian Health Center of Santa Clara Valley

Statements of Cash Flows

<i>Years Ended June 30,</i>	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (3,934,666)	\$ (5,498,157)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,358,534	1,245,583
Changes in operating assets and liabilities:		
Patient accounts receivable	10,386,586	(10,547,522)
Grants and contributions receivable	(864,931)	(443,102)
Other receivables	(439,072)	1,040,062
Deposits and prepaid expenses	(202,774)	64,576
Accounts payable and other accrued expenses	31,567	246,185
Accrued payroll and related liabilities	109,025	134,922
Deferred revenue	(984,034)	(1,047,231)
Estimated third-party payor settlements	524,865	(752,753)
Right-of-use operating asset and liability	(64,465)	-
Security deposits	30,208	-
Other current liabilities	-	56,397
Net cash from operating activities	5,950,843	(15,501,040)
Cash flows from investing activities:		
Purchase of investments	(29,467)	(2,351)
Purchases of property and equipment	(9,879,617)	(2,244,509)
Net cash from investing activities	(9,909,084)	(2,246,860)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	4,825,914	-
Payments on long-term debt	(104,049)	(96,255)
Net cash from financing activities	4,721,865	(96,255)
Net increase (decrease) in cash and cash equivalents	763,624	(17,844,155)
Cash and cash equivalents at beginning of year	4,924,261	22,768,416
Cash and cash equivalents at end of year	\$ 5,687,885	\$ 4,924,261
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 137,312	\$ 133,375
In-kind supply contribution	1,271,108	1,053,151

See accompanying notes to financial statements.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

Indian Health Center of Santa Clara Valley (the "Organization") 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 the Organization provides include medical, dental, counseling, community health services, and women, infant, and children (WIC) nutrition programs. The majority of the Organization's funding is from Federal, California and County of Santa Clara grants and programs. The Organization 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.

Financial Statement Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make certain estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments

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

Patient Accounts Receivables and Credit Policy

Patient accounts receivable is reported at the amount that reflects the consideration to which the Organization expects to be entitled, in exchange for providing patient care services. Patient accounts receivable are recorded in the accompanying balance sheets net of contractual adjustments and implicit price concessions which reflects management's estimate of the transaction price. The Organization estimates the transaction price based on, negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions and is recorded through a reduction of gross revenue and a credit to patient accounts receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

The Organization does not have a policy to charge interest on past due accounts.

Property, Equipment and Depreciation

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method ranging from 3 to 20 years. Leasehold improvements are amortized over the shorter period of the estimated useful life or the remaining term of the lease.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from expenses in excess of revenue, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service. Assets purchased with government grants are expended in accordance with government program guidelines.

Upon sale or retirement of property and equipment, the costs and related accumulated depreciation and amortization from the accounts are removed. Any resulting gains or losses are included in the determination of changes in net assets.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Organization reviews its property and equipment periodically to determine potential impairment by comparing the carrying value with the estimated future net discounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Organization would recognize an impairment loss at that time. No impairment loss was recognized in 2024 or 2023.

Leases

The Organization is a lessee in multiple noncancelable operating and financing leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

The Organization made an accounting policy election to not separate the lease components of a contract and its associated non-lease components.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Patient Service Revenue

Patient care service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (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, the Organization bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. For revenue from services provided to patients of the Organization, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the patient care services are performed. In the case of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. The Organization 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.

The Organization determines the transaction price, which involves significant estimates and judgment, 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 the Organization's policy, and implicit price concessions provided to patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience for each patient portfolio based on payor class and service type.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

The Organization has agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** The Organization qualifies for the Medicare Federally Qualified Health Center ("FQHC") program and is reimbursed using a prospectively based payment system ("PPS") under which FQHCs are paid 80% of the lesser of charges based on FQHC payment codes or the PPS rate, a national encounter-based rate with geographic and other adjustments. The FQHC PPS base rate is updated annually based on an FQHC market-based index.
- **Medi-Cal:** Under the State of California Department of Health Care Services ("DHCS") Medi-Cal program, the Organization is reimbursed on an interim basis at a reduced rate for certain visits insured under Medi-Cal managed care plans, with a final reconciliation taking into account total visits, the approved reimbursement rate, and interim payments received.
- **Other:** The Organization has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per procedures and percentage discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Because 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 the Organization'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 the Organization.

The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Organization has not been notified by the RAC of any potential significant reimbursement adjustments. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2024 and 2023, was not significant.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

The promised amount of consideration from patients and third-party payors have not been adjusted for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

All incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Capitation

The Organization has agreements with Santa Clara County to provide a comprehensive range of professional health care and social services. Under the agreements, the Organization received monthly capitation payments based on the number of participants, regardless of the services actually performed by the Organization. Capitation payments are recognized as capitation revenue during the period in which the Organization is obligated to provide services to participants.

Uncompensated Care

The Organization provides care to patients who meet certain criteria under its sliding fee policy without charge or at amounts less than its established rates. The amount that charges are discounted from established rates under the sliding fee schedule is based on income and household size. Because the services are provided at a discounted fee, these discounts are considered charity care and not reported as patient service revenue.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Pharmacy 340B

Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in the Medicaid program to sell outpatient drugs at discounted prices to healthcare organizations that care for many uninsured and low-income patients. The Organization participates in the 340B program, and pharmacy charges related to 340B drugs are reported in Risk pool, quality incentive, and other revenues in the accompanying statements of operations and changes in net assets at the point in time when the pharmaceuticals are provided to the patients. Related costs are included in supplies expense in the accompanying statements of operations and changes in net assets.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized in the statements of operations and changes in net assets. The functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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 time and effort.

Expenses in excess of revenue

The statements of operations and changes in net assets include expenses in excess of revenue, which is considered the operating indicator. Changes in unrestricted net assets which are excluded from the operating indicator include change in net unrealized gains and losses on investments other than trading securities and net assets released from restrictions used for purchases of property and equipment.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state income taxes on related income.

Subsequent Events

Subsequent events have been evaluated through March 27, 2025, which is the date the consolidated financial statements were issued.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 2: Patient Accounts Receivable

Patient accounts receivable - net consisted of the following at June 30:

	2024	2023
Patient accounts receivable	\$ 3,258,382	\$ 12,491,944
Less - Contractual adjustments and implicit price concessions	1,487,000	333,975
Patient accounts receivable - Net	\$ 1,771,382	\$ 12,157,969

Patient accounts receivable - net was \$1,610,447 as of January 1, 2023.

Note 3: Investments and Investment Income

Investments included certificates of deposit of \$966,935 and \$937,468 at June 30, 2024 and 2023.

Investment income is primarily comprised of interest income, which amounted to \$221,534 and \$42,126 for the years ended June 30, 2024 and 2023, respectively.

Note 4: Grants and Contributions Receivable

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

	2024	2023
County of Santa Clara	\$ 724,319	\$ 312,908
State - DHCS	215,236	-
Federal - Indian Health Services	116,515	118,156
Federal - HRSA Section 330 Grant	219,307	196,259
Federal - Women, Infants, and Children Program	208,226	238,126
Federal - Substance Abuse and Mental Health Services	110,076	-
HRSA - ARPA, H8F, C8E	-	250,255
Others	820,251	433,295
Total	\$ 2,413,930	\$ 1,548,999

Note 5: Estimated Third-Party Settlements

During the years ended June 30, 2024 and 2023, the estimated third-party settlement receivable and liability were adjusted to reflect the tentative settlements proposed by the Department of Health Services on FQHC Medi-Cal PPS reports filed by the Organization for prior years and an estimated liability for the current year. The FQHC Medi-Cal PPS reports have been final settled through 2019.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 6: Property and Equipment

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

	2024	2023
Land and land improvements	\$ 11,150,126	\$ 6,485,126
Building and building improvements	17,282,938	14,713,964
Leasehold improvements	1,807,865	1,764,846
Furniture and equipment	1,608,167	1,448,563
Computer equipment	399,407	399,407
Software	1,271,259	1,170,131
Vehicles	845,445	740,583
Construction in progress	3,850,419	1,635,352
Total property and equipment	38,215,626	28,357,972
Less - Accumulated depreciation	(11,849,172)	(10,512,601)
Total	\$ 26,366,454	\$ 17,845,371

The balance in construction in progress at June 30, 2024 and 2023 is related to ongoing construction projects. As of June 30, 2024, remaining commitments related to ongoing construction contracts was approximately \$1.4M to be completed in 2025.

Note 7: Deferred Revenue

Deferred revenue consisted of the following at June 30:

	2024	2023
IHS Funding	\$ 682,035	\$ 1,947,904
Sierra Health Foundation	299,261	-
Other	42,574	60,000
Total	\$ 1,023,870	\$ 2,007,904

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 8: Long-Term Debt

Long-term debt consisted of the following at June 30:

	2024	2023
Note payable to First Republic Bank, dated May 1, 2022 for \$4,412,955 with fixed interest rate of 3%. Monthly principal and interest payments of \$18,674 until maturity on May 1, 2052. Secured with the Organization's property.	\$ 4,211,172	\$ 4,305,247
Note payable to Community Bank of the Bay, dated June 1, 2024 for \$4,760,000 with fixed interest rate of 5.25%. Monthly principal and interest payments of \$28,741 until maturity on June 1, 2034. Secured with the Organization's property.	4,760,000	-
Vehicle loan, dated December 4, 2023 for \$65,914 with interest at 13.64%. Monthly payments of \$1,530 until maturity on November 30, 2028.	60,914	-
Vehicle loan, dated May 28, 2020 for \$27,739 with interest at 6.99%. Monthly principal and interest payments of \$549 until maturity on June 1, 2025.	5,244	10,218
Total long-term debt	9,037,330	4,315,465
Less - Current portion	198,677	95,795
Long-term debt	\$ 8,838,653	\$ 4,219,670

Scheduled payments on principal on long-term debt, including current maturities, are summarized as follows for the year ended June 30, 2024:

2024	\$ 198,677
2025	210,984
2026	221,258
2027	231,214
2028	233,254
Thereafter	7,941,943
Total	\$ 9,037,330

The loan agreements contain various covenants, which among other things place restrictions on the Organization's ability to incur additional indebtedness and require the Organization to maintain certain financial ratios.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 9: Leases

The Organization leases clinics, corporate offices, and certain equipment. The leases entered into include one or more options to renew. The renewal terms can extend the lease term from one to five years. The exercise of lease renewal options is at the Organization's sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus, for many of the Organization's leases, variable payments. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

Components of lease expense were as follows for the year ended June 30:

	2024	2023
Lease cost:		
Finance lease cost:		
Interest	\$ 3,134	\$ -
Amortization of right-of-use asset	32,291	-
Operating lease cost	740,806	890,230
Short-term lease cost	453,761	298,401
Total lease cost	\$ 1,229,992	\$ 1,188,631

Rent expense was \$1,194,567 and \$1,188,631 for the years ending June 30, 2024 and 2023, respectively.

Supplemental cash flow information related to leases is as follows for the year ended June 30:

	2024	2023
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 32,424	\$ -
Operating cash flows from operating leases	740,806	672,774
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 133,760	\$ 2,395,515

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 9: Leases (Continued)

Supplemental balance sheet information related to leases is as follows at June 30:

	2024	2023
Weighted-average remaining lease term - Finance leases (in years)	2.25	-
Weighted-average remaining lease term - Operating leases (in years)	1.17	3.10
Weighted-average discount rate - Finance leases	4.00 %	- %
Weighted-average discount rate - Operating leases	4.00 %	4 %

Maturities of lease liabilities are as follows as of June 30, 2024:

	Operating	Finance
2025	\$ 520,283	\$ 47,232
2026	240,556	47,232
2027	247,773	11,808
2028	104,506	-
Total lease payments	1,113,118	106,272
Less imputed interest	(59,196)	(4,803)
Total	\$ 1,053,922	\$ 101,469

Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions were comprised of the following programs at June 30:

	2024	2023
CHP - Medical Expansion Navigation	\$ 153,350	\$ -
Kaiser Permanente	148,940	-
TCE Civic Engagement	135,706	-
Palo Alto Medical Foundation	69,967	38,085
County of Santa Clara	-	312,291
Health trust	69,236	104,213
Other	71,050	85,498
Total	\$ 648,249	\$ 540,087

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 10: Net Assets With Donor Restrictions (Continued)

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

	2024	2023
Palo Alto Medical Foundation	\$ 118,117	\$ 170,003
Health Trust	192,478	45,786
County of Santa Clara	312,291	2,702,874
TCE Civic Engagement	65,379	-
Kaiser Permanente	97,060	-
Other	83,161	53,487
Total	\$ 868,486	\$ 2,972,150

Note 11: In-Kind Contributions

The Organization receives donated vaccines from the State of California through the Vaccine for Children and Vaccine for Adults programs. Donated supplies are valued based on the fair market value at the time of donation. The Organization recognizes in-kind contribution revenue and a corresponding expense at the time of the donation. The Organization received donated vaccines in the amount of \$1,271,108 and \$1,053,151 for the years ending June 30, 2024 and 2023, respectively.

Note 12: Patient Service Revenue

The composition of patient service revenue by primary payor was as follows for the years ended June 30:

	2024	2023
Medi-Cal	\$ 19,106,291	\$ 13,258,508
Medicare	130,698	325,776
Other third-party payors	448,661	2,071,412
Private pay	399,793	942,257
Patient service revenue	\$ 20,085,443	\$ 16,597,953

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 13: Pension Plan

The Organization 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. The Organization contributed \$553,071 and \$559,716 for the years ending June 30, 2024, and 2023, respectively, accounted for in employee benefits.

Note 14: Functional Expenses

The Organization provides health care services to patients within its geographical location. Expenses related to providing these services are as follows for the year ending June 30, 2024:

	Program Services				Total Program Services	Management and General	Total
	Medical Services	Dental Services	Nutrition Services	Counseling Services			
Salaries and wages	\$ 11,867,733	\$ 2,354,896	\$ 481,745	\$ 3,247,271	\$ 17,951,645	\$ 3,317,404	\$ 21,269,049
Employee benefits	2,593,584	574,190	145,204	661,145	3,974,123	849,581	4,823,704
Payroll taxes	850,305	166,479	36,185	220,934	1,273,903	245,252	1,519,155
Total personnel expenses	15,311,622	3,095,565	663,134	4,129,350	23,199,671	4,412,237	27,611,908
Contracted services	1,865,769	43,660	-	575,078	2,484,507	131,869	2,616,376
Supplies	2,212,455	162,924	8,458	53,870	2,437,707	195,331	2,633,038
Rent and leases	657,408	28,594	101,629	129,733	917,364	277,203	1,194,567
Depreciation and amortization	811,941	257,995	8,078	139,370	1,217,384	141,150	1,358,534
Occupancy	759,535	86,887	17,676	74,794	938,892	83,386	1,022,278
Professional services	1,131,895	81,427	3,800	90,426	1,307,548	127,612	1,435,160
Dues and subscriptions	634,499	155,999	5,918	15,876	812,292	329,483	1,141,775
Communications	128,596	23,318	6,231	29,843	187,988	127,509	315,497
Interest	37,949	10,087	-	399	48,435	88,877	137,312
Insurance	110,029	21,080	5,021	20,681	156,811	54,481	211,292
Other operating expenses	849,066	222,183	12,452	209,546	1,293,247	1,007,240	2,300,487
Total expenses	\$ 24,510,764	\$ 4,189,719	\$ 832,397	\$ 5,468,966	\$ 35,001,846	\$ 6,976,378	\$ 41,978,224

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 14: Functional Expenses (Continued)

Expenses related to providing these services are as follows for the year ending June 30, 2023:

	Program Services				Total Program Services	Management and General	Total
	Medical Services	Dental Services	Nutrition Services	Counseling Services			
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	1,035,765	2,343,658
Total expenses	\$ 24,323,679	\$ 4,060,620	\$ 837,087	\$ 5,204,959	\$ 34,426,345	\$ 7,153,016	\$ 41,579,361

Note 15: Professional Liability Insurance

For professional liability insurance purposes, the Organization is deemed to be an employee of the federal government in accordance with Section 224(h) of the Public Health Service Act as amended by the Federally Supported Health Centers Assistance Act of 1995. Liability protection is provided under the Federal Tort Claims Act ("FTCA") for the Organization and its employees when they are providing services within the scope of employment included under FQHC activities.

In addition to coverage under the FTCA, the Organization 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, 2024.

Indian Health Center of Santa Clara Valley

Notes to Financial Statements

Note 16: Commitments and Contingencies

Future funding for the Organization'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.

The Organization 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.

Note 17: Liquidity and Availability of Resources

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

The financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled debt service payments, and capital items, were as follows:

	2024	2023
Cash and cash equivalents	\$ 5,687,885	\$ 4,924,260
Investments	966,935	937,468
Patient accounts receivable - Net	1,771,382	12,157,968
Grants and contributions receivable	2,413,930	1,548,999
Other receivables	1,003,351	564,279
Total financial assets	\$ 8,426,202	\$ 20,132,974
Deferred revenue	(1,054,078)	(2,007,904)
Net assets available to meet cash needs for general	(648,249)	(540,087)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,723,875	\$ 17,584,983

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization 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 Financial Statements

Note 18: Concentrations

Credit Risk

Bank Deposits

The Organization maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. The Organization maintains cash in accounts at these institutions which are insured by the FDIC up to \$250,000 per institution. Management has not experienced any losses with these accounts and believes the Organization is not exposed to any significant risk on cash.

Receivables

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows at June 30:

	2024	2023
Medi-Cal	85 %	96 %
Medicare	8	1
Other third-party payors	4	1
Self pay	3	2
Total	100	100

Revenues

Government Grants

The Organization recognized \$8,722,842 and \$9,874,086 of revenue from the U.S. Department of Health and Human Services in the form of grants for the years ended June 30, 2024 and 2023, respectively. A significant reduction in funding could have an adverse effect on the Organization's programs and activities.

Note 19: Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 classifications.

Supplementary Information

Indian Health Center of Santa Clara Valley

Schedule of Expenditures of Federal Awards

Federal Grantor/Program Title	Federal Assistance Listing Number	Pass - Through Entity	Pass-Through Identification Number	Federal Expenditures
U.S. Department of Health and Human Services:				
Health Center Program Cluster:				
Health Center Program	93.224	Direct	H80CS02325	\$ 585,866
COVID-19 American Rescue Plan Act Grants for New and Expanded Services under the Health Center Program	93.224	Direct	1H8FCS41559	201,113
FY 2023 Bridge Access Program	93.527	Direct	H80CS02325	1,777,592
	93.527	Direct	H8LCS50754	41,990
Total Health Center Program Cluster				2,606,561
Community Programs to Improve Minority Health - Center for Indigenous Innovation and Health Equity	93.137	Oklahoma State University	A24-0017-S008	82,426
Urban Indian Health Services	93.193	Direct	75H70320C00006	1,719,214
Urban Indian Health Services - ARPA	93.193	Direct	75H70320C00006	800,528
Indian Health Care Improvement	93.193	Direct	75H70320C00006	467,562
Urban Indian Health Services - 4-in-1 Program	93.193	Direct	H722IHS0129	232,221
Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	93.237	Direct	H1D1IHS1203	299,884
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Direct	H79SP080982	477,186
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Direct	H79SP083765	77,018
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Direct	H79SM084132	253,153
Community Funded Projects	93.493	Direct	6H79FG001105	315,889
Health Center Infrastructure Support	93.526	Direct	C8ECS44728	233,751
Indian Health Service Behavioral Health Programs - Substance Abuse Prevention, Treatment, and Aftercare	93.654	Direct	BH23IHS0008	415,013
Indian Health Service Behavioral Health Programs - Behavioral Health Integration Initiative	93.654	Direct	BH171IHS0016	385,726

Indian Health Center of Santa Clara Valley

Schedule of Expenditures of Federal Awards (Continued)

Federal Grantor/Program Title	Federal Assistance Listing Number	Pass - Through Entity	Pass-Through Identification Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued):				
A Comprehensive Approach to Good Health and Wellness in Indian Country Financed Solely by Prevention and Public Health	93.762	Direct	NU58DP007209	130,971
Aging Research - COVID-19 and Influenza Vaccine Uptake Initiative	93.866	National Council on Aging	90HDRC0008	150,000
Block Grants for Community Mental Health Services (MHBG)	93.958	Sierra Health Foundation	CA23BHR0531	37,869
Block Grants for Prevention and Treatment of Substance Abuse (SABG)	93.959	Sierra Health Foundation	CA23BHR0531	37,870
Total U.S.Department of Health and Human Services				8,722,842
U.S. Department of Agriculture -				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CA Department of Health and Human Services	22-10251 A03	847,553
Total expenditures of federal awards				\$ 9,570,395

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.

Indian Health Center of Santa Clara Valley

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Note 1: General

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Indian Health Center of Santa Clara Valley under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with requirements of the 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 Indian Health Center of Santa Clara Valley, it is not intended to and does not present the financial position, changes in net assets or cash flows of Indian Health Center of Santa Clara Valley.

Note 2: Basis of Accounting

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. Pass-through entity identifying numbers are presented where available.

Note 3: Indirect Cost Rate

Indian Health Center of Santa Clara Valley has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Sub-Recipients

Indian Health Center of Santa Clara Valley does not have any sub-recipients of federal or state awards.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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 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, which comprise the balance sheet as of June 30, 2024 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 March 27, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indian Health Center of Santa Clara Valley'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 Indian Health Center of Santa Clara Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of Indian Health Center of Santa Clara Valley'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 the Organization's financial statements are free of 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 Indian Health Center of Santa Clara Valley's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indian Health Center of Santa Clara Valley's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being particularly prominent and connected.

Wipfli LLP

Minneapolis, Minnesota

March 27, 2025

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Indian Health Center of Santa Clara Valley's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2024. Indian Health Center of Santa Clara Valley's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Indian Health Center of Santa Clara Valley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the 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 Indian Health Center of Santa Clara Valley 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 the major federal program. Our audit does not provide a legal determination of Indian Health Center of Santa Clara Valley'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 Indian Health Center of Santa Clara Valley's federal program.

Auditor's Responsibility 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 Indian Health Center of Santa Clara Valley'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 Indian Health Center of Santa Clara Valley's compliance with the requirements of the 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 Indian Health Center of Santa Clara Valley'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 Indian Health Center of Santa Clara Valley'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 Indian Health Center of Santa Clara Valley'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "Wipfli" written in a larger, more stylized font than the "LLP" which is in a simpler, more upright script.

Wipfli LLP

Minneapolis, Minnesota

March 27, 2025

Indian Health Center of Santa Clara Valley

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ yes

x no

Significant deficiency(ies) identified?

___ yes

x no

Noncompliance material to financial statements noted?

___ yes

x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___ yes

x no

Significant deficiency(ies) identified?

___ yes

x no

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 the Uniform Guidance [2 CFR 200.516(a)]?

___ yes

x no

Identification of major federal programs:

Assistance Listing Number

Name of Federal Program or Cluster

93.224 / 93.527

Health Center Program Cluster

93.243

Substance Abuse and Mental Health Services
Projects of Regional and National Significance

93.654

Indian Health Service Behavioral Health
Programs

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings

None reported.