

**LA FAMILIA MEDICAL CENTER**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2022 AND 2021**



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**LA FAMILIA MEDICAL CENTER  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2022 AND 2021**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEETS</b>	<b>4</b>
<b>STATEMENTS OF OPERATIONS</b>	<b>5</b>
<b>STATEMENTS OF CHANGES IN NET ASSETS</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER     FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS     BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN     ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>27</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR     FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER     COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>29</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>32</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>34</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
La Familia Medical Center  
Santa Fe, New Mexico

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of La Familia Medical Center (the Organization), which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' 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 auditors' 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 the Organization'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 the Organization'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 Matters**

*Other Information – Schedule of Expenditures of Federal Awards*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 December 28, 2022, on our consideration of La Familia Medical Center’s internal control over financial reporting and on our tests of 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 of the effectiveness of La Familia Medical Center’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 La Familia Medical Center’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Denver, Colorado  
December 28, 2022

**LA FAMILIA MEDICAL CENTER  
BALANCE SHEETS  
JUNE 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,238,364	\$ 2,203,188
Receivables:		
Patient Receivables	866,328	821,844
Grants Receivables	171,768	872,481
Supplies Inventory	138,739	125,843
Prepaid Expenses	80,944	60,313
Total Current Assets	2,496,143	4,083,669
<b>PROPERTY AND EQUIPMENT, NET</b>	1,207,768	1,519,249
<b>INVESTMENTS</b>	3,800,228	2,885,810
<b>OTHER ASSETS</b>		
Donated Use of Buildings	112,443	168,664
Investment in New Mexico Care Partners, LLC	240,000	240,000
Beneficial Interest in Assets Held by Santa Fe Community Foundation	56,870	66,559
Total Other Assets	409,313	475,223
 Total Assets	 \$ 7,913,452	 \$ 8,963,951
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 432,166	\$ 275,503
Accrued Payroll, Benefits, and Related Liabilities	994,210	888,100
Other Accrued Liabilities	152,718	152,718
Total Current Liabilities	1,579,094	1,316,321
 Total Liabilities	1,579,094	1,316,321
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	6,165,045	7,412,407
Net Assets With Donor Restrictions	169,313	235,223
Total Net Assets	6,334,358	7,647,630
 Total Liabilities and Net Assets	 \$ 7,913,452	 \$ 8,963,951

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER  
STATEMENTS OF OPERATIONS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS</b>		
Patient Service Revenues	\$ 6,640,783	\$ 6,703,166
Federal Grant Funds	7,117,578	7,137,872
Other Grants and Contracts	2,255,987	2,003,387
Contributions	339,089	306,009
Contributions of Nonfinancial Assets	812,088	826,071
Forgiveness of PPP Loan	-	1,925,478
Other Revenue	223,205	110,448
Gain on Disposal of Property and Equipment	-	9,421
Investment Gain (Loss)	(598,007)	471,006
Total Support and Revenues Without Donor Restrictions	16,790,723	19,492,858
<b>EXPENSES</b>		
Salaries, Wages, and Benefits	12,370,141	11,572,158
Professional Fees	1,179,834	1,304,446
Supplies	761,841	835,689
Other	2,382,770	2,062,506
Depreciation and Amortization	587,632	737,848
Contributions of Nonfinancial Assets	812,088	826,071
Interest	-	17,978
Total Expenses	18,094,306	17,356,696
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	(1,303,583)	2,136,162
Net Assets Released from Restrictions for Donated Use of Buildings	56,221	56,221
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	\$ (1,247,362)	\$ 2,192,383

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER  
STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Excess (Deficit) of Revenues over Expenses	\$ (1,303,583)	\$ 2,136,162
Net Assets Released from Restrictions for Donated Use of Buildings	56,221	56,221
Increase (Decrease) in Net Assets Without Donor Restrictions	(1,247,362)	2,192,383
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Change in Beneficial Interest in Assets Held by Santa Fe Community Foundation	(9,689)	10,282
Net Assets Released from Restrictions for Donated Use of Buildings	(56,221)	(56,221)
Decrease in Net Assets With Donor Restrictions	(65,910)	(45,939)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(1,313,272)	2,146,444
Net Assets - Beginning of Year	7,647,630	5,501,186
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 6,334,358</b>	<b>\$ 7,647,630</b>

See accompanying Notes to Financial Statements.



**LA FAMILIA MEDICAL CENTER  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (1,313,272)	\$ 2,146,444
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	587,632	737,848
Realized and Unrealized (Gains) Losses on Investments	679,064	(408,750)
Forgiveness of PPP Loan	-	(1,907,500)
Change in Beneficial Interest of Assets Held by Santa Fe Community Foundation	9,689	(10,282)
Changes in Assets and Liabilities:		
Patient Receivables	(44,484)	71,157
Grants Receivable	700,713	(393,641)
Other Receivables	-	17,760
Supplies Inventory	(12,896)	(18)
Prepaid Expenses	(20,631)	(7,868)
Accounts Payable	156,663	(126,656)
Deferred Grant Revenue	-	(170,364)
Accrued Payroll, Benefits, and Related Liabilities	106,110	161,529
Net Cash Provided by Operating Activities	848,588	109,659
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(219,930)	(259,107)
Purchases of Investments	(1,593,482)	(59,028)
Net Cash Used by Investing Activities	(1,813,412)	(318,135)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(964,824)	(208,476)
Cash and Cash Equivalents - Beginning of Year	2,203,188	2,411,664
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,238,364	\$ 2,203,188

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

La Familia Medical Center (the Organization) is a nonprofit health care organization in the state of New Mexico. The mission of the Organization is to foster community well-being in partnership with its patients by providing excellent, accessible, family-centered medical, dental, and behavioral health care. The Organization provides for the community with a special emphasis on working with the underserved. The primary location of clients served is Santa Fe, New Mexico, and the surrounding area. The Organization's support is derived primarily from service fees, government grants, other grants, and contributions.

**Use of Estimates**

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

**Basis of Presentation**

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

*Net Assets Without Donor Restrictions* – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes. There were no net assets designated by the board of directors as of June 30, 2022 and 2021.

*Net Assets With Donor Restrictions* – Include net assets subject to donor-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. At June 30, 2022 and 2021, the Organization had restrictions that were both temporary and perpetual in nature. 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 has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law. Expirations of donor restrictions on assets are reported as transfers between the applicable classes of net assets. Contributions with externally imposed restrictions that are met in the same year as received are reported as revenues of the net asset without donor restriction class.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash and short-term investments with an original maturity of three months or less from the date of purchase. The Organization may, from time to time have deposits in financial institutions that exceed Federal Deposit Insurance Organization insurance limits.

**Investments**

Investments in money markets, mutual funds, equity, and debt securities that do not meet the criteria for cash and cash equivalents are accounted for as investments. Investments with readily determinable fair values are stated at fair market values in the accompanying financial statements.

**Patient Accounts Receivable**

Accounts receivable are uncollateralized patient and third-party obligations. Accounts receivable are stated at the net collectible invoice amount. Payments of accounts receivable are applied to the specific invoices identified on the patient's or third-party's remittance advice or, if unspecified, to the earliest unpaid invoices. There is no interest charged on unpaid accounts.

The Organization continuously monitors the expected realization of its billings and estimates contractual adjustments (reductions in receivables) to provide for differences, as well as providing for allowances for implicit price concessions.

The Organization determines the amount of the allowances by reference to cash collection experience from its patient fees, Medicaid, Medicare, and insurance. If there is a deterioration of a patient's creditworthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Organization could be adversely affected.

**Supplies Inventory**

Supplies inventory is comprised of medical, laboratory, and pharmaceutical supplies. Supplies inventory is stated at the lower of cost or net realizable value, using the first-in, first-out method.

**Property and Equipment**

Land, buildings, furniture, and equipment are recorded at cost or, if donated, at the fair market value at the date of donation. Repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized over the shorter of the useful life or lease term. Depreciation is provided using the straight-line method over the following estimated lives:

Buildings and Improvements	3 to 30 Years
Equipment, Furniture, and Fixtures	2 to 30 Years

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

The Organization capitalizes individual items of property and equipment with a cost of (or fair value of contributed items) of \$2,500 or more and a useful life of more than two years when purchased.

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services. Currently, the title resides with the Organization. Such items may be reclaimed by the federal government if not used to further the grant's objectives.

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There was no impairment of long-lived assets as of June 30, 2022 and 2021.

**Patient Service Revenues**

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, case rates, discounted charges, per diem payments, and enhancements. Patient service revenues are reported at the estimated transaction price from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors as final settlements are determined.

For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided. A significant portion of the Organization's uninsured patients will be unable to pay for the services provided. Thus, the Organization records an implicit price concession related to uninsured patients in the period the services are provided.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Sliding Fee Adjustments (Charity Care)**

The Organization has a policy of providing care to patients with limited financial means who meet certain criteria under its policy at amounts less than its established rates. However, all patients are requested to pay a nominal fee for each visit, although no patient is denied services because of inability to pay. Since management does not expect full payment for this care, the services that are discounted from the established rates are excluded from patient service revenues. During the years ended June 30, 2022 and 2021, the Organization provided approximately \$1,177,000 and \$1,462,000, respectively, of discounted services under this policy based on gross charges.

**Grant Revenue**

The Organization receives support from various federal, state, and local government agencies. Grant receipts are subject to restrictions on the use of funds placed by the grantor. The Organization administers these funds in accordance with grantor guidelines. Grant revenue under cost reimbursement arrangements is recognized as expenses are incurred. Amounts incurred but not yet reimbursed are reported as grant receivables. Amounts received but not yet earned are reported as deferred grant revenue.

**Contributions**

The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, then net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions.

**Donated Buildings**

The Organization occupies building space which is the property of the city of Santa Fe. The city of Santa Fe provides the space and a portion of the utilities to the Organization and charges \$1 per year. The Organization also leases a building which is owned by the county of Santa Fe. The county of Santa Fe provides certain premises to the Organization and charges \$1 per year. Both donations of buildings are for 25 years with an option to renew for a second 25-year period. The lease with the city of Santa Fe expired on June 30, 2020 and is currently month-to-month. The Organization also has use of a Dental Center facility which is owned by Santa Fe Community College, in exchange for the Organization serving as a clinical rotation site for the Santa Fe Community College. The agreement with Santa Fe Community College was for a period of eight years and expired in July 2019. The lease with Santa Fe Community College expired June 30, 2022 and is currently month-to-month.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Buildings (Continued)**

The leases are cancelable upon certain notice. The Organization has recorded the long-term use of all property as a donated use of buildings at estimated fair value. The fair value of the donated use of the buildings is reduced each year by an amount that amortizes the donation over the lease term. An equivalent amount is released from net assets with donor restrictions to net assets without donor restrictions annually.

A breakdown of balances for these properties is as follows:

	City of Santa Fe Donated Use of Building	County of Santa Fe Donated Use of Building	Santa Fe Community College Donated Use of Building	Total
Reported Balance - June 30, 2020	\$ -	\$ 224,885	\$ -	\$ 224,885
Amortization of Fair Value of Donated Use of Building	-	(56,221)	-	(56,221)
Reported Balance - June 30, 2021	-	168,664	-	168,664
Amortization of Fair Value of Donated Use of Building	-	(56,221)	-	(56,221)
Reported Balance - June 30, 2022	<u>\$ -</u>	<u>\$ 112,443</u>	<u>\$ -</u>	<u>\$ 112,443</u>

**Donated Goods and Services**

The Organization receives a substantial amount of nonfinancial donated goods and services. The amounts have been reflected in the financial statements as contributions of nonfinancial assets. The Organization records donated services when those services require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if they were not provided by the donation.

Contributions of nonfinancial assets include donations of various buildings under month-to-month lease agreements, pharmaceuticals, vaccines, and laboratory services from private, local, and state sources. Amounts received from these sources for donated buildings during the years ended June 30, 2022 and 2021 were \$581,972. Amounts received from these sources for donated pharmaceuticals, vaccines, and laboratory services during the years ended June 30, 2022 and 2021 were \$230,116 and \$244,099, respectively.

**Advertising**

Advertising costs are expensed as incurred.

**Excess (Deficit) of Revenues over Expenses**

The statements of operations includes excess (deficit) of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from excess (deficit) of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax-Exempt Status**

The Organization has previously received notice of exemption of income tax from the Internal Revenue Service (IRS) under Section 501(c)(3) of the federal Internal Revenue Code. The Organization is not a private foundation, and contributions to the Organization qualify as charitable tax deductions by the contributor.

The Organization follows the accounting standards regarding the recognition and measurement of uncertain tax provisions. The implementation of the accounting standards regarding uncertain tax provisions had no impact on the Organization's financial statements.

The Organization is not aware of any activities that would jeopardize its tax-exempt status or aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

**Fair Value**

The Organization follows accounting standards regarding the fair value measurement of financial assets and liabilities. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Organization has a policy to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, however, may elect to measure newly acquired financial instruments at fair value in the future.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adopted Accounting Pronouncements**

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of operations, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category types of contributed nonfinancial assets a nonprofit entity has received. The Organization has applied the adoption of this standard retrospectively to fiscal year 2021. Adoption of this standard resulted in contributed nonfinancial assets being broken out separately on the statements of operations and increased disclosures.

**Recently Issued Accounting Guidance**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standards. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 28, 2022, the date the financial statements were available to be issued.



**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

The Organization invests cash in excess of short-term requirements in investments. In addition, the Organization has equity investments which are liquid within one week.

The following table represents financial assets available for general expenditures within one year on June 30:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,238,364	\$ 2,203,188
Receivables:		
Patient Receivables	866,328	821,844
Grants Receivables	171,768	872,481
Investments	3,800,228	2,885,810
Total Financial Assets Available within One Year	<u>\$ 6,076,688</u>	<u>\$ 6,783,323</u>

The Organization has a line of credit available in the amount of \$500,000, as discussed in Note 7. As of June 30, 2022 and 2021, the full amount of the line of credit was available to the Organization.

**NOTE 3 INVESTMENTS**

Investments are stated at fair value and consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Money Markets	\$ 50,065	\$ 64,944
Fixed Income Mutual Funds	1,514,529	896,998
Equity Mutual Funds	2,235,634	1,923,868
Total Investments	<u>\$ 3,800,228</u>	<u>\$ 2,885,810</u>

Investment income for the years ended June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ 81,057	\$ 62,256
Realized Gains (Losses) on Investments	-	166,967
Unrealized Gains (Losses) on Investments	(679,064)	241,783
Total Investment Gain (Loss)	<u>\$ (598,007)</u>	<u>\$ 471,006</u>

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 4 INVESTMENT IN NEW MEXICO CARE PARTNERS, LLC**

During fiscal year 2019, the Organization contributed \$200,000 for a 16.667% membership interest in New Mexico Care Partners, LLC (NMCP), and a voting seat on the NMCP Board of Managers. In June 2020, the Organization contributed another \$40,000 to NMCP and membership interest was increased to 17.14%. NMCP was created by its members to form a Clinically Integrated Network (CIN) which will contract as a single entity with the designated managed care organizations (MCOs) of the New Mexico Medicaid program and other payors in exchange for a commitment to: (i) improve the coordination and delivery of health care and promote higher quality care through patient-centered, evidence-based medicine; (ii) share best practices in regard to patient safety and clinical effectiveness; and (iii) develop and implement uniform measures by which CIN members will measure utilization, quality, effectiveness and cost efficiency of the health care services delivered. The Organization participates in this risk-based program and in fiscal years 2022 and 2021 recorded shared savings revenue of approximately \$187,000 and \$73,000, respectively, which is included in other revenue on the statements of operations. The Organization has recorded the investment NMCP at cost and will assess for impairment annually. The Organization has not determined the investment to be impaired as of June 30, 2022 and 2021.

**NOTE 5 PATIENT SERVICE REVENUES**

Patient service revenues are 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. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. 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. Generally, performance obligations satisfied over time relate to patients receiving services in our clinic locations. The Organization measures the performance obligation from the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the outpatient visit.

The opening and closing contract balances were as follows:

	Patient Receivables
Balance as of July 1, 2020	\$ 893,001
Balance as of June 30, 2021	821,844
Balance as of June 30, 2022	866,328

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 5 PATIENT SERVICE REVENUE (CONTINUED)**

The Organization 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 the Organization's policy, and/or implicit price concessions provided to uninsured 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 with this class of patients.

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

**Medicare**

Services rendered to Medicare program beneficiaries should be paid at established federal qualified health center (FQHC) enhancement rates, no matter the level or amount of services provided to the beneficiary. For each visit provided to a Medicare program beneficiary, the Organization is to be paid 80% of the established FQHC rate, with the beneficiary being responsible for the remaining 20% as co-insurance or, alternatively, the remaining 20% is billed to Medicaid for qualifying patients (dual eligible). The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the CMS Medicare fiscal intermediary.

**Medicaid**

Services rendered to Medicaid program beneficiaries are paid at established FQHC encounter rates, no matter the level or amount of services provided to the beneficiary. Medicaid reimbursement may be subject to periodic adjustments, as well as changes in annual reimbursement rates.

**Other**

The Organization has also entered into payment agreements with other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 5 PATIENT SERVICE REVENUES (CONTINUED)**

Laws and regulations concerning government programs, including Medicare and Medicaid, 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 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. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive 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 the Organization'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. Adjustments arising from a change in the transaction price, were not significant in 2022 or 2021.

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. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended June 30, 2022 and 2021. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as implicit price concessions.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 5 PATIENT SERVICE REVENUES (CONTINUED)**

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.

Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Duration of patient care
- Method of reimbursement (fee for service or capitation)
- Organization's line of business that provided the service (for example, medical, dental, behavioral health, etc.)

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors 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.

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and 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.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 6 PROPERTY AND EQUIPMENT, NET**

The cost and accumulated depreciation of property and equipment were as follows at June 30:

	<u>2022</u>	<u>2021</u>
Buildings and Leasehold Improvements	\$ 4,921,643	\$ 4,921,643
Furniture, Fixtures, and Equipment	3,681,758	3,461,681
Total	<u>8,603,401</u>	<u>8,383,324</u>
Less: Accumulated Depreciation	<u>(7,395,633)</u>	<u>(6,864,075)</u>
Total Property and Equipment, Net	<u>\$ 1,207,768</u>	<u>\$ 1,519,249</u>

**NOTE 7 LINE OF CREDIT**

On October 23, 2017, the Organization entered into a revolving line of credit with a financial institution in the amount of \$100,000. On December 23, 2021, the Organization increased the revolving line of credit amount to \$500,000. The revolving line of credit accrues interest at *The Wall Street Journal* Prime rate, which was 4.75% as of June 30, 2022, plus 1.00%. The revolving line of credit is collateralized by the Organization's assets and is due on demand. There were no amounts outstanding on the line of credit as of June 30, 2022 and 2021.

**NOTE 8 DEFERRED GRANT REVENUE**

As part of the Organization's response to the COVID-19 pandemic, it received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services. The Organization received PRF payments in the amount of \$50,196 and \$88,313 and recognized revenues in the amount of \$50,196 and \$258,677 during fiscal years 2022 and 2021, respectively. A portion of the PRF revenues recognized in fiscal year 2021 were deferred as of June 30, 2020. The PRF payments have terms and conditions that the Organization is required to follow and these funds are subject to audit. As part of the PRF terms and conditions, amounts received by the Organization could potentially be recouped if not spent in full or if the amounts are not spent in accordance with the terms and conditions. Management believes the amounts have been recognized appropriately as of June 30, 2022.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 9 LONG-TERM DEBT**

On April 16, 2020, the Organization received a loan through the Small Business Administration (SBA) Paycheck Protection Program (PPP) of \$1,907,500. The loan accrued interest at 1% with principal and interest payments due monthly starting either (1) the date the SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The loan payments were due over 18 months. There are provisions under the PPP loan program where all or a portion of the loan may be forgiven based on certain requirements being met. On March 30, 2021, the SBA forgave the PPP loan in full. The Organization recognized the full PPP loan amount and interest forgiven as revenue in fiscal year 2021. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at June 30:

	2022	2021
Subject to Expenditure for Specific Purpose:		
Donated Use of Buildings	\$ 112,443	\$ 168,664
Total	112,443	168,664
Not Subject to Appropriation or Expenditure:		
Operating Endowment	56,870	66,559
Total Net Assets with Donor Restrictions	\$ 169,313	\$ 235,223

**NOTE 11 SIGNIFICANT CONCENTRATIONS AND CREDIT RISK**

**Government Funding**

Approximately 80% of the Organization's total support and revenue without donor restrictions for the years ended June 30, 2022 and 2021, was generated from either government-sponsored health programs or government-funded grant programs. The programs are dependent upon continued funding from these government agencies and the legislative acts that impact the programs.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 11 SIGNIFICANT CONCENTRATIONS AND CREDIT RISK (CONTINUED)**

**Patient Receivables**

The Organization also 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 as of June 30 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare	35 %	19 %
Medicaid	12	22
Self Pay	30	43
Other Third-Party Payors	23	16
Total	<u>100 %</u>	<u>100 %</u>

**NOTE 12 SELF-FUNDED HEALTH INSURANCE**

The Organization has a self-insured health plan for its employees. A third-party administrator handles claims and records. The Organization has a \$40,000 specific stop-loss per employee each calendar year, with an aggregate total stop-loss of \$75,000 up to \$1,000,000 for each calendar year based on the number of employees enrolled and the amount of premiums and other costs. Individual employee claims in excess of the \$40,000 specific stop-loss amount go towards the aggregate stop-loss amount. The amount of the liability for claims incurred, but not reported as of June 30, 2022 and 2021 totaled approximately \$75,000 and \$70,000, respectively, and is included in accrued payroll, benefits, and related liabilities on the balance sheets.

**NOTE 13 RETIREMENT PLAN**

The Organization has a 403(b) tax deferred annuity plan (the Plan) covering substantially all employees. Employees may contribute funds to their retirement accounts according to IRS regulations. The Organization may make matching and discretionary contributions to the Plan as determined annually by the board of directors. For the years ended June 30, 2022 and 2021, the Organization contributed \$139,577 and \$127,727, respectively, toward the Plan.



**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

**Leases**

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2022 that have initial or remaining terms in excess of one year:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 34,800
2024	34,800
2025	17,400
Total	<u>\$ 87,000</u>

Total rent expense for the years ended June 30, 2022 and 2021 was approximately \$82,000 and \$86,000, respectively.

**Medical Billing Agreement**

Effective November 1, 2018, the Organization entered into a service agreement with an unrelated entity to perform patient and insurance billing and accounts receivable functions related to medical services. The fee for these services is the greater of 4.99% of monthly collections or \$12,667 per month for the term of the agreement. The initial term of the agreement was for 18 months and renews automatically for one-year terms unless terminated with 90 days written notice.

**Medical Malpractice Insurance Coverage and Claims**

The Organization is covered under the provision of the Federal Tort Claims Act (FTCA) for malpractice. The FTCA is a government-funded program which allows community health centers and other qualified providers to be covered for malpractice.

**Grants**

The Organization has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit by the grantor may become a liability of the Organization. Such amounts will be recognized in the period they become known.

**Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. This coverage has not changed significantly from the previous year.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Health Care Legislation and Regulation**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, 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. Violation of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Organization is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

**COVID-19 Pandemic**

During fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2023 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2022.

On March 26, 2021, the Organization was awarded \$4,451,125 from the American Rescue Plan (ARP) Act. The Organization can use these funds to (1) plan, prepare for, promote, distribute, administer, and track COVID-19 vaccines, and carry out other vaccine-related activities; (2) detect, diagnose, trace, and monitor COVID-19 infections and related activities necessary to mitigate the spread of COVID-19, including activities related to, and equipment or supplies purchased for, testing, contact tracing, surveillance, mitigation, and treatment of COVID-19; (3) purchase equipment and supplies to conduct mobile testing or vaccinations for COVID-19, purchase and maintain mobile vehicles and equipment to conduct such testing or vaccinations, and hire and train laboratory personnel and other staff to conduct such mobile testing or vaccinations, particularly in medically underserved areas; (4) establish, expand, and sustain the health care workforce to prevent, prepare for, and respond to COVID-19, and to carry out other health work force-related activities; (5) modify, enhance, and expand health care services and infrastructure; and (6) conduct community outreach and education activities related to COVID-19. These funds are available to be expended through March 31, 2023.

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Other**

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No contingent liabilities such as, but not limited to those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

**NOTE 15 FUNCTIONAL EXPENSES**

The financial statements report certain expense categories that are attributable to more than health care services or support functions. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest, and other occupancy costs, are allocated to a function based on a square-footage or units-of-service basis. Allocated health care services costs not allocated on a units-of-service basis are otherwise allocated based on time directly to program services support. Expenses related to providing these services by functional class for the years ended June 30 is as follows:

<u>2022</u>	Health Care Services	Management and General	Fundraising Expenses	Totals
Salaries, Wages, and Benefits	\$ 11,161,865	\$ 1,073,721	\$ 134,555	\$ 12,370,141
Professional Fees	761,006	411,068	7,760	1,179,834
Supplies	748,583	12,607	651	761,841
Other	1,856,890	375,913	149,967	2,382,770
Depreciation and Amortization	184,572	403,060	-	587,632
Contributions of Nonfinancial Assets	812,088	-	-	812,088
Total Expenses	<u>\$ 15,525,004</u>	<u>\$ 2,276,369</u>	<u>\$ 292,933</u>	<u>\$ 18,094,306</u>
<u>2021</u>	Health Care Services	Management and General	Fundraising Expenses	Totals
Salaries, Wages, and Benefits	\$ 10,265,323	\$ 1,227,088	\$ 79,747	\$ 11,572,158
Professional Fees	768,173	535,819	454	1,304,446
Supplies	822,269	13,420	-	835,689
Other	1,711,242	330,972	20,292	2,062,506
Depreciation and Amortization	207,840	530,008	-	737,848
Contributions of Nonfinancial Assets	683,833	142,238	-	826,071
Interest	-	17,977	-	17,978
Total Expenses	<u>\$ 14,458,680</u>	<u>\$ 2,797,522</u>	<u>\$ 100,493</u>	<u>\$ 17,356,696</u>

**LA FAMILIA MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 16 FAIR VALUE MEASUREMENTS**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30:

<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Fixed Income Mutual Funds	\$ 1,514,529	\$ -	\$ -	\$ 1,514,529
Equity Mutual Funds	2,235,634	-	-	2,235,634
Total	<u>\$ 3,750,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,750,163</u>
<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Fixed Income Mutual Funds	\$ 896,998	\$ -	\$ -	\$ 896,998
Equity Mutual Funds	1,923,868	-	-	1,923,868
Total	<u>\$ 2,820,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,820,866</u>



**INDEPENDENT AUDITORS' 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  
La Familia Medical Center  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of La Familia Medical Center (the Organization), which comprise the balance sheet as of June 30, 2022, and the related statements of operations, 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 December 28, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

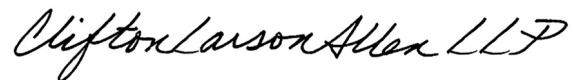
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

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

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

**CliftonLarsonAllen LLP**

Denver, Colorado  
December 28, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
La Familia Medical Center  
Santa Fe, New Mexico

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited La Familia Medical Center's (the Organization's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Organization's compliance with the requirements of each major federal program as a whole.

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

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

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



### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditors' 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.



**CliftonLarsonAllen LLP**

Denver, Colorado  
December 28, 2022

**LA FAMILIA MEDICAL CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes        X   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes        X   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        X   no

**Identification of Major Federal Programs**

<b>Federal Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
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93.224	Health Center Program
93.527	Grants for New and Expanded Services Under Health Center Program

Dollar threshold used to distinguish between Type A and Type B programs: \$   750,000  

Auditee qualified as low-risk auditee?   X   yes      \_\_\_\_\_ no

**LA FAMILIA MEDICAL CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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***Section IV – Prior Year Findings***

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None reported.

**LA FAMILIA MEDICAL CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Agency/Pass-Through Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Direct Programs:</b>			
Health Center Program Cluster			
* Consolidated Health Centers	93.224 & 93.527	H80CS00606	\$ 4,855,702
* COVID-19: American Rescue Plan Act Funding for Health Centers	93.224	H8FCS41706	2,211,680
Total Health Center Program Cluster Subtotal			<u>7,067,382</u>
COVID-19: HRSA COVID-19 Claims Reimbursement for the Uninsured Program and for the COVID-19 Coverage Assistance Funds	93.461	N/A	48,170
COVID-19: Provider Relief Fund	93.498	N/A	<u>88,313</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,203,865</u></u>

\* Major Federal Program

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

This note is included to meet the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requirement that the schedule of expenditures of federal awards (the Schedule) include notes that describe the significant accounting policies used in preparing the Schedule. The accompanying Schedule is prepared on the accrual basis of accounting and includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. The Schedule includes Provider Relief Funds of \$88,313 that were received in Period 2 in accordance with the requirements of the compliance supplement for assistance listing number 93.498. The Organization received additional payments of \$50,196 in Phase 4. The Organization has recognized \$50,196 and \$258,677 of Provider Relief Funds in the financial statements for the years ending June 30, 2022 and 2021, respectively.



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