

LA FAMILIA MEDICAL CENTER
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2021 AND 2020

**LA FAMILIA MEDICAL CENTER
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of La Familia Medical Center (the Organization), which comprise the balance sheets as of June 30, 2021 and 2020 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Change in Accounting Principles

As discussed in Note 1 and Note 5 to the financial statements, La Familia Medical Center adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2014-09, *Revenue from Contracts with Customers*. The new accounting standard clarifies how revenue is to be recognized and requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Our opinion is not modified with respect to that matter.

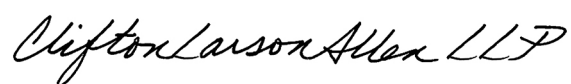
Other Matters

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 15, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Denver, Colorado
December 15, 2021

**LA FAMILIA MEDICAL CENTER
BALANCE SHEETS
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,203,188	\$ 2,411,664
Receivables:		
Patient Receivables	821,844	893,001
Grants Receivables	872,481	478,840
Other Receivables	-	17,760
Inventory	125,843	125,825
Prepaid Expenses	60,313	52,445
Total Current Assets	<u>4,083,669</u>	<u>3,979,535</u>
PROPERTY AND EQUIPMENT, NET	1,519,249	1,941,769
INVESTMENTS	2,885,810	2,418,032
OTHER ASSETS		
Donated Use of Buildings	168,664	224,885
Investment in New Mexico Care Partners, LLC	240,000	240,000
Beneficial Interest in Assets Held by Santa Fe Community Foundation	66,559	56,277
Total Other Assets	<u>475,223</u>	<u>521,162</u>
 Total Assets	 <u><u>\$ 8,963,951</u></u>	 <u><u>\$ 8,860,498</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ -	\$ 838,920
Accounts Payable	275,503	402,159
Accrued Payroll, Benefits, and Related Liabilities	888,100	726,571
Deferred Grant Revenue	-	170,364
Other Accrued Liabilities	152,718	152,718
Total Current Liabilities	<u>1,316,321</u>	<u>2,290,732</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>-</u>	<u>1,068,580</u>
 Total Liabilities	 1,316,321	 3,359,312
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Net Assets without Donor Restrictions	7,412,407	5,220,024
Net Assets with Donor Restrictions	235,223	281,162
Total Net Assets	<u>7,647,630</u>	<u>5,501,186</u>
 Total Liabilities and Net Assets	 <u><u>\$ 8,963,951</u></u>	 <u><u>\$ 8,860,498</u></u>

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER
STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS		
Patient Service Revenues	\$ 6,703,166	\$ 6,461,442
Federal Grant Funds	7,137,872	5,304,396
Other Grants and Contracts	2,003,387	2,586,840
Contributions	306,009	400,554
In-Kind Contributions	826,071	272,301
Forgiveness of PPP Loan	1,925,478	-
Other Revenue	110,448	21,479
Gain on Disposal of Property and Equipment	9,421	-
Investment Gain (Loss)	<u>471,006</u>	<u>(88,679)</u>
Total Support and Revenues without Donor Restrictions	19,492,858	14,958,333
EXPENSES		
Salaries, Wages, and Benefits	11,572,158	11,234,721
Professional Fees	1,304,446	946,070
Supplies	835,689	790,860
Other	2,062,506	1,523,813
Depreciation and Amortization	737,848	1,344,091
In-Kind Expenses	826,071	272,301
Interest	<u>17,978</u>	<u>-</u>
Total Expenses	<u>17,356,696</u>	<u>16,111,856</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	2,136,162	(1,153,523)
Net Assets Released from Restrictions for Donated Use of Buildings	<u>56,221</u>	<u>563,026</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u><u>\$ 2,192,383</u></u>	<u><u>\$ (590,497)</u></u>

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (Deficit) of Revenues over Expenses	\$ 2,136,162	\$ (1,153,523)
Net Assets Released from Restrictions for Donated Use of Buildings	<u>56,221</u>	<u>563,026</u>
Increase (Decrease) in Net Assets without Donor Restrictions	<u>2,192,383</u>	<u>(590,497)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Change in Beneficial Interest in Assets Held by Santa Fe Community Foundation	10,282	(1,455)
Net Assets Released from Restrictions for Donated Use of Buildings	<u>(56,221)</u>	<u>(563,026)</u>
Decrease in Net Assets with Donor Restrictions	<u>(45,939)</u>	<u>(564,481)</u>
INCREASE (DECREASE) IN NET ASSETS	2,146,444	(1,154,978)
Net Assets - Beginning of Year	<u>5,501,186</u>	<u>6,656,164</u>
NET ASSETS - END OF YEAR	<u><u>\$ 7,647,630</u></u>	<u><u>\$ 5,501,186</u></u>

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 2,146,444	\$ (1,154,978)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	737,848	1,344,091
Realized and Unrealized (Gains) Losses on Investments	(408,750)	138,868
Forgiveness of PPP Loan	(1,907,500)	-
Change in Beneficial Interest of Assets Held by Santa Fe Community Foundation	(10,282)	1,455
Changes in Assets and Liabilities:		
Patient Receivables	71,157	(77,339)
Grants Receivable	(393,641)	(42,254)
Other Receivables	17,760	(15,330)
Inventory	(18)	252
Prepaid Expenses	(7,868)	(18,965)
Accounts Payable	(126,656)	74,696
Deferred Grant Revenue	(170,364)	170,364
Accrued Payroll, Benefits, and Related Liabilities	161,529	54,127
Net Cash Provided by Operating Activities	<u>109,659</u>	<u>474,987</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(259,107)	(268,784)
Investment in New Mexico Care Partners, LLC	-	(40,000)
Purchases of Investments	(59,028)	(25,930)
Net Cash Used by Investing Activities	<u>(318,135)</u>	<u>(334,714)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	<u>-</u>	<u>1,907,500</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(208,476)	2,047,773
Cash and Cash Equivalents - Beginning of Year	<u>2,411,664</u>	<u>363,891</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,203,188</u></u>	<u><u>\$ 2,411,664</u></u>

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 and 2020.

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, 2021 and 2020, 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, 2021 AND 2020**

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.

Inventory

Inventory is comprised of medical, laboratory, and pharmaceutical 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, 2021 AND 2020**

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, 2021 and 2020.

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, 2021 AND 2020**

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, 2021 and 2020, the Organization provided approximately \$1,462,000 and \$2,364,000, 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 Goods and Services

The Organization receives a substantial amount of donated goods and services. The amounts have been reflected in the financial statements as In-Kind Contributions. 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.

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 providing dental services. 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 is currently month-to-month through June 30, 2022.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2019	\$ 499,971	\$ 281,107	\$ 6,833	\$ 787,911
Amortization of Fair Value of Donated Use of Building	(499,971)	(56,222)	(6,833)	(563,026)
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

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).

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.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

New Accounting Pronouncements – ASU 2014-09

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). ASU 2014-09's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. ASU 2014-09 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASU 2020-05, *Effective Dates for Certain Entities*, was issued in June 2020 and allowed certain entities to delay ASU 2014-09 for one year due to the COVID-19 pandemic. The Organization adopted ASU 2014-09 on July 1, 2020 as described in Note 5 – *Patient Service Revenues*.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2014-09 (Continued)

ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. The Organization adopted the requirements of the new guidance as of July 1, 2020, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to the accounting policies for revenue recognition, trade and other receivables, contract costs, contract liabilities, and deferred costs as detailed below. The Organization applied the new guidance using the following practical expedients which are provided in Topic 606: completed contracts that began and ended in the same year were not restated; the actual, rather than estimated, consideration was used to determine the transaction price; and the amount of the transaction price allocated to the remaining performance obligations and details of when the Organization expects to recognize that amount as revenue for fiscal year 2020 was not disclosed. The effects of applying these shortcuts were not significant to the financial statements.

As a result of certain changes required by ASU 2014-09, the majority of the Organization's provision for doubtful accounts are recorded as a direct reduction to revenue instead of being presented as a separate line item on the statement of operations. The adoption of ASU 2014-09 has no impact on the Organization's accounts receivable as it was historically recorded net of allowance for doubtful accounts and contractual adjustments. The adoption of ASU 2014-09 did not have a significant impact on the Organization's statements of operations. The impact of adopting ASU 2014-09 on the statements of operations for the year ended June 30, 2020 was as follows:

	As Reported	Prior to Adopting ASU 2014-09
Patient Service Revenues	\$ 6,461,442	\$ 7,045,600
Provision for Bad Debts	-	(584,158)
Patient Service Revenues	<u>\$ 6,461,442</u>	<u>\$ 6,461,442</u>

The Organization evaluated the nature, amount, timing and uncertainty of revenue and cash flows using the five-step process provided within ASU 2014-09.

Revenue is primarily derived from services rendered to patients for outpatient medical, dental, and behavioral health care visits. The services provided by the Organization have no fixed duration and can be terminated by the patient or the Organization at any time, and therefore, each visit is its own stand-alone contract.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 15, 2021, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of June 30, 2021 and 2020, the Organization has a working capital balance of \$2,767,348 and \$1,688,803, respectively. 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>2021</u>	<u>2020</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 2,203,188	\$ 2,411,664
Receivables:		
Patient Receivables	821,844	893,001
Grants Receivables	872,481	478,840
Other Receivables	-	17,760
Investments	<u>2,885,810</u>	<u>2,418,032</u>
Total Financial Assets Available within One Year	<u><u>\$ 6,783,323</u></u>	<u><u>\$ 6,219,297</u></u>

The Organization has a line of credit available in the amount of \$100,000, as discussed in Note 7. As of June 30, 2021 and 2020, the full amount of the line of credit was available to the Organization.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 INVESTMENTS

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

	2021	2020
Money Markets	\$ 64,944	\$ 458,128
Common Stock	-	413,229
Fixed Income Mutual Funds	896,998	1,204,285
Equity Mutual Funds	1,923,868	342,390
Total Investments	<u>\$ 2,885,810</u>	<u>\$ 2,418,032</u>

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

	2021	2020
Interest and Dividends	\$ 62,256	\$ 50,189
Realized Gains (Losses) on Investments	166,967	(41,690)
Unrealized Gains (Losses) on Investments	241,783	(97,178)
Total Investment Gain (Loss)	<u>\$ 471,006</u>	<u>\$ (88,679)</u>

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 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 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, 2021 and 2020.

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.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 PATIENT SERVICE REVENUE (CONTINUED)

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 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.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 PATIENT SERVICE REVENUES (CONTINUED)

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.

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 2021 or 2020.

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, 2021 and 2020. 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, 2021 AND 2020**

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
- Length of the patient's service
- 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, 2021 AND 2020**

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2021	2020
Buildings and Leasehold Improvements	\$ 4,921,643	\$ 4,905,643
Furniture, Fixtures, and Equipment	3,461,681	3,218,574
Total	8,383,324	8,124,217
Less: Accumulated Depreciation	(6,864,075)	(6,182,448)
Total Property and Equipment, Net	<u>\$ 1,519,249</u>	<u>\$ 1,941,769</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. The revolving line of credit accrues interest at the Wall Street Journal Prime rate, which was 3.25% as of June 30, 2021, 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, 2021 and 2020.

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 \$88,313 and \$193,157 and recognized revenues in the amount of \$258,677 and \$22,793 during fiscal years 2021 and 2020, respectively. The remaining balance of \$-0- and \$170,364 is included in deferred grant revenue at June 30, 2021 and 2020, respectively. 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, 2021.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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:

	2021	2020
Subject to Expenditure for Specific Purpose:		
Donated Use of Buildings	\$ 168,664	\$ 224,885
Total	168,664	224,885
Not Subject to Appropriation or Expenditure:		
Operating Endowment	66,559	56,277
Total Net Assets with Donor Restrictions	<u>\$ 235,223</u>	<u>\$ 281,162</u>

NOTE 11 SIGNIFICANT CONCENTRATIONS AND CREDIT RISK

Government Funding

Approximately 80% and 78% of the Organization's total support and revenue without donor restrictions for the years ended June 30, 2021 and 2020, respectively, 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, 2021 AND 2020

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>2021</u>	<u>2020</u>
Medicare	19 %	21 %
Medicaid	22	22
Self Pay	43	42
Other Third-Party Payors	16	15
Total	<u>100 %</u>	<u>100 %</u>

NOTE 12 IN-KIND CONTRIBUTIONS

In-kind contributions include donations of various facilities, pharmaceuticals, vaccines, and laboratory services from private, local, and state sources. Amounts received from these sources for the years ended June 30, 2021 and 2020 were \$826,071 and \$272,301, respectively.

NOTE 13 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, 2021 and 2020 totaled approximately \$70,000 and \$59,000, respectively, and is included in accrued payroll, benefits, and related liabilities on the balance sheets.

NOTE 14 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, 2021 and 2020, the Organization contributed \$127,727 and \$138,833, respectively, toward the Plan.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 15 COMMITMENTS AND CONTINGENCIES

Leases

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2021 that have initial or remaining terms in excess of one year:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 14,800</u>

Total rent expense for the years ended June 30, 2021 and 2020 was approximately \$86,000 and \$77,000, 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, 2021 AND 2020**

NOTE 15 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 2022 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, 2021.

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. The Organization had not incurred any expenses under this grant award as of June 30, 2021.

**LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 15 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 16 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:

2021	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
In-Kind Expenses	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>

2020	Health Care Services	Management and General	Fundraising Expenses	Totals
Salaries, Wages, and Benefits	\$ 10,305,013	\$ 856,538	\$ 73,170	\$ 11,234,721
Professional Fees	578,589	356,300	11,181	946,070
Supplies	782,740	7,456	664	790,860
Other	1,156,561	323,734	43,518	1,523,813
Depreciation and Amortization	692,454	651,637	-	1,344,091
In-Kind Expenses	264,208	8,093	-	272,301
Total Expenses	<u>\$ 13,779,565</u>	<u>\$ 2,203,758</u>	<u>\$ 128,533</u>	<u>\$ 16,111,856</u>

LA FAMILIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 17 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:

2021	Level 1	Level 2	Level 3	Total
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>
2020	Level 1	Level 2	Level 3	Total
Assets:				
Common Stock	\$ 413,229	\$ -	\$ -	\$ 413,229
Fixed Income Mutual Funds	1,204,285	-	-	1,204,285
Equity Mutual Funds	342,390	-	-	342,390
Total	<u>\$ 1,959,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,959,904</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, 2021, 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 15, 2021.

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.

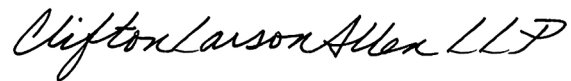
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Denver, Colorado
December 15, 2021



**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

We have audited La Familia Medical Center's (the Organization) compliance with the types of compliance requirements described 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, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

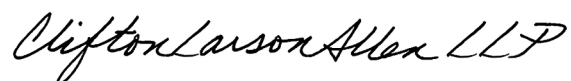
Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Denver, Colorado
December 15, 2021

**LA FAMILIA MEDICAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> _____ no
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> _____ none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> _____ no

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> _____ no
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> _____ 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	_____ <u>X</u> _____ no

Identification of Major Federal Programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
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:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	_____ <u>X</u> _____ yes _____ no

**LA FAMILIA MEDICAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

There were no findings noted.

Section III – Findings and Questioned Costs – Major Federal Programs

None reported.

Section IV – Prior Year Findings

2020-001: PROCUREMENT

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Summary

For one of the procurement selections, the Organization was not able to provide support for evidence of compliance and control with procurement requirements.

Status: Implemented

2020-002: SUSPENSION AND DEBARMENT

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Summary

As part of our audit, we noted transactions which the Organization contracted with vendors for services that exceeded the \$25,000 threshold and did not consistently retain the suspension and debarment documentation to show the review took place before the transaction was entered into.

Status: Implemented

2020-003: SPECIAL TESTS AND PROVISIONS

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Summary

As part of our audit, we noted the Organization did not have adequate internal controls designed to ensure the proper sliding fee discount was calculated and applied to a patient's account.

Status: Implemented

**LA FAMILIA MEDICAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Agency/ Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Health Center Program Cluster			
* Consolidated Health Centers	93.224 & 93.527	H80CS00606	\$ 5,538,365
* COVID-19: Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	93.224	H8DCS36392	971,675
* COVID-19: FY 2020 Expanding Capacity for Coronavirus Testing	93.224	H8ECS38668	369,154
Total Health Center Program Cluster Subtotal			<u>6,879,194</u>
 COVID-19: Provider Relief Fund	 93.498	 HHS-87504031812	 <u>193,157</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,072,351</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, 2021. 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 \$193,157 that were received in Period 1 in accordance with the requirements of the compliance supplement for assistance listing number 93.498. The Organization received additional payments of \$88,313 in subsequent phases. The Organization has recognized \$258,677 and \$22,793 of Provider Relief Funds in the financial statements for the years ending June 30, 2021 and 2020, respectively.