

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2024 AND 2023



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**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
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INDEPENDENT AUDITORS' REPORT

Board of Directors
La Familia Medical Center
dba: La Familia Health
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 dba: La Familia Health (the Organization), which comprise the balance sheets as of June 30, 2024 and 2023, 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, 2024 and 2023, 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.

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 January 29, 2025, on our consideration of the Organization'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 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
January 29, 2025

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
BALANCE SHEETS
JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 625,334	\$ 547,692
Receivables:		
Patient Receivables	967,125	946,033
Pharmacy Receivables	119,882	-
Grants Receivables	631,953	249,256
Employee Retention Credit Receivables	3,244,624	-
Other Receivables	59,859	-
Supplies Inventory	-	51,516
Prepaid Expenses	16,534	11,597
Total Current Assets	<u>5,665,311</u>	<u>1,806,094</u>
PROPERTY AND EQUIPMENT, NET	392,369	801,555
RIGHT-OF-USE ASSETS, NET - OPERATING	17,256	51,041
INVESTMENTS	2,055,545	3,998,834
OTHER ASSETS		
Donated Use of Buildings	-	56,222
Investment in New Mexico Care Partners, LLC	240,000	240,000
Beneficial Interest in Assets Held by Santa Fe Community Foundation	59,071	56,755
Total Other Assets	<u>299,071</u>	<u>352,977</u>
Total Assets	<u><u>\$ 8,429,552</u></u>	<u><u>\$ 7,010,501</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 896,802	\$ 623,935
Accrued Payroll, Benefits, and Related Liabilities	1,152,482	1,095,745
Current Portion of Operating Lease Liability	17,256	33,785
Total Current Liabilities	<u>2,066,540</u>	<u>1,753,465</u>
OPERATING LEASE LIABILITY, NET OF CURRENT PORTION	<u>-</u>	<u>17,256</u>
Total Liabilities	2,066,540	1,770,721
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Net Assets Without Donor Restrictions	6,303,941	5,126,803
Net Assets With Donor Restrictions	59,071	112,977
Total Net Assets	<u>6,363,012</u>	<u>5,239,780</u>
Total Liabilities and Net Assets	<u><u>\$ 8,429,552</u></u>	<u><u>\$ 7,010,501</u></u>

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS		
Patient Service Revenues	\$ 7,204,654	\$ 6,907,743
Federal Grant Funds	5,654,988	7,741,432
Other Grants and Contracts	2,263,632	2,157,970
Contributions	309,330	278,627
Contributions of Nonfinancial Assets	672,204	686,510
Employee Retention Credit	3,244,624	-
Other Revenue	1,200,137	652,840
Investment Gain	<u>21,614</u>	<u>232,773</u>
Total Support and Revenues Without Donor Restrictions	20,571,183	18,657,895
EXPENSES		
Salaries, Wages, and Benefits	11,636,100	13,785,062
Professional Fees	3,362,064	1,473,215
Supplies	1,428,131	971,712
Other	1,777,539	2,251,225
Depreciation and Amortization	546,557	582,188
Contributions of Nonfinancial Assets	672,204	686,510
Interest	<u>27,672</u>	<u>2,446</u>
Total Expenses	<u>19,450,267</u>	<u>19,752,358</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	1,120,916	(1,094,463)
Net Assets Released from Restrictions for Donated Use of Buildings	<u>56,222</u>	<u>56,221</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u><u>\$ 1,177,138</u></u>	<u><u>\$ (1,038,242)</u></u>

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (Deficit) of Revenues over Expenses	\$ 1,120,916	\$ (1,094,463)
Net Assets Released from Restrictions for		
Donated Use of Buildings	<u>56,222</u>	<u>56,221</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>1,177,138</u>	<u>(1,038,242)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Change in Beneficial Interest in Assets Held by		
Santa Fe Community Foundation	2,316	(115)
Net Assets Released from Restrictions for		
Donated Use of Buildings	<u>(56,222)</u>	<u>(56,221)</u>
Decrease in Net Assets With Donor Restrictions	<u>(53,906)</u>	<u>(56,336)</u>
INCREASE (DECREASE) IN NET ASSETS	1,123,232	(1,094,578)
Net Assets - Beginning of Year	<u>5,239,780</u>	<u>6,334,358</u>
NET ASSETS - END OF YEAR	<u><u>\$ 6,363,012</u></u>	<u><u>\$ 5,239,780</u></u>

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 1,123,232	\$ (1,094,578)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	546,557	582,188
Realized and Unrealized (Gains) Losses on Investments	91,915	(141,225)
Change in Beneficial Interest of Assets Held by Santa Fe Community Foundation	(2,316)	115
Changes in Assets and Liabilities:		
Patient Receivables	(21,092)	(79,705)
Pharmacy Receivables	(119,882)	-
Grants Receivable	(382,697)	(77,488)
Employee Retention Credit Receivables	(3,244,624)	-
Other Receivables	(59,859)	-
Supplies Inventory	51,516	87,223
Prepaid Expenses	(4,937)	69,347
Accounts Payable	272,867	191,769
Accrued Payroll, Benefits, and Related Liabilities	56,737	(51,183)
Net Cash Used by Operating Activities	<u>(1,692,583)</u>	<u>(513,537)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(81,149)	(119,754)
Sales of Investments	1,851,374	-
Purchases of Investments	-	(57,381)
Net Cash Provided (Used) by Investing Activities	<u>1,770,225</u>	<u>(177,135)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,642	(690,672)
Cash and Cash Equivalents - Beginning of Year	<u>547,692</u>	<u>1,238,364</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 625,334</u></u>	<u><u>\$ 547,692</u></u>

See accompanying Notes to Financial Statements.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

La Familia Medical Center dba: La Familia Health (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, 2024 and 2023.

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, 2024 and 2023, 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
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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.

In evaluating the collectability of patient accounts receivables, management regularly reviews data and develops a loss rate to determine expensed credit losses based on several factors including whether a patient has third party coverage or is uninsured, the aging of receivables, historical collection and loss experience, current contract prices or claims paid data, and trends for each of its major payors.

Management believes no allowance for expected credit loss estimate is considered necessary based on historical credit losses and future credit losses.

Supplies Inventory

Supplies inventory was comprised of medical, laboratory, and pharmaceutical supplies. Supplies inventory was 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
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, 2024 and 2023.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating in the balance sheets.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2024 and 2023, the Organization provided approximately \$1,092,000 and \$1,359,000 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.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Use of Building

The Organization 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. The donation of the building is for 25 years with an option to renew for a second 25-year period. The lease is cancelable upon certain notice. The Organization has recorded the long-term use of the property as a donated use of building at estimated fair value. The fair value of the donated use of the building 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. The lease expired on December 31, 2024, and was renewed subsequent to year end through December 31, 2049. Per the lease agreement, the Organization will pay annual rent of \$204,901 reduced by in-kind services provided at the Southside Clinic.

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. The Organization values these amounts using fair market value information provided by the donor. Amounts received from these sources for donated buildings during the years ended June 30, 2024 and 2023 were \$473,845 and \$473,846, respectively. Amounts received from these sources for donated pharmaceuticals, vaccines, and laboratory services during the years ended June 30, 2024 and 2023 were \$198,359 and \$212,664, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2024 and 2023 was \$7,801 and \$46,294, respectively.

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.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status (Continued)

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
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2016-13

The Organization has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 29, 2025, the date the financial statements were available to be issued.

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>2024</u>	<u>2023</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 625,334	\$ 547,692
Receivables:		
Patient Receivables	967,125	946,033
Grants Receivables	631,953	249,256
Employee Retention Credit Receivables	3,244,624	-
Other Receivables	59,859	-
Investments	2,055,545	3,998,834
Total Financial Assets Available within One Year	<u>\$ 7,584,440</u>	<u>\$ 5,741,815</u>

The Organization has a line of credit available in the amount of \$500,000, as discussed in Note 7. As of June 30, 2024 and 2023, the full amount of the line of credit was available to the Organization.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 INVESTMENTS

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

	2024	2023
Money Markets	\$ 2,033,766	\$ 1,017,431
Fixed Income Mutual Funds	-	1,826,241
Equity Mutual Funds	-	1,155,162
Equities	21,779	-
Total Investments	<u>\$ 2,055,545</u>	<u>\$ 3,998,834</u>

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

	2024	2023
Interest and Dividends	\$ 113,529	\$ 91,548
Realized Losses on Investments	(178,606)	(205,508)
Unrealized Gains on Investments	86,691	346,733
Total Investment Gain	<u>\$ 21,614</u>	<u>\$ 232,773</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 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 2024 and 2023 recorded shared savings revenue of approximately \$937,000 and \$466,000, 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, 2024 and 2023.

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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, 2022	\$ 866,328
Balance as of June 30, 2023	946,033
Balance as of June 30, 2024	967,125

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.

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NOTE 5 PATIENT SERVICE REVENUE (CONTINUED)

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.

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.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 5 PATIENT SERVICE REVENUES (CONTINUED)

Other (Continued)

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 2024 or 2023.

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, 2024 and 2023. 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.

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.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 5 PATIENT SERVICE REVENUES (CONTINUED)

Other (Continued)

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.

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2024	2023
Buildings and Leasehold Improvements	\$ 4,934,593	\$ 4,921,643
Furniture, Fixtures, and Equipment	3,869,712	3,801,513
Total	8,804,305	8,723,156
Less: Accumulated Depreciation	(8,411,936)	(7,921,601)
Total Property and Equipment, Net	<u>\$ 392,369</u>	<u>\$ 801,555</u>

**LA FAMILIA MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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 8.50% as of June 30, 2024, 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, 2024 and 2023.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Subject to Expenditure for Specific Purpose:		
Donated Use of Buildings	\$ -	\$ 56,222
Total	-	56,222
Not Subject to Appropriation or Expenditure:		
Operating Endowment	59,071	56,755
Total Net Assets with Donor Restrictions	<u>\$ 59,071</u>	<u>\$ 112,977</u>

NOTE 9 SIGNIFICANT CONCENTRATIONS AND CREDIT RISK

Government Funding

Approximately 69% and 75% of the Organization's total support and revenue without donor restrictions for the years ended June 30, 2024 and 2023, 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.

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:

	2024	2023
Medicare	25 %	29 %
Medicaid	9	18
Self Pay	53	39
Other Third-Party Payors	13	14
Total	<u>100 %</u>	<u>100 %</u>

**LA FAMILIA MEDICAL CENTER
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JUNE 30, 2024 AND 2023**

NOTE 10 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 \$50,000 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 \$50,000 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, 2024 and 2023 totaled approximately \$127,000 and \$123,000, respectively, and is included in accrued payroll, benefits, and related liabilities on the balance sheets.

NOTE 11 RETIREMENT PLAN

The Organization has a 403(b) 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, 2024 and 2023, the Organization contributed \$135,546 and \$148,273, respectively, toward the Plan.

NOTE 12 LEASES

The Organization's operating lease is for parking space under a long-term, noncancelable lease agreement. The Organization determines if an arrangement is a lease at contract inception. Right-of-use assets and operating lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. Because the Organization's lease does not provide an implicit rate of return, the Organization uses a risk-free rate based on the daily treasury yield curve at lease commencement in determining the present value of lease payments.

Most leases include one of more options to renew. The exercise of such lease renewal option is at that Organization's sole discretion. For purposes of calculating the operating lease liability, lease terms include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

Leases with a term of 12 months or less at commencement are not recorded on the balance sheets. Lease expense for these arrangements is recognized on a straight-line basis over the lease term. The Organization paid \$34,800 towards operating leases during fiscal years 2024 and 2023.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Operating lease expense for the years ending June 30, 2024 and 2023, was \$34,800 and \$34,800.

As of June 30, 2024 and 2023, the remaining lease term was 0.5 and 1.5 years, respectively, and the discount rate was 2.85%.

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NOTE 12 LEASES (CONTINUED)

The following table summarized the maturity of the operating lease liability as of June 30, 2024:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 17,400
Less: Current Portion	(17,256)
Less: Interest	(144)
Total	<u>\$ -</u>

NOTE 13 COMMITMENTS AND CONTINGENCIES

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.

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NOTE 13 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.

Labor Agreements

In September 2023, the National Labor Relations Board (NLRB) certified a petition by the Union of American Physicians & Dentists at all of the Organization's sites to represent the physicians, dentists, and nurse practitioners employed by the Organization. The Organization and Union representatives initiated collective bargaining in November 2023. Pursuant to NLRB rules, the Organization cannot make changes to the terms and conditions of employment without approval of the union and union members. Not more than ninety days no less than thirty days prior to the expiration date, either party may notify the other party of its desire to cancel, amend, or modify the collective bargaining agreement. No neither party gives notice the collective bargaining agreement shall automatically renew for a one-year terms.

COVID-19 Pandemic

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 were available to be expended through March 31, 2023 and were expended in full.

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NOTE 13 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 14 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:

2024	Health Care Services	Management and General	Fundraising Expenses	Totals
Salaries, Wages, and Benefits	\$ 9,665,444	\$ 1,842,785	\$ 127,871	\$ 11,636,100
Professional Fees	1,909,295	1,452,769	-	3,362,064
Supplies	1,387,152	40,979	-	1,428,131
Other	968,031	791,461	18,047	1,777,539
Depreciation and Amortization	136,501	410,056	-	546,557
Contributions of Nonfinancial Assets	672,204	-	-	672,204
Interest	-	27,672	-	27,672
Total Expenses	<u>\$ 14,738,627</u>	<u>\$ 4,565,722</u>	<u>\$ 145,918</u>	<u>\$ 19,450,267</u>

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JUNE 30, 2024 AND 2023**

NOTE 14 FUNCTIONAL EXPENSES (CONTINUED)

2023	Health Care Services	Management and General	Fundraising Expenses	Totals
Salaries, Wages, and Benefits	\$ 11,968,490	\$ 1,704,305	\$ 112,267	\$ 13,785,062
Professional Fees	1,204,815	266,189	2,211	1,473,215
Supplies	935,886	35,710	116	971,712
Other	1,695,176	536,803	19,246	2,251,225
Depreciation and Amortization	167,601	414,587	-	582,188
Contributions of Nonfinancial Assets	686,510	-	-	686,510
Interest	-	2,446	-	2,446
Total Expenses	<u>\$ 16,658,478</u>	<u>\$ 2,960,040</u>	<u>\$ 133,840</u>	<u>\$ 19,752,358</u>

NOTE 15 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:

2024	Level 1	Level 2	Level 3	Total
Assets:				
Equities	\$ 21,779	\$ -	\$ -	\$ 21,779
Beneficial Interest in Assets Held By Santa Fe Community Foundation	-	-	59,071	59,071
Total	<u>\$ 21,779</u>	<u>\$ -</u>	<u>\$ 59,071</u>	<u>\$ 80,850</u>
2023	Level 1	Level 2	Level 3	Total
Assets:				
Fixed Income Mutual Funds	\$ 1,826,241	\$ -	\$ -	\$ 1,826,241
Equity Mutual Funds	1,155,162	-	-	1,155,162
Beneficial Interest in Assets Held By Santa Fe Community Foundation	-	-	56,755	56,755
Total	<u>\$ 2,981,403</u>	<u>\$ -</u>	<u>\$ 56,755</u>	<u>\$ 3,038,158</u>

Level 3 Inputs

The value of the interest in assets held by Santa Fe Community Foundation represents investments held by Santa Fe Community Foundation and managed by a third party. The unobservable inputs and amounts used are the fair value of the investments held by Santa Fe Community Foundation.

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JUNE 30, 2024 AND 2023**

NOTE 16 OPERATIONS

The Organization continues its recovery from the COVID-19 pandemic which had a huge impact on operations, not only organizationally, but industry wide. The COVID-19 pandemic had substantial impacts on patient revenues, staffing, and operations. The Organization has made progress in adjusting to a post-covid environment.

Looking forward to fiscal year 2025, the Organization is anticipating to incur a loss for the fiscal year, but an improvement from what was budgeted for fiscal year 2024. The Organization plans to grow patient revenues through the addition of providers and also plans to grow pharmacy revenue through additional contract pharmacy relationships. Also, upon receipt of the employee retention credit the Organization's days cash on hand will increase by 57 days based on fiscal year 2024 daily cash expenses. These plans are not all encompassing and the Organization will continue to evaluate ways to improve revenues and control costs, while continuing to move the Organization forward to meet the needs of the patients we serve, our workforce, and the communities in which we serve.

NOTE 17 EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. On December 27, 2020, the Consolidated Appropriations Act (CAA) was signed into law. Among other provisions, the CAA expanded the eligibility for ERC to include more entities as well as extending ERC into calendar year 2021 including the first, second and third calendar quarters. Furthermore, the refundable tax credit for the calendar year 2021 was expanded to 70% of the qualified wages. CAA provided these entities the ability to retroactively recover payroll taxes from earlier in 2020 during which they were previously ineligible. This is done by retroactively applying for the credit.

Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and 2021 and experience either the full or partial suspension of the operation of their trade or business during any calendar quarter due to a significant decline in gross receipts or because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which eligibility requirements were met.

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NOTE 17 EMPLOYEE RETENTION CREDIT (CONTINUED)

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. The Organization has submitted for the ERC credit for the quarters ending March 31, 2021, June 30, 2021, and September 30, 2021. During the year ended June 30, 2024, the Organization determined it met the compliance requirements and conditions of the Employee Retention Credit (ERC) program. The Organization recognized the March 31, 2021, June 30, 2021, and September 30, 2021 ERC credits in the amount of \$3,244,624 as accounts receivable in the June 30, 2024 balance sheet. Subsequent to year end the Organization received the June 30, 2021 credit payment in the amount of \$1,158,755 plus interest of \$155,144. The Organization has yet to receive payments on the March 2021 and September 2021 credits.

The Organization has also accrued the unpaid fees of \$421,801 in accounts payable that are due to the vendor that assisted with ERC credit filing. Upon successful receipt of the employee retention credit the balance of the fee due to the vendor will be paid.

There is a possibility that upon subsequent review the Internal Revenue Service (IRS) could reach a different conclusion regarding the Organization's eligibility to retain the ERC credits received. That could result in repayment of the credits, interest, and potential penalties. The amount of liability, if any, from potential ineligibility cannot be determined with certainty.



**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
dba: La Familia Health
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 dba: La Familia Health (the Organization), which comprise the balance sheet as of June 30, 2024, 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 January 29, 2025.

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.

Board of Directors
La Familia Medical Center
dba: La Familia Health

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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Denver, Colorado
January 29, 2025



**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
dba: La Familia Health
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

Qualified Opinion

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, 2024. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Health Center Program Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing No. 93.224 and 93.527 Health Center Program Cluster for the year ended June 30, 2024.

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.

Matter Giving Rise to Qualified Opinion on Health Center Program Cluster

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding Assistance Listing No. 93.224 and 93.527 Health Center Program Cluster as described in finding number 2024-001 for Special Tests: Application of Sliding Fee Discount.

Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

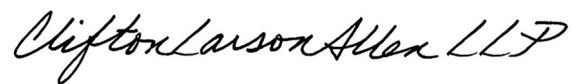
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Board of Directors
La Familia Medical Center
dba: La Familia Health

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

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

CliftonLarsonAllen LLP

Denver, Colorado
January 29, 2025

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results

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? X yes _____ no

Significant deficiency(ies) identified? X yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ 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: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs – Major Federal Programs

2024 – 001 Special Tests: Application of Sliding Fee Discount

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Consolidated Health Centers Grant

AL Number: 93.224 & 93.527

Award Period: 7/1/23 - 6/30/24

Type of Finding: Material Weakness in Internal Control over Compliance and Compliance

Criteria or Specific Requirement

Per Title 42 Chapter 1 Subchapter D Section 51c303(f), “Health centers must have a schedule of fees or payments for the provision of their health services consistent with locally prevailing rates or charges designed to cover their reasonable costs of operation. They are also required to have a corresponding schedule of discounts applied and adjusted on the basis of the patient’s ability to pay.”

Condition and Context

During our testing of forty sliding fee discounts for health center patients qualifying for reduced charge visits, we identified two visits didn’t have a sliding fee discount application on file to verify the sliding fee discount amount.

Effect

Potential that a patient would not receive the appropriate sliding fee discount or may receive a discount when they have not applied for one.

Questioned Costs

None identified.

Cause

Clerical error in which the sliding fee application was not scanned into the patients file due to lack of an oversight process in place.

Recommendation

We recommend the Organization to review internal controls in regards to the determination, recording, and monitoring of the sliding fee process to ensure that appropriate sliding fee rates/categories are utilized for each sliding fee encounter and that all documentation supporting the sliding discount provided is retained.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2024 – 001 Special Tests: Application of Sliding Fee Discount (Continued)

Views of Responsible Officials

The Organization corrected the claims on October 17, 2024 to reverse the sliding fee discounts that were provided without proper sliding fee application support and billing staff will work with the patients to attempt to collect the balance. The Organization has made changes to its workflow and provided education to staff instructing them the importance of sliding fee applications and only applying the correct sliding fee discount amount when proper documentation support exists.

2024 – 002 Procurement and Suspension and Debarment

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Consolidated Health Centers Grant

AL Number: 93.224 & 93.527

Award Period: 7/1/23 - 6/30/24

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

Criteria or Specific Requirement

2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires compliance with the provisions of procurement and suspension and debarment. The Organization should have internal controls designed to ensure compliance with these provisions.

Condition and Context

We noted the Organization is not in compliance with requirements related to Procurement, Suspension and Debarment. During our testing, we noted the following exception:

- For one of the procurement transactions tested the Organization did not retain support to document the procurement methods followed (i.e., sole source, small purchases, sealed bids, proposals, etc.).

Effect

The auditor noted instances of noncompliance. Noncompliance results in possible federal funds provided to ineligible subrecipients and/or vendors.

Questioned Costs

None identified.

Cause

The Organization lacked a process to ensure all supporting procurement documentation is retained to support the procurement method used.

Recommendation

We recommend the Organization retain all documentation and support to show that the procurement policy was followed.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2024 – 002 Procurement and Suspension and Debarment (Continued)

Views of Responsible Officials

The Organization maintains procurement policies and procedures, including sole source award procedures, that closely track federal procurement regulations. However, the Organization was unable to locate the sole source documentation prepared at the time of the award in 2021. This is likely attributable to management turnover, along with the operational impact of the COVID Public Health Emergency in effect at that time. The Organization will schedule training for managers on procurement, sole source awards, and document retention. In addition, the Finance Department will review its forms and workflows to ensure filing accuracy and strengthen procurement controls.

**LA FAMILIA MEDICAL CENTER
DBA: LA FAMILIA HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

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	\$ 5,520,812
* FY 2023 Bridge Access Program	93.527	H8LCS50925	74,176
Total Health Center Program Cluster			<u>5,594,988</u>
 Congressionally Directed Spending for Construction Projects	 93.493	 CE2CS52764	 60,000
Total Expenditures of Federal Awards			<u><u>\$ 5,654,988</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, 2024. 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.

