

VIA CARE COMMUNITY HEALTH CENTER

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021

**VIA CARE COMMUNITY HEALTH CENTER
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	29
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	32
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	34

INDEPENDENT AUDITORS' REPORT

Board of Directors
Via Care Community Health Center
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Via Care Community Health Center (a nonprofit corporation) (The Organization), which comprises the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, 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 Via Care Community Health Center, as of June 30, 2022 and 2021, and the 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 Via Care Community Health Center 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 Via Care Community Health Center's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 Via Care Community Health Center'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 Via Care Community Health Center's ability to continue as a going concern for a reasonable period of time.

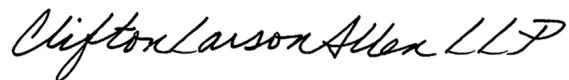
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of consolidated revenues and expenses by program and the accompanying 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023, on our consideration of Via Care Community Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Via Care Community Health Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Via Care Community Health Center's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
March 6, 2023

**VIA CARE COMMUNITY HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS	2022	2021
CURRENT ASSETS		
Cash	\$ 8,483,049	\$ 5,217,884
Investments	228,778	-
Accounts Receivable:		
Patient Accounts Receivable, Net	1,603,335	1,518,394
Grants and Contracts	316,179	468,668
Other	97,243	42,608
Inventory	111,425	135,026
Prepaid Expenses	153,618	125,100
Total Current Assets	10,993,627	7,507,680
NONCURRENT ASSETS		
Property and Equipment, Net	3,296,369	431,367
Intangible Assets, Net	194,128	287,189
Goodwill, Net	189,178	212,825
Total Noncurrent Assets	3,679,675	931,381
 Total Assets	 \$ 14,673,302	 \$ 8,439,061
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 98,162	\$ 37,285
Accounts Payable and Accrued Expenses	1,147,843	821,081
Accrued Payroll and Related Expenses	523,026	288,393
Accrued Paid Time Off	613,087	392,915
Total Current Liabilities	2,382,118	1,539,674
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	1,475,501	476,843
Total Liabilities	3,857,619	2,016,517
NET ASSETS		
Without Donor Restrictions	10,815,683	6,422,544
Total Net Assets	10,815,683	6,422,544
 Total Liabilities and Net Assets	 \$ 14,673,302	 \$ 8,439,061

See accompanying Notes to Financial Statements.

**VIA CARE COMMUNITY HEALTH CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
OPERATING REVENUE		
Patient Service Revenue	\$ 11,745,104	\$ 7,244,140
Pharmacy Revenue	2,065,676	1,672,392
Grant Revenue	8,618,545	5,800,679
Contract Revenue	2,332,772	1,894,654
Capitation Revenue	2,907,427	2,273,066
Gifts-In-Kind	812,063	505,064
Contributions	10,077	7,243
Other Income	18,010	1,194,624
Total Operating Revenue	28,509,674	20,591,862
OPERATING EXPENSES		
Program Services	22,426,386	11,930,720
Management and General	1,211,563	3,730,575
Fundraising	478,586	338,997
Total Operating Expenses	24,116,535	16,000,292
CHANGE IN NET ASSETS	4,393,139	4,591,570
Net Assets - Beginning of Year	6,422,544	1,830,974
NET ASSETS - END OF YEAR	\$ 10,815,683	\$ 6,422,544

See accompanying Notes to Financial Statements.

**VIA CARE COMMUNITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Fundraising	Total
Wages and Salaries	\$ 12,244,943	\$ 236,874	\$ 239,474	\$ 12,721,291
Employee Benefits	2,084,063	40,269	40,711	2,165,043
Total Salaries and Related Expenses	<u>14,329,006</u>	<u>277,143</u>	<u>280,185</u>	<u>14,886,334</u>
Program Supplies	2,282,554	-	-	2,282,554
Rent	1,264,463	24,456	24,725	1,313,644
Contract Services	1,851,528	873,687	136,999	2,862,214
Bad Debts	-	-	-	-
Depreciation and Amortization	299,734	5,797	5,861	311,392
Staff Related Expense	301,394	5,829	5,893	313,116
Facility	371,144	7,178	7,257	385,579
Communications	120,386	2,328	2,354	125,068
Legal and Accounting	60,141	1,163	1,176	62,480
Utilities	117,843	2,279	2,304	122,426
Insurance	119,005	2,302	2,327	123,634
Bank Fees and Licenses	35,802	693	700	37,195
Office Supplies	183,733	3,554	3,593	190,880
Printing and Postage	44,379	858	868	46,105
Interest and Penalties	36,981	715	723	38,419
Travel	46,063	891	901	47,855
Dues and Subscriptions	67,334	1,302	1,317	69,953
Meetings and Conferences	33,225	643	650	34,518
Miscellaneous	819,502	358	362	820,222
Board Related Expense	20,001	387	391	20,779
Loss on Investments	22,168	-	-	22,168
Total Functional Expenses	<u><u>\$ 22,426,386</u></u>	<u><u>\$ 1,211,563</u></u>	<u><u>\$ 478,586</u></u>	<u><u>\$ 24,116,535</u></u>

See accompanying Notes to Financial Statements.

**VIA CARE COMMUNITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Fundraising	Total
Wages and Salaries	\$ 6,077,234	\$ 2,246,982	\$ 170,000	\$ 8,494,216
Other Employee Benefits	1,027,277	379,740	28,730	1,435,747
Total Salaries and Related Expenses	<u>7,104,511</u>	<u>2,626,722</u>	<u>198,730</u>	<u>9,929,963</u>
Program Supplies	1,887,479	-	-	1,887,479
Rent	723,678	267,402	20,231	1,011,311
Contract Services	740,998	489,976	95,336	1,326,310
Bad Debts	132,590	-	-	132,590
Depreciation and Amortization	219,407	101,120	6,137	326,664
Staff Related	97,588	36,414	2,755	136,757
Facility	107,977	39,922	3,020	150,919
Communications	103,811	38,382	2,904	145,097
Legal and Accounting	55,271	20,435	1,546	77,252
Personal Protective Equipment	-	-	-	-
Utilities	53,159	19,654	1,487	74,300
Insurance	98,960	18,031	1,364	118,355
Bank Fees and Licenses	14,358	5,308	402	20,068
Office Supplies	88,770	32,445	2,455	123,670
Printing and Postage	27,862	10,301	779	38,942
Interest and Penalties	7,864	2,907	220	10,991
Travel	23,736	8,776	664	33,176
Dues and Subscriptions	14,977	5,537	419	20,933
Meetings and Conferences	4,938	1,826	138	6,902
Miscellaneous	414,238	2,257	171	416,666
Board Related	8,548	3,160	239	11,947
Total Functional Expenses	<u><u>\$ 11,930,720</u></u>	<u><u>\$ 3,730,575</u></u>	<u><u>\$ 338,997</u></u>	<u><u>\$ 16,000,292</u></u>

See accompanying Notes to Financial Statements.

**VIA CARE COMMUNITY HEALTH CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,393,139	\$ 4,591,570
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	311,392	326,664
Decrease (Increase) in Assets:		
Investments	(228,778)	
Accounts Receivable	12,913	(657,151)
Inventory	23,601	(130,891)
Prepaid Expenses	(28,518)	(46,117)
Increase (Decrease) in Liabilities:		
Accounts Payable	326,762	307,575
Accrued Payroll and Related Expense	234,633	124,316
Accrued Paid Time Off	220,172	169,591
Net Cash Provided by Operating Activities	5,265,316	4,685,557
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(3,059,686)	(291,020)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	1,156,157	500,000
Principal Payments of Long-Term Debt	(96,622)	(190,345)
Forgiveness of Long-Term Debt	-	(1,190,667)
Net Cash Provided (Used) by Financing Activities	1,059,535	(881,012)
NET INCREASE IN CASH	3,265,165	3,513,525
Cash - Beginning of Year	5,217,884	1,704,359
CASH - END OF YEAR	\$ 8,483,049	\$ 5,217,884
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 34,381	\$ 7,404
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of Construction in Progress through Accounts Payable	\$ 232,019	\$ -

See accompanying Notes to Financial Statements.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 NATURE OF ACTIVITIES

Organization

Via Care Community Health Center (Via Care or the Organization) is a nonprofit Federally Qualified Health Center formed to provide exceptional health care to patients in its service and throughout their lives. As a community-based organization, Via Care fulfills its mission by delivering quality health care services throughout the entire life cycle, in a manner that is respectful and conscious of the cultural and linguistic needs of their patients.

Via Care builds on a foundation of empowering patients to take control of their health and lives, offering extensive family planning, health screening, and health education in addition to primary medical and dental care. Behavioral health services additionally provide confidential, accessible counseling and support that mitigates the stigma usually associated with seeking mental health treatment. Collaborative relationships with local hospitals ensure that patients will receive coherent care in all situations.

Headquartered in East Los Angeles, Via Care presently operates twelve primary-care clinics, school-based wellness centers at Garfield High School, East Los Angeles College, and Los Angeles Technical College and Behavioral & Dental Health offices. Via Care is moving toward creating a patient-centered medical home model of care, which would ease families out of crisis mode and into the routine maintenance of good health throughout their lives.

The Organization's sources of revenues include payments from other service providers, government and foundation grants, patient donations, and payments for services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are reported in each of the following two classes: net assets without donor restrictions and net assets with donor restrictions.

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. At June 30, 2022 and 2021, the governing board has not designated any net assets.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At June 30, 2022, there were no donor-imposed restrictions that were 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 temporary 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 unrestricted net asset classes.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Accrual accounting requires the recognition of revenues when they are earned and measurable in the accounting period which services are provided, and the recognition of expenses in the period in which they occur.

Cash

Via Care considers all highly liquid investments, except those restricted or designated, with an original maturity of three months or less when purchased to be cash. At times, deposits may be in excess of Federal Deposit Insurance Corporation insurance limits.

Concentration of Credit Risks

The primary receivable balance outstanding at June 30, 2022 and 2021 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Via Care's receivables consist of earned fees from contract programs granted by governmental agencies.

Via Care's investments are held at a major financial institution that has Securities Investor Protection Corporation (SIPC) coverage in the United States of America. Deposits held at the financial institution generally exceed that SIPC coverage. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. Generally, these deposits may be redeemed upon demand.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Via Care maintains an inventory of medications for patients. This inventory is stated at the lower of cost (first-in, first out) or net realizable value.

Investments

Investments with values based on public market quotations are recorded at fair value with unrealized gains and losses recognized in the statements of activities and changes in net assets. For other securities, for which no such quotations or valuations are readily available, value is estimated using net asset values provided by external investment managers. These can consist of equity investments, mutual funds, fixed income securities, and other funds and are recorded at approximate fair value as determined and approved by the managers or valuation committees of the alternative investments based upon judgements, which include, among other factors, restrictions affecting marketability and operating results.

Property and Equipment, Net

Property and equipment are stated at cost. Donated property is recorded at its estimated fair market value at the date of receipt, which is treated as cost. All items greater than \$5,000 are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

Depreciation is calculated using the straight-line method over the estimated useful lives, ranging from 4 to 10 years.

Via Care reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the years ended June 30, 2022 and 2021 there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Construction in progress costs have been deferred until the projects have been constructed. When the planned projects are constructed, the construction in progress costs are capitalized and depreciated over the life of the project assets.

Goodwill, Net

Via Care acquires medical practices from time to time. Goodwill in such acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets, and liabilities assumed. Amounts assigned to goodwill and other identifiable intangible assets are based on independent appraisals or internal estimates. Goodwill is evaluated for impairment each year.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill, Net (Continued)

Via Care elected to implement Accounting Standards Update (ASU) No. 2019-06 for the year ended June 30, 2021. At the time of implementation, the Clinic determined that goodwill would be amortized on a straight-line basis over a period of 10 years, as allowed under the provisions of ASU No. 2019-06. As of June 30, 2022 and 2021, the Clinic has recorded \$47,294 and \$23,647, respectively, in accumulated amortization of goodwill.

Gifts in Kind

Contributions of donated goods are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation and are recorded at their fair values in the period received.

Revenue Recognition – Grants and Contracts

Revenues related to cost reimbursement-based grants and contracts to provide medical services are recorded to the extent of expenditures incurred not to exceed grant and contract award. All other grants are recognized as revenue when the award is made.

Net Patient Service Revenue

Via Care has agreements with third-party payors, including Medicaid and Medicare that provide for payments to Via Care at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, negotiated rates per service provided, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts 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 sliding fee adjustments, Via Care recognizes revenue on the basis of its standard rates for services provided. A significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, Via Care records a provision for bad debts related to uninsured patients in the period the services are provided. Via Care also records an allowance for contractual adjustments related to third-party payers for services provided. The provision for bad debts and contractual adjustments are recorded as a component of net patient service revenue.

Income Taxes

Via Care is a nonprofit corporation, exempt from the payment of income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes. However, Via Care is subject to income taxes on any net income that is derived from a trade or business not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business in the opinion of management, is not material to the financial statements taken as a whole.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Via Care follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The application of this standard has no effect on the financial statements. Via Care's tax returns are subject to review and examination by federal, state, and local authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Functional Allocation of Expenses

Expenses are allocated directly or indirectly to various program and supporting activities in the statement of activities and changes in net assets and schedule of functional expenses. Expenses that can be identified with a specific program or supporting activities are allocated directly according to their natural classification. All remaining indirect costs are allocated using statistical or nonstatistical allocation methodologies.

Allocation of Costs Between Program and Support Functions

Readily identifiable costs such as salaries and wages; clinical and dental supplies; medications; laboratory fees; health fair costs, etc. are charged to one of four cost centers (Medical, Dental, Behavioral Health or Outreach and Enrollment) and then allocated to a specific grant budget or to programs based on estimates of time spent. The estimates of time spent are corroborated by semi-annual time studies. Administrative and undesigned costs are first bundled under Administration and then allocated to the cost centers on the percentage relationship of salaries and wages.

New Accounting Pronouncements – ASU 2014-09

The Financial Account Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. In June 2020, ASU No. 2020-05 was issued which deferred the effective date of this standard by one year. The Organization adopted ASU No. 2014-09 beginning on July 1, 2020 using a full retrospective approach. ASU No. 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. As such the standard requires an organization to recognize revenue when the organization transfers control of promised Organization sufficient quantitative and qualitative information to enable users of financial statement to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with patients. The adoption of ASU No. 2014-09 resulted in changes to the presentation of and disclosure of revenue related to uninsured and underinsured patients.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2014-09 (Continued)

Under ASU No. 2014-09, the estimated uncollectible amounts due from patients are considered a change in estimate of the implicit price concession and are generally considered a direct reduction to patient service revenue. The Organization also assessed the impact of ASU No. 2014-09 for programs that are subject to variable consideration and concluded that accounting for these programs under ASU No.2014-09 is consistent with the historical accounting practices. Adoption of the new standard did not materially impact the financial position, results of operation, or cash flows of the Organization and there was no cumulative effect of a change in accounting principal recorded as a result of adoption.

Fair Value Measurements

Via Care follows the Fair Value Measurements accounting standard. The standard 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.

Upcoming Accounting Standards

FASB issued ASU No. 2016-02 *Leases (Topic 842)* requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. The standard will not be effective for the Organization until the year ending June 30, 2023. Management is currently in the process of evaluating the impact.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated subsequent events through March 6, 2023, which is the date the consolidated financial statements were available to be issued.

NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES

Via Care's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 8,483,049	\$ 5,217,884
Accounts Receivable	2,016,757	2,029,670
Total	<u>\$ 10,499,806</u>	<u>\$ 7,247,554</u>

None of the financial assets are subject to donor, board, or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

Via Care has capitation contracts in place for approximately 16,767 patient lives which generate between \$225,000 to \$250,000 cash, per month.

NOTE 4 PATIENT RECEIVABLES, NET

Patient receivables are reduced for explicit and implicit price concessions. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate implicit and explicit price concession. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the price concessions.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an explicit price concession, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance who are not covered by the Organization's sliding fee discount program, and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records an implicit price concession on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is considered a change in estimate of the implicit price concession.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 PATIENT RECEIVABLES, NET (CONTINUED)

The components of accounts receivable are as follows:

	<u>2022</u>	<u>2021</u>
Patient Accounts Receivable	\$ 1,603,335	\$ 1,518,394
Capitation - Annual Reconciliation	97,243	42,608
Grants Receivable	316,179	468,668
Total	<u>\$ 2,016,757</u>	<u>\$ 2,029,670</u>

All grants are receivable in less than one year.

NOTE 5 INVESTMENTS

Investments consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Level One Investments		
Money Markets	\$ 11,388	\$ -
Mutual Funds	107,614	-
Equity Securities	109,776	-
Total Investments	<u>\$ 228,778</u>	<u>\$ -</u>

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2022 and 2021 are composed of the following:

	<u>2022</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Fixtures	\$ 84,431	\$ (73,948)	\$ 10,483
Leasehold Improvements	621,317	(373,272)	248,045
Equipment	751,337	(484,645)	266,692
Buildings	1,509,700	(25,628)	1,484,072
Construction in Progress	1,287,077	-	1,287,077
Total	<u>\$ 4,253,862</u>	<u>\$ (957,493)</u>	<u>\$ 3,296,369</u>
	<u>2021</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Fixtures	\$ 84,431	\$ (70,664)	\$ 13,767
Leasehold Improvements	568,863	(301,323)	267,540
Equipment	524,296	(433,928)	90,368
Buildings	-	-	-
Construction in Progress	59,692	-	59,692
Total	<u>\$ 1,237,282</u>	<u>\$ (805,915)</u>	<u>\$ 431,367</u>

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 6 PROPERTY AND EQUIPMENT, NET (CONTINUED)

Depreciation expense for the years ended June 30, 2022 and 2021 was \$151,578 and \$116,918, respectively.

NOTE 7 INTANGIBLE ASSETS, NET

Intangible assets are amortized over their estimated useful lives. Software is amortized over three years and contracts and patient files over seven years.

Intangible assets are comprised of the following at June 30, 2022 and 2021:

	2022		
	Cost	Accumulated Depreciation	Net Book Value
Contracts and Patient Files - Eastside	\$ 309,528	\$ (309,528)	\$ -
Contracts and Patient Files - Santa Rosa	184,000	(157,714)	26,286
Contracts and Patient Files - Dr Park	120,000	(44,286)	75,714
Electronic Health Records Software	385,166	(293,038)	92,128
Total	\$ 998,694	\$ (804,566)	\$ 194,128
	2021		
	Cost	Accumulated Depreciation	Net Book Value
Contracts and Patient Files - Eastside	\$ 309,528	\$ (277,284)	\$ 32,244
Contracts and Patient Files - Santa Rosa	184,000	(131,429)	52,571
Contracts and Patient Files - Dr Park	120,000	(27,143)	92,857
Electronic Health Records Software	342,061	(232,544)	109,517
Total	\$ 955,589	\$ (668,400)	\$ 287,189

Amortization expense for the years ended June 30, 2022 and 2021 was \$136,166 and \$186,099, respectively.

Future amortization is as follows:

Year Ending June 30,	Amount
2023	\$ 103,923
2024	48,777
2025	17,143
2026	17,143
2027	7,143
Total	\$ 194,128

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 GOODWILL, NET

The Organization is carrying goodwill on its statement of financial position as a result of two practice acquisitions. The amounts are as follows:

	2022				
	Eastside Practice	Santa Rosa Practice	Total	Accumulated Amortization	Net Book Value
Goodwill	\$ 141,774	\$ 94,698	\$ 236,472	(47,294)	\$ 189,178
	2021				
	Eastside Practice	Santa Rosa Practice	Total	Accumulated Amortization	Net Book Value
Goodwill	\$ 141,774	\$ 94,698	\$ 236,472	(23,647)	\$ 212,825

NOTE 9 LONG-TERM DEBT

Long-term debt consists of the following:

Description	2022	2021
Loan from Tandem Finance for Medical Equipment, 6.756% interest rate. Monthly payments are \$975.75. The loan terminates on November 15, 2022.	\$ 3,672	\$ 15,118
SBA EIDL Loan, 2.75% stated interest rate. Monthly payments are \$2,136. The loan terminates on June 4, 2050	434,786	499,010
Loan from Tandem Finance for Dental Equipment, 6% interest rate. Monthly payments are \$5,419.45. The loan terminates on April 15, 2025.	167,061	-
Banc of California loan for the purchase of Cesar E Chavez building, 3.85% stated interest rate. Monthly payments of \$5,121.76. The loan terminates on December 24, 2046.	968,144	-
Total Long-Term Debt	1,573,663	514,128
Less: Current Portion	98,162	37,285
Total Noncurrent Portion	\$ 1,475,501	\$ 476,843

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Loan maturities for the next five years following June 30, 2022 are as follows:

Year Ending June 30,	Amount
2023	\$ 98,162
2024	94,354
2025	96,017
2026	42,115
2027	43,610
Thereafter	1,199,404
Total	\$ 1,573,663

NOTE 10 GIFTS-IN-KIND

During the years ended June 30, 2022 and 2021, the organization received donations of personal protective equipment (PPE) valued at \$812,063 and \$505,064, respectively. This PPE was consumed.

NOTE 11 PENSION PLAN

The Organization maintains a defined contribution pension plan under IRS Code Section 403(b). The organization contributes on a discretionary basis. No contributions were made by the Organization for the years ended June 30, 2022 and 2021.

NOTE 12 PATIENT SERVICE REVENUE

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), 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 after the services are performed. Revenue is recognized as the 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 primary and preventative care services.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 PATIENT SERVICE REVENUE (CONTINUED)

The Organization measures the performance obligation at 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 completion of the outpatient service. Revenue for performance obligations satisfied at a point in time, pharmacy services, is generally recognized when goods are provided to our patients and the Organization does not believe it is required to provide additional goods or services related to that sale. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured and under-insured patients in accordance with the Organization's policy and/or implicit price concessions provided to uninsured and under-insured patients. The Organization determines its estimates of explicit price concessions 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.

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary.

Medicaid – Services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization.

Other– The Organization has payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 PATIENT SERVICE REVENUE (CONTINUED)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2022 and 2021.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. Specifically, The Organization has a policy of providing care to patients who meet certain criteria under its Sliding Fee Discount Program at amounts less than its established rates. However, all patients are requested to pay a nominal fee for each visit, and no patient is denied services because of inability to pay.

The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

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

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 PATIENT SERVICE REVENUE (CONTINUED)

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

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 patient’s service
- Method of reimbursement (fee for service or capitation)
- Organization’s line of business that provided the service such as medical, dental, and behavioral health visits

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 allows payments in excess of one year. For those cases, the financing components not deemed to be significant to the contract.

Patient service revenue net of explicit allowances, discounts, and implicit price concessions recognized in the period from these major payor sources for the years ended June 30, 2022 is as follows:

	2022	2021
Medicaid	\$ 10,612,240	\$ 6,621,665
Medicare	536,843	223,440
Public	437,823	236,960
Commercial Insurance	41,553	87,702
Self-Pay	116,645	64,373
Patient Service Revenue	\$ 11,745,104	\$ 7,234,140

NOTE 13 COMMITMENTS AND CONTINGENCIES

Obligations Under Operating Leases

On August 1, 2018, the Organization entered into an operating lease with Ben Massaband for property located at 507 S. Atlantic Blvd., Los Angeles, CA. The lease is for a period of 10 years expiring on August 31, 2028. The current monthly lease is \$8,519 and subject to an annual increase of 4%.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Obligations Under Operating Leases (Continued)

On June 1, 2020, the Organization entered into an operating lease with Ben Massaband for property located at 501 and 503 S. Atlantic Blvd., Los Angeles, CA. The lease is for a period of three months expiring on May 31, 2023. The current monthly lease is \$12,600 and subject to an annual increase of 5%.

On September 1, 2019, the Organization signed an operating lease for 1,240 square feet of space at 280 S. Atlantic Blvd., Los Angeles, CA. The term of the lease is for three years expiring August 31, 2022. The base monthly rent is \$3,391 which is subject to an annual increase of 5%.

On November 30, 2020, the Organization signed an operating lease for space at 4755 E. Cesar Chavez Boulevard, Suites A, B, C & D, Los Angeles, CA. The lease expires on October 30, 2025; the current base monthly rent is \$11,382 which is subject to an annual increase of 3%.

On December 11, 2015, the Organization entered a 10-year lease for 6,684 square feet at 607, 611, and 615 S. Atlantic Blvd, Los Angeles, CA. The lease expires December 11, 2025. The current base rate is \$15,962 per month and is subject to an annual increase of 3%.

On October 1, 2019, Via Care entered a five-year lease at 5015 E. Whittier Blvd, Los Angeles, CA The lease expires on September 30, 2024. The current monthly rent is \$4,350 and it will increase by \$50 per month in each succeeding year.

E. Whittier Blvd, Los Angeles, CA. The lease expires on September 30, 2024. The current base is \$2,650 per month and it will increase by \$50 per month in each succeeding year.

On January 1, 2021, the Organization signed an operating lease for space at 4454-4478 Tweedy, South Gate, CA. The lease expires on March 31, 2024, the current monthly rent is \$27,851 and subject to an annual increase of 3%.

On January 1, 2021, the Organization signed an operating lease for space at 276 S. Atlantic Blvd, Los Angeles, CA. The lease expires on August 31, 2022, the current monthly rent is \$3,300 and subject to an annual increase of 5%.

On June 1, 2021, the Organization signed an operating lease for space at 1733 Milano, Montebello, CA. The lease expires on May 31, 2024, the current monthly rent is \$3,863 and subject to an annual increase of 3%.

On October 21, 2021, the Organization signed sublease for space at 284 S. Atlantic Blvd, Los Angeles, CA. The lease expires on September 1, 2022, the current monthly rent is \$1,000.

On January 10, 2022, the Organization signed an operating lease for space at 10547 W. Sunset Blvd, Los Angeles, CA. The lease expires on September 10, 2026, the current monthly rent is \$2,610 and subject to an annual increase of 3%.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Obligations Under Operating Leases (Continued)

On June 1, 2022, the Organization signed an operating lease for space at 5017 E. Whittier Blvd, Los Angeles, CA. The lease expires on September 10, 2026, the current monthly rent is \$2,100 and it will increase by \$50 per month in each succeeding year.

Space is leased at Garfield High School on a month-to-month basis at a rate of \$1,115 per month currently.

Copiers are being leased at a rate of \$4,399 per month, water dispensing units at a rate of \$470 per month. Future rent commitments are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 1,184,360
2024	952,109
2025	593,134
2026	261,308
Total	<u>\$ 2,990,911</u>

Rent expense for the years ended June 30, 2022 and 2021 was \$1,241,979 and \$914,929, respectively.

Contracts and Grants

Via Care's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated. Via Care has no provisions for the possible disallowance of program costs on its financial statement.

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.

Litigation

Periodically, the Organization is involved in litigation and claims arising in the normal course of operations. It is the opinion of management, based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 licensures, 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 Center is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) broadened the scope of certain fraud and abuse laws by adding several criminal provisions for fraud offenses that apply to all health benefit programs. HIPAA also added a prohibition against incentives intended to influence decisions by Medicare beneficiaries as to the provider from which they receive services. HIPAA was followed by the Balanced Budget Act of 1997, which created additional fraud and abuse provisions, including civil penalties for contractors.

HIPAA developed standards to protect the privacy and security of individually identifiable health related information. The privacy standards regulate the use and disclosure of health-related information, whether communicated electronically, on paper or orally.

Also, additional security regulations became mandatory on April 20, 2005, and require health care providers to implement administrative, physical, and technical practices to protect the security of individually identifiable health-related information that is maintained or transmitted electronically. Violations of HIPAA could result in civil penalties of up to \$25,000 per type of violation in each calendar year and criminal penalties of up to \$250,000 per violation. In February 2010, HIPAA requirements were updated by the Health Information Technology for Economic and Clinical Health Act (HITECH Act). Under the HITECH Act, violations of HIPAA requirements could now result in civil penalties of up to \$50,000 per incident, and up to \$1.5 million in total for each type of violation in a calendar year. These provisions of the HITECH Act became effective in September 2013.

NOTE 14 CONCENTRATION OF REVENUE SOURCES

Approximately 30% of the Organization's revenue is derived from grants from the Federal government which are renewed annually. The current level of the Organization's operations and program services may be impacted, or segments discontinued if the funding is not renewed.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 15 PROVIDER RELIEF FUNDS

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). The financial statements reflect revenue recognized from the Provider Relief Funds of \$41,612 and \$543,598 for the years ended June 30, 2022 and 2021, respectively. The Schedule includes Provider Relief Funds of \$392,720 that were received in Period 2 and Period 3 in accordance with the requirements of the compliance supplement for assistance listing number 93.498. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. Management believes the amounts have been recognized appropriately as of June 30, 2022.

NOTE 16 SUBSEQUENT EVENTS

Subsequent events were evaluated through March 6, 2023, the date the financial statements were available to be issued.

On August 19, 2022, Via Care expanded its administrative headquarters by purchasing a 13,882-square-foot office building at 3601 First Street, Los Angeles, CA. 90033 for \$5,100,000.

On November 01, 2022, the Department of Health Care Services (DHCS) awarded Via Care a Capital Grant of \$4,895,060 for the Behavioral Health Continuum Infrastructure Program Round 3 project period November 1, 2022 to December 31, 2026 to provide behavioral health services at 4743 Cesar Chavez Avenue.

On November 26, 2022, Via Care completed its construction project at 507 S. Atlantic Blvd by renovating the clinic and expanding medical, dental, and behavioral health services. The entire cost for the project is estimated at \$2.1 million, including the fencing, landscape, and renovation of the site.

On December 5, 2022, Via Care opened escrow to purchase their pre-existing clinic site located at 4755 Cesar Chavez Blvd. Los Angeles, CA. 90022 for \$4,200,000.

**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
Via Care Community Health Center
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Via Care Community Health Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Via Care Community Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Via Care Community Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Via Care Community Health Center internal control.

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

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

Board of Directors
Via Care Community Health Center

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Phoenix, Arizona
March 6, 2023

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

Board of Directors
Via Care Community Health Center
Los Angeles, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Via Care Community Health Center'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 Via Care Community Health Center's major federal programs for the year ended June 30, 2022. Via Care Community Health Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Via Care Community Health Center 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 Via Care Community Health Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Via Care Community Health Center'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 Via Care Community Health Center'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 Via Care Community Health Center'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 Via Care Community Health Center'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 Via Care Community Health Center'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 Via Care Community Health Center'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 item 2022-001. 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 Via Care Community Health Center's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Via Care Community Health Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

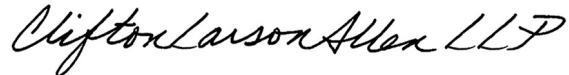
Report on Internal Control Over Compliance

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.

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 Via Care Community Health Center's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Via Care Community Health Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Phoenix, Arizona
March 6, 2023

**VIA CARE COMMUNITY HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Name of Grant - Grant ID No.	Federal Expenditures
Department of Health and Human Services:				
Heath Center Program Cluster-				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		H80CS26617	\$ 2,654,887
American Rescue Plan (P.L. 117-2)	93.224		21H8FC40625C6	2,006,577
Capital Assistance for Disaster Response and Recovery Efforts	93.224		20CADRES	<u>229,630</u>
Subtotal Health Center Program Cluster				4,891,094
FY 2021 Ending the HIV Epidemic - Primary Care HIV Prevention	93.527		21H8HCS45025	223,563
Substance Abuse and Mental Health Services	93.243		1H79TI084180-01	223,890
Youth and Young Adult Alliance for STIs/HIV & Substance Abuse	93.243		1H79SP082245-01	213,467
HIV Prevention Activities - No-Gov't Organizational Based	93.939		21NU62PS924680	350,184
Ryan White Title III HIV Capacity	93.918		P06HA39739-01	53,920
Provider Relief Fund for COVID-19	93.498			392,720
Pass-Through From Essential Access Health - Family Planning Services	93.217	115000-5300- 21209		<u>258,508</u>
Total Department of Health and Human Services				<u>6,607,346</u>
Total Expenditures of Federal Awards				<u>\$ 6,607,346</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**VIA CARE COMMUNITY HEALTH CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Via Care Community Health Center under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Via Care Community Health Center, it is not intended and does not present the financial position, changes in net assets or cash flows of the Via Care Community Health Center.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 INDIRECT COST RATE

Via Care Community Health Center has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 PROVIDER RELIEF FUNDS

The financial statements reflect revenue recognized from the Provider Relief Fund of \$41,612 for the year ended June 30, 2022. The Schedule includes Provider Relief Funds of \$392,720 that were received in Period 2 and Period 3 in accordance with the requirements of the compliance supplement for assistance listing number 93.498.

**VIA CARE COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x no
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number

93.224

Name of Federal Program or Cluster

Consolidated Health Centers (Community Health Centers, Migrant Health Center, Health Care for the Homeless, and Public Housing Primary Care)

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

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

VIA CARE COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

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

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

Section IV – Summary Schedule of Prior Year Findings

None