

St. John's Well Child and Family Center, Inc.

Independent Auditor's Reports and Financial Statements

December 31, 2017 and 2016

St. John's Well Child and Family Center, Inc.
December 31, 2017 and 2016

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Independent Auditor's Report

Board of Directors
St. John's Well Child and Family Center, Inc.
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of St. John's Well Child and Family Center, Inc. (the "Organization"), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. John's Well Child and Family Center, Inc. as of December 31, 2017 and 2016, and the results of its operations, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, 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 April 30, 2018 on our consideration of the St. John's Well Child and Family Center's internal control over financial reporting and our tests of its 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 on the effectiveness of St. John's Well Child and Family 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 St. John's Well Child and Family Center, Inc.'s internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
April 30, 2018

St. John's Well Child and Family Center, Inc.

Balance Sheets

December 31, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash	\$ 6,702,057	\$ 4,725,329
Assets limited as to use - current	1,500,000	-
Patient accounts receivable, net of allowances; 2017 - \$100,000, 2016 - \$48,309	3,904,626	3,451,148
Grants and other receivables	3,254,253	2,633,177
Contributions receivable - current	1,119,750	1,689,485
Estimated amounts due from third-party payers - current	1,330,423	846,208
Pharmaceutical inventory	260,183	652,894
Prepaid expenses and other	476,557	634,928
	<u>18,547,849</u>	<u>14,633,169</u>
Assets Limited As To Use		
Internally designated	5,350,000	4,000,000
Held by trustee	265,234	469,299
	<u>5,615,234</u>	<u>4,469,299</u>
Less amount required to meet current obligations	1,500,000	-
	<u>4,115,234</u>	<u>4,469,299</u>
Contributions Receivable	<u>-</u>	<u>550,000</u>
Estimated Amounts Due From Third-Party Payers	1,521,559	1,217,848
Less current portion	1,330,423	846,208
	<u>191,136</u>	<u>371,640</u>
Property and Equipment, At Cost		
Land	2,647,884	2,647,884
Buildings and leasehold improvements	20,840,147	20,473,617
Equipment	5,688,410	5,566,388
Furniture and fixtures	1,129,524	1,073,492
Construction in progress	1,208,993	344,143
	<u>31,514,958</u>	<u>30,105,524</u>
Less accumulated depreciation	10,168,156	8,400,983
	<u>21,346,802</u>	<u>21,704,541</u>
Total assets	<u>\$ 44,201,021</u>	<u>\$ 41,728,649</u>

Liabilities and Net Assets

	2017	2016
Current Liabilities		
Note payable to bank	\$ -	\$ 700,000
Current maturities of long-term debt	995,790	976,684
Accounts payable	2,537,279	1,740,879
Accrued expenses	4,717,650	2,909,458
Estimated amounts due to third-party payers	2,143,185	1,872,204
	<hr/>	<hr/>
Total current liabilities	10,393,904	8,199,225
Long-Term Debt	8,027,644	8,233,378
Accrued Rent Payable	<hr/> 44,257	<hr/> 37,900
Total liabilities	<hr/> 18,465,805	<hr/> 16,470,503
Net Assets		
Unrestricted	23,130,949	22,054,517
Temporarily restricted	2,604,267	3,203,629
	<hr/>	<hr/>
Total net assets	25,735,216	25,258,146
Total liabilities and net assets	<hr/> <hr/> \$ 44,201,021	<hr/> <hr/> \$ 41,728,649

St. John's Well Child and Family Center, Inc.
Statements of Operations
Years Ended December 31, 2017 and 2016

	2017	2016
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue (net of contractual discounts and allowances)	\$ 32,434,486	\$ 26,703,264
Provision for uncollectible accounts	(51,691)	-
Net patient service revenue less provision for uncollectible accounts	32,382,795	26,703,264
Capitation revenue	15,181,116	14,033,585
Grant revenue	10,365,601	9,112,978
Contributions	1,054,955	2,072,339
Other	1,630,957	721,519
Net assets released from restrictions used for operations	2,938,402	2,570,117
Total unrestricted revenues, gains and other support	63,553,826	55,213,802
Expenses and Losses		
Salaries and wages	32,357,391	27,836,632
Employee benefits	7,249,184	5,742,324
Purchased services and professional fees	6,495,677	7,343,674
Supplies and other	13,856,606	8,696,353
Rent	428,919	518,675
Depreciation	1,839,487	1,613,643
Interest	411,808	577,396
Loss on disposal of property and equipment	12,323	-
Total expenses and losses	62,651,395	52,328,697
Operating Income	902,431	2,885,105
Other Income (Expense)		
Investment return	27,266	-
Loss on extinguishment of debt	(1,079,694)	-
Excess (Deficiency) of Revenues Over Expenses	(149,997)	2,885,105
Grants for acquisition of property and equipment	1,149,418	336,177
Net assets released from restrictions used for purchase of property and equipment	77,011	159,820
Increase in Unrestricted Net Assets	\$ 1,076,432	\$ 3,381,102

St. John's Well Child and Family Center, Inc.
Statements of Changes in Net Assets
Years Ended December 31, 2017 and 2016

	2017	2016
Unrestricted Net Assets		
Excess (deficiency) of revenues over expenses	\$ (149,997)	\$ 2,885,105
Grants for acquisition of property and equipment	1,149,418	336,177
Net assets released from restrictions used for purchase of property and equipment	77,011	159,820
Increase in unrestricted net assets	1,076,432	3,381,102
Temporarily Restricted Net Assets		
Contributions	2,416,051	2,799,851
Net assets released from restriction	(3,015,413)	(2,729,937)
Increase (decrease) in temporarily restricted net assets	(599,362)	69,914
Change in Net Assets	477,070	3,451,016
Net Assets, Beginning of Year	25,258,146	21,807,130
Net Assets, End of Year	\$ 25,735,216	\$ 25,258,146

St. John's Well Child and Family Center, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ 477,070	\$ 3,451,016
Items not requiring (providing) cash		
Depreciation	1,839,487	1,613,643
Amortization of deferred financing costs	25,442	29,245
Loss on disposal of property and equipment	12,323	-
Contributions of or for acquisition of property and equipment	(400,000)	(150,000)
Loss on extinguishment of debt	1,079,694	-
Grants for acquisition of property and equipment	(1,149,418)	(336,177)
Change in contributed supplies	535,595	(391,424)
Accrued rent payable	6,357	10,761
Changes in		
Patient accounts receivable, net	(453,478)	(352,527)
Grants and other receivables	41,023	(1,754,309)
Contributions receivable	669,735	(876,402)
Estimated amounts due from third-party payers	(32,730)	2,314,012
Prepaid expenses and other	158,371	(91,265)
Pharmaceutical inventory	(142,884)	26,468
Accounts payable and accrued expenses	2,309,697	1,337,315
	<u>4,976,284</u>	<u>4,830,356</u>
Net cash provided by operating activities		
Investing Activities		
Change in assets limited as to use	(1,145,935)	(4,000,150)
Purchase of property and equipment	(1,327,337)	(583,210)
Proceeds from sale of property and equipment	145,000	-
	<u>(2,328,272)</u>	<u>(4,583,360)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from contributions for acquisition of property and equipment	850,000	75,000
Proceeds from grants for acquisition of property and equipment	487,319	223,584
Payment of deferred financing costs	(359,900)	-
Proceeds from issuance of long-term debt	5,643,609	-
Principal payments on long-term debt	(6,511,663)	(627,352)
Equity contribution paid on bond refunding	(80,649)	-
Proceeds from issuance of notes payable to bank	-	700,000
Principal payments on notes payable to bank	(700,000)	(700,000)
	<u>(671,284)</u>	<u>(328,768)</u>
Net cash used in financing activities		

St. John's Well Child and Family Center, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Increase (Decrease) in Cash	\$ 1,976,728	\$ (81,772)
Cash, Beginning of Year	4,725,329	4,807,101
Cash, End of Year	\$ 6,702,057	\$ 4,725,329
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 411,808	\$ 577,396
Property and equipment acquisitions in accounts payable	\$ 330,193	\$ 38,643
Capital lease obligation incurred for property and equipment	\$ 20,184	\$ 1,530,159

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

St. John's Well Child and Family Center, Inc. (the "Organization") is a community health center that primarily earns revenues by providing physician and related health care services through clinics located in Los Angeles, California.

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 those estimates.

Cash

At December 31, 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$6,743,000. This amount includes bank balances available to pay checks issued prior to year end, but not yet presented for payment as of December 31, 2017.

Assets Limited As To Use

Assets limited as to use include (1) money market accounts held by trustee under an indenture agreement and (2) assets set aside by the Board of Directors for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a provision for uncollectible accounts in the period of service 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 charged off against the allowance for uncollectible accounts.

Pharmaceutical Inventories

The Organization states pharmaceutical inventories at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and leasehold improvements	5 - 30 years
Equipment, furniture and fixtures	2 - 10 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

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

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairment loss was recognized for the years ended December 31, 2017 and 2016.

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Capitation Revenue

The Organization is a partner in the My Health LA (MHLA) program with the county of Los Angeles and also has agreements with certain Managed Care Organizations (MCOs) to provide medical services to subscribing participants. Under these agreements, the Organization receives monthly capitation payments based on the number of each plan's participants, regardless of the services actually performed by the Organization. In addition, the plans make fee-for-service payments to the Organization for certain covered services based upon discounted fee schedules.

Government Grant Revenue

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts received with donor stipulations are reported as either temporarily or permanently restricted net assets. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of rent and pharmaceutical supplies. For the years ended December 31, 2017 and 2016, \$294,782 and \$795,188 was received in in-kind contributions, respectively.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible federally qualified health centers that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to six years based upon a statutory formula, as determined by the State, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Organization continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the State, fiscal intermediary or Medicare Administrative Contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Organization recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

For the years ended December 31, 2017 and 2016, \$1,476,000 and \$609,750, respectively, was recorded as revenue, which is included in other revenue on the statements of operations.

Excess (Deficiency) of Revenues Over Expenses

The statements of operations include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include contributions or grants of long-lived assets (including assets acquired using contributions or grants which by donor or granting agency restriction are to be used for the purpose of acquiring such assets).

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on the change in net assets.

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Subsequent Events

Subsequent events have been evaluated through April 30, 2018, which is the date the financial statements were issued.

Note 2: Grant Revenue

The Organization is the recipient of a Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery for residents of Los Angeles, California, and surrounding areas. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended December 31, 2017 and 2016, the Organization recognized \$8,223,957 and \$7,621,654 in CHC grant revenue, respectively. Funding for the grant budget periods ending February 28, 2018 and February 28, 2019, is authorized at \$8,672,581 and \$8,450,141, respectively. Future funding will be determined by the granting agency based on an application to be submitted by the Organization prior to the expiration of the present grant award.

The federal government passed legislation appropriating grant dollars to community health centers for construction and renovation projects under the *Affordable Care Act (ACA)*. The Organization was awarded \$250,000 under the ACA-Facility Improvements Grant Program for the period of September 1, 2014 to August 31, 2016, for facility construction and renovation, \$1,000,000 under the ACA-Health Infrastructure Investment Program for the period of September 30, 2015 to September 29, 2018, and for facility construction and renovation and \$500,000 under ACA-Grants School-Based Health Centers Capital Program for the period of December 1, 2012 to November 30, 2017. During the years ended December 31, 2017 and 2016, the Organization recognized \$1,172,020 and \$218,042 in ACA grant revenue, respectively.

In addition to the aforementioned grants, the Organization receives financial support from other federal, state and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

Note 3: Net Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Organization recognizes revenue on the basis of its standard rates for service provided. On the basis of historical experience, a significant portion of the Organization's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus the Organization records a provision for uncollectible accounts related to uninsured patients who do not qualify for the sliding fee program in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

St. John's Well Child and Family Center, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medi-Cal reimbursement purposes. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are paid under a prospective payment system (PPS). Medicare payments, including patient coinsurance, are paid based on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medi-Cal. Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided. Services not covered under the FQHC benefit are paid based on established fee schedules.

The Organization is required to submit annual Medi-Cal Reconciliation Request Forms to the California Department of Health Care Services (the "Department") for purposes of determining whether it was paid appropriately for certain Medi-Cal visits. These annual reconciliations result in the determination of any underpayment or overpayment by the Medi-Cal program for the affected visits. The Organization has recorded either a receivable or payable for estimated settlements expected to be received or paid for Medi-Cal Reconciliation Request Forms for the years ended December 31, 2013 through 2017. Such amounts are recorded on the balance sheets as amounts due from or to third-party payers. Following submission of the Medi-Cal Reconciliation Request Form, the Organization will generally receive a tentative settlement from the Medi-Cal program with a final settlement made within three years of the date of submission. Due to the timing of the interim and final settlement processes, the Organization has classified a portion of the amount as a noncurrent asset.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Organization is a partner in the My Health LA (MHLA) Program with the County of Los Angeles. Certain services rendered to MHLA beneficiaries are paid by the County of Los Angeles based on established fee schedules.

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates and discounts from established charges.

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended December 31, 2017 and 2016, respectively, was approximately:

	2017	2016
Medi-Cal	\$ 29,997,127	\$ 24,772,618
Medicare	513,355	483,260
County of Los Angeles	1,246,715	1,052,632
Self-pay and other	677,289	394,754
Total	\$ 32,434,486	\$ 26,703,264

Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2017 and 2016, was:

	2017	2016
Medi-Cal	88%	88%
Medicare	2%	1%
County of Los Angeles	8%	10%
Self-pay and other	2%	1%
	100%	100%

Note 5: Contributions Receivable

Contributions receivable at December 31, 2017 and 2016, consisted of the following:

	2017	2016
Temporarily restricted		
Due within one year	\$ 1,119,750	\$ 1,689,485
Due in one to five years	-	550,000
	\$ 1,119,750	\$ 2,239,485

No discount was recorded for 2017 or 2016.

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 6: Medical Malpractice Claims

The U.S. Department of Health and Human Services deemed the Organization and its practicing physicians covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claim experience, no accrual has been made for medical malpractice costs for the years ended December 31, 2017 and 2016. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Note 7: Line of Credit

The Organization has a revolving line of credit in the amount of \$2,000,000 which matures on December 1, 2018. At December 31, 2016, there was \$700,000 borrowed against this line. At December 31, 2017, there were no borrowings against this line. Interest is payable monthly at a rate of the greater of 2.50% or the bank's prime rate plus 1% (5.50% and 4.75% at December 31, 2017 and 2016, respectively). The line is collateralized by substantially all of the Organization's assets except real estate.

Note 8: Long-Term Debt

	2017	2016
City National Bank (A)	\$ 570,091	\$ 619,816
Series 2011 revenue bonds (B)	-	4,901,250
Series 2017 revenue bonds (C)	5,237,917	-
NCB Capital Impact (D)	2,475,955	2,789,287
Vital Healthcare (E)	10,000	-
Avaya financial capital lease obligation (F)	-	7,018
Insight financial capital lease obligation (G)	619,458	1,016,628
Cisco financial capital lease obligation (H)	-	154,534
Leaf financial capital lease obligation (I)	298,149	343,235
Ally financial capital lease obligation (J)	17,757	-
	<u>9,229,327</u>	<u>9,831,768</u>
Less current maturities	995,790	976,684
Less unamortized discount on bonds	-	66,922
Plus unamortized premium on bonds	215,049	-
Less unamortized debt issuance costs	420,942	554,784
	<u>\$ 8,027,644</u>	<u>\$ 8,233,378</u>

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

- (A) Due June 2026; payable \$7,171 monthly, including interest at 6.0%; secured by certain real estate, subordinated to the NCB Capital Impact note.
- (B) The Revenue Bonds (Series 2011) consist of Insured Revenue Bonds in the original amount of \$5,370,000 dated November 30, 2011, which bore interest at 4% to 5.625%. The Bonds were payable in annual sinking fund installments and three principal payments. Annual sinking fund installments were payable from November 30, 2012 to November 30, 2041, and fluctuated between \$85,000 and \$330,000, respectively. The three principal payments were \$120,000, \$200,000 and \$345,000 and were due on November 30, 2021, November 30, 2031 and November 30, 2041, respectively. Bonds maturing on or after December 1, 2020, are subject to redemption prior to their stated maturity at the option of the Organization, in whole or in part by lot on any date, upon at least 45 days prior written notice to the Trustee, on or after December 1, 2019. Bonds redeemed December 1, 2019 through November 30, 2020, are subject to a redemption premium of 2%; bonds redeemed December 1, 2020 through November 30, 2021, are subject to a redemption premium of 1%; bonds redeemed December 1, 2021, and thereafter are not subject to a redemption premium. Unamortized debt issuance costs were \$476,265 at December 31, 2016. The effective interest rate was .38% for the year ended December 31, 2016. These obligations were advance refunded with the issuance of the Series 2017 Bonds described in (C).

The regulatory agreement required that certain funds be established with the trustee. Accordingly, these funds are included as assets limited as to use held by trustee in the financial statements. The indenture agreement also required the Organization to comply with certain restrictive covenants including maintaining a ratio of net income available for debt service to maximum aggregate annual debt service of at least 1.25, maintaining a current ratio of at least 1.5 and maintaining at least 30 days of expenses in cash.

- (C) The Revenue Bonds (Series 2017) consist of Insured Revenue Bonds in the original amount of \$5,250,000, with premium of \$219,514, dated July 1, 2017, which bear interest at 2% to 4%. The Bonds are payable in annual sinking fund installments. Annual installments are payable from December 1, 2017 to December 1, 2041, and fluctuate between \$145,000 and \$315,000. Bonds maturing on or before December 1, 2028, may be redeemed at the Organization's option in whole or in part on any date, upon 45 days' prior written notice to the Trustee. Unamortized debt issuance costs were \$352,555 at December 31, 2017. The effective interest rate was .29% for the year ended December 31, 2017.

The Series 2017 Revenue Bonds were issued to advance refund the Series 2011 Revenue Bonds. The Organization completed the refunding to reduce its total debt service payments over the next 24 years by approximately \$937,000 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately \$542,000. The outstanding balances of the 2011 Revenue Bonds totaled \$4,848,872 at July 1, 2017. Securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. Therefore, the 2011 Revenue Bonds are considered defeased, and the liability has been removed from long-term debt.

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

The regulatory agreement requires that certain funds be established with the Trustee. Accordingly, these funds are included in assets limited as to use held by the Trustee in the financial statements. The indenture agreement also requires the Organization to comply with certain restrictive covenants including maintain a ratio of net income available for debt service to maximum aggregate annual debt of at least 1.25, maintain a current ratio of at least 1.5 and maintaining at least 30 days of expense in cash.

- (D) Construction loan payable in the original amount of \$3,450,000 with a fixed interest rate at 3.94% is due September 2024. Monthly principal and interest payments began October 2014, in the amount of \$34,831. The construction loan is secured by subordinated deeds of trust on real property. Unamortized debt issuance costs were \$68,387 and \$78,519 at December 31, 2017 and 2016, respectively. The effective interest rate was .03% for the years ended December 31, 2017 and 2016, respectively.

The loan agreement also requires the Organization to comply with certain restrictive covenants including maintaining a debt service coverage ratio of at least 1.15, maintaining a leverage ratio of less than 1.5 and maintaining a current ratio of at least 1.5.

- (E) Note payable with interest only monthly payments at 5.50%; principal balance due July 31, 2018.
- (F) At imputed interest of 6.27%, due through March 2017; collateralized by equipment; this lease obligation was paid in full during 2017.
- (G) At imputed interest of 4.37%, due through October 2019; collateralized by equipment.
- (H) Zero percent interest, originally due through October 2019; collateralized by equipment; this lease obligation was paid in full during 2017.
- (I) At imputed interest of 8.50%, due through December 2021; collateralized by equipment.
- (J) At imputed interest of 5.54%, due through February 2023; collateralized by equipment.

Property and equipment included the following equipment under capital lease:

	2017	2016
Equipment	\$ 1,479,049	\$ 1,676,143
Less accumulated depreciation	413,627	251,115
	<u>\$ 1,065,422</u>	<u>\$ 1,425,028</u>

St. John's Well Child and Family Center, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Aggregate annual maturities of long-term debt and payments on capital lease obligations at December 31, 2017, are:

	Long-Term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2018	\$ 533,916	\$ 496,479
2019	545,489	300,950
2020	562,531	80,636
2021	585,895	80,636
2022	609,813	54,236
Thereafter	5,456,319	602
	\$ 8,293,963	1,013,539
Less amount representing interest		78,175
Present value of future minimum lease payments		935,364
Less current maturities		461,874
Noncurrent portion		\$ 473,490

Note 9: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods:

	2017	2016
Health care services		
Purchase of equipment	\$ 400,000	\$ 1,550,000
Indigent care	1,537,763	1,117,120
Pharmaceutical program	914	536,509
Time restricted	665,590	-
	\$ 2,604,267	\$ 3,203,629

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

During 2017, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes of purchase of equipment, indigent care and pharmaceutical program in the amount of \$3,015,413. During 2016, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes of purchase of equipment, indigent care, health care education and pharmaceutical program in the amount of \$2,729,937.

Note 10: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	<u>2017</u>	<u>2016</u>
Health care services	\$ 52,918,208	\$ 43,985,365
General and administrative	7,638,659	6,196,956
Fundraising	2,094,528	2,146,376
	<u>\$ 62,651,395</u>	<u>\$ 52,328,697</u>

Note 11: Operating Leases

The Organization has noncancellable operating leases for primary care outpatient offices and equipment which expire in various years through 2024.

Future minimum lease payments at December 31, 2017, were:

2018	\$ 389,135
2019	381,062
2020	379,450
2021	380,679
2022	220,183
Thereafter	<u>261,416</u>
Future minimum lease payments	<u>\$ 2,011,925</u>

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 12: Pension Plan

The Organization has a 403(b) defined contribution plan covering substantially all employees. Any employer contributions are discretionary in nature and are subject to reduction or termination. Contributions were suspended after October 31, 2009, and have not yet been reinstated. The Organization did not incur any retirement plan expense for the years ended December 31, 2017 and 2016.

Note 13: Construction in Progress

At December 31, 2017, the Organization has multiple construction projects in progress including renovation of the Compton Pediatric Clinic, the Traynham Clinic, the Crenshaw Clinic and the Center for Autism and Development Delays, Compton. As of December 31, 2017, the following work has been completed and is classified as construction in progress on the Organization's balance sheet. Continuation of these projects is dependent on the availability of additional federal grant and other funding.

Project	Construction in Progress at December 31, 2017	Estimated Project Cost	Estimated Completion Date
Compton Clinic	\$ 1,115,880	\$ 2,088,000	May 2018
Traynham Clinic	57,045	134,000	January 2018
Crenshaw Clinic	4,619	46,000	February 2018
Center for Autism and Development Delays, Compton	31,449	850,000	December 2019
	<u>\$ 1,208,993</u>	<u>\$ 3,118,000</u>	

Note 14: Future Change in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from

St. John's Well Child and Family Center, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2017, for not-for-profits that are conduit debt obligors, and any interim periods within annual reporting periods that begin after December 15, 2018, for not-for-profits that are conduit debt obligors. The Organization is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2018, for not-for-profits that are conduit debt obligors, and any interim periods within annual reporting periods that begin after December 15, 2019, for not-for-profits that are conduit debt obligors. The Organization is evaluating the impact the standard will have on the consolidated financial statements; however, the standard is expected to have a material impact on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grant Revenues

Concentration of revenues related to grant awards and other support is described in *Note 2*.

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *3*.

St. John's Well Child and Family Center, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 6*.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of the ultimate expected cost, if any, for each of these matters. During the year ending December 31, 2017, the Organization recorded an estimated cost of \$1,500,000 for an employment related matter. This balance is included in accrued expenses on the Organization's balance sheet and is included in supplies and other on the Organization's statement of operations. There is a pending proposal to pay the settlement in three annual payments commencing April 2019. Events could occur that would cause the estimate to differ materially in the near term.

Labor Agreement

The Organization entered into an agreement with Service Employees International Union, Local 721 for the period March 1, 2014 through February 28, 2017. In 2017, the Organization entered into an agreement to extend the period three years from March 1, 2017 through February 28, 2020. Approximately 57% and 62% of employees are covered under this agreement at December 31, 2017 and 2016, respectively.

Current Economic Conditions

The current economic environment presents community health centers with difficult circumstances and challenges. Any changes to the *Affordable Care Act*, including the health insurance exchanges and Medicaid expansion, will directly impact community health centers' net revenues. Further, the effect of economic conditions on federal and state budgets could adversely impact the grant revenues available to community health centers and the programs they administer. Each of these factors could have an adverse impact on the Organization's future operating results.

Supplementary Information

St. John's Well Child and Family Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Amount Expended
U.S. Department of Health and Human Services/Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)/ Health Center Program Cluster	93.224	N/A	\$ -	\$ 2,263,735
U.S. Department of Health and Human Services/Grants for New and Expanded Services under the Health Center Program/ Health Center Program Cluster	93.527	N/A	-	5,960,222
Total Health Center Program Cluster			-	8,223,957
U.S. Department of Health and Human Services/Los Angeles County/HIV Emergency Relief Project Grants	93.914	PH-002343	-	69,658
U.S. Department of Health and Human Services/Los Angeles County/HIV Emergency Relief Project Grants	93.914	PH-002339	-	29,531
U.S. Department of Health and Human Services/Los Angeles County/HIV Emergency Relief Project Grants	93.914	PH-00364	-	1,227
Total HIV Emergency Relief Project Grants			-	100,416
U.S. Department of Health and Human Services/Charles Drew University of Medicine/Minority Health and Health Disparities Research/Research and Development Cluster	93.307	16-17-DM- G0987A00-J00	-	31,462
U.S. Department of Health and Human Services/Grants for Capital Development in Health Centers	93.526	N/A	-	1,172,020
U.S. Department of Health and Human Services/Los Angeles County/HIV Prevention Activities - Health Department Based	93.940	PH-003087	-	46,213
Total forward			-	9,574,068

St. John's Well Child and Family Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

are Are Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Amount Expended
Total forward			\$ -	\$ 9,574,068
U.S. Department of Health and Human Services/Community Coalition for Substance Abuse/Center for Disease Control/PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	U58DP005827	-	35,000
U.S. Department of Health and Human Services/Essential Access Health/Family Planning Services	93.217	2515-5320-71209-17-18	-	115,894
U.S. Department of Health and Human Services/Healthy Tomorrows Partnership for Children Program	93.110	N/A	-	47,126
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	396,887
U.S. Department of Health and Human Services/Matrix Institute on Addiction/Opioid STR	93.788	TI080222	-	48,317
Total U.S. Department of Health and Human Services			-	10,217,292
U.S. Department of Justice/California Governor's Office of Emergency Services/Crime Victim Assistance	16.575	UV15011635	-	197,459
U.S. Department of Justice/California Governor's Office of Emergency Services/Crime Victim Assistance	16.575	XV15011635	-	192,011
Total U.S. Department of Justice			-	389,470
			\$ -	\$ 10,606,762

St. John's Well Child and Family Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of St. John's Well Child and Family Center, Inc. under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of St. John's Well Child and Family Center, Inc. it is not intended to and does not present the financial position, results of operations, changes in net assets or cash flows of St. John's Well Child and Family Center, Inc.
2. 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. St. John's Well Child and Family Center, Inc. has elected not to use the 10-percent de minimis indirect rate allowed under the Uniform Guidance.
3. St. John's Well Child and Family Center, Inc. did not have any federal loan programs during the year ended December 31, 2017.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
St. John's Well Child and Family Center, Inc.
Los Angeles, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of St. John's Well Child and Family Center, Inc. (the "Organization"), which comprise the balance sheet as of December 31, 2017, 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 date April 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered St. John's Well Child and Family Center, Inc.'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 St. John's Well Child and Family Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the St. John's Well Child and Family Center, Inc.'s internal control.

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

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

Board of Directors
St. John's Well Child and Family Center, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. John's Well Child and Family Center, Inc.'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 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 results 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.

BKD, LLP

Springfield, Missouri
April 30, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Directors
St. John's Well Child and Family Center, Inc.
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited St. John's Well Child and Family Center, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of St. John's Well Child and Family Center, Inc.'s major federal programs for the year ended December 31, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the St. John's Well Child and Family Center's compliance.

Board of Directors
St. John's Well Child and Family Center, Inc.

Opinion on Each Major Federal Program

In our opinion, St. John's Well Child and Family Center, Inc. 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 December 31, 2017.

Report on Internal Control over Compliance

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

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

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

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

BKD, LLP

Springfield, Missouri
April 30, 2018

St. John's Well Child and Family Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None Reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

Significant deficiency(ies)? Yes None Reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

St. John's Well Child and Family Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

7. The Organization's major programs were:

Cluster/Program	CFDA Number
Health Center Program Cluster	93.224 and 93.527
Grants for Capital Development in Health Centers	93.526

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Organization qualified as a low-risk auditee? Yes No

St. John's Well Child and Family Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

St. John's Well Child and Family Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

St. John's Well Child and Family Center, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2016

Reference Number	Finding	Status
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No matters are reportable.