

# **St. John's Community Health**

## **Independent Auditor's Reports and Financial Statements**

December 31, 2023 and 2022

**St. John’s Community Health**  
**December 31, 2023 and 2022**

**Contents**

<b>Independent Auditor’s Report.....</b>	<b>1</b>	
 <b>Financial Statements</b>		
Balance Sheets.....	4	
Statements of Operations.....	5	
Statements of Changes in Net Assets .....	6	
Statements of Cash Flows .....	7	
Notes to Financial Statements .....	9	
 <b>Supplementary Information</b>		
Schedule of Expenditures of Federal Awards .....	38	
Notes to the Schedule of Expenditures of Federal Awards .....	41	
 <b>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> – Independent Auditor’s Report.....</b>		<b>42</b>
 <b>Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance – Independent Auditor’s Report .....</b>		<b>44</b>
 <b>Schedule of Findings and Questioned Costs.....</b>		<b>47</b>
 <b>Summary Schedule of Prior Audit Findings.....</b>		<b>51</b>

## Independent Auditor's Report

Board of Directors  
St. John's Community Health  
Los Angeles, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of St. John's Community Health, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. John's Community Health as of December 31, 2023 and 2022, and the results of its operations, changes in net assets, and 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of St. John's Community Health, and to meet our other ethical responsibilities, in accordance with the 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 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 St. John's Community Health's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. John's Community Health'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 St. John's Community Health'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 financial statements as a whole. 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 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 GAAS. 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 September 24, 2024, on our consideration of St. John's Community Health'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 St. John's Community Health'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 Community Health's internal control over financial reporting and compliance.

**Forvis Mazars, LLP**

Springfield, Missouri  
September 24, 2024

**St. John's Community Health**  
**Balance Sheets**  
**December 31, 2023 and 2022**

**Assets**

	<u>2023</u>	<u>2022</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 19,349,914	\$ 16,038,120
Patient accounts receivable	10,822,095	5,025,267
Grants and other receivables	14,291,634	16,271,484
Contributions receivable - current	2,416,617	1,836,272
Pharmaceutical inventory	253,897	223,306
Prepaid expenses and other	669,869	619,071
Total current assets	<u>47,804,026</u>	<u>40,013,520</u>
 <b>Assets Limited As To Use</b>		
Internally designated	16,884,278	15,881,090
Held by trustee	267,511	266,388
	<u>17,151,789</u>	<u>16,147,478</u>
 <b>Contributions Receivable</b>	<u>-</u>	<u>500,000</u>
 <b>Property and Equipment, at Cost</b>		
Land	2,948,376	2,948,376
Buildings and leasehold improvements	27,679,970	26,407,605
Equipment	7,672,342	6,266,600
Furniture and fixtures	1,327,897	1,327,897
Construction in progress	11,769,212	5,091,676
	<u>51,397,797</u>	<u>42,042,154</u>
Less accumulated depreciation	17,683,535	16,090,513
	<u>33,714,262</u>	<u>25,951,641</u>
 <b>Other Assets</b>		
Right-of-use assets - operating leases	5,226,834	5,479,500
Right-of-use assets - finance leases	913,805	772,225
	<u>6,140,639</u>	<u>6,251,725</u>
 Total assets	<u>\$ 104,810,716</u>	<u>\$ 88,864,364</u>

## Liabilities and Net Assets

	<b>2023</b>	<b>2022</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 560,977	\$ 888,623
Current portion of operating lease liabilities	891,990	854,858
Current portion of finance lease liabilities	331,907	526,914
Current portion of contingent note payable	175,000	175,000
Accounts payable	8,414,064	7,264,697
Accrued expenses	7,520,284	7,675,559
Estimated amounts due to third-party payors	4,391,304	6,199,381
Deferred grant revenue	359,076	527,442
	<hr/>	<hr/>
Total current liabilities	22,644,602	24,112,474
	<hr/>	<hr/>
<b>Other Liabilities</b>		
Long-term debt, net	4,152,073	5,728,656
Operating lease liabilities	4,709,262	4,963,310
Finance lease liabilities	587,911	287,192
Contingent note payable	2,887,500	3,062,500
	<hr/>	<hr/>
Total other liabilities	12,336,746	14,041,658
	<hr/>	<hr/>
Total liabilities	34,981,348	38,154,132
	<hr/>	<hr/>
<b>Net Assets</b>		
Without donor restrictions	65,631,451	46,343,853
With donor restrictions	4,197,917	4,366,379
	<hr/>	<hr/>
Total net assets	69,829,368	50,710,232
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 104,810,716</u>	<u>\$ 88,864,364</u>

**St. John's Community Health**  
**Statements of Operations**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenues, Gains, and Other Support Without Donor Restrictions</b>		
Patient service revenue	\$ 80,849,280	\$ 66,955,640
Capitation revenue	24,254,926	21,179,009
Grant revenue	35,936,046	40,605,061
Contributions of cash and other financial assets	1,969,024	1,536,715
Contributions of nonfinancial assets	2,815,130	2,649,674
Other	1,083,429	534,674
Net assets released from restrictions used for operations	<u>2,507,523</u>	<u>758,182</u>
Total revenues, gains, and other support without donor restrictions	<u>149,415,358</u>	<u>134,218,955</u>
<b>Expenses and Losses</b>		
Salaries and wages	67,882,293	62,745,195
Employee benefits	13,070,137	12,483,947
Purchased services and professional fees	11,590,734	17,791,200
Supplies and other	36,831,088	33,856,345
Rent	1,303,785	1,349,123
Depreciation and amortization	2,016,288	2,040,293
Interest	<u>289,245</u>	<u>348,617</u>
Total expenses and losses	<u>132,983,570</u>	<u>130,614,720</u>
<b>Operating Income</b>	<u>16,431,788</u>	<u>3,604,235</u>
<b>Other Income</b>		
Investment return, net	1,160,310	129,146
Gain on extinguishment of debt	<u>175,000</u>	<u>175,000</u>
Total other income	<u>1,335,310</u>	<u>304,146</u>
<b>Excess of Revenues Over Expenses</b>	17,767,098	3,908,381
Grants for acquisition of property and equipment	1,057,822	90,262
Net assets released from restrictions used for purchase of property and equipment	<u>462,678</u>	<u>-</u>
<b>Increase in Net Assets Without Donor Restrictions</b>	<u>\$ 19,287,598</u>	<u>\$ 3,998,643</u>

**St. John's Community Health**  
**Statements of Changes in Net Assets**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Net Assets Without Donor Restrictions</b>		
Excess of revenues over expenses	\$ 17,767,098	\$ 3,908,381
Grants for acquisition of property and equipment	1,057,822	90,262
Net assets released from restrictions used for purchase of property and equipment	462,678	-
Increase in net assets without donor restrictions	19,287,598	3,998,643
<b>Net Assets With Donor Restrictions</b>		
Contributions of cash and other financial assets	2,801,739	4,092,054
Net assets released from restrictions	(2,970,201)	(758,182)
Increase (decrease) in net assets with donor restrictions	(168,462)	3,333,872
<b>Change in Net Assets</b>	19,119,136	7,332,515
<b>Net Assets, Beginning of Year</b>	50,710,232	43,377,717
<b>Net Assets, End of Year</b>	\$ 69,829,368	\$ 50,710,232

**St. John's Community Health**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating Activities</b>		
Change in net assets	\$ 19,119,136	\$ 7,332,515
Items not requiring (providing) cash		
Depreciation and amortization	2,016,288	2,040,293
Amortization of debt issuance costs	15,861	24,871
Noncash operating lease expense	898,946	804,754
Gain on extinguishment of debt	(175,000)	(175,000)
Net unrealized gain on investments	(204,012)	-
Grants and contributions for acquisition of property and equipment	(1,757,822)	(90,962)
Changes in		
Patient accounts receivable	(5,796,828)	9,545,890
Grants and other receivables	1,960,901	(10,357,522)
Contributions receivable	619,655	(1,677,688)
Estimated amounts due from and to third-party payors	(1,808,077)	519,452
Prepaid expenses and other	(50,798)	(50,151)
Pharmaceutical inventory	(30,591)	198,757
Accounts payable and accrued expenses	729,290	2,555,385
Deferred grant revenue	(168,366)	527,442
Operating lease liability	(863,196)	(746,425)
	<u>14,505,387</u>	<u>10,451,611</u>
<b>Investing Activities</b>		
Purchase of investments	(16,677,488)	-
Purchase of property and equipment	(9,116,003)	(4,379,671)
	<u>(25,793,491)</u>	<u>(4,379,671)</u>
<b>Financing Activities</b>		
Proceeds from grants for acquisition of property and equipment	1,076,771	90,962
Principal payments on long-term debt	(1,920,090)	(850,700)
Principal payments of finance lease liabilities	(433,972)	(496,073)
	<u>(1,277,291)</u>	<u>(1,255,811)</u>

**St. John's Community Health**  
**Statements of Cash Flows**  
**Years Ended 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents</b>	\$ (12,565,395)	\$ 4,816,129
<b>Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, Beginning of Year</b>	<u>32,185,598</u>	<u>27,369,469</u>
<b>Cash, Cash Equivalents, Restricted Cash, and and Restricted Cash Equivalents, End of Year</b>	<u>\$ 19,620,203</u>	<u>\$ 32,185,598</u>
<b>Reconciliation of Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents in current assets	\$ 19,349,914	\$ 16,038,120
Cash and cash equivalents in assets limited as to use	<u>270,289</u>	<u>16,147,478</u>
	<u>\$ 19,620,203</u>	<u>\$ 32,185,598</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 289,245	\$ 348,617
Property and equipment in accounts payable	\$ 239,639	\$ -
ROU assets obtained in exchange for new operating lease liabilities	\$ 646,280	\$ 642,660
ROU assets obtained in exchange for new finance lease liabilities	\$ 936,592	\$ 75,241
Forgiveness of contingent note payable	\$ 175,000	\$ 175,000

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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

***Nature of Operations***

St. John's Community Health (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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including assets limited as to use, are considered to be cash and cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2023, the Organization's cash accounts exceeded federally insured limits by approximately \$20,080,000.

***Assets Limited as to Use***

Assets limited as to use include (1) assets held by trustees 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***

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for copays, coinsurance, and deductibles are determined. Patient accounts receivable are due in full when billed.

No material credit loss expense related to patient accounts receivable has been recognized for the years ended December 31, 2023 and 2022.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

***Debt Investments***

Debt securities held by the Organization generally are classified and recorded in the financial statements as follows:

<b>Classified as</b>	<b>Description</b>	<b>Recorded at</b>
Trading	Securities that are bought and held principally for the purpose of selling in the near term and, therefore, held for only a short period of time	Fair value, with changes in fair value included in excess (deficiency) revenues over expenses

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

***Equity Investments***

The Organization measures equity securities, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in excess revenues over expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

***Pharmaceutical Inventories***

Pharmaceutical inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

***Net Investment Return***

Investment return includes dividend, interest, and other investment income; and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

***Property and Equipment***

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under finance lease obligations and leasehold improvements, as applicable, are amortized over the shorter of the lease term or respective estimated useful lives.

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

Building and leasehold improvements	11 - 30 years
Equipment, furniture, and fixtures	3 - 20 years

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions 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 net assets without donor restrictions 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 are 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 asset impairment was recognized during the years ended December 31, 2023 and 2022.

***Debt Issuance Costs***

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The Organization records these costs as direct deductions from the related debt consistent with debt discounts or premiums. Such costs are being amortized over the term of the respective debt using the straight-line method, which approximates the effective interest method.

***Refund Liabilities***

The consideration the Organization has received from patients for which it does not expect to be entitled to is recorded as a refund liability.

***Deferred Grant Revenues***

Cash received from conditional gifts is deferred until conditions are met.

***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for capital improvements.

# **St. John's Community Health**

## **Notes to Financial Statements**

### **December 31, 2023 and 2022**

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

#### ***Patient Service Revenue***

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies, and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations by third-party payors.

#### ***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. Revenue recorded under these arrangements represent the fixed agreed-upon amounts as a result of the Organization's stand-ready performance obligation to provide health care services to qualified beneficiaries.

The MCOs also make fee-for-service payments to the Organization for providing certain covered services based upon discounted fee schedules. The provision of covered services is in addition to the Organization's stand-ready performance obligation. Revenue is recorded at the amount the Organization expects to collect for providing these services, including any copay or deductible amounts the Organization expects to collect from the beneficiaries based on their respective health plans.

#### ***Contributions***

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

***Government Grant Revenue***

Support funded by grants is generally considered a conditional contribution and recognized as the Organization meets the conditions or conditions prescribed by the grant agreement, which is often incurrence of qualifying expenditures. Grant agreements which are reimbursement for services provided are considered exchange transactions and recognized as patient service revenue which is recognized as the service is performed. 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.

***Pharmacy Revenue***

Pharmacy revenue is recognized as pharmaceuticals are dispensed to the customer. The Organization has a network of participating pharmacies that dispense pharmaceuticals to its patients under contract arrangement with the Organization. The Organization participates in the 340B "Drug Discount Program" which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization receives benefits under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. Reported 340B revenue consists of the pharmacy reimbursements, net of the initial purchase price of the drugs.

The 340B gross receipts are included in patient service revenue on the statements of operations. The drug replenishment costs and administrative and filling fees are included in supplies and other expenses on the statements of operations. The net 340B revenue from this program is used in furtherance of the Organization's mission.

***Income Taxes***

The Organization is 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. The Organization files tax returns in the U.S. federal jurisdiction.

***Excess of Revenues Over Expenses***

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

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Change in Accounting Principle**

Effective January 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, related to the impairment of financial instruments. This guidance, commonly referred to as current expected credit loss (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including patient accounts receivable and other receivables.

Upon adoption of the guidance on January 1, 2023, the Organization recognized no impact on net assets.

**Revision**

An immaterial revision has been made to the 2022 financial statements for presentation of the current portion of the contingent note payable. This did not have a significant impact on the financial statement line items impacted.

**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, 2023 and 2022, the Organization recognized \$10,702,024 and \$9,117,581 in CHC grant revenue, respectively. Funding for each of the grant budget periods ending February 29, 2024 and February 28, 2025, is authorized at \$9,198,894 and \$9,341,780, respectively.

In August 2020, the Organization received a federal award as part of the Disaster Relief Act of 2019 for capital improvements for \$1,000,000 for a budget period of September 1, 2020, through August 31, 2023. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreement which require incurring qualifying expenditures over the grant period. During the years ended December 31, 2023 and 2022, the Organization recognized \$1,000,000 and \$0 in grant funds for capital improvements, respectively.

The CHC grants are considered conditional awards. As such, the authorized funding in which the Organization has not incurred allowable expenditures has not been recognized in the financial statements at year-end.

# St. John's Community Health

## Notes to Financial Statements

### December 31, 2023 and 2022

In addition to the aforementioned grants, the Organization receives financial support from other federal, state, and private sources. See *Note 20* for consideration of funding received for COVID-19. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis. Grant revenue recognized in 2023 and 2022 was for financial support from awards classified as conditional contributions.

#### **Note 3: 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 programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

#### ***Performance Obligations***

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in our clinics. The Organization measures the performance obligation from commencement of a service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the patient.

#### ***Transaction Price***

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors and discounts provided to uninsured patients in accordance with the Organization's sliding fee discount program policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its sliding fee discount program policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients.

# St. John's Community Health

## Notes to Financial Statements

### December 31, 2023 and 2022

#### **Third-Party Payors**

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

*Medicare.* Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid 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 estimated settlements expected to be received or paid for Medi-Cal Reconciliation Request Forms for each of the years ended December 31, 2020, through 2023. Such amounts are recorded on the balance sheets as estimated amounts due to third-party payors. The Organization has also recorded a payable for certain amounts that are expected to be repaid to the state for Medi-Cal Reconciliation Request Forms for years ended December 31, 2017, through 2019 due to a billing error identified in 2020.

*Other.* Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates and discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medi-Cal, 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.

# St. John's Community Health

## Notes to Financial Statements

### December 31, 2023 and 2022

Settlements with third-party payors for retroactive adjustments due to cost report or other 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 based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations. The 2022 patient service revenue decreased approximately \$585,000 due to a change in transaction prices related to dates of service prior to January 1, 2022. The 2023 patient service revenue decreased approximately \$1,550,000 due to a change in transaction prices related to dates of services prior to January 1, 2023.

#### ***Patient and Uninsured Payors***

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended December 31, 2023, additional revenue of approximately \$230,000 was recognized due to changes in its estimates of implicit price concessions. For the year ended December 31, 2022, additional revenue of approximately \$150,000 was recognized due to changes in its estimates of implicit price concessions. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit loss expense.

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

#### ***Refund Liabilities***

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2023 and 2022, the Organization had no refund liabilities.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Revenue Composition**

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, and method of reimbursement. Tables providing details of these factors are presented below.

The composition of patient service revenue by primary payor for the years ended December 31, 2023 and 2022, is as follows:

	<b>2023</b>	<b>2022</b>
Medi-Cal	\$ 74,882,745	\$ 57,956,609
Medicare	1,598,676	1,401,987
County of Los Angeles	1,409,479	2,520,918
Self-pay and other	2,958,380	5,076,126
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 80,849,280</u>	<u>\$ 66,955,640</u>

Revenue from patients' deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of patient service revenue based on lines of business and method of reimbursement for the years ended December 31, 2023 and 2022, are as follows:

	<b>2023</b>	<b>2022</b>
Timing of revenue and recognition and service lines		
Health care services transferred over time		
Medical	\$ 49,458,099	\$ 40,642,674
Dental	12,363,609	10,396,250
Behavioral health	3,985,115	2,377,194
	<u>                    </u>	<u>                    </u>
	65,806,823	53,416,118
Retail pharmacy sales at point in time	15,042,457	13,539,522
	<u>                    </u>	<u>                    </u>
	<u>\$ 80,849,280</u>	<u>\$ 66,955,640</u>

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Method of reimbursement		
Fee for service	\$ 77,854,043	\$ 64,853,499
Other	2,995,237	2,102,141
	\$ 80,849,280	\$ 66,955,640

**Contract Balances**

The following table provides information about the Organization's receivables, contract assets, and contract liabilities from contracts with customers:

	<b>2023</b>	<b>2022</b>
Accounts receivable, beginning of year	\$ 5,025,267	14,571,157
Accounts receivable, end of year	10,822,095	5,025,267

The Organization had no significant contract assets or contract liabilities at December 31, 2023 and 2022.

**Financing Component**

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 the patient, or a third-party payor pays for that service will be one year or less.

**Note 4: Contributions Receivable**

Contributions receivable consisted of the following:

	<b>2023</b>	<b>2022</b>
With Donor Restrictions		
Due within one year	\$ 2,416,617	\$ 1,836,272
Due within one to five years	-	500,000
	\$ 2,416,617	\$ 2,336,272

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 5: Conditional Grants and Contributions**

The Organization has received the following conditional promises to give at December 31, 2023 and 2022, that are not recognized in the financial statements:

	<b>2023</b>	<b>2022</b>
Conditional promises to give upon incurring allowable expenditures under the agreement	\$ 17,053,696	\$ 9,606,420

**Note 6: 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 payor agreements. The mix of receivables from patients and third-party payors at December 31, 2023 and 2022, is:

	<b>2023</b>	<b>2022</b>
Medi-Cal	91%	90%
Medicare	2%	5%
County of Los Angeles	4%	3%
Self-pay and other	3%	2%
	100%	100%

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 7: Investments and Investment Return**

***Assets Limited As To Use***

Assets limited as to use, at December 31, 2023 and 2022, include:

	<b>2023</b>	<b>2022</b>
Internally designated for capital improvements		
Cash	\$ 202	\$ 4,148,202
Governmental money market funds	2,576	11,732,888
U.S. Government Treasury securities	16,881,500	-
	<u>16,884,278</u>	<u>15,881,090</u>
Held by trustee under indenture agreement		
Cash	102,633	165,084
Money market funds	164,878	101,304
	<u>267,511</u>	<u>266,388</u>
	<u>\$ 17,151,789</u>	<u>\$ 16,147,478</u>

***Investment Return***

Total investment return comprised of the following:

	<b>2023</b>	<b>2022</b>
Interest and dividend income	\$ 956,298	\$ 129,146
Unrealized gains on securities	204,012	-
	<u>\$ 1,160,310</u>	<u>\$ 129,146</u>

**Note 8: 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.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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, 2023 and 2022. 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 9: Line of Credit**

The Organization has a \$4,999,000 revolving line of credit expiring on December 15, 2024. At December 31, 2023 and 2022, there were no borrowings against this line. Interest was payable monthly at a rate of the greater of 2.50 percent or the bank's prime rate plus 1 percent, which was 8.50 percent at December 31, 2022. Effective December 15, 2023, the interest rate was amended to the bank's prime rate plus 2 percent, which was 10.50 percent at December 31, 2023. The line is collateralized by substantially all of the Organization's assets except real estate.

**Note 10: Long-Term Debt**

	<b>2023</b>	<b>2022</b>
City National Bank (A)	\$ 199,257	\$ 270,815
Series 2017 revenue bonds (B)	4,310,417	4,476,250
NCB Capital Impact (C)	309,558	707,588
CPCA Ventures (D)	-	1,284,071
Ally financing (E)	-	598
	4,819,232	6,739,322
Less current maturities	560,977	888,623
Plus unamortized premium on bonds	161,276	170,235
Less unamortized debt issuance costs	267,458	292,278
	\$ 4,152,073	\$ 5,728,656

(A) Due June 2026; payable \$7,171 monthly, including interest at 6.0 percent; secured by certain real estate, subordinated to the NCB Capital Impact note.

(B) The Revenue Bonds (Series 2017) consist of Insured Revenue Bonds in the original amount of \$5,250,000, with original premium of \$219,514, dated July 1, 2017, which bears interest at 2 percent to 4 percent. 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 \$264,417 and \$279,106 at December 31, 2023 and 2022, respectively. The effective interest rate was 0.29 percent for the years ended December 31, 2023 and 2022.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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 maintaining a ratio of net income available for debt service to maximum aggregate annual debt of at least 1.25, maintaining a current ratio of at least 1.5, and maintaining at least 30 days of expense in cash.

- (C) Construction loan payable in the original amount of \$3,450,000 with a fixed interest rate at 3.94 percent 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 \$3,041 and \$13,172 at December 31, 2023 and 2022, respectively. The effective interest rate was 0.03 percent for the years ended December 31, 2023 and 2022.

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.

- (D) Due January 2028; payable in 72 equal monthly installments beginning February 2022, including interest at 1.0 percent until January 2022, and thereafter at 3 percent; secured by certain personal property. The note was paid in full during March 2023.
- (E) Due February 2023; payable \$331 monthly plus interest of 5.54 percent; secured by certain equipment.

Aggregate annual maturities and sinking fund requirements of long-term debt at December 31, 2023, are:

2024	\$ 560,977
2025	260,789
2026	227,467
2027	195,000
2028	200,000
Thereafter	<u>3,374,999</u>
	<u>\$ 4,819,232</u>

**Note 11: Contingent Note Payable**

On February 13, 2019, the Organization entered into a service payback loan agreement with the City of Los Angeles (the "City") in which the Organization could receive up to \$3,500,000 to complete construction, renovation, and rehabilitation of a property to provide housing for low-income persons. The loan is to be forgiven by the City, contingent upon continuous services provided by the Organization for the City with a service payback value equal to \$87,500 biannually for the service payback period of 20 years. The service payback period commenced 2 months after

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

the Project Completion Date, which occurred in the year ended December 31, 2021. The Organization recognized gain on extinguishment of debt of \$175,000 and \$175,000 in each year ended December 31, 2023 and 2022. There is no interest rate associated with the loan and the purpose of the loan is to finance the acquisition or improvement of real property to provide housing for low-income persons. The loan balance as of December 31, 2023 and 2022, is \$3,062,500 and \$3,237,500, respectively, which represents draws related to the construction project.

**Note 12: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at December 31 are restricted for the following purposes:

	<b>2023</b>	<b>2022</b>
Subject to expenditure for specified purpose		
Purchase of equipment	\$ 700,000	\$ 733,409
Health care services	3,497,917	3,632,970
	<u>\$ 4,197,917</u>	<u>\$ 4,366,379</u>

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

	<b>2023</b>	<b>2022</b>
Satisfaction of purpose restrictions		
Purchase of capitalized equipment	\$ 462,678	\$ -
Purchase of expensed equipment	270,731	-
Indigent care	-	60,629
Health care services	2,236,792	697,553
	<u>\$ 2,970,201</u>	<u>\$ 758,182</u>

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 13: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2023 and 2022, comprise the following:

	<b>2023</b>	<b>2022</b>
Financial assets at year-end		
Cash and cash equivalents	\$ 19,349,914	\$ 16,038,120
Patient accounts receivable	10,822,095	5,025,267
Grants and other receivables	14,291,634	16,271,484
Contributions receivable	2,416,617	2,336,272
Assets limited as to use	<u>17,151,789</u>	<u>16,147,478</u>
Total financial assets	<u>64,032,049</u>	<u>55,818,621</u>
Less amounts not available to be used within one year		
Internally designated	16,884,278	15,881,090
Funds held by trustees	267,511	266,388
Contributions receivable	<u>-</u>	<u>500,000</u>
Financial assets not available to be used within one year	<u>17,151,789</u>	<u>16,647,478</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 46,880,260</u></u>	<u><u>\$ 39,171,143</u></u>

The Organization has other assets limited as to use for debt service. In addition, certain other board-designated assets are designated for future capital expenditures. These assets limited to use, which are more fully described in *Note 7*, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$4,999,000, which it could draw upon (see *Note 9*).



**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 15: 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. The Board of Directors annually determines the amount, if any, of the Organization's contributions to the plan. For the years ended December 31, 2023 and 2022, the Organization contributed a matching amount up to 4 percent of each eligible employee's gross compensation. Pension expense was approximately \$715,000 and \$725,000 for 2023 and 2022, respectively.

**Note 16: Construction in Progress**

At December 31, 2023, the Organization has multiple projects in progress. As of December 31, 2023, the following work has been completed and is classified as construction in progress on the Organization's balance sheets. Continuation of certain projects is dependent on the availability of additional federal grant and other funding.

Project	Construction in Progress at December 31, 2023	Estimated Project Cost	Estimated Completion Date	Source of Funding
813 W. 58th St. & 817 W. 58th St. Residences Purchase for Frayser Parking	\$ 993,296	\$ 1,707,125	August 2024	Operating Cash
Indio, CA	3,146,319	10,080,000	September 2024	Operating Cash
San Bernardino, CA Phase II renovations	3,233,800	4,725,000	October 2024	Operating Cash
North Long Beach Blvd., Compton, CA	4,395,797	16,091,758	May 2025	BHCIP Grant, Parsons and Ahmanson Foundations
	<u>\$ 11,769,212</u>	<u>\$ 32,603,883</u>		

**Note 17: Leases**

**Accounting Policies**

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

# St. John's Community Health

## Notes to Financial Statements

### December 31, 2023 and 2022

The Organization combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component. The lease components consist of equipment and real estate. The nonlease components consist of services and other shared equipment, such as services, taxes, and other costs, such as maintenance.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to the Organization's secured debt yields corresponding to the lease commencement date.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

#### ***Nature of Leases***

The Organization has entered into the following lease arrangements:

##### ***Finance Leases***

These leases mainly consist of equipment. These leases are payable in monthly installments through 2027. The leases bear interest rates between 5 percent and 9.25 percent and are secured by the equipment. Termination of the leases generally is prohibited unless there is a violation under the lease agreement.

##### ***Operating Leases***

The Organization leases primary care outpatient offices that expire in various years through 2038. These leases generally contain renewal options for periods ranging from 1 to 7 years and require the Organization to pay all executory costs (property taxes, maintenance, and insurance). Some lease payments have an escalating fee schedule, which range from a 2 to 3 percent increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

##### ***Short-Term Leases***

The Organization leases certain equipment on a seasonal demand. The expected lease terms are less than 12 months. Total lease expense included in operating expenses for the years ending December 31, 2023 and 2022, was \$122,008 and \$202,927, respectively.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

*All Leases*

The Organization has no material related party leases.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Quantitative Disclosures**

The lease cost and other required information for the year ended December 31, 2023 and 2022, are:

	<b>2023</b>	<b>2022</b>
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ 423,267	\$ 500,924
Interest on lease liabilities	60,368	54,817
Operating lease cost	1,206,960	1,146,196
Short-term lease cost	122,008	202,927
Total lease cost	\$ 1,812,603	\$ 1,904,864
Other information		
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 483,635	\$ 555,741
Financing cash flows from finance leases	830,880	496,073
Operating cash flows from operating leases	1,206,960	1,146,196
Right-of-use assets obtained in exchange for new finance lease liabilities	936,592	75,241
Right-of-use assets obtained in exchange for new operating lease liabilities	646,280	642,660
Weighted average remaining lease term		
Finance leases	2.0 years	2.3 years
Operating leases	9.3 years	9.8 years
Weighted average discount rate		
Finance leases	8.2%	6.6%
Operating leases	5.6%	5.5%

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

Future minimum lease payments and reconciliation to the balance sheet at December 31, 2023, are as follows:

	<b>Finance Leases</b>	<b>Operating Leases</b>
2024	\$ 399,365	\$ 1,183,704
2025	376,301	887,988
2026	257,944	906,184
2027	2,300	673,950
2028	-	466,648
Thereafter	-	3,250,751
Total future undiscounted lease payments	1,035,910	7,369,225
Less interest	116,092	1,767,973
Lease liabilities	<u>\$ 919,818</u>	<u>\$ 5,601,252</u>

**Note 18: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

	<b>Fair Value Measurements Using</b>			
	<b>Total Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2023</b>				
U.S. Treasury securities	\$ 16,881,500	\$ 16,881,500	\$ -	\$ -
Money market funds	167,454	167,454	-	-
	<u>\$ 17,048,954</u>	<u>\$ 17,048,954</u>	<u>\$ -</u>	<u>\$ -</u>
<b>December 31, 2022</b>				
Money market funds	\$ 11,834,192	\$ 11,834,192	\$ -	\$ -
	<u>\$ 11,834,192</u>	<u>\$ 11,834,192</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2023.

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no securities classified as Level 2 or 3.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 19: 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:

***Investments***

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

***Grant Revenues***

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

***Variable Consideration***

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 1* and *3*.

***Medical Malpractice Claims***

Estimates related to the accrual for medical malpractice claims are described in *Note 8*.

***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. Events could occur that would cause these estimates to differ materially in the near term.

As of December 31, 2023 and 2022, the Organization has recorded a liability of \$217,895 and \$496,460, respectively, related to various employment related matters. These settlements are included in the accrued expenses and accounts payable on the Organization's balance sheets. The Organization also recorded a related insurance receivable of \$102,645 and \$396,460 at December 31, 2023 and 2022, respectively. This receivable is included in grants and other receivables on the Organization's balance sheets.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

***340B Drug Pricing Program***

The Organization participates in the 340B Drug Pricing Program (340B Program) as a covered entity which enables the Organization to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA has implemented a program integrity initiative to maximize oversight and manage compliance risks for 340B Program covered entities. The initiative's guiding principles include audits of covered entities and manufacturers to enforce requirements for these stakeholders. Annual recertification is required to allow covered entities an opportunity to assess their 340B program and reattest to meeting program requirements.

Laws and regulations governing the 340B Program are complex and subject to interpretation and change. The Organization monitors requests and notifications from manufacturers and assess with their legal department as needed as these notifications could result in potential reduction in savings for the Organization. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

***Labor Agreement***

The Organization has a collective bargaining agreement with Service Employees International Union, Local 721 expiring February 28, 2026. Approximately 59 and 61 percent of employees are covered under this agreement at December 31, 2023 and 2022, respectively.

**Note 20: COVID-19 Pandemic & CARES Act Funding**

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The extent of the COVID-19 pandemic's adverse effect on the operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

***American Rescue Plan Act Grants***

In March 2021, as part of the *American Rescue Plan Act*, the Organization was awarded a federal grant award for \$20,059,625 for a budget period of April 2021 through March 2023. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. During the years ended December 31, 2023 and 2022, the Organization recognized \$0 and \$7,458,602 in *American Rescue Plan Act* grant funds, respectively.

In September 2021, as part of the *American Rescue Plan Act*, the Organization was awarded a federal grant award for capital improvements for \$1,443,943 for a budget period of September 2021 through September 2024. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreement which require incurring qualifying expenditures over the grant period. During the years ended December 31, 2023 and 2022, the Organization recognized \$556,020 and \$0 in *American Rescue Plan Act* grant funds for capital improvements, respectively.

***Expanding COVID-19 Vaccination Award***

In May 2023, as part of the Paycheck Protection Program and Health Care Enhancement Act, the Organization was awarded a federal grant award (ECV) for \$900,954 for a budget period of December 2022 through December 2023. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. During the year ended December 31, 2023, the Organization recognized \$900,954 in ECV grant revenue. The Organization did not recognize any ECV grant revenue during the year ended December 31, 2022.

***FY 2023 Bridge Access Program***

In August 2023, as part of the *American Rescue Plan Act*, the Organization was awarded a federal grant award (BAP) for \$365,972 for a budget period of September 2023 through December 2024. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. During the year ended December 31, 2023, the Organization recognized \$98,897 in BAP grant revenue. The Organization did not recognize any BAP grant revenue during the year ended December 31, 2022.

**St. John’s Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 21: Contributed Nonfinancial Assets**

For the years December 31, 2023 and 2022, contributed nonfinancial assets recognized within the statement of operations included:

	<b>2023</b>	<b>2022</b>
Testing kits	\$ 240,817	\$ 245,008
Vaccines	2,157,568	2,192,156
Building rent	416,745	212,510
	<b>\$ 2,815,130</b>	<b>\$ 2,649,674</b>

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

***Test Kits***

Donated testing kits for COVID-19, Antigen and Respiratory Syncytial Virus (RSV) were received from various counties and were utilized by the Organization in testing of patients. These tests were administered to patients free of charge.

***Vaccines***

The vaccines were utilized in the Vaccines for Children (VFC) program and the Vaccines for Adults (VFA) program. These vaccines do not generate any revenue and are provided to patients free of charge.

***Building Rent***

The building is utilized for medical and clinical operations at the Traynham and Jaqueline Avant Children’s clinics. In valuing the contributed use of the building, which is located in Los Angeles, the Organization estimated the fair value on the basis of recent comparable rental prices in Los Angeles’ real estate market.

**St. John's Community Health**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

The following basis was used for valuing contributed items:

<b>Contributed Items</b>	<b>Valuation Basis</b>
Testing kits	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States
Vaccines	The Organization used the most recent Cardinal Average Wholesale Prices (AWP) for similar items that approximate wholesale prices in the United States (that is, the principal market)
Building rent	The Organization estimated the fair value of the rent for clinic locations on the basis of recent comparable rental prices in the related real estate markets.

**Note 22: Subsequent Events**

Subsequent to year end during May 2024, the Organization was awarded a \$10,000,000 grant from the California Strategic Growth Council to build a community resilience center for South Los Angeles, California.

During the year ended December 31, 2023, the Organization performed renovations of approximately \$3,233,800 on the San Bernardino health clinic (*Note 16*). The Organization opened the health center clinic in San Bernardino on January 4, 2024, providing full scope primary care services. As of December 31, 2023, the Organization planned on completing additional renovations of approximately \$1,491,200 at the San Bernardino health clinic.

In addition, the Organization opened a health center in San Jacinto on July 15, 2024.

Subsequent events have been evaluated through September 24, 2024, which is the date the financial statements were issued.

## **Supplementary Information**

**St. John's Community Health**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2023**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services/Health Center Program/ Health Center Program Cluster	93.224	N/A	\$ -	\$ 11,138,674
U.S. Department of Health and Human Services/COVID-19 - Grants for New and Expanded Services under the Health Center Program/ Health Center Program Cluster	93.527	N/A	-	999,851
U.S. Department of Health and Human Services/Capital Assistance for Disaster Response and Recovery Efforts/Health Center Program/ Health Center Program Cluster	93.224	N/A	-	815,591
Total Health Center Program Cluster			-	12,954,116
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	None	-	38,098
Total Research and Development Cluster			-	38,098
U.S. Department of Health and Human Services/Los Angeles County/HIV Emergency Relief Project Grants	93.914	PH-004210 PH-003807 PH-003763 PH-002343	-	437,380
U.S. Department of Health and Human Services/Bienstar Human Services, Inc./HIV Prevention Activities Health Department Based	93.940	None	-	155,320
U.S. Department of Health and Human Services/Essential Access Health/ Family Planning Services	93.217	2515-5320-71209-23-24	-	120,564
U.S. Department of Health and Human Services/Essential Access Health/ Family Planning Services	93.217	2515-61217-2022-2023	-	25,000
Total Family Planning Services			-	145,564
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	2,542,346
Total forward			-	16,272,824

**St. John's Community Health**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2023**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Total forward			\$ -	\$ 16,272,824
U.S. Department of Housing and Urban Development/Los Angeles Homeless Services Authority/Continuum of Care Program	14.267	CA1787L9D002001	-	863,377
U.S. Department of Housing and Urban Development/Volunteers of America Los Angeles/Continuum of Care Program	14.267	35359	-	262,827
Total Continuum of Care Program			-	1,126,204
U.S. Department of Justice/California Governor's Office of Emergency Services/ Crime Victim Assistance	16.575	UV21061635	-	180,273
U.S. Department of Justice/California Governor's Office of Emergency Services/ Crime Victim Assistance	16.575	XH22 01 1635	-	181,696
U.S. Department of Justice/California Governor's Office of Emergency Services/ Crime Victim Assistance	16.575	XD19021635	-	425,410
Total Crime Victim Assistance			-	787,379
U.S. Department of the Treasury/Community Health Councils, Inc./COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	None	-	515,081
U.S. Department of the Treasury/County of Los Angeles/ COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	CA-24-004	-	48,760
Total Coronavirus State and Local Fiscal Recovery Funds			-	563,841
U.S. Department of Health and Human Services/ Special Projects of National Significance	93.928	N/A	-	93,424
U.S. Department of Health and Human Services/ Grants for Capital Development in Health Centers	93.526	N/A	-	653,745
Total forward			-	19,497,417

**St. John's Community Health**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2023**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Total forward			\$ -	\$ 19,497,417
U.S. Department of Homeland Security/State of California Governor's Office of Emergency Services/ COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PW #01927	-	12,905,642
U.S. Department of Homeland Security/State of California Governor's Office of Emergency Services/ COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PW #682308	-	1,294,702
U.S. Department of Homeland Security/State of California Governor's Office of Emergency Services/ COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PW #00729	-	337,455
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			-	14,537,799
U.S. Department of Health and Human Services/ Centers for Disease Control and Prevention/ Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus (AIDS) Surveillance	93.944	1 NU62PS924782-01-00	-	465,667
U.S. Department of Health and Human Services/Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	-	35,262
U.S. Department of Housing and Urban Development/ APLA Health & Wellness/Housing Opportunities for Persons with AIDS	14.241	C-122130	-	108,417
U.S. Department of Treasury/Los Angeles Homeless Services Authority/COVID-19- Coronavirus Relief Fund	21.019	None	-	(4,487)
			\$ -	\$ 34,640,075

**St. John's Community Health**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2023**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of St. John's Community Health's under programs of the federal government for the year ended December 31, 2023. 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 Community Health, 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 Community Health.

**Note 2: Summary of 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, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3: Indirect Cost Rate**

St. John's Community Health has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4: Federal Loan Programs**

St. John's Community Health did not have any federal loan programs during the year ended December 31, 2023.

**Note 5: Personal Protective Equipment (PPE) (Unaudited)**

St. John's Community Health has not received any donated PPE from a federal source during the year ended December 31, 2023.

**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***

**Independent Auditor's Report**

Board of Directors  
St. John's Community Health  
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 (*Government Auditing Standards*), the financial statements of St. John's Community Health (the "Organization"), which comprise the Organization's balance sheet as of December 31, 2023, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered St. John's Community Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. John's Community Health's internal control. Accordingly, we do not express an opinion on the effectiveness of St. John's Community Health'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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether St. John's Community Health'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

***Forvis Mazars, LLP***

Springfield, Missouri  
September 24, 2024

## **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 Community Health  
Los Angeles, California

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

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

We have audited St. John's Community Health's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. 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.

In our opinion, St. John's Community Health 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, 2023.

##### ***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 (*Government Auditing Standards*); 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 "Auditor's Responsibilities for the Audit of Compliance" section of our report.

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

##### ***Responsibilities of Management for Compliance***

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

### ***Auditor's 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 St. John's Community Health'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 St. John's Community Health's compliance with the requirements of each major federal program as a whole.

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

**Forvis Mazars, LLP**

Springfield, Missouri  
September 24, 2024

**St. John's Community Health**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2023**

**Section I – Summary of Auditor's Results**

*Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified       Qualified       Adverse       Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified?       Yes       None reported

Material weakness(es) identified?       Yes       No

3. Noncompliance material to the financial statements noted?       Yes       No

*Federal Awards*

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified?       Yes       None reported

Material weakness(es) identified?       Yes       No

5. Type of auditor's report issued on compliance for major federal award programs:

Unmodified       Qualified       Adverse       Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?       Yes       No

**St. John's Community Health**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2023**

7. Identification of major federal programs:

<b>Assistance Listing Numbers</b>	<b>Name of Federal Program or Cluster</b>
93.224/93.527	Health Center Program Cluster
14.267	Continuum of Care Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

8. Dollar threshold used to distinguish between Type A and Type B programs: \$1,039,202.

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

**St. John's Community Health**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2023**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**St. John's Community Health**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2023**

**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**St. John's Community Health**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.