

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

Independent Auditor's Reports and Financial Statements

December 31, 2020 and 2019

**St. John’s Well Child and Family Center, Inc.**  
**December 31, 2020 and 2019**

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of St. John's Well Child and Family Center, Inc. (the "Organization"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. John's Well Child and Family Center, Inc. as of December 31, 2020 and 2019, 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.

### **Emphasis of Matter**

As discussed in *Note 20* to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we also have issued our report dated October 27, 2021, on our consideration of the St. John's Well Child and Family Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Well Child and Family Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. John's Well Child and Family Center, Inc.'s internal control over financial reporting and compliance.

**BKD, LLP**

Springfield, Missouri  
October 27, 2021

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

## Balance Sheets

December 31, 2020 and 2019

### Assets

	<b>2020</b>	<b>2019 (Restated - Note 20)</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,942,328	\$ 7,666,421
Assets limited as to use - current	500,000	500,000
Patient accounts receivable	7,586,591	4,886,224
Grants and other receivables	4,880,042	3,241,288
Contributions receivable - current	552,500	978,001
Estimated amounts due from third-party payors - current	90,275	3,333,952
Pharmaceutical inventory	319,561	339,151
Prepaid expenses and other	1,151,254	1,164,958
Total current assets	30,022,551	22,109,995
<b>Assets Limited As To Use</b>		
Internally designated	10,548,202	9,988,354
Held by trustee	265,790	266,004
	10,813,992	10,254,358
Less amount required to meet current obligations	500,000	500,000
	10,313,992	9,754,358
<b>Estimated Amounts Due From Third-Party Payors</b>		
	961,723	3,722,879
Less current portion	90,275	3,333,952
	871,448	388,927
<b>Property and Equipment, At Cost</b>		
Land	2,948,376	2,948,376
Buildings and leasehold improvements	22,763,014	22,758,264
Equipment	5,134,816	4,475,800
Furniture and fixtures	1,180,691	1,173,494
Construction in progress	5,086,756	253,593
	37,113,653	31,609,527
Less accumulated depreciation	13,122,495	11,940,334
	23,991,158	19,669,193
<b>Other Assets</b>		
Right-of-use assets - operating leases	5,234,915	5,852,863
Right-of-use assets - finance leases	1,585,087	1,412,498
	6,820,002	7,265,361
Total assets	\$ 72,019,151	\$ 59,187,834

## Liabilities and Net Assets

	<b>2020</b>	<b>2019 (Restated - Note 20)</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 589,928	\$ 566,369
Current portion of operating lease liabilities	623,644	568,403
Current portion of finance lease liabilities	540,537	325,377
Accounts payable	4,521,499	2,617,890
Accrued expenses	9,053,325	7,423,192
Estimated amounts due to third-party payors	3,707,523	3,846,119
Deferred grant revenue	943,568	625,965
	<u>19,980,024</u>	<u>15,973,315</u>
<b>Other Liabilities</b>		
Long-term accrued expenses	-	500,000
Long-term debt	7,415,535	6,485,029
Operating lease liabilities	4,868,637	5,492,281
Finance lease liabilities	1,104,485	1,160,977
Contingent note payable	374,377	-
	<u>13,763,034</u>	<u>13,638,287</u>
Total other liabilities	<u>13,763,034</u>	<u>13,638,287</u>
Total liabilities	<u>33,743,058</u>	<u>29,611,602</u>
<b>Net Assets</b>		
Without donor restrictions	36,134,447	27,556,597
With donor restrictions	2,141,646	2,019,635
	<u>38,276,093</u>	<u>29,576,232</u>
Total net assets	<u>38,276,093</u>	<u>29,576,232</u>
Total liabilities and net assets	<u>\$ 72,019,151</u>	<u>\$ 59,187,834</u>

**St. John's Well Child and Family Center, Inc.**  
**Statements of Operations**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019 (Restated - Note 20)</b>
<b>Revenues, Gains, and Other Support Without Donor Restrictions</b>		
Patient service revenue	\$ 54,609,887	\$ 43,971,242
Capitation revenue	17,681,223	15,233,569
Grant revenue	18,249,005	13,920,970
Contributions	2,846,748	4,954,379
Other	2,072,546	1,428,394
Net assets released from restrictions used for operations	3,716,672	2,546,327
Total revenues, gains, and other support without donor restrictions	99,176,081	82,054,881
 <b>Expenses and Losses</b>		
Salaries and wages	44,177,890	38,806,518
Employee benefits	9,329,976	8,571,760
Purchased services and professional fees	9,068,211	8,156,671
Supplies and other	24,961,963	21,067,763
Rent	1,207,478	1,161,451
Depreciation and amortization	1,553,805	1,770,545
Interest	337,289	398,765
Provision for uncollectible accounts	-	175,000
Loss on disposal of property and equipment	-	22,688
Total expenses and losses	90,636,612	80,131,161
 <b>Operating Income</b>	8,539,469	1,923,720
 <b>Other Income (Expense)</b>		
Investment return, net	38,381	190,955
<b>Excess of Revenues Over Expenses</b>	8,577,850	2,114,675
 Grants for acquisition of property and equipment	-	136,685
Net assets released from restrictions used for purchase of property and equipment	-	182,018
<b>Increase in Net Assets Without Donor Restrictions</b>	\$ 8,577,850	\$ 2,433,378

**St. John's Well Child and Family Center, Inc.**  
**Statements of Changes in Net Assets**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019 (Restated - Note 20)</b>
<b>Net Assets Without Donor Restrictions</b>		
Excess of revenues over expenses	\$ 8,577,850	\$ 2,114,675
Grants for acquisition of property and equipment	-	136,685
Net assets released from restrictions used for purchase of property and equipment	-	182,018
Increase in net assets without donor restrictions	8,577,850	2,433,378
<b>Net Assets With Donor Restrictions</b>		
Contributions received	3,838,683	2,209,632
Net assets released from restriction	(3,716,672)	(2,728,345)
Increase (decrease) in net assets with donor restrictions	122,011	(518,713)
<b>Change in Net Assets</b>	8,699,861	1,914,665
<b>Net Assets, Beginning of Year, As Previously Reported</b>		28,889,685
<b>Adjustments Applicable to Prior Years</b>		
Net assets without donor restrictions		(1,228,118)
<b>Net Assets, Beginning of Year, As Restated</b>	29,576,232	27,661,567
<b>Net Assets, End of Year</b>	\$ 38,276,093	\$ 29,576,232

**St. John's Well Child and Family Center, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019 (Restated - Note 20)</b>
<b>Operating Activities</b>		
Change in net assets	\$ 8,699,861	\$ 1,914,665
Items not requiring (providing) operating cash flow		
Depreciation and amortization	1,553,805	1,770,545
Amortization of debt issuance costs	24,871	24,871
Noncash operating lease expense	617,948	551,250
Loss on disposal of property and equipment	-	22,688
Grants for acquisition of property and equipment	-	(136,685)
Changes in		
Patient accounts receivable	(2,700,367)	(785,044)
Grants and other receivables	(1,769,705)	(199,447)
Contributions receivable	425,501	453,749
Estimated amounts due from third-party payors	2,622,560	(1,778,702)
Prepaid expenses and other	13,704	(323,829)
Pharmaceutical inventory	19,590	(177,541)
Accounts payable and accrued expenses	2,814,632	43,265
Deferred grant revenue	317,603	625,965
Operating lease liability	(568,403)	(500,083)
	<u>12,071,600</u>	<u>1,505,667</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(5,285,017)	(673,621)
	<u>(5,285,017)</u>	<u>(673,621)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from grants for acquisition of property and equipment	130,951	5,735
Proceeds from issuance of long-term debt	1,874,377	-
Principal payments on long-term debt	(570,806)	(557,680)
Principal payments of finance lease liabilities	(385,564)	(419,320)
	<u>1,048,958</u>	<u>(971,265)</u>
Net cash provided by (used in) financing activities		

**St. John's Well Child and Family Center, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019 (Restated - Note 20)</b>
	<u>2020</u>	<u>2019</u>
<b>Increase (Decrease) in Cash and Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents</b>	\$ 7,835,541	\$ (139,219)
<b>Cash and Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, Beginning of Year</b>	<u>17,920,779</u>	<u>18,059,998</u>
<b>Cash and Cash Equivalents, Restricted Cash, and and Restricted Cash Equivalents, End of Year</b>	<u>\$ 25,756,320</u>	<u>\$ 17,920,779</u>
<b>Reconciliation of Cash and Cash Equivalents , Restricted Cash, and Restricted Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents in current assets	\$ 14,942,328	\$ 7,666,421
Cash and cash equivalents in assets limited as to use	<u>10,813,992</u>	<u>10,254,358</u>
	<u>\$ 25,756,320</u>	<u>\$ 17,920,779</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 337,289	\$ 398,765
Property and equipment acquisitions in accounts payable	\$ 228,006	\$ 8,896
ROU assets obtained in exchange for new operating lease liabilities	\$ -	\$ 1,883,136
ROU assets obtained in exchange for new finance lease liabilities	\$ 544,232	\$ 1,486,819

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

## Notes to Financial Statements

December 31, 2020 and 2019

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

#### ***Nature of Operations***

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

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers, treasury bills, and certificates of deposit.

At December 31, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$13,694,000. This amount includes bank balances available to pay checks issued prior to year-end, but not yet presented for payment as of December 31, 2020.

#### ***Assets Limited As To Use***

Assets limited as to use include (1) cash and money market funds held by trustee under an indenture agreement and (2) cash, certificates of deposit, money market funds, and treasury bills 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 bad debt expense related to patient accounts receivable has been recognized for the years ended December 31, 2020 and 2019.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### **Pharmaceutical Inventories**

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

### **Property and Equipment**

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

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

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

Donations of property and equipment are reported at fair value as an increase in 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 is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairment loss was recognized for the years ended December 31, 2020 and 2019.

### **Debt Issuance Costs**

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

### **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.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### **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.

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.

**St. John's Well Child and Family Center, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**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:

<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 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 Well Child and Family Center, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### **Government Grant Revenue**

Support funded by grants is generally considered a conditional contribution and recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. 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.

### **In-Kind Contributions**

In addition to receiving cash contributions, the Organization receives in-kind contributions of rent and pharmaceutical supplies. For the years ended December 31, 2020 and 2019, \$2,391,458 and \$4,472,831 was received in in-kind contributions, respectively.

### **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.

### **Electronic Health Records Incentive Program**

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

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

The Organization has recorded revenue of approximately \$612,000 and \$170,000 for 2020 and 2019, respectively, which is included in other revenue within operating revenues in the statement of operations.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### ***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).

### **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, 2020 and 2019, the Organization recognized \$9,285,218 and \$8,958,640 in CHC grant revenue, respectively. Funding for the grant budget periods ending February 28, 2021 and 2022, is authorized at \$9,418,027 and \$9,058,280, respectively.

In addition to the aforementioned grants, the Organization receives financial support from other federal, state, and private sources. See *Note 19* 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 2020 and 2019 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 and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### ***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.

### ***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.

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

## Notes to Financial Statements

December 31, 2020 and 2019

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, 2017 through 2020. Such amounts are recorded on the balance sheets as estimated amounts due from or to third-party payors. Due to the timing of the interim and final settlement processes, the Organization has classified a portion of the amount as a noncurrent. 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 (see *Note 20*).

*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.

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 2020 patient service revenue increased approximately \$600,000 due to a change in transaction prices related to dates of service prior to January 1, 2020. The 2019 patient service revenue increased approximately \$875,000 due to a change in transaction prices related to dates of service prior to January 1, 2019.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### ***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, 2020, additional revenue of approximately \$444,000 was recognized due to changes in its estimates of implicit price concessions. For the year ended December 31, 2019, additional revenue of approximately \$61,000 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 bad debt 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, 2020 and 2019, the Organization had no refund liabilities.

### ***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.

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

## Notes to Financial Statements

December 31, 2020 and 2019

The composition of patient service revenue by primary payor for the years ended December 31, 2020 and 2019, is as follows:

	<b>2020</b>	<b>2019 (Restated - Note 20)</b>
Medi-Cal	\$ 48,585,240	\$ 38,808,219
Medicare	713,538	496,201
County of Los Angeles	3,404,353	3,319,094
Self-pay and other	1,906,756	1,347,728
Total	\$ 54,609,887	\$ 43,971,242

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, 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019 (Restated - Note 20)</b>
Timing of revenue and recognition and service lines		
Health care services transferred over time		
Medical	\$ 34,629,066	\$ 22,531,540
Dental	5,241,097	8,007,067
Behavioral health	2,178,701	2,221,614
Other	63,694	259,443
	42,112,558	33,019,664
Retail pharmacy sales at point in time	12,497,329	10,951,578
	\$ 54,609,887	\$ 43,971,242
Method of reimbursement		
Fee for service	\$ 53,910,184	\$ 43,505,612
Other	699,703	465,630
	\$ 54,609,887	\$ 43,971,242

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

## Notes to Financial Statements

December 31, 2020 and 2019

### **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.

### **Contract Balances**

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

	<b>2020</b>	<b>2019</b>
Accounts receivable, beginning of year	\$ 4,886,224	\$ 4,101,180
Accounts receivable, end of year	7,586,591	4,886,224

### **Note 4: Concentration of Credit Risk**

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2020 and 2019, is:

	<b>2020</b>	<b>2019</b>
Medi-Cal	89%	73%
Medicare	5%	19%
County of Los Angeles	1%	3%
Self-pay and other	5%	5%
	<u>100%</u>	<u>100%</u>

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

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 5: Investments and Investment Return

#### **Assets Limited As To Use**

Assets limited as to use, at December 31, 2020 and 2019, include:

	<b>2020</b>	<b>2019</b>
Internally designated for capital improvements		
Cash	\$ 48,202	\$ 2,368,354
Certificates of deposit	3,100,000	7,620,000
Money market funds	3,600,000	-
U.S. Treasury securities	3,800,000	-
	10,548,202	9,988,354
Held by trustee under indenture agreement		
Cash	164,881	165,208
Money market funds	100,909	100,796
	265,790	266,004
	\$ 10,813,992	\$ 10,254,358

Total investment return at December 31, 2020 and 2019, is comprised of interest income of \$38,381 and \$190,955, respectively.

### Note 6: Conditional Grants and Contributions

The Organization has received the following conditional promises to give at December 31, 2020 and 2019, that are not recognized in the financial statements:

	<b>2020</b>	<b>2019</b>
Given upon incurring allowable expenditures under the agreement	\$ 14,474,075	\$ 12,495,940
Given upon collection of student fees	-	330,000
	\$ 14,474,075	\$ 12,825,940

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

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 7: Medical Malpractice Claims

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

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claim experience, no accrual has been made for medical malpractice costs for the years ended December 31, 2020 and 2019. 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 8: Line of Credit

The Organization has a \$2,000,000 revolving line of credit expiring on December 1, 2021. At December 31, 2020 and 2019, there were no borrowings against this line. Interest is payable monthly at a rate of the greater of 2.50 percent or the bank's prime rate plus 1 percent (4.25 percent and 5.75 percent at December 31, 2020 and 2019, respectively). The line is collateralized by substantially all of the Organization's assets except real estate.

### Note 9: Long-Term Debt

	<u>2020</u>	<u>2019</u>
City National Bank (A)	\$ 401,540	\$ 461,114
Series 2017 revenue bonds (B)	4,792,084	4,942,500
NCB Capital Impact (C)	1,457,570	1,810,528
CPCA Ventures (D)	1,500,000	-
Ally financing (E)	8,035	11,426
	<u>8,159,229</u>	<u>7,225,568</u>
Less current maturities	589,928	566,369
Plus unamortized premium on bonds	188,155	197,130
Less unamortized debt issuance costs	<u>341,921</u>	<u>371,300</u>
	<u>\$ 7,415,535</u>	<u>\$ 6,485,029</u>

(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.

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

## Notes to Financial Statements

December 31, 2020 and 2019

- (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 \$308,486 and \$327,734 at December 31, 2020 and 2019, respectively. The effective interest rate was .29 percent for the years ended December 31, 2020 and 2019.

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 \$33,435 and \$43,566 at December 31, 2020 and 2019, respectively. The effective interest rate was .03 percent for the years ended December 31, 2020 and 2019.

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.
- (E) Due February 2023; payable \$331 monthly plus interest of 5.54 percent; secured by certain equipment.

Aggregate annual maturities of long-term debt at December 31, 2020, are:

2021	\$ 589,928
2022	829,563
2023	887,371
2024	813,163
2025	513,393
Thereafter	<u>4,525,811</u>
	<u>\$ 8,159,229</u>

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

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 10: 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 shall commence 2 months after the Project Completion Date. 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, 2020 and 2019, is \$374,377 and \$0, respectively, which represents draws related to the construction project.

### Note 11: Net Assets With Donor Restrictions

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at December 31, 2020 and 2019, are restricted for the following purposes or periods:

	<b>2020</b>	<b>2019</b>
Health care services		
Purchase of equipment	\$ 1,004,250	\$ -
Indigent care	1,122,314	2,019,635
Time restricted	15,082	-
	\$ 2,141,646	\$ 2,019,635

#### *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>2020</b>	<b>2019</b>
Purpose restrictions accomplished		
Purchase of equipment	\$ -	\$ 182,018
Indigent care	3,531,754	2,493,736
Passage of specified time	184,918	52,591
Total restrictions released	\$ 3,716,672	\$ 2,728,345

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

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 12: Liquidity and Availability

The Organization's financial assets available within one year of the balance sheet date for general expenditures are:

	2020	2019 (Restated - Note 20)
Financial assets at year-end		
Cash and cash equivalents	\$ 14,942,328	\$ 7,666,421
Patient accounts receivable	7,586,591	4,886,224
Grants and other receivables	4,880,042	3,241,288
Contributions receivable	552,500	978,001
Estimated amounts due from third-party payors	961,723	3,722,879
Assets limited as to use	10,813,992	10,254,358
Total financial assets	39,737,176	30,749,171
Less amounts not available to be used within one year		
Internally designated	10,048,202	9,488,354
Funds held by trustees	265,790	266,004
Estimated amounts due from third-party payors	871,448	388,927
Financial assets not available to be used within one year	11,185,440	10,143,285
Financial assets available to meet general expenditures within one year	\$ 28,551,736	\$ 20,605,886

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 \$2,000,000, which it could draw upon (see Note 8).

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

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 13: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services, general and administrative, and fundraising functional expense classifications based on direct assignment, expenses, and other methods. The following schedule presents the natural classification of expenses by function as follows:

	<b>2020</b>			
	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 39,587,193	\$ 4,382,522	\$ 208,175	\$ 44,177,890
Employee benefits	8,360,348	925,664	43,964	9,329,976
Purchased services and professional fees	6,196,243	2,366,233	505,735	9,068,211
Supplies and other	23,402,767	1,512,175	47,021	24,961,963
Rent	1,038,427	169,051	-	1,207,478
Depreciation	1,330,900	222,905	-	1,553,805
Interest	71,145	266,144	-	337,289
	<u>\$ 79,987,023</u>	<u>\$ 9,844,694</u>	<u>\$ 804,895</u>	<u>\$ 90,636,612</u>
Total expenses	<u>\$ 79,987,023</u>	<u>\$ 9,844,694</u>	<u>\$ 804,895</u>	<u>\$ 90,636,612</u>
	<b>2019</b>			
	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 35,127,012	\$ 3,505,963	\$ 173,540	\$ 38,806,515
Employee benefits	7,759,012	774,416	38,332	8,571,760
Purchased services and professional fees	6,037,252	1,699,743	419,676	8,156,671
Supplies and other	19,706,089	1,221,332	140,342	21,067,763
Rent	998,978	162,473	-	1,161,451
Depreciation	1,609,411	161,134	-	1,770,545
Interest	27,164	371,604	-	398,768
Provision for uncollectible accounts	175,000	-	-	175,000
Loss on disposal of property and equipment	22,688	-	-	22,688
	<u>\$ 71,462,606</u>	<u>\$ 7,896,665</u>	<u>\$ 771,890</u>	<u>\$ 80,131,161</u>
Total expenses	<u>\$ 71,462,606</u>	<u>\$ 7,896,665</u>	<u>\$ 771,890</u>	<u>\$ 80,131,161</u>

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

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 14: 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, 2020 and 2019, the Organization contributed a matching amount up to 4 percent of each eligible employee's gross compensation. Pension expense was approximately \$360,000 for 2020 and 2019.

### Note 15: Construction in Progress

At December 31, 2020, the Organization has multiple projects in progress including renovation of the 813 W. 58<sup>th</sup> Street Clinic, 817 W. 58<sup>th</sup> Street Clinic, Dominguez High School, Compton CADD Clinic, Pediatric Compton Clinic, Mobile 3 Clinic, and Avalon Clinic. As of December 31, 2020, the following work has been completed and is classified as construction in progress on the Organization's balance sheet. Continuation of these projects is dependent on the availability of additional federal grant and other funding.

Project	Construction in Progress at December 31, 2020	Estimated Project Cost	Estimated Completion Date
813 W. 58th St. & 817 W. 58th St. Residences - Patient Parking	\$ 859,914	\$ 1,455,000	December 2022
Dominguez Clinic Renovation	33,000	100,000	July 2022
Compton CADD & Pediatric	119,880	1,875,000	Early 2022
Avalon Clinic Construction	3,749,986	4,425,000	August 2021
Mobile 3	323,976	330,000	April 2021
	<u>\$ 5,086,756</u>	<u>\$ 8,185,000</u>	

### Note 16: 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 Well Child and Family Center, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

The Organization accounts for the lease and nonlease components, such as common area and other maintenance costs, 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 inception, 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 2025. The leases bear interest rates between 5 percent and 7 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 2035. 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 year ending December 31, 2020 and 2019, was \$274,392 and \$326,751, respectively.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### *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, 2020 and 2019, is as follows:

	<b>2020</b>	<b>2019</b>
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ 371,643	\$ 447,707
Interest on lease liabilities	85,408	87,892
Operating lease cost	933,086	834,700
Short-term lease cost	<u>274,392</u>	<u>326,751</u>
Total lease cost	<u>\$ 1,664,529</u>	<u>\$ 1,697,050</u>
Other information		
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 457,051	\$ 535,599
Financing cash flows from finance leases	385,564	419,320
Operating cash flows from operating leases	933,086	834,700
Right-of-use assets obtained in exchange for new finance lease liabilities	544,232	1,486,819
Right-of-use assets obtained in exchange for new operating lease liabilities	-	1,883,136
Weighted average remaining lease term		
Finance leases	3.1 years	3.8 years
Operating leases	8.3 years	9.1 years
Weighted average discount rate		
Finance leases	7.0%	7.0%
Operating leases	5.4%	5.4%

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

## Notes to Financial Statements

December 31, 2020 and 2019

Future minimum lease payments and reconciliation to the consolidated balance sheet at December 31, 2020, are as follows:

	<b>Finance Leases</b>	<b>Operating Leases</b>
2021	\$ 615,357	\$ 907,062
2022	487,324	731,998
2023	487,324	724,280
2024	188,212	685,787
2025	16,744	385,073
Thereafter	-	4,359,963
Total future undiscounted lease payments	<u>1,794,961</u>	<u>7,794,163</u>
Less interest	<u>149,939</u>	<u>2,301,882</u>
Lease liabilities	<u><u>\$ 1,645,022</u></u>	<u><u>\$ 5,492,281</u></u>

### Note 17: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, 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 or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

## Notes to Financial Statements

December 31, 2020 and 2019

### Recurring Measurements

The following table presents the fair value measurements of assets and liabilities 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, 2020:

	<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, 2020</b>				
U.S. Treasury securities	\$ 3,800,000	\$ 3,800,000	\$ -	\$ -

The Organization did not have any assets or liabilities recognized at fair value during the year ended December 31, 2019.

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 and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2020.

### 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 Well Child and Family Center, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 18: Significant Estimates and Concentrations

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

#### **Grant Revenues**

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

#### **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 7*.

#### **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.

During the year ending December 31, 2017, the Organization recorded a liability of \$1,500,000 for an employment related matter. This settlement is included in accrued expenses on the Organization's balance sheet and is to be paid in three annual payments of \$500,000 commencing April 2019. During the year ended December 31, 2020, the Organization recorded a liability of \$1,028,740 related to various employment related matters. These settlements are included in the accrued expenses on the Organization's balance sheets. The Organization also recorded a related insurance receivable of \$878,740. This receivable is included in grants and other receivables on the Organization's balance sheets.

#### **Billing Compliance**

The Organization identified that it was overpaid for certain patient claims. The Organization has estimated the payable related to this matter and recorded the estimated liability. Events could occur during the resolution of this matter that would cause this estimate to differ materially in the near term.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### ***Labor Agreement***

The Organization has a collective bargaining agreement with Service Employees International Union, Local 721 expiring February 28, 2023. Approximately 59 and 57 percent of employees are covered under this agreement at December 31, 2020 and 2019, respectively.

### **Note 19: 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.

While some of these policies have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

Beginning in mid-March, the Organization deferred all nonessential medical and dental procedures and suspended elective procedures, which resumed at different dates during the final quarter of the fiscal year at lower than historical volumes.

The Organization's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Organization has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Organization's 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. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated implicit price concessions related to uninsured patient accounts, and potential impairments of long-lived assets.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### **Provider Relief Fund**

During the year ended December 31, 2020, the Organization received \$1,138,248 of distributions from the CARES Act Provider Relief Fund (collectively the "Provider Relief Fund"). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Organization has elected to account for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses through December 31, 2020, the Organization recognized \$578,139, related to the distributions from the Provider Relief Fund, and these payments are recorded as grant revenue in the accompanying statement of operations. The unrecognized amount of distributions from the Provider Relief Fund are recorded as deferred grant revenue in the accompanying balance sheets.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the CARES Act in March 2020. The Organization has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS subsequent to December 31, 2020, in accordance with ASC Topic 855 and have concluded as follows:

- January 2021 Notice – recognized
- June 2021 Notice and FAQs – nonrecognized
- July 1, 2021, FAQs – nonrecognized

The Organization has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of December 31, 2020, and any clarifications issued by HHS subsequent to year-end, including any referenced above as recognized subsequent events. For guidance issued subsequent to December 31, 2020, considered nonrecognized subsequent events, the Organization has reviewed this guidance and cannot currently estimate the impact on the amount of Provider Relief Fund the Organization has recognized through December 31, 2020, but the impact could be material. The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Organization's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### **Supplementary CARES Act Grants**

In the spring of 2020, the Organization was awarded three additional federal grant awards with various budget periods through April 2021 from the *Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding* totaling \$4,304,881. Each grant award contains specific terms and conditions that must be followed when utilizing this 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, 2020 and 2019, the Organization recognized \$625,057 and \$0 in CARES Act grant funds, respectively.

Subsequent to year-end as part of the *American Rescue Plan Act*, the Organization was awarded a federal grant award for \$19,994,125 for a budget period of April 2021 through March 2023. The Organization was also awarded a \$1,000,000 Local Community-Based Workforce to Increase COVID-19 Vaccine Access award for a budget period of July 2021 through July 2022. The awards have specific terms and conditions that must be followed when utilizing the funding. Grant revenue will be recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period.

### **Note 20: Adjustment Applicable to Prior Years**

In 2019 and prior, the Organization's balances due from and due to third-party payors were misstated due to errors in the preparation of the annual Medi-Cal reconciliation forms. During 2020, the Organization corrected these errors to conform to the requirements of accounting principles generally accepted in the United States of America. An adjustment of \$1,945,232 applicable to 2019 and prior has been included in the restated beginning net assets balance. This adjustment decreased the previously reported 2019 change in net assets by \$717,114. The following financial statement line items were affected by the adjustments applicable to prior years:

**St. John's Well Child and Family Center, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Balance Sheet</b>			
Estimated amounts due from third-party payors - current	\$ 3,333,952	\$ 3,161,415	\$ 172,537
Total current assets	22,109,995	21,937,458	172,537
Estimated amounts due from third-party payors	3,722,879	4,228,081	(505,202)
Less current portion	<u>3,333,952</u>	<u>3,161,415</u>	<u>172,537</u>
	388,927	1,066,666	(677,739)
Total assets	59,187,834	59,693,036	(505,202)
Estimated amounts due to third-party payors	3,846,119	2,406,089	1,440,030
Total current liabilities	15,973,315	14,533,285	1,440,030
Total liabilities	29,611,602	28,171,572	1,440,030
Net assets without donor restrictions	27,556,597	29,501,829	(1,945,232)
<b>Statement of Operations</b>			
Patient service revenue	43,971,242	44,688,356	(717,114)
Total revenues, gains, and other support			
without donor restrictions	82,054,881	82,771,995	(717,114)
Operating income	1,923,720	2,640,834	(717,114)
Excess of revenues over expenses	2,114,675	2,831,789	(717,114)
Increase in net assets without donor restrictions	2,433,378	3,150,492	(717,114)
<b>Statement of Changes in Net Assets</b>			
Excess of revenues over expenses	2,114,675	2,831,789	(717,114)
Increase in net assets without donor restrictions	2,433,378	3,150,492	(717,114)
Change in net assets	1,914,665	2,631,779	(717,114)
Net assets, end of year	29,576,232	31,521,464	(1,945,232)
<b>Statement of Cash Flows</b>			
Change in net assets	1,914,665	2,631,779	(717,114)
Estimated amounts due from third-party payors	(1,778,702)	(2,495,816)	717,114

**Note 21: Subsequent Events**

Subsequent to year-end, the Organization was awarded additional supplementary CARES Act grant funding (see *Note 19*).

Subsequent events have been evaluated through October 27, 2021, which is the date the financial statements were issued.

## **Supplementary Information**

**St. John's Well Child and Family Center, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2020**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Amount Expended
U.S. Department of Health and Human Services/Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)/ Health Center Program Cluster	93.224	N/A	\$ -	\$ 2,315,055
U.S. Department of Health and Human Services/COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)/ Health Center Program Cluster	93.224	N/A	-	625,057
U.S. Department of Health and Human Services/Grants for New and Expanded Services under the Health Center Program/ Health Center Program Cluster	93.527	N/A	-	6,970,163
Total Health Center Program Cluster			-	9,910,275
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	19-20-JV-G0814H00-SJC	-	65,871
Total Research and Development Cluster			-	65,871
U.S. Department of Health and Human Services/Los Angeles County/HIV Emergency Relief Project Grants	93.914	PH-002343	-	104,548
U.S. Department of Health and Human Services/Los Angeles County/HIV Emergency Relief Project Grants	93.914	PH-003763	-	46,831
U.S. Department of Health and Human Services/Los Angeles County/HIV Emergency Relief Project Grants	93.914	PH-003807	-	166,237
U.S. Department of Health and Human Services/Los Angeles County/HIV Emergency Relief Project Grants	93.914	Year 29	-	5,242
U.S. Department of Health and Human Services/Los Angeles County/HIV Emergency Relief Project Grants	93.914	PH-003364	-	1,322
Total HIV Emergency Relief Project Grants			-	324,180
Total forward			-	10,300,326

**St. John's Well Child and Family Center, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2020**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Amount Expended
Total forward			\$ -	\$ 10,300,326
U.S. Department of Health and Human Services/AIDS Education and Training Centers	93.145	N/A	-	16,662
U.S. Department of Health and Human Services/Bienstar Human Services, Inc./HIV Prevention Activities Health Department Based	93.940	2015-003	-	138,031
U.S. Department of Health and Human Services/California Family Health Council/ Family Planning Services	93.217	2515-5320-71209-19-20	-	153,015
U.S. Department of Health and Human Services/California Family Health Council/ Family Planning Services	93.217	2515-5320-71219-20-21	-	93,399
Total Family Planning Services			-	246,414
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	1,100,423
U.S. Department of Health and Human Services/Grants for School-Based Health Center Capital Expenditures	93.501	N/A	-	29,250
U.S. Department of Health and Human Services/Matrix Institute on Addiction/ Opioid STR	93.788	19-96145	-	34,380
Total U.S. Department of Health and Human Services			-	11,865,486
U.S. Department of Housing and Urban Development/Los Angeles Homeless Services Authority/Continuum of Care Program	14.267	CA1787L9D001800	-	396,690
U.S. Department of Housing and Urban Development/Volunteers of America Los Angeles/Continuum of Care Program	14.267	35359	-	240,680
Total Continuum of Care Program Grants			-	637,370
Total forward			-	12,502,856

**St. John's Well Child and Family Center, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2020**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Amount Expended
Total forward			\$ -	\$ 12,502,856
U.S. Department of Justice/California Governor's Office of Emergency Services/ Crime Victim Assistance	16.575	UV19021635	-	165,602
U.S. Department of Justice/California Governor's Office of Emergency Services/ Crime Victim Assistance	16.575	UV19041635	-	204,632
U.S. Department of Justice/California Governor's Office of Emergency Services/ Crime Victim Assistance	16.575	KD17011635	-	5,660
U.S. Department of Justice/California Governor's Office of Emergency Services/ Crime Victim Assistance	16.575	XD19021635	-	334,680
Total Crime Victim Assistance			-	710,574
U.S. Department of Treasury/California Community Foundation/COVID-19 Coronavirus Relief Fund	21.019	169355	-	733,370
U.S. Federal Communications Commission/ COVID-19 Telehealth Program	32.006	N/A	-	382,331
			\$ -	\$ 14,329,131

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**St. John's Well Child and Family Center, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2020**

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of St. John's Well Child and Family Center, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of St. John's Well Child and Family Center, Inc., it is not intended to and does not present the financial position, results of operations, changes in net assets, or cash flows of St. John's Well Child and Family Center, Inc.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. St. John's Well Child and Family Center, Inc. has elected to use the 10 percent de minimis indirect rate allowed under the Uniform Guidance.
3. St. John's Well Child and Family Center, Inc. did not have any federal loan programs during the year ended December 31, 2020.
4. Personal Protective Equipment (PPE) (Unaudited): St. John's Well Child and Family Center, Inc. has not received any donated PPE during the year ended December 31, 2020.

**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 Well Child and Family Center, Inc.  
Los Angeles, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of St. John's Well Child and Family Center, Inc. (the "Organization"), which comprise the balance sheet as of December 31, 2020, 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 October 27, 2021, which contained an "Emphasis of Matter" paragraph regarding restatement of previously issued financial statements.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether St. John's Well Child and Family Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

### ***St. John's Well Child and Family Center, Inc.'s Response to Finding***

St. John's Well Child and Family Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. St. John's Well Child and Family Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

**BKD, LLP**

Springfield, Missouri  
October 27, 2021

## Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance

### Independent Auditor's Report

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

#### Report on Compliance for the Major Federal Program

We have audited St. John's Well Child and Family Center, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on St. John's Well Child and Family Center, Inc.'s major federal program for the year ended December 31, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

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

### ***Opinion on the Major Federal Program***

In our opinion, St. John's Well Child and Family Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

### **Report on Internal Control over Compliance**

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

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

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

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

*BKD, LLP*

Springfield, Missouri  
October 27, 2021

**St. John's Well Child and Family Center, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2020**

**Summary of Auditor's Results**

*Financial Statements*

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

Unmodified       Qualified       Adverse       Disclaimer

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

Significant deficiency(ies)?       Yes       None Reported

Material weakness(es)?       Yes       No

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

Yes       No

*Federal Awards*

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

Significant deficiency(ies)?       Yes       None Reported

Material weakness(es)?       Yes       No

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

Unmodified       Qualified       Adverse       Disclaimer

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

Yes       No

**St. John's Well Child and Family Center, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2020**

7. The Organization's major program was:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Health Center Program Cluster	93.224 and 93.527

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

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

**St. John’s Well Child and Family Center, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2020**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
2020-001	<p>Criteria or Specific Requirement – 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 are to be prepared using accurate financial information following the guidance provided by the Department.</p> <p>Condition – The Organization determined that annual Medi-Cal Reconciliation Request Forms submitted to the Department in years prior to 2020 were misstated due to errors made in the preparation of the forms.</p> <p>Effect – The Organization was over reimbursed for certain Medi-Cal visits due to these preparation errors. In addition, an adjustment applicable to prior years was required to restate the beginning net assets without donor restrictions and previously reported 2019 change in net assets.</p> <p>Cause – Certain payments received from Medi-Cal managed plans were understated on the annual Medi-Cal Reconciliation Request Forms. The matter was identified by management in 2020.</p> <p>Recommendation – Management should continue to monitor the preparation of the annual Medi-Cal Reconciliation Request Forms to verify that all required information is reported accurately in accordance with Department regulations.</p> <p>Views of Responsible Officials and Planned Corrective Action – St John's is using a three-pronged approach to address the error identified internally to properly submit the annual Medi-Cal Reconciliation Request Forms to the California Department of Health Care Services. Staffing for this function has been increased, related compliance training has been institutionalized and review by an outside expert has been incorporated.</p>

**St. John's Well Child and Family Center, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2020**

**Findings Required to be Reported by the Uniform Guidance**

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

**St. John's Well Child and Family Center, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2020**

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



808 W. 58th St.  
Los Angeles, CA 90037  
(323) 541-1600 Fax (323) 541-1601

October 20, 2021

Corrective Action Plan

We are providing this letter in connection with the management comments regarding the audit of our financial statements as of the year end December 31, 2020.

**2020-001**

Criteria or Specific Requirement – 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 are to be prepared using accurate financial information following the guidance provided by the Department.

Condition – The Organization determined that annual Medi-Cal Reconciliation Request Forms submitted to the Department in years prior to 2020 were misstated due to errors made in the preparation of the forms.

Cause – Certain payments received from Medi-Cal managed plans were understated on the annual Medi-Cal Reconciliation Request Forms. The matter was identified by management in 2020.

Management/Organizational Response – St John’s is using a three-pronged approach to address the error identified internally to properly submit the annual Medi-Cal Reconciliation Request Forms to the California Department of Health Care Services. Staffing for this function has been increased, related compliance training has been institutionalized and review by an outside expert has been incorporated

Person Responsible for Corrective Action Plan – Elizabeth Meisler, Chief Financial Officer

Anticipated Date of Completion – December 2021