ADVISORY LOAN INSURANCE COMMITTEE

September 10, 2026

Cal-Mortgage Loan Insurance Division
Department of Health Care Access and Information

2020 West El Camino Avenue, Suite 1231
Sacramento, California, 95833
916–319-8800

California Health and Human Services Agency | Gavin Newsom, Governor

Department of Health Care Access and Information
2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833
hcai.ca.gov

Cal-Mortgage Loan Insurance Program
Advisory Loan Insurance Committee (ALIC)

AGENDA

Thursday, September 10, 2026
at 10:30 a.m.

The ALIC may not discuss or act on any matter raised during the public comment section that is not included on this agenda, except to place the matter on a future meeting agenda. (Government Code §§ 11125, 11125.7, subd. (a).)

Location:
2020 West El Camino Avenue, Conference Room 1233, Sacramento, CA 95833

Microsoft Teams Link: **Click here to join the meeting**
Call-in audio only: (916) 535-0978, Conference ID: 803 871 915#

Item No. 1 Call to Order and Welcome
Jay Harris, Committee Chair (or designee)
- Roll call of ALIC members

Item No. 2 Public Comment Regarding Action Items on Today's Agenda
Jay Harris, Committee Chair (or designee)

Item No. 3 ALIC Chair and HCAI Executive Staff Remarks
- Jay Harris, Chair, ALIC Committee
- Elizabeth Landsberg, HCAI Director
- Salena Chow, HCAI Chief Deputy Director
- Dean O' Brien, MBA, Cal-Mortgage Deputy Director

Item No. 4 Approval of the Minutes of the February 12, 2026, meeting – Action Item
Jay Harris, Committee Chair (or designee)

The Committee will vote to approve the minutes of the previous Committee meeting held on February 12, 2026.

Item No. 5 Loan Insurance Application Review: Castle Family Health Centers (Applicant) – Action Item
Tobias Lopez, Account Manager

The Applicant is a Federally Qualified Health Center California and a not-for-profit public benefit corporation described under Section 501(c)(3) of the Internal Revenue Code of 1986. The Applicant that owns and operates community health centers serving Atwater, Winton, and surrounding communities in Merced County.

The purpose of the insured loan of approximately $12.3 million is to (i) finance the Atwater Building B expansion project, including renovation, equipment, and related capital improvements; (ii) refinance the Applicant's existing bank loan; (iii) fund capitalized interest and a debt service reserve fund; (iv) fund the HCAI insurance premium; and (v) fund the costs of issuance.

Item No. 6 Cal-Mortgage Reports – Informational Item

A. Project Monitoring
Consuelo Hernandez, Cal-Mortgage Supervisor

Ms. Hernandez will report on the statistics for the existing portfolio of the Cal-Mortgage Borrowers.

B. Pending Projects
Consuelo Hernandez, Cal-Mortgage Supervisor

Ms. Hernandez will report on current and prospective borrower applications.

C. Problem Project Report
Dean O' Brien, MBA, Cal-Mortgage Deputy Director

Mr. O' Brien will report on projects appearing on the Cal-Mortgage Problem Projects Report.

D. Distressed Hospital Loan Program and Small and Rural Hospital Relief Program
Dean O' Brien, MBA, Cal-Mortgage Deputy Director

Mr. O'Brien will report on the activities of the Distressed Hospital Loan Program and Small and Rural Relief Program.

Item No. 7 Federal and State Budgets Discussion
Jay Harris, Committee Chair (or designee)
Mr. Dean O'Brien, MBA, Cal-Mortgage

The ALIC Committee and Mr. O'Brien will discuss the potential impact of the Federal and State Budgets on the Cal-Mortgage Loan Insurance Program.

Item No. 8 Future Agenda Items/Announcements from Committee Members
Jay Harris, Committee Chair (or designee)

Item No. 9 General Public Comment
Jay Harris, Committee Chair (or designee)

Item No. 10 Adjournment
Jay Harris, Committee Chair (or designee)

Board Members: Jay Harris, Chair* *Attending Virtually
Derik Ghookasian, Vice Chair*
Soyla Reyna-Griffin*
Jonathon Andrus*
John Woodward*
Richard Tannahill*
Scott Coffin*
Mary Connick*

HCAI Staff: Elizabeth Landsberg, Director
Salena Chow, Chief Deputy Director
Dean O' Brien, MBA, Cal-Mortgage Deputy Director
Consuelo Hernandez, Cal-Mortgage Supervisor

The Advisory Loan Insurance Committee agenda and other notices about meetings are posted online and can be found by searching for the Advisory Loan Insurance Committee and meeting month at https://hcai.ca.gov/public-meetings.

For further information about this meeting, please contact Joanna Luce at (916) 319-8828, or Joanna.Luce@hcai.ca.gov, or send a letter to The Department of Health Care Access and Information, 2020 West El Camino Avenue, Sacramento, CA 95833.

The Advisory Loan Insurance Committee may take action under any agenda item.

Every effort will be made to address each agenda item as listed. However, the agenda order is tentative and subject to change without prior notice. Items not listed on the agenda will not be considered. The Advisory Loan Insurance Committee may take a brief break during the meeting. Members of the public are NOT required to identify themselves or provide other information to attend or participate in this meeting. If Microsoft Teams (or other platform) requires a name, you may enter "Anonymous". You may also input fictitious information for other requested information if required to attend the meeting (e.g., anonymous@anonymous.com).

This meeting is accessible to persons with a disability. A person who needs a disability-related accommodation or modification in order to participate in the

meeting may make a request by contacting Joanna Luce at (916) 319-8828, Joanna.Luce@hcai.ca.gov, or sending a written request to that person at 2020 West El Camino Avenue, Sacramento, CA 95833. Providing your request at least seven (7) business days before the meeting will help ensure availability of the requested accommodation.

If you need help understanding or translating any of the meeting materials into another language or need interpretation services in another language including American Sign Language, at the meeting, please contact Joanna Luce at (916) 319-8828, or Joanna.Luce@hcai.ca.gov. Let us know at least seven (7) business days before the meeting so we can set up the services you need.

Spanish/ Español

Si necesita ayuda para comprender o traducir alguno de los materiales de la reunión a otro idioma, o requiere servicios de interpretación en otro idioma, incluido el lenguaje de señas americano, durante la reunión, comuníquese con Joanna Luce at Joanna.Luce@hcai.ca.gov. Avísenos al menos siete (7) días hábiles antes de la reunión para que podamos organizar los servicios que necesita.

Korean/ 한국어

회의 자료를 다른 언어로 이해하거나 번역하는 데 도움이 필요하거나 회의에서 미국 수화를 포함한 다른 언어로 통역 서비스가 필요한 경우 Joanna Luce at Joanna.Luce@hcai.ca.gov 으로 연락해 주세요. 필요한 서비스를 설정할 수 있도록 회의 개최 최소 7일(영업일 기준) 전에 알려주세요.

Chinese Simplified/简体中文

如果您需要帮助理解或将任何会议材料翻译成另一种语言，或者需要包括美国手语在内的另一种语言的口译服务，请在会议上联系 Joanna Luce at Joanna.Luce@hcai.ca.gov. 请在会议开始前至少七 (7) 个工作日通知我们，以便我们安排您所需的服务。

Tagalog/Tagalog

Kung kailangan mo ng tulong sa pag-unawa o pagsasalin ng alinman sa mga materyales sa pagpupulong sa ibang wika o kailangan ng mga serbisyo ng interpretasyon sa ibang wika kabilang ang American Sign Language, sa pulong, mangyaring makipag-ugnayan sa Joanna Luce at Joanna.Luce@hcai.ca.gov. Ipaalam sa amin nang hindi bababa sa pitong (7) araw ng negosyo bago ang pulong upang maihanda namin ang mga serbisyong kailangan mo.

Vietnamese/Tiếng Việt

Nếu quý vị cần sự trợ giúp để hiểu hoặc dịch bất kỳ tài liệu họp nào sang ngôn ngữ khác hoặc cần dịch vụ phiên dịch sang ngôn ngữ khác bao gồm cả Ngôn Ngữ Ký Hiệu Hoa Kỳ, tại cuộc họp, vui lòng liên hệ Joanna Luce at Joanna.Luce@hcai.ca.gov. Hãy cho chúng tôi biết ít nhất bảy (7) ngày làm việc trước cuộc họp để chúng tôi có thể thiết lập các dịch vụ quý vị cần.

Chinese 繁體中文

如果您需要協助理解或將任何會議資料翻譯成另一種語言，或需要另一種語言包括美國手語的口譯服務，請在會議上聯絡 Joanna Luce at Joanna.Luce@hcai.ca.gov.。請在會議開始前至少七 (7) 個工作天通知我們，以便我們安排您所需的服務

Agenda Item 4

Approval of the Minutes of the February 12, 2026 Meeting – Action Item

HCAi Department of Health Care Access and Information
2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833
hcai.ca.gov

ADVISORY LOAN INSURANCE COMMITTEE MINUTES

February 12, 2026

1. CALL TO ORDER

Mr. Jay Harris, ALIC Chair, called to order the meeting of the Advisory Loan Insurance Committee (Committee) of the Cal-Mortgage Loan Insurance Program (Cal-Mortgage) of the Department of Health Care Access and information (HCAI) at 10:30 a.m.

Before Mr. Harris performed a voice roll-call of Committee members, Mr. Harris asked the Committee members to state their name and acknowledge they are present at today's meeting when their name is called.

COMMITTEE MEMBERS' PRESENT
Jay Harris, Chair, via teleconference
Derik Ghookasian, Vice Chair, via teleconference
John Woodward, Member, via teleconference
Richard Tannahill, Member, via teleconference
Scott Coffin, Member, via teleconference
Mary Connick, Member, via teleconference

COMMITTEE MEMBERS ABSENT
Soyla Reyna-Griffin, Member
Jonathon Andrus, Member

ADDITIONAL ATTENDEES
Elizabeth Landsberg, HCAI Director,
Scott Christman, MPDS, HCAI, Chief Deputy Director
Dean O'Brien, MBA, HCAI, Cal-Mortgage, Deputy Director
Consuelo Hernandez, HCAI, Cal-Mortgage, Supervisor
Geoff Trautman, HCAI, Staff Attorney
Lauren Hadley, HCAI, Cal-Mortgage, Senior Account Manager
Dennis Lo, HCAI, Senior Account Manager
Tom Wenas, HCAI, Cal-Mortgage, Account Manager
Frank Perry, HCAI, Cal-Mortgage, Reports and Data Manager
Joanna Luce, HCAI, Cal-Mortgage, Executive Secretary
Michael Scannell, HCAI, Cal-Mortgage, Office Technician
Robin Evitts, Odd Fellows Home of California, Board Advisor
Diana Jamison, Pacific Retirement Services, Chief Financial Officer
Torsten Hirche, GSI/Transforming Age, Chief Executive Officer

Sarkis Garabedian, Ziegler, Managing Director
Bill Hendrickson, Hendrickson Consulting, Principal

2. PUBLIC COMMENT REGARDING ACTION ITEMS ON TODAY'S AGENDA

Mr. Harris asked if there were any comments from the public on today's agenda. Hearing no public comments made, Mr. Harris moved to Agenda Item 3, ALIC Chair and HCAI Executive Staff Remarks

3. ALIC CHAIR AND HCAI EXECUTIVE STAFF REMARKS

- **ALIC Chair**

  Mr. Harris did not make any opening remarks, and then he asked Ms. Elizabeth Landsberg, HCAI, Director, for her opening remarks.

- **HCAI Director**

  Ms. Landsberg began her opening remarks stating that she was glad to attend today's meeting before giving her department level updates including reporting that CalRx released its first insulin product on January 1; HCAI's workforce activity; and the Rural Health Transformation Program (RHTP), California's application for funds from the RHTP, and the award California received in the amount of $233.6 million.

  At the conclusion of Ms. Landsberg's updates there was a brief discussion between Ms. Landsberg and the Committee. At the conclusion of this discussion Mr. Harris asked Dean O'Brien, MBA, HCAI, Cal-Mortgage, Deputy Director for his opening remarks.

- **HCAI Chief Deputy Director**

  Mr. Scott Christman, MPDS, HCAI Deputy Director, did not attend today's meeting.

- **Cal-Mortgage Deputy Director**

  Mr. O'Brien stated that he will save his opening remarks for after the presentation of today's loan application.

  Mr. Harris moved to Agenda Item No. 4, Approval of the Minutes of the August 14, 2025, and September 11, 2025, meetings.

4. APPROVAL OF THE MINUTES OF THE AUGUST 14, 2025, AND SEPTEMBER 11, 2025, MEETING MINUTES

Mr. Harris told the Committee that the August 14, 2025, minutes were amended slightly and need to be reapproved. Mr. Harris then asked for a motion to approve these minutes as amended. Mr. John Woodward, Committee Member, moved to approve the August 14, 2025, minutes as amended. Scott Coffin, Committee Member second the motion. Mr. Harris asked for public comment on this agenda item. Hearing none, Mr. Harris took a voice roll-call vote and the motion passed 6-0.

Mr. Harris asked the Committee if they had any corrections for the minutes of the September 11, 2025, Committee meeting. Hearing none, Mr. Harris asked for a motion to approve the minutes. Mr. Woodward made the motion to approve the minutes as written. Mr. Derik Ghookasian, ALIC Vice Chair, second the motion. Mr. Harris asked for public comment. Hearing none, Mr. Harris preformed a roll-call vote and the motion passed, 6-0.

After the Committee vote on this agenda item, Mr. Harris asked Mr. O'Brien and Ms. Lauren Hadley, Senior Account Manager to introduce the Applicant in Agenda Item No. 5. Loan Application Review: Odd Fellows Home of California.

5. LOAN INSURANCE APPLICATION REVIEW: ODD FELLOWS HOME OF CALIFORNIA (APPLICANT)
Lauren Hadley, Senior Account Manager

The Applicant is a California not-for-profit public benefit corporation originally established in 1893 that has operated a retirement community in Saratoga since 1912. The Applicant provides housing and health care services to seniors at two continuing care retirement communities. The purpose of the proposed insured loan of $107.25 million (2026 Bonds) is to: (1) fund the construction of 52 new independent living units in three separate buildings and a cottage, a fitness center, an auditorium, an emergency gate, various site developments, and dining improvements at the Saratoga Retirement Community campus; (2) fund capitalized interest; (3) fund a debt service reserve; (4) fund the HCAI insurance premium; and (5) fund the cost of issuance.

Mr. O'Brien welcomed everyone to today's meeting and stated Cal-Mortgage was very excited to be welcoming back the Applicant for the fifth time before the Committee. Mr. O'Brien then made brief remarks of the Applicant's history with the Cal-Mortgage program and then introduced Ms. Lauren Hadley, Senior Account Manager, to introduce today's Applicant and their project to the Committee.

Ms. Hadley introduced herself and the following representatives present on behalf of the Applicant:

Robin Evitts, Odd Fellows Home of California (Odd Fellows), Board Advisor
Diana Jamison, Pacific Retirement Services, Chief Financial Officer
Torsten Hirche, GSI/Transforming Age, Chief Executive Officer
Sarkis Garabedian, Ziegler, Managing Director
Bill Hendrickson, Hendrickson Consulting, Principal

Ms. Hadley provided the Committee with a summary background of the Applicant and the scope of their project with her recommendation to approve their application for loan insurance. Ms. Hadley then called on Ms. Robin Evitts, Odd Fellows Home

of California Board Advisor to present her opening remarks before the Committee asked their questions on today's loan insurance application.

Ms. Evitts made brief opening remarks stating she was speaking on behalf of the Odd Fellows Board today. Mr. Tony Delgado, Odd Fellows Board Chair was trying to attend today's meeting from his trip in Italy but was unable to get the Microsoft Teams link to work. Speaking for him and the rest of the board, he wanted to send his thanks to the Committee for considering their application and for having such a long-standing relationship with the Odd Fellows. They are really excited about this project and think it will help to build on the existing support and success of the community. Ms. Evitts said she is looking forward to being able to serve more seniors in the Saratoga and Bay Area more broadly; and thank you for this opportunity.

Prior to the Committee asking any questions of the Applicant's project, Mr. John Woodward, Committee Member, disclosed that until two years ago he was the Chief Executive Officer of Front Porch Community and Services (Front Porch). Front Porch operated a community down the street from where Channing House is located.

The following subjects related to the Applicant's project were discussed: the history and relationship of Odd Fellows with Cal-Mortgage; the structure of the bonds; construction of the additional independent living units; maintenance costs of existing facilities; capital retrofit and improvement needs; market supply and demand; entrance fees or rental based units; resident contracts; business operations and operating expenses; financial statements; feasibility report; existing debt and use of Premium Bonds; making a management change and transition to a new management company; sub acute and skilled nursing care; 5-star rating; tight labor market, staffing, and retention rates of staff; investment in technology; and the contingency fee for construction of the building;

At the conclusion of this discussion and all questions were answered to the Committee's satisfaction Mr. Harris opened the discussion to the public for comment. No public comments were offered on the Applicant's loan application. Mr. Harris then called for a motion to vote on the loan application project. Mr. Coffin made a motion to approve the application for loan insurance. Mr. Derik Ghookasian, ALIC Vice Chair, seconded the motion. Mr. Harris then preformed a voice roll-call vote. The Committee voted to approve the application. The motion passed, 6-0.
Ms. Soyla Reyna-Griffin, ALIC member, and Mr. Jonathon Andrus, ALIC member, did not attend today's meeting.

At the conclusion of the discussion and the vote on this agenda item, Mr. Harris then moved the meeting to Agenda Item 6, Cal-Mortgage Loan Insurance Program 2024 Actuarial Study.

6. CAL-MORTGAGE LOAN INSURANCE PROGRAM 2024 ACTUARIAL STUDY RESULTS

Dean O'Brien, MBA, Cal-Mortgage, Deputy Director

Mr. O'Brien began his report with thanking Cal-Mortgage staff and Oliver Wyman, Cal-Mortgage's long-time consultant, for putting together the 2024 Actuarial Study for the Cal-Mortgage program. Mr. O'Brien then explained to the Committee the metrics that were used to create the 2024 Actuarial Study and how the current Actuarial Study compares to the previous Actuarial Studies of the Cal-Mortgage program.

At the conclusion of Mr. O'Brien's report there was a brief discussion with Mr. O'Brien and the Committee. Mr. Harris asked Mr. O'Brien to lead Agenda Item No. 7 Deputy Director's Reports.

7. DEPUTY DIRECTOR'S REPORTS

- **Project Monitoring – Consuelo Hernandez, Supervisor**

  Before Mr. O'Brien asked Consuelo Hernandez, HCAI, Cal-Mortgage, Supervisor to present the Project Monitoring and Pending Projects reports, he made a brief administrative update saying he was pleased to announce a new account manager that has joined the team, Mr. Tobias Lopez, who goes by Toby. It is hoped he will be in front of the Committee later this summer with his first clinic deal. Mr. O'Brien said he is really excited to add Mr. Lopez to the team. Mr. O'Brien told the Committee that there is another round of interviews soon and has hopes to be making real headway on rebuilding our team after a wave of retirements and departures.

  Mr. O'Brien then asked Ms. Hernandez to present the Project Monitoring and Pending Projects reports. Ms. Hernandez reported that our Projects are mostly up to date in submitting their financial statements. There has been a steady improvement in submitting financial statements over the past year. As well, the Projects missing their Debt Service Coverage Ratio (DSCR) has also stayed consistent over the last year. The Projects missing their DSCR are Projects that are on our Watch List or Problem Projects Report. Our Account Managers continue to closely monitor these projects. Ms. Hernandez said site visits to our Projects are behind schedule due to the increased workload and being short staffed. With the recent hiring of a new Account Manager and the goal of hiring two more Account Managers, it is hoped that Site Visits to our Projects will increase with the hiring of new staff.

  At the conclusion of this report Ms. Hernandez asked the Committee if they have any questions about this report. Mr. O'Brien made one comment to the Committee about the performance of the Cal-Mortgage portfolio of projects. Ms. Hernandez then moved to the Pending Projects report.

- **Pending Projects – Consuelo Hernandez**
  Ms. Hernandez said almost all of the projects appearing on the Pending Projects list are in the early stages of their application process; stating we likely will not have a project to present to the Committee before early summer.

  Ms. Hernandez highlighted two projects that are the most likely to be presented to the Committee in the summer of 2026. The two projects that are likely coming before the Committee next are Sac Health and Castle Family Health Centers (Castle Family). Castle Family is a Federally Qualified Health Center located in Atwater in Merced County. Castle Family is seeking a loan in the amount of $44.0 million. The purpose of the loan is for the construction of a new clinic in Atwater and to refinance a bank loan.

  Sac Health is a clinic that is located in San Bernardino. They are seeking a loan for the purchase of a new building and its construction costs. The amount of the loan they are seeking is $45.0 million. Ms. Hernandez then said the other projects listed under pre-application and discussion sections of this report are still in the very early stages of their application process.

  At the conclusion of Ms. Hernandez's report, she asked the Committee if they had any questions on her reports. A brief conversation took place with Mr. O'Brien and the Committee about applicants to the Cal-Mortgage program. At the conclusion of this conversation Mr. O'Brien began his review of the Problem Projects Report for the Committee.

- **Problem Project Report – Dean O'Brien, Cal-Mortgage Deputy Director**
  Mr. O'Brien said he would address St. Rose Hospital (St. Rose) and Hazel Hawkins Memorial Hospital (Hazel Hawkins) as part of his Distressed Hospital Loan Program (DHLP) remarks. Mr. O'Brien then stated that we are targeting Hill Country Community Clinic to come off of the Problem Projects Report (PPR) once they get caught up on their past due audits. Mr. O'Brien then said that we are doing exceptionally well on our PPR reports. The remaining projects on this list are obligations after default. The defaulted projects continue to make their payments on time and in full.

  At the conclusion of this report Mr. O'Brien moved right to the Distressed Hospital Loan Program Report.

- **Distressed Hospital Loan Program (DHLP) and Small and Rural Hospital Relief Program (SRHRP)**
  Mr. O'Brien told the Committee that for the September 30 financial statements some actual hope is being seen on the horizon. We are actually seeing some successes and that he wants to focus his report on those hospitals. The first hospital, Ridgecrest Regional Hospital's (Ridgecrest), a small rural hospital, operations have improved significantly in 2025-2026. Mr. O'Brien gave the

Committee the key points that have allowed Ridgecrest to succeed with the implementation of their turnaround plan.

Mr. O'Brien then spoke about Pioneers Memorial Healthcare District (Pioneers). Pioneers is a rural facility in Southern California. Mr. O'Brien said that Pioneers have been consistently in the green and have been able to be consistently above the stable financial ratios for the last three years. They are maintaining positive operations, and they have merged into Imperial Valley Healthcare District (Imperial Valley). Which is the key path forward for stability for them. El Centro Regional Medical Center, a DHLP award winner, is also scheduled to merge in with Imperial Valley in March 2026.

Mr. O'Brien said some of things we are seeing are partnerships and affiliations being explored across the board and it is the path forward for financial stability. Other DHLP award winners Tri-City Medical Center, San Gorgonio Memorial Healthcare District, and potentially Watsonville Community Hospital are exploring these options. St. Rose now has a contract with Stanford. Mr. O'Brien then outlined, for the Committee, the terms of the contract and said this contract looks like it is blossoming into what potentially could be a partnership and a path forward to financial viability.

Mr. O'Brien next discussed with the Committee in terms of Cal-Mortgage, also on the PPR, is Hazel Hawkins. They are currently in the green; and meeting all stable ratios and maintain positive operations. They will start making payments in February on their DHLP loan. Mr. O'Brien told the Committee that Hazel Hawkins is negotiating some tough contracts, but they are in much better standing if there is a path forward even without the merger with Insight Foundation of America (Insight).

The last DHLP award winner, Mr. O'Brien discussed with the Committee, is Palo Verde Hospital (Palo Verde). Palo Verde is a very small hospital on the border with Arizona in Blythe. They are a small hospital, but basically a District Hospital that has experienced a constant flow of management changes in a tough market to work in; but they did get a $5.0 million lifeline from the county and they were able to secure a Line of Credit to get their Intergovernmental Transfer Payment to extend their financial runway into next year.

Mr. O'Brien said he is really happy to see even with the struggles in terms of the overall portfolio staff is doing a great job working to modify these loans. The goal is to keep these hospitals open and operating. It has been exciting to see behind the veil of some of these operations and feel we are helping keep these doors open.

At the conclusion of Mr. O'Brien's DHLP update, there was a short discussion with Mr. O'Brien, and the Committee.

Next Mr. O'Brien started his SRHRP update by first thanking Tom Wenas, Account Manager, and Ms. Hernandez for spearheading this program. This is an example of one HCAI working together. This program is a collaboration with our team and our OSHPD Seismic Compliance Unit (OSHPD). The SRHRP program was designed to help small and rural hospitals fund their seismic work. Since the program's inception, we have awarded 25 grants totaling $11.27 million.

To date the majority of the awards have been for seismic evaluations and not big construction projects. We are currently working with nine hospitals to provide them with technical assistance to help them finish their applications. We are expecting and hoping to ramp things up for construction projects in 2026. In addition, we are engaging with professional organizations through webinars and direct outreach through their associations. Mr. O'Brien thanked the Committee for helping to get the word out about this program. The program is still flying under the radar and we think the hospitals still have their seismic plans held close to their vest while they are still trying to figure out how to navigate any kind of potential extension. We are working with all hospitals to at least try and get the evaluation done so they know what they have on their campuses and move forward with OSHPD on a reasonable plan.

At the conclusion of Mr. O'Brien's updates on this agenda item there were no questions from the Committee. Mr. Harris then moved to Agenda Item 8. Federal and State Budgets discussion.

8. FEDERAL AND STATE BUDGETS DISCUSSION

Mr. Harris opened this discussion with the Committee and Cal-Mortgage staff. There was lengthy discussion centered on the Federal Rural Transformation Program; the provisions of the federal H.R. 1 bill "One Big Beautiful Bill Act"; and the significant impact the provisions in H.R. 1 are having on health care programs, providers, and those that receive health care services.

9. FUTURE AGENDA ITEMS/ANNOUNCEMENTS FROM COMMITTEE MEMBERS

There was no discussion under this agenda item.

10. GENERAL PUBLIC COMMENT

No public comments were made under this agenda item.

11. ADJOURN

The meeting adjourned at 11:56 a.m.

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The Minutes of the above meeting were approved during the meeting of the Committee held on September 10, 2026.

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Jay Harris, Chair Joanna Luce, Executive Secretary

Agenda Item 5

Loan Insurance Application Review:

Castle Family Health Centers (Applicant) – Action Item

Cal-Mortgage Application
Advisory Loan Insurance Committee Meeting
September 10, 2026

Castle Family Health Centers (Corporation) dba

3605 Hospital Road, Atwater, CA 95301
-and-
Winton Site
6029 N. Winton Way, Winton, CA 95388
-and-
Atwater Site
1775 Third St., Atwater, CA 95301

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Project Summary & Feasibility Analysis

Exhibit A Project Renderings

Exhibit B Proposed Bond Model

Exhibit C Detailed Financial Spread

Exhibit D Audited Financial Statements FYE 2025 – 2022

Exhibit E Internally Prepared Financial Statements YTD 11-Month Ended 5/31/2026

Exhibit F Financial Feasibility Report

PROJECT SUMMARY & FEASIBILITY ANALYSIS

For the September 10, 2026, Meeting of the Advisory Loan Insurance Committee

Project Summary

Applicant: Castle Family Health Centers, Inc. (Corporation)
3605 Hospital Road, Atwater, CA 95301

Loan No.: 1100

Account Manager: Tobias Lopez

Executive Summary:
The Corporation is a California nonprofit public benefit corporation established in 2006 and is designated as a Federally Qualified Health Center (FQHC). The Corporation serves approximately 53,500 patients annually and offers services including primary care, pediatrics, women's health, behavioral health, urgent care, dental, vision, laboratory, radiology, pharmacy, and health education services from four clinic sites.

This financing represents the Corporation's first participation in the Department of Health Care Access and Information's (HCAI) Cal-Mortgage Loan Insurance Program.
The proposed Series 2026 Bonds are projected to have a par amount of $11.56 million. The financing will: (i) fund $6.81 million for the expansion of the Corporation's Atwater clinic site; (ii) refinance an existing $3.30 million bank loan for the construction of the Corporation's Winton clinic site; and (iii) fund $2.18 million of project-related costs including capitalized interest, a debt service reserve fund, the HCAI insurance premium, and costs of issuance (Project).

Project Description:
The proceeds of the 2026 Bonds, together with borrower equity and grant funds, will be used to fund the Corporation's Atwater clinic expansion project located at 1775 Third Street in Atwater, California. The Project consists of an approximately 8,000-square-foot new clinic on a 1.63-acre site and is intended to expand the Corporation's outpatient clinical capacity. The Corporation has provided a construction budget totaling $9,008,796.

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Atwater Clinic Expansion Project Budget	Amount
Construction:	
Hard Construction Costs	$7,610,697
Design-Build Contractor Fee	$512,353
Builder's Risk / Liability Insurance	$42,643
Permits, Taxes & Water Test	$82,006
Construction Contingency	$146,997
Corporation Contingency	$614,100
Total Project Budget	**$9,008,796**
*Construction contingency represents approximately 2% of hard construction costs. Corporation contingency represents approximately 8% of hard construction costs.	

The new clinic expansion is expected to include 15 exam rooms and capacity for five medical providers and one dental provider. The building will include reception and waiting areas, exam rooms, laboratory and testing space, administrative and support areas, point-of-care testing, telehealth capabilities, and x-ray imaging. The facility is intended to support integrated primary care delivery and provide flexibility for future growth in medical, dental, behavioral health, care management, and enabling services.

The Project is intended to modernize and expand clinical space, improve patient flow and operational efficiency, and alleviate capacity constraints at the existing Atwater operation. The expanded facility will provide additional capacity to accommodate demand and support future service growth for existing and future patients.

The development plan identifies an estimated construction start of October 2026 and a nine-month construction schedule. The project site includes one existing structure and one new structure. The Series 2026 Bond financing also includes the refinancing of the Corporation's existing Winton construction debt; the refinancing is not included in the Atwater project budget table above.

Refinance: In 2019, the Corporation obtained a $4.4 million construction loan to finance the construction of its Winton Clinic. The Winton Clinic is a 13,500 square foot medical and dental center located at 6029 North Winton Way, Winton, California. The clinic contains 18 medical exam rooms and 5 dental operatories. The clinic was completed in 2019 and is a one-story, owner-occupied outpatient facility providing primary medical, dental, behavioral health, pharmacy, laboratory, education space, support areas, parking, and radiology services to the surrounding community.

The Corporation expects to refinance the existing Winton construction loan as part of the Series 2026. The refunding component of the proposed financing is intended to retire the existing Winton construction debt and consolidate it into the long-term Series 2026 financing structure. The refinancing will eliminate the Corporation’s 2028 balloon-payment refinancing obligation and convert the Winton debt into long-term, fixed-rate financing. Refinancing the debt as part of the Series 2026 Bond financing

allows the Corporation to address the upcoming refinancing requirement in advance while consolidating the Winton debt into the Corporation's long-term financing structure.

Insured Total:

The Series 2026 Bonds shall not exceed a par amount of $11,565,000 to be insured by HCAI, which is approximately 76% of the total financing. The Corporation's contribution to the project includes $3.0M in total, comprised of $500,000 equity and $2.5M restricted grant; this exceeds the 10% equity requirement.

Credit Rating and Insurance Premium:

The Corporation has applied for an independent credit rating from Fitch Ratings and anticipates receiving a BB+ rating. The sources and uses of funds assume the BB+ rating has been achieved, which would reduce the HCAI insurance premium to 2.65% of the total principal and interest, while the certification and inspection fee would remain at 0.4%, resulting in a total premium and fee of $667,640.

Legal Status and Eligibility:

The Corporation is a California nonprofit public benefit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code. The Corporation is eligible for loan insurance as a health facility, as defined in Section 129010(g) of the Health and Safety Code.

Cal-Mortgage Priority:

HCAI's Cal-Mortgage Loan Insurance Program's Consolidated State Plan determined that certain types of projects are deemed to have a high priority and will be encouraged for new applications. The Corporation's Project meets two of the criteria: (1) the Project promotes access to primary care services; and (2) the Project serves medically underserved areas and medically underserved populations by increasing access to health care services for low-income, uninsured, and Medi-Cal eligible residents within Merced County.

Corporation Background and Services:

The Corporation originated from the Bloss Memorial Healthcare District ("BMHD") in Merced County, California, following the 1998 closure of Bloss Memorial Hospital. In response to the loss of a local health care provider, BMHD developed rural clinic services to continue meeting community health care needs, particularly for underserved and rural populations. The "Castle" name reflects the Corporation's clinical presence near the former Castle Air Force Base.

In 2010, BMHD transferred clinic operations to the Corporation, and it was established as an independent FQHC. As a FQHC , the Corporation meets applicable Health Resources and Services Administration ("HRSA") program requirements. The Corporation operates as a nonprofit, mission-driven safety-net provider focused on expanding access to health care regardless of a patient's ability to pay.

The Corporation serves historically medically underserved populations throughout Merced County and operates four clinic sites located in federally designated Medically Underserved Areas and Medically Underserved Populations. As a HRSA-designated FQHC, the Corporation meets all federal program requirements and provides

comprehensive primary care, dental, behavioral health, laboratory, radiology, pharmacy, optometry, and enabling services.

The Corporation operates the following four community clinic sites across Merced County within federally designated Medically Underserved Areas and Medically Underserved Populations.

Health Clinics	Address	Services
Castle Site – Main Clinic (leased)	3605 Hospital Road, Atwater, CA 95301	Family clinic, dental, vision, specialty services, pediatrics, urgent care / occupational medicine, behavioral health, OB/GYN, laboratory, radiology, optometry, pharmacy, and administrative services
Winton Site (owned)	6029 N. Winton Way, Winton, CA 95388	Primary care clinic, pharmacy, and dental facility; includes 18 exam rooms and 5 dental operatories
Atwater Site (owned)	1775 Third Street, Atwater, CA 95301	Family medicine, pediatrics, laboratory, radiology
Bloss Site (leased)	1251 Grove Street, Atwater, CA 95301	Behavioral services

The Corporation has expanded its services over the past several years. In 2019, the Corporation opened a newly constructed Winton clinic. The Winton clinic was developed to expand access to care in the underserved Winton community.

As of Fiscal Year End (FYE) June 30, 2026, the Corporation had 220 employees, including clinical and primary care staff such as family practice providers, pediatric providers, dental providers, behavioral health providers, physician assistants, nurse practitioners, nurses, medical assistants, and other licensed or support personnel.

Executive Management and Project Team:
The Corporation manages its health clinic sites through its internal executive management team:

Peter K. Mojarras, Chief Executive Officer (CEO), joined the Corporation in 2006 and has served as CEO since 2025. Prior to becoming CEO, Mr. Mojarras served as Director of Operations for the Corporation from 2006 through 2024. His background includes experience in day-to-day clinic operations, facility maintenance, productivity of health care facilities and programs, department supervision, organizational medical compliance, patient safety, staff development, grant writing, budgeting, provider relations, recruitment of health personnel, community outreach, and health education. Mr. Mojarras earned a bachelor's degree in health administration from California State University, Fresno, in 1993 and holds a master's degree in education with a Counseling Credential.

Dawnita Castle, Chief Financial Officer (CFO), joined the Corporation in June 2000 and has served as CFO since 2017. Ms. Castle is responsible for the Corporation's finance division, including accounting, payroll, business office functions, and materials management. Her responsibilities include preparing financial reports, forecasts, financial

ratios, trends, and analyses; reporting to the Board of Directors and Finance Committee; monitoring the Corporation's financial position; developing and monitoring short- and long-term fiscal plans; preparing budgets; and overseeing federal and state reporting. Prior to becoming CFO, Ms. Castle served as Senior Accountant for the Corporation from June 2000 through June 2017. Ms. Castle earned a Bachelor of Science degree in Accounting from the University of Phoenix in 2013 and completed accounting coursework at Merced College.

Arthur N. Negrete brings a strong background in information technology and health information leadership to his role as Director of Operations. His experience is rooted in his prior service as Chief Information Officer for the Corporation, a position he held from January 2015 to January 2020 and again from June 2021 to April 2022. Throughout these periods, Mr. Negrete focused on advancing the Corporation's IT infrastructure and health information systems, contributing significantly to organizational effectiveness and operational success.

Rodrigo De Zubiria, M.D., Physician / Chief Medical Officer, joined the Corporation in April 2008. Prior to joining the Corporation, Dr. De Zubiria served as an Adult Medicine Staff Physician with Kaiser Permanente from November 2006 through March 2008 and held prior staff physician roles with Valley Health Team, Inc. and United Health Care Centers, Inc. His background includes clinical experience serving community health populations and prior supervisory experience. Dr. De Zubiria received his Doctor of Medicine from the University of California, Irvine College of Medicine and completed his internship and residency through California State University, San Francisco-Fresno, Department of Family Medicine.

Succession Plan:
The Corporation's Succession Plan for the Chief Executive Officer states in the event of a temporary or permanent vacancy, the Chief Operations Officer or the Chief Financial Officer will be appointed to serve in the interim while a formal search is conducted for a permanent Chief Executive Officer. In cases of permanent absence of the CEO, the Board of Directors shall appoint a Search Committee which will be responsible for the search for a new CEO.

Project Team:
Neenan Archistruction (Neenan) has been hired as the design-build contractor and as such will be responsible for both the design and construction phases of the Project. Neenan began as a builder in Fort Collins, Colorado in 1966 and has approximately 60 years of design-build experience. The Neenan team assigned to the Project is responsible for preconstruction, architecture, and project management personnel and has experience delivering community health center, medical office, clinic, dental, pharmacy, laboratory, behavioral health, and health care facility projects. Neenan's health care project experience includes the Yakima Valley Farmworkers Clinic – Rosewood Family Health Center, a 35,000 square foot clinic in Portland, Oregon; seven Community Health Centers of the Central Coast clinics in California completed over the last 10 years; Ampla Health projects in Marysville and Yuba City, California; the 30,600 square foot El Dorado Community Health Center in Placerville, California; West Valley Family Health & OB/GYN, a 29,900 square foot clinic in Yakima, Washington; Columbia Basin Health

Association – Othello Clinic, a 78,000 square foot facility; Northern Nevada HOPES clinics serving low-income, unhoused, and medically underserved residents; and United Health Centers projects in California's Central Valley.

Board of Directors:
The Corporation's Board of Directors (Board) is currently comprised of 9 directors. Under the Corporation's Bylaws, the Board must consist of at least nine and no more than twenty-five directors and is divided into consumer, provider, and community member categories. A majority of the Board must be consumer members, and no more than one-half of the non-consumer members may be provider members. Directors serve three-year staggered terms, with approximately one-third of the Board having terms expire each year.

Board of Directors	Board Roll	Profession / Background	Term Ends
Vicky Solis	Chair	Head Start Comprehensive Supervisor	4/4/2028
Patricia Kishi	Vice Chair	School Resource Coordinator	3/29/2028
Miguel Soto	Treasurer	Insurance Agent	4/23/2027
Kathryn Dunbar	Secretary	Registered Nurse	9/23/2028
Cesilia Leon	Member	Merced County Human Services Supervisor	7/30/2029
Ana Boyenga	Member	Assistant Superintendent of Education Services	5/23/2028
Mario Haro	Member	Safety Manager at Joseph Gallo Farms	10/30/2028
Cynthia Garcia	Member	Bank Manager	2/27/2028
Socora Gonzales	Member	Administration, Community Health Center	10/27/2026

Outstanding Litigation:
The Corporation is not currently involved in any litigation.

Licensing and Certification:
The Corporation is a California non-profit, public benefit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Corporation qualifies as a health facility as defined in Section 129010(g) of the Health and Safety Code. The Corporation is recognized as an FQHC by HRSA on the federal level.
The Corporation is licensed by the California Department of Public Health (CDPH) to operate its community clinics. The CDPH website identified zero enforcement actions between 2023 and 2026.

Project Readiness:
The clinic expansion portion of the Project required California Environmental Quality Act (CEQA) review. CEQA review for the Atwater clinic expansion began in December 2025. Precision Civil Engineering completed the Initial Study and Public Review Draft Mitigated Negative Declaration on April 10, 2026.

On May 20, 2026, the City of Atwater Planning Commission unanimously approved the CEQA document and recommended approval of the project. The project was then

forwarded to the City Council, which unanimously approved the project on June 22, 2026. The Neenan Company also provided the required California Department of Fish and Wildlife and County recording fees so that the CEQA documents and Notice of Determination could be recorded. The applicable 35-day CEQA limitations period closed on August 6, 2026.

To advance the construction approvals concurrently with the remaining CEQA and entitlement steps, The Neenan Company submitted the complete building-permit package to the City of Atwater on June 23, 2026, one day after the City Council's project approval. Once deemed complete, the package is expected to be reviewed by the City's third-party building-plan-review consultant. The project had initial plan-review comments July 28, 2026, revised drawings and responses by August 21, 2026, and issuance of the final building permit is expected in September 2026, with construction commencing in October 2026

Financing Timeline:

The following table identifies the tentative key dates of the financing timeline.

Event	Date
GMP Finalized	**8/27/2026**
ALIC	9/10/2026
Building Permits Issued	9/15/2026
Bond Pricing	10/6/2026
Bond Closing	10/20/2026
Construction Starts - Atwater Clinic	10/20/2026
Construction Ends - Atwater Clinic	7/1/2027

Financing Team:

The following table identifies the key members of the financing team.

Role	Organization
Bond Counsel	Stradling Yocca Carlson & Rauth LLP (Bryan Quint)
Bond Insurer	Department of Health Care Access and Information
Bond Trustee	U.S. Bank Trust Company, National Association
Borrower Counsel / Corporation Counsel	Provider Legal
Feasibility Consultant	Facktor
Issuer	California Health Facilities Financing Authority (CHFFA)
Title	First American
Underwriter	Piper Sandler & Co
Underwriter Counsel	Pierson Ferdinand LLP
Trustee's Counsel	Dorsey & Whitney

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Sources and Uses of Funds:
The following table identifies the estimated Sources and Uses of Funds related to the proposed 2026 Bonds.

Sources of Funds	2026 Bonds	Percentage
Bond Proceeds:		
Par Amount	$ 11,565,000	75.6%
Premium	$ 723,425	4.7%
	$ 12,288,425	80.3%
Equity Contribution:		
Cash Deposit	$ 500,000	3.3%
Grant for Atwater Clinic	$ 2,500,000	16.4%
	$ 3,000,000	19.7%
Total Source of Funds	**$ 15,288,425.35**	**100%**

Uses of Funds	2026 Bonds	Percentage
Project Fund	$ 9,812,840	64.2%
Refunding Escrow	$ 3,297,595	21.6%
Capitalized Interest (through 9/1/2028)	$ 722,988	4.7%
Debt Service Reserve Fund	$ 406,456	2.7%
Cost of Issuance	$ 376,950	2.5%
Cal-Mortgage Premium	$ 621,380	4.0%
Cal-Mortgage Inspection Fee (0.4%)	$ 46,260	0.27%
Rounding	$ 3,956	0.03%
Total Uses of Funds	**$ 15,288,425**	**100%**

Equity Discussion:
The proposed financing includes $3.0 million of non-bond funded project sources; however, only $500,000 represents the Corporation's equity contribution. The $500,000 contribution will be all cash, with no separate prepaid contribution. The remaining $2.5 million consists of a project-restricted capital grant from the Central California Alliance for Health for the Atwater clinic expansion.

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Financing Summary:
The 2026 Bonds are projected to have a par amount of $11,565,000, with a bond premium of approximately $723,425. The Series 2026 Bonds will be issued with the following terms:

1. The 2026 Bonds are projected to have a 30-year amortization and a final maturity date of September 1, 2056.
2. The 2026 Bonds are anticipated to be issued at fixed interest rates. The average coupon rate is projected to be approximately 5.18 percent, with an all-in true interest cost of approximately 5.41 percent.
3. Maximum annual debt service is projected to be approximately $812,913, with average annual debt service of approximately $785,172.
4. The debt service reserve fund is projected to be approximately $406,456, equal to 50 percent of maximum annual debt service.
5. Capitalized interest is projected to fund debt service through September 1, 2028.
6. Interest payments are scheduled to be due semiannually in March and September, beginning March 1, 2027, and continuing through maturity.
7. Principal payments are scheduled to be due annually in September, beginning September 1, 2029, and continuing through maturity.
8. The 2026 Bonds are anticipated to be priced with an eight-year no-call period. Thereafter, the redemption price for the following two years is anticipated to equal 102 percent of the principal amount during the first year and 101 percent during the second year, after which the Bonds would be redeemable at par without a prepayment premium.

The proposed bond model is available to review under Exhibit B.

Security:
HCAI shall receive a security interest on the Corporation's owned healthcare real estate holdings and personal property, secured by fixture filings, first deeds of trust, UCC1s, and a gross revenue pledge with a Deposit Account Control Agreement covering said property of the Corporation. Such real property shall include the following:

1. 1775 Third Street, Atwater, CA 95301
   APN Nos. 002-132-021, 002-132-022, 002-132-024, and 002-132-025. The property is currently used as a health clinic, and Phase 1 includes the construction of a new facility at this site.
2. 6029 North Winton Way, Winton, CA 95388
   APN No. 147-180-036. The property is currently used as a health clinic. The existing Winton Site debt will be refinanced and paid off with the proceeds of the HCAI-insured bond financing.

Appraisal and Loan-to-Value (LTV):
HCAI will receive a first position security interest in the Corporation's owned real property through first deeds of trust on the Atwater Site, and Winton Site.

The Atwater Site located at 1775 Third Street, Atwater was appraised by Integra Realty Resources (Integra) – Sacramento as of October 1, 2025. The appraisal determined the

market value as completed of $6,520,000 as of December 31, 2026, and a market value as is of $1,640,000 as of September 4, 2025. The Winton Site located at 6029 North Winton Way, Winton was appraised by Integra Realty Resources – Sacramento with an as-is market value of $7,160,000.

The proposed 2026 Bonds are projected to have a par amount of $11,565,000. Based on the combined appraised values of $6,520,000 for the Atwater Site and $7,160,000 for the Winton Site, the total appraised collateral value is $13,680,000. Compared to the proposed par amount of $11,565,000, the resulting LTV ratio is approximately 84.54%.

Appraisals	**At Stabilization / As-Completed**
1775 Third Street, Atwater (as completed)	$6,520,000
6029 N. Winton Way, Winton	$7,160,000
Total Valuation	**$13,680,000**
2026 Bonds – Proposed	$11,565,000
LTV Ratio	**84.54%**

Environmental Review:
Atwater Site: Nelson Enviro, LLC prepared a Phase I Environmental Site Assessment for the property located at 1775 Third Street, Atwater, dated April 22, 2025, which concluded that there was no evidence of Recognized Environmental Conditions (RECs), Historical Recognized Environmental Conditions (HRECs), or Controlled Recognized Environmental Conditions (CRECs) on the property and that no further investigation was recommended. Environmental reviews from the Department of Toxic Substances Control (DTSC) generally concurred that there are no on-site RECs.

Winton Site: Nelson Enviro, LLC prepared a Phase I Environmental Site Assessment for the Winton Site at 6029 North Winton Way in January 2017. The Phase I identified no RECs, HRECs, or CRECs and recommended no further investigation. The Winton facility is an existing, completed health clinic, and no construction, expansion, or ground-disturbing activities are contemplated at the site as part of the proposed financing.

A satisfactory environmental review of all properties taken as collateral by the California Department of Toxic Substances Control and final CEQA approval by the City of Atwater will be required as conditions to the pricing of the 2026 Bonds.

Financial Performance:
The following table summarizes the historical results for several key ratios and financial statistics from the Corporation's consolidated audited financial statements for the FYE 2022 to 2025, and the internally prepared financial statements for the YTD 11-month period ended May 31, 2026. It should be noted that the table may include category variances compared to the actual financial statements and the Financial Feasibility Report due to the financial spread software utilized by the Account Manager. A detailed financial spread is provided under Exhibit C, and the audited financial statements and

internally prepared financial statements are provided under Exhibits D and E, respectively.

Statement Date	6/30/2022	6/30/2023	6/30/2024	6/30/2025	5/31/2026
Months Covered	12	12	12	12	11
Audit Method	Unqualified	Unqualified	Unqualified	Unqualified	Internal
Unrestricted Cash & Investments	$10,890,847	$14,128,240	$17,958,618	$24,944,143	$27,138,227
Net Assets	$13,390,581	$14,901,188	$16,164,250	$18,341,689	$19,939,639
Operating Revenue	$28,781,045	$29,902,641	$31,487,140	$37,402,043	$33,655,878
Operating Expenses	$26,612,866	$28,144,502	$30,183,290	$35,294,503	$32,439,486
Operating Income (Loss)	$2,168,179	$1,758,139	$1,303,850	$2,107,540	$1,216,392
Other Income (Expenses)	$2,120,397	$148,523	$320,299	$289,153	$576,244
Net Income (Loss)	$3,792,706	$1,510,607	$1,263,062	$2,177,439	$1,597,950
EBIDA	$4,916,799	$2,791,446	$2,501,816	$3,123,906	$2,414,424
Debt Service Coverage Ratio	7.57	3.61	3.95	6.42	5.49
Current Ratio	2.86	2.17	2.18	2.26	1.99
Days Cash on Hand	152.97	186.46	220.95	261.73	283.64

Between FYE 2022 and 2025, and in the 11-month YTD period ended May 31, 2026, the Corporation would have met the financial covenants as required under the Regulatory Agreement for Debt Service Coverage Ratio (DSCR), Current Ratio (CR), and Days Cash on Hand (DCOH). Furthermore, the Corporation's positive cash flow is more than sufficient to support its operations and capital needs.

Between FYE 2022 and 2025, operating revenue increased from $28.8 million to $37.4 million, an increase of $8.6 million or 30%. The increase was primarily driven by an 11.3% increase of patient visits from 2024 to 2025. In addition, the Corporation received an increase in its Prospective Payment System (PPS) rate of $10.27 per patient. Lastly, management target rate increases were implemented in 2025 and were retroactive beginning as of 2024. Between FYE 2022 and 2025, operating expenses increased from $26.6 million to $35.3 million, an increase of $8.7 million or 33%. The largest component of operating expense increases were due to salary and benefit increase in 2025 due to hiring 6 new physicians, 1 licensed clinical social worker, 7 medical support staff and 2 billing staff. The Corporation also maintained its 3% annual salary increase for all staff. Lasty, expenses rose due to locum providers to cover workforce shortages. Between FYE 2022 and 2025, net income was positive each year, ranging from $1.3 million to $3.8 million. The Corporation experienced earnings before interest, depreciation, and amortization (EBIDA) sufficient to meet the DSCR requirement of 1.25 in each year, with DSCR ranging from 3.61 to 7.57.

In the 11-month YTD period ended May 31, 2026, the Corporation reported unrestricted cash and investments of $27.1 million, compared to $24.9 million at FYE 2025, an increase of $2.2 million. Net assets increased from $18.3 million at FYE 2025 to $19.9 million as of May 31, 2026. For the 11-month period, operating revenue totaled $33.7 million, operating expenses totaled $32.4 million, and operating income was

positive at $1.2 million. The Corporation reported positive net income of $1.6 million. The 11-month DSCR was 5.49, and Days Cash on Hand increased to 284 days.

Portfolio Comparison:
The following table compares the Corporation's financial covenant ratios to other FQHCs within the HCAI portfolio. The financial statistics used are based on the most recently completed audited financial statements for each facility. When comparing the Corporation's performance to its peers, its DSCR is above both the median and average, its CR is just below the average and above the median, and its DCOH is well above the average and median.

Facility Name	City	DSCR	CR	DCOH
The Corporation	**Atwater**	**5.49**	**1.99**	**283**
Hill Country Community Clinic	Round Mountain	2.74	1.40	63
West County Health Centers	Guerneville	2.18	1.63	34
Valley Health Team	San Joaquin	5.01	3.18	251
Petaluma Health Center	Petaluma	4.71	1.98	38
Santa Rosa Community Health Centers	Santa Rosa	3.57	1.94	68
La Maestra Family Clinic, Inc.	San Diego	5.54	2.69	55
Open Door Community Health Centers	Arcata	5.77	4.67	65
Community Medical Centers, Inc.	Stockton	1.88	1.04	31
St. John's Well Child and Family Center	Los Angeles	12.39	1.75	42
	Average	6.00	2.23	93.00
	Median	5.01	1.96	59.00

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Feasibility Analysis

Feasibility Summary:
The Financial Feasibility Study, dated August 21, 2026, was prepared by Facktor and is provided under Exhibit F. The Feasibility Study was prepared to demonstrate the Corporation's financial capacity to support the proposed Atwater Clinic expansion project, including the associated capital investment, related financing obligations, and the refinancing of the Corporation's existing $3.5 million Winton construction loan as part of the overall financing structure.

The Feasibility Study assumes:

1. A Series 2026 insured revenue bond financing issued on behalf of the Corporation. The bond par amount is $11.56 million, consisting of approximately $8.05 million of new-money par, and $3.5 million of refunding par. Bond premium is approximately $723,425, resulting in approximately $12.288 million of gross bond proceeds.
2. The proposed financing will support the Atwater Building B expansion project and refinance the Corporation's existing $3.5 million construction loan. The Atwater Building B project is intended to modernize and expand clinical space, improve patient flow, enhance operational efficiency, and provide additional capacity for future service expansion.
3. The debt service schedule assumes final maturity on September 1, 2056. Total debt service is estimated at approximately $23.4 million, consisting of $11.56 million in principal and approximately $11.88 million in interest payments. The structure includes approximately $722,988 in capitalized interest through September 1, 2028.
4. The financial forecasts are based on historical financial information, Fiscal Year (FY) 2026 budgeted financial data, projected Atwater Building B operating assumptions, projected debt service, payer mix assumptions, provider staffing and productivity assumptions, H.R.1-related Medicaid enrollment assumptions, revenue diversification initiatives, and management's operational strategies.

The Feasibility Study concludes the following for the FY 2027 through FY 2031 financial forecasts:

The projected Debt Service Coverage Ratio remains above the lender benchmark target of 1.25x throughout the forecast period. Days Cash on Hand is projected to increase from approximately 321 days in FY 2027 to 474 days by FY 2031. Unrestricted cash and investments are projected to increase from approximately $32.2 million in FY 2027 to approximately $54.8 million by FY2031.The projected increase in liquidity is primarily attributable to positive operating performance across the Corporation.

Revenue Assumptions:
Total operating revenue is projected to increase from approximately $41.7 million in FY 2027 to approximately $47.1 million in FY 2031. Operating revenue growth is projected at approximately 12.8% in FY 2027 and 7.3% in FY 2028, before moderating to approximately 1.7% in FY 2029, 1.7% in FY 2030, and 1.8% in FY 2031 as operations stabilize.

Patient volumes across Castle Family Health Centers are projected from an annualized FY 2026 baseline of 176,603 patient visits to approximately 172,393 visits in FY 2027, increasing to approximately 192,103 visits in FY 2028 as Atwater Building B becomes fully operational. Visits are then projected to stabilize at approximately 191,052 in FY 2029 and 191,050 annually in FY 2030 and FY 2031. The modest decline following FY 2028 reflects the forecasted stabilization period, including H.R.1-related payer-mix impacts and moderated patient growth following the initial provider ramp-up. The payer mix is based on historical experience and reflects modest shifts throughout the projection period. Atwater Building B is expected to include 15 exam rooms with capacity for five medical providers and one dental provider. During its first year of operations in FY 2028, the facility is projected to generate approximately 21,422 patient visits, with utilization assumed at approximately 85% of the building's additional capacity throughout the forecast period.

The projected revenue assumptions appear reasonable given the Corporation's historical performance and future growth plans. The forecast anticipates total operating revenue increasing from 2027 to 2028, with higher growth rates in the initial years after the Project is completed and the Atwater clinic opens. After the Atwater clinic stabilizes, operating revenue is projected to be conservative with growth rates ranging around 1.7%. This pattern is consistent with typical ramp up periods following the launch of a new clinic.

The majority of the Corporation's revenues are from government sources and, as such, the Corporation may be significantly affected by funding reductions at the Federal and State levels. Management anticipates that H.R.1-related Medicaid eligibility and enrollment changes may contribute to a gradual shift in payer mix beginning in FY 2027, primarily driven by potential reductions in Medicaid enrollment among certain patient populations. The Feasibility Study incorporates revenue diversification, provider productivity, ancillary service, and care coordination strategies intended to mitigate these impacts. Five sensitivity scenarios were modeled to evaluate potential adverse operating and reimbursement pressures and are discussed further in the section titled Sensitivity Analysis.

Expense Assumptions:

Total operating expenses are forecasted to increase from approximately $35.39 million in FY 2026 to approximately $43.77 million in FY 2031, representing an average annual increase of approximately 4.29%. Total operating expenses were approximately $35.3 million in FY 2025, reflecting an increase of approximately 25% from FY 2023. Personnel costs represented the largest component of expenses, accounting for approximately 68% of total operating expenses.

A significant portion of increased costs was associated with investments in 340B program support services related to new enterprise service platform feed requirements, implementation of the oral medication program, and recruitment-related expenses. Employment-related expenses are a key operating expense driver for the Corporation. Salaries and related expenses consumed approximately 65% of operating revenues in FY2025. Employment-related expenses as a percentage of total operating expenses was approximately 70% from FY2023 through FY2025.

Operating expenses increased approximately 33% between FY 2022 and FY 2025, representing average annual growth of approximately 9.9%, due to temporary factors such as contracted and purchased services, 340B program support costs, implementation of the Oral Med program, recruitment-related expenses, and temporary locum coverage associated with provider leaves. Several of these expenditures were associated with program expansion and generated corresponding increases in patient service and pharmacy-related revenues, while certain implementation and temporary staffing costs are expected to moderate as operations stabilize and permanent providers return or are added.

The financial projections assume that operating expenses will grow at an average annual rate of approximately 4.29%, based on management's assumptions regarding inflation, staffing needs, service volume, productivity, and operational initiatives. The Corporation did see a higher than average operating expense from 2022 to 2025, due to temporary factors. The projected expense growth rate reflects a more normalized environment, reflecting a stabilization in staffing and service volumes. Therefore, the 4.29% rate is consistent with both historical trends, adjusted for temporary spikes.

It should also be noted that the medical providers who currently work at the existing Atwater site are expected to move to the Atwater clinic expansion and be backfilled with new hires at the existing Atwater site. One additional medical provider and one additional dental provider are also expected to be hired for Atwater Building B. At stabilization, the expansion is projected to support approximately 12.8 provider Full-Time Employees (FTE) across the Atwater operation, including 11 medical provider FTEs and 1.8 dental provider FTEs; approximately 5 medical provider FTEs and 1 dental provider FTE are incremental beyond current Atwater staffing capacity. Support staffing assumptions include six medical assistants, five registration staff, and one receptionist. Newly hired medical providers are expected to begin at eight patients per day and ramp to 17 patients per day over two months.

Financial Covenant Ratio Analysis:

The following summarizes the financial covenant ratio projection included in the Feasibility Study. The DSCR remains above the 1.25x lender benchmark, ranging from 14.5x in FY 2027 to 6.2x in FY2031. DCOH remains above the 90-day organizational target and the 30-day covenant requirement, increasing from 321 days in FY 2027 to 474 days in FY 2031.

Base Case - Financial Covenant Ratio Projection					
Fiscal Year Ending June 30	2027	2028	2029	2030	2031
Debt Service Coverage Ratio	14.5	11.1	7.5	5.7	6.2
Current Ratio	4.4	5.7	6.8	7.1	8.6
Days Cash on Hand	321	359	402	440	474

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Sensitivity Analysis:

The Feasibility Study includes six sensitivity cases for FY 2027 through FY 2031, including a combined downside scenario that simultaneously stresses inflation, Medicaid payer mix, and provider recruitment.

Scenario 1 – Inflation Rate of 5%

Under this scenario, non-personnel operating expenses increase by 5% annually. This scenario demonstrates the potential impact of sustained cost inflation on the Corporation's operating performance and cash flow.

Scenario 1 - Inflation Rate of 5%					
Fiscal Year Ending June 30	2027	2028	2029	2030	2031
Debt Service Coverage Ratio	13.99	10.24	6.54	4.70	4.30
Days Cash on Hand	306	336	368	394	413

Scenario 2 – 5% Shift in Medicaid Payer Mix

Under this scenario, an additional 5% of Medicaid patient volume shifts to self-pay/sliding-fee status. This scenario reflects a more severe payer-mix shift and evaluates the potential impact of greater reimbursement pressure on the Corporation's financial performance.

Scenario 2 - 5% Shift in Medicaid Payer Mix					
Fiscal Year Ending June 30	2027	2028	2029	2030	2031
Debt Service Coverage Ratio	10.50	8.01	5.34	3.87	3.82
Days Cash on Hand	297	321	351	377	399

Scenario 3 – 10% Reduction in Patients Seen per Day (Total Atwater)

Under this scenario, projected patients seen per day at the existing Atwater clinic and Atwater clinic expansion are reduced by 10%. This scenario demonstrates the potential impact of slower-than-anticipated patient utilization and provider productivity.

Scenario 3 - 10% Reduction in Patients Seen per Day (Total Atwater)					
Fiscal Year Ending June 30	2027	2028	2029	2030	2031
Debt Service Coverage Ratio	13.02	9.33	6.29	4.68	4.76
Days Cash on Hand	307	337	373	405	432

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Scenario 4 – Loan Increased by 50 Basis Points

Under this scenario, the modeled loan interest rate increases by 50 basis points. This scenario evaluates the effect of higher borrowing costs on debt service coverage and liquidity.

Scenario 4 - Loan Increased by 50 Basis Points					
Fiscal Year Ending June 30	2027	2028	2029	2030	2031
Debt Service Coverage Ratio	14.51	11.09	7.51	5.73	6.15
Days Cash on Hand	312	350	393	432	466

Scenario 5 – 4% Inflation, 17% Shift in Medicaid Payer Mix, and Delayed New Provider Hiring

Under this combined downside scenario, inflation is assumed at 4%, 17% of Medicaid patient volume shifts to self-pay/sliding-fee status, and new provider hiring is delayed until January 2028. This scenario represents multiple simultaneous adverse conditions and is not considered reasonably likely, but illustrates stress exposure if such conditions were to converge. Although DSCR falls below the 1.25x covenant requirement, liquidity remains substantial, with DCOH remaining above 200 days throughout the forecast period, providing a meaningful financial cushion while the Corporation addresses the underlying operating pressures.

Scenario 5 - 4% Inflation, 17% Shift in Medicaid Payer Mix, and Delayed New Provider Hiring					
Fiscal Year Ending June 30	2027	2028	2029	2030	2031
Debt Service Coverage Ratio	-1.30	-2.40	-0.30	-1.00	-1.90
Days Cash on Hand	264	237	229	220	207

Staff Analysis:

As identified in the Feasibility Study, the base case projections indicate that the Corporation is expected to maintain financial performance above the applicable covenant requirements throughout FY 2027 through FY 2031. Facktor's projected statement of cash flows shows annual increases in cash, excluding investments, of approximately $5.1 million to $6.0 million in FY 2027 through FY 2031. In FY 2027, the approximately $9.8 million project-fund inflow is offset by an approximately equal purchase-of-property-and-equipment outflow, indicating that the projected liquidity buildup is not attributable to unspent construction proceeds. The Corporation and Facktor identify operating performance as the primary source of projected cash growth and estimate that Atwater clinic expansion accounts for approximately 42% of the projected growth in operating performance and resulting cash inflow, with the remainder generated across the Corporation. Management identifies accountable care organization, Enhanced Care Management, PPS reimbursement, care-based incentive revenues, and other operating initiatives as ongoing contributors; the approximately $4.5 million Employee Retention

Tax Credit received historically was a one-time source and is not treated by staff as recurring support for the forecast.

Overall, the base case and isolated sensitivity scenarios remain above the applicable covenants. The combined downside scenario retains strong liquidity but falls below the DSCR covenant, demonstrating the importance of maintaining operating performance and avoiding simultaneous deterioration in payer mix, provider recruitment, and operating costs.

Recommendation

Strengths:

1. **Financial Stability:** The Corporation has been generating enough positive cash flow to be able to fund expand to its operations for the past six years. The Corporation's historical and projected financial ratios meet or exceed covenant requirements.

2. **Federally Qualified Health Center Section 330 Status:** The Section 330 FQHC status provides the clinic with an annual federal grant for operations. Medi-Cal PPS allows for "scope of service" reimbursement adjustments due to service expansions. The increased interest and depreciation costs from the building purchase are reimbursable costs. As an FQHC there is minimal competition for the target population. There is also high demand for healthcare services in its Designated Medically Underserved area.

3. **Experienced Management:** The CEO joined the Corporation in 2006 and has served in the position since 2025. The current CFO joined the Corporation in 2007 and has served in the position since 2017. The management team is well regarded by both the clients and local leaders within the communities where the Corporation operates.

4. **Community Benefit:** The Corporation serves the most vulnerable population in the communities where it operates. The Corporation has operated in the central valley since 2010 and has become one of the largest providers of medical care, dental care, and behavioral health care in its service area. It is the mission of the Cal-Mortgage Loan Insurance Program to assist non-profit healthcare providers such as the Corporation to increase access to quality health care to low-income communities.

Weaknesses:

1. **Dependence on Governmental Reimbursement Sources**: Medicaid/Medi-Cal represented approximately 67.7% of FY 2025 patient visits. Management currently estimates a modest Medicaid/Medi-Cal impact of approximately 6%; however, the timing and magnitude of eligibility and reimbursement changes remain uncertain.

   Mitigation: Management identifies several ongoing and planned revenue and operating strategies, including ACO participation, Enhanced Care Management, annual PPS reimbursement adjustments, care-based incentive payments, AI-enabled provider productivity, outreach and enrollment assistance, and the Corporation's new HRSA FQHC designation. Management does not currently anticipate Medicaid/Medi-Cal reductions will require service reductions, staffing reductions, or

clinic closures under its expected case. The Feasibility Study also tests a materially more severe combined downside case that includes a 17% Medicaid payer-mix shift; while liquidity remains substantial under that case, DSCR falls below the covenant requirement, and the reimbursement risk therefore remains material.

2. **Recruitment of Providers:** As previously mentioned, the Corporation is not unlike other clinics and healthcare providers in California that are challenged with recruiting health professionals.

   Mitigation: Management reports that provider recruitment is actively underway through multiple professional recruiting firms and paid searches, and Castle reports a three-year W-2 provider retention rate of approximately 94.9%. The projected medical-provider productivity assumption of approximately 17 visits per provider FTE per day is consistent with Castle's current demonstrated productivity. In addition, the Feasibility Study evaluates delayed provider recruitment through a downside scenario that assumes new-provider hiring is delayed until January 2028. Nevertheless, timely recruitment and backfilling remain an operating risk associated with the expansion.

3. **Operating Expense Growth Risk:** The Corporation experienced significant operating expense growth over the historical period, including increased contracted services, purchased services, personnel costs, and costs associated with new programs and operational initiatives. The Feasibility Study projects operating expense growth to moderate to approximately 4.29% annually during the forecast period. Actual expenses could exceed projected levels if inflationary pressures, staffing costs, contracted services, or other operating costs remain elevated.

   Mitigation: The Feasibility Study assumes that certain contracted and temporary staffing costs will moderate as operations stabilize and permanent staffing is added. Several recent expense increases were also associated with initiatives expected to generate corresponding revenue. In addition, the sensitivity analysis evaluates higher operating costs through a scenario assuming 5% annual growth in non-personnel operating expenses. Under the modeled downside scenarios, the Corporation continues to maintain DSCR and liquidity above applicable covenant requirements.

Although the Corporation is projected to maintain substantial liquidity, the proposed Cal-Mortgage insured financing allows it to preserve unrestricted liquidity for ongoing safety-net operations, reimbursement volatility, and future capital needs while financing a long-lived capital project through long-term debt. Based on the foregoing analysis, staff concludes the Project is feasible, financially supportable, and aligned with Cal-Mortgage State Plan priorities. Staff recommends HCAI issue a commitment for six months to insure a loan to the Corporation not to exceed $11,565,000 for the Series 2026 Bonds as proposed, with the following conditions:

A. HCAI shall receive a security interest on all of the Corporation's property. Such security shall be secured through first deeds of trust, fixture filings, UCC-1s, and a gross revenue pledge perfected by a Deposit Account Control Agreement, covering all the property of the Corporation. Such real property shall include the following:

No.	Address	APN	Purpose
1	1775 Third Street, Atwater, CA 95301	002-132-021	Project Collateral
2	1775 Third Street, Atwater, CA 95301	002-132-022	Project Collateral
3	1775 Third Street, Atwater, CA 95301	002-132-024	Project Collateral
4	1775 Third Street, Atwater, CA 95301	002-132-025	Project Collateral
5	6029 North Winton Way, Winton CA 95388	147-180-036	Project Collateral

B. HCAI shall receive a security interest evidenced by deeds of trust on all real property acquired by the Corporation after the close of the loan insured by HCAI.

C. The proposed services to be provided as a part of this Project and the transaction structure shall not differ from those set forth in the Financial Feasibility Analysis, dated August 21, 2026, the Application for Loan Insurance, the Project Description and Scope as agreed to by HCAI.

D. The bonds shall have a term not to exceed the lesser of 30 years from the date of the loan or 75 percent of the estimate economic useful life of the Corporation's real property. Capitalized Interest shall not exceed 18-months of debt service. Principal shall be amortized beginning on or before April 1, 2027. The no-call period, if any, shall not extend beyond the first eight years of the loan, thereafter the redemption price for the following two years shall not exceed 102 percent for the first year and 101 percent for the second year, after which there shall be no prepayment penalty, unless otherwise agreed to by HCAI.

E. Within 60 days from the date of HCAI's commitment letter, the Corporation shall obtain approval from a lender or issuer.

F. The Regulatory Agreement, Contract of Insurance, and Deed of Trust used for this transaction shall be HCAI's latest form of each with such changes as may be required by HCAI.

G. The Regulatory Agreement shall contain provisions that the Corporation shall maintain the following:

1. A current ratio of at least 1.50 to 1, beginning Fiscal Year End (FYE) 2025 and thereafter, as determined by the annual audited financial statements.
2. A debt service coverage ratio of at least 1.25 to 1, beginning FYE 2025 and thereafter, as determined by the annual audited financial statements.
3. A non-restricted cash balance of at least 30 days cash, beginning FYE 2025 and thereafter, as determined by the annual audited financial statements.

H. The Debt Service Reserve Fund shall be established at loan closing in the amount equal to the lesser of (i) 50 percent of the maximum annual debt service of the bonds, (ii) 125 percent of the average annual debt service of the bonds, or (iii) 10 percent of the outstanding principal amount of the bonds, or other amount to be determined by HCAI.

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I. Prior to the sale or pricing of the insured loan transaction, HCAI shall receive the following:

1. Confirmation that there has been no adverse material change in the financial condition of the Corporation or in any other market condition including, but not limited to, potential revenue sources and levels, expenses of operation, staffing levels, or any other condition or occurrence adversely affecting the Corporation's ability to pay debt service or comply with any of the terms and conditions of the Regulatory Agreement.

2. Copies of the preliminary: (a) Sources and Uses of Funds, including documentary evidence verifying owner's equity, and (b) Debt Service Schedule, with all updates of both, each of which must be acceptable to HCAI.

3. Proforma title report for issuance of ALTA Lender's title policy (6-17-06), or other form acceptable to HCAI, with exceptions to title acceptable to HCAI and with HCAI designated as a beneficiary and in an amount equal to the bond par amount, with the following endorsements:

   a. CLTA 100.2-06, or ALTA 9-06 (Restrictions, Encroachments, Minerals)
   b. CLTA 103.1-06/103.2-06/103.3-06/103.4-06, or ALTA 28-06 (Easement)
   c. CLTA 103.11-06/103.12-06, or ALTA 17-06/17.1-06 (Access and Entry)
   d. CLTA 116.02-06, or ALTA 22.1-06 (Location and Map)
   e. CLTA 116.4.1-06, or ALTA 19-06 (Contiguity – Multiple Parcels)
   f. CLTA 123.1-06/123.2-06, or ALTA 3-06/3.1-06 (Zoning)
   g. ALTA Endorsement 33.06 and 32.2-06 (Construction)

   HCAI may require additional endorsements and forms.

4. A satisfactory Environmental Report Review completed by the California Department of Toxic Substance Control for the collateralized real property.

5. Evidence that the following insurance coverage is in effect for:

   a. Statutory worker's compensation and employer's liability.
   b. Bodily injury and property damage liability.
   c. Such other insurance as required in the Regulatory Agreement, unless otherwise waived by HCAI.

6. Updates, if any, to the Financial Feasibility Analysis, which must be acceptable to HCAI.

7. As construction is part of this Project:

   a. Certification from the architect that the final set of the architectural plans, and the construction materials outline specification for the Project are complete and available to HCAI upon request.

b. Copies of all required building permits and governmental agency approvals required for the Project or assurances from the governmental agency that permits will be issued. All such permits, approvals, and assurances must be acceptable to HCAI.
c. Copies of the executed construction contracts, including all amendments or additions thereto, based upon final approved architectural plans, with a fixed limit of construction cost (not-to-exceed price or guaranteed maximum price) for the Project, and all correspondence between the contractor and the Corporation.
d. Provide a detailed breakdown of total project costs by subcontractors and suppliers. Identify subcontractors and suppliers that are subject to mechanic's liens.
e. Evidence of fire and extended coverage for all work performed under contract and other improvements on the site against loss or damage to the extent of replacement value covered by the standard extended coverage insurance endorsement. The policies shall include a standard mortgage clause making any loss payable to the mortgagee and HCAI as their interest may appear.
f. Evidence of payment, performance, and materialman's bonds in the amount of the construction contract for all contractors and subcontractors, with HCAI designated as an additional insured.

8. A satisfactory copy of a Deposit Account Control Agreement ready for signatures.

9. HCAI shall receive a corporate resolution authorizing the transaction and the execution of the Regulatory Agreement, Contract of Insurance, and Deed of Trust.

10. Documents indicating that any other conditions required by the Advisory Loan Insurance Committee and the Director of HCAI have been satisfied.

J. Prior to closing of the loan insured transaction, HCAI shall receive final copies of: (a) Sources and Uses of Funds and (b) Debt Service Schedule after the bonds have been priced.

K. At the loan closing, HCAI shall receive an ALTA loan title policy (6-17-06), or other form acceptable to HCAI, with exceptions to title acceptable to HCAI, and with HCAI designated as a beneficiary in an amount equal to the bond par amount with the endorsements previously described.

In the event that additional facts, or changes in the law, or changes in the structure of the transaction come to the attention of HCAI, then HCAI may require additional conditions.

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Tobias Lopez

Tobias Lopez, Account Manager

Date: 9/1/2026

I approve the above recommendation.

Consuelo Hernandez, Supervisor

Date: 9/1/2026

I approve the above recommendation.

Dean O'Brien, Deputy Director

Date: 9/1/2026

* *

On this, August 13, 2026, the Account Manger emailed a copy of the foregoing approved Project Summary & Feasibility Analysis (PSFA) to the Applicant, Supervisor, Deputy Director, and HCAI Attorney.

Tobias Lopez, Account Manager

* *

On this, August 31, 2026, the Account Manager contacted Dawnita Castle, CFO, of the Corporation who stated to the Account Manager that the Corporation (1) except for minor corrections, acknowledged all the facts as presented in this PSFA; (2) agreed to all the representations in this PSFA; and (3) agreed to all of the conditions contained in this PSFA.

Tobias Lopez, Account Manager

* *

Advisory Loan Insurance Committee Action:

Date of meeting: September 10, 2026

The Project was recommended for approval. The motion was made by Committee Member _____ and seconded by Committee Member _____.

The Motion was _____ with ____ in favor and ____ opposed. Committee Member(s) _____ and _____ were absent from the meeting.

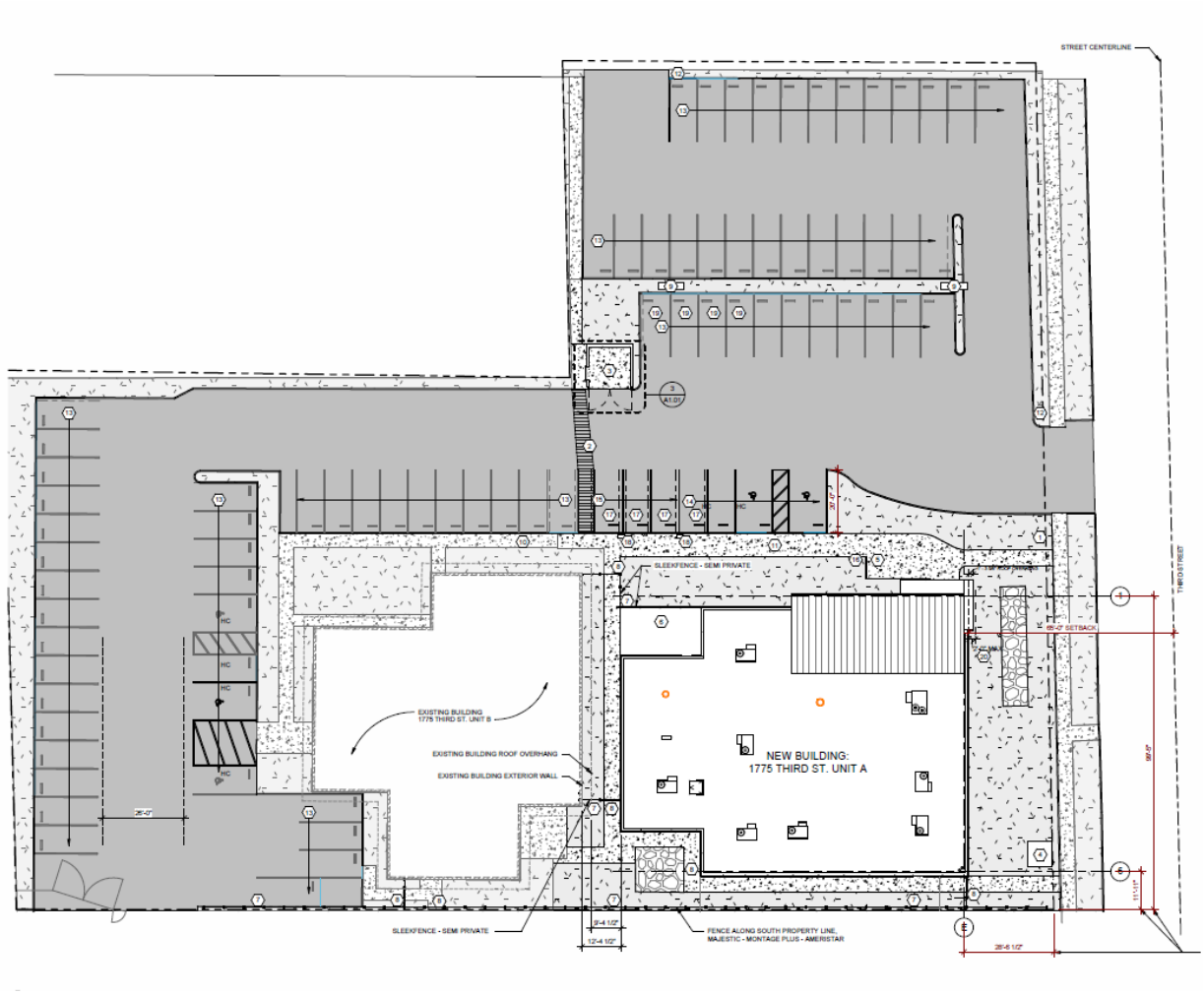
Members Present:

Exhibit A

Project Renderings

Entrance

Front Desk / Waiting Room


STREET CENTERLINE
THIRD STREET
SLEEKFENCE - SEMI PRIVATE
EXISTING BUILDING
1775 THIRD ST. UNIT B
EXISTING BUILDING ROOF OVERHANG
EXISTING BUILDING EXTERIOR WALL
NEW BUILDING:
1775 THIRD ST. UNIT A
SLEEKFENCE - SEMI PRIVATE
FENCE ALONG SOUTH PROPERTY LINE.
MAJESTIC - MONTAGE PLUS - AMERISTAR
HC
26'-0"
2'-4 1/2"
12'-4 1/2"
28'-6 1/2"

Site Plan

Exhibit B

Proposed Bond Model

SOURCES AND USES OF FUNDS

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Dated Date	10/20/2026
Delivery Date	10/20/2026

Sources:	New Money	Refunding	Total
Bond Proceeds:			
Par Amount	8,050,000.00	3,515,000.00	11,565,000.00
Premium	500,669.80	222,755.55	723,425.35
	8,550,669.80	3,737,755.55	12,288,425.35
Other Sources of Funds:			
Equity for Atwater Clinic	500,000.00		500,000.00
Grant for Atwater Clinic	2,500,000.00		2,500,000.00
	3,000,000.00		3,000,000.00
	11,550,669.80	3,737,755.55	15,288,425.35

Uses:	New Money	Refunding	Total
Project Fund Deposits:			
Renovation of Atwater Clinic	9,112,840.00		9,112,840.00
Equipment Costs	700,000.00		700,000.00
	9,812,840.00		9,812,840.00
Refunding Escrow Deposits:			
Cash Deposit		3,297,594.96	3,297,594.96
Other Fund Deposits:			
Capitalized Interest (through 9/1/2028)	722,987.90		722,987.90
Debt Service Reserve Fund	282,920.26	123,535.99	406,456.25
	1,005,908.16	123,535.99	1,129,444.15
Delivery Date Expenses:			
Cost of Issuance	262,381.97	114,568.03	376,950.00
Insurance Premium (2.65%)	436,643.92	184,736.03	621,379.95
Certification and Inspection Fee	32,200.00	14,060.00	46,260.00
	731,225.89	313,364.06	1,044,589.95
Other Uses of Funds:			
Additional Proceeds	695.75	3,260.54	3,956.29
	11,550,669.80	3,737,755.55	15,288,425.35

NET DEBT SERVICE

California Municipal Finance Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--New Money--
--Preliminary, subject to change--

Date	Principal	Interest	Total Debt Service	Capitalized Interest (through 9/1/2028)	Debt Service Reserve Fund	Net Debt Service
03/01/2027		150,572.67	150,572.67	150,572.67		
09/01/2027		206,893.75	206,893.75	206,893.75		
03/01/2028		206,893.75	206,893.75	206,893.75		
09/01/2028		206,893.75	206,893.75	206,893.75		
03/01/2029		206,893.75	206,893.75		4,951.10	201,942.65
09/01/2029	115,000	206,893.75	321,893.75		4,951.10	316,942.65
03/01/2030		204,018.75	204,018.75		4,951.10	199,067.65
09/01/2030	120,000	204,018.75	324,018.75		4,951.10	319,067.65
03/01/2031		201,018.75	201,018.75		4,951.10	196,067.65
09/01/2031	130,000	201,018.75	331,018.75		4,951.10	326,067.65
03/01/2032		197,768.75	197,768.75		4,951.10	192,817.65
09/01/2032	135,000	197,768.75	332,768.75		4,951.10	327,817.65
03/01/2033		194,393.75	194,393.75		4,951.10	189,442.65
09/01/2033	140,000	194,393.75	334,393.75		4,951.10	329,442.65
03/01/2034		190,893.75	190,893.75		4,951.10	185,942.65
09/01/2034	150,000	190,893.75	340,893.75		4,951.10	335,942.65
03/01/2035		187,143.75	187,143.75		4,951.10	182,192.65
09/01/2035	155,000	187,143.75	342,143.75		4,951.10	337,192.65
03/01/2036		183,268.75	183,268.75		4,951.10	178,317.65
09/01/2036	165,000	183,268.75	348,268.75		4,951.10	343,317.65
03/01/2037		179,143.75	179,143.75		4,951.10	174,192.65
09/01/2037	175,000	179,143.75	354,143.75		4,951.10	349,192.65
03/01/2038		174,768.75	174,768.75		4,951.10	169,817.65
09/01/2038	180,000	174,768.75	354,768.75		4,951.10	349,817.65
03/01/2039		170,268.75	170,268.75		4,951.10	165,317.65
09/01/2039	190,000	170,268.75	360,268.75		4,951.10	355,317.65
03/01/2040		165,518.75	165,518.75		4,951.10	160,567.65
09/01/2040	200,000	165,518.75	365,518.75		4,951.10	360,567.65
03/01/2041		160,518.75	160,518.75		4,951.10	155,567.65
09/01/2041	210,000	160,518.75	370,518.75		4,951.10	365,567.65
03/01/2042		155,268.75	155,268.75		4,951.10	150,317.65
09/01/2042	220,000	155,268.75	375,268.75		4,951.10	370,317.65
03/01/2043		149,768.75	149,768.75		4,951.10	144,817.65
09/01/2043	290,000	149,768.75	439,768.75		4,951.10	434,817.65
03/01/2044		142,518.75	142,518.75		4,951.10	137,567.65
09/01/2044	305,000	142,518.75	447,518.75		4,951.10	442,567.65
03/01/2045		134,893.75	134,893.75		4,951.10	129,942.65
09/01/2045	320,000	134,893.75	454,893.75		4,951.10	449,942.65
03/01/2046		126,893.75	126,893.75		4,951.10	121,942.65
09/01/2046	335,000	126,893.75	461,893.75		4,951.10	456,942.65
03/01/2047		118,518.75	118,518.75		4,951.10	113,567.65
09/01/2047	355,000	118,518.75	473,518.75		4,951.10	468,567.65
03/01/2048		109,200.00	109,200.00		4,951.10	104,248.90
09/01/2048	370,000	109,200.00	479,200.00		4,951.10	474,248.90
03/01/2049		99,487.50	99,487.50		4,951.10	94,536.40
09/01/2049	390,000	99,487.50	489,487.50		4,951.10	484,536.40
03/01/2050		89,250.00	89,250.00		4,951.10	84,298.90
09/01/2050	410,000	89,250.00	499,250.00		4,951.10	494,298.90
03/01/2051		78,487.50	78,487.50		4,951.10	73,536.40
09/01/2051	435,000	78,487.50	513,487.50		4,951.10	508,536.40
03/01/2052		67,068.75	67,068.75		4,951.10	62,117.65
09/01/2052	460,000	67,068.75	527,068.75		4,951.10	522,117.65
03/01/2053		54,993.75	54,993.75		4,951.10	50,042.65
09/01/2053	485,000	54,993.75	539,993.75		4,951.10	535,042.65
03/01/2054		42,262.50	42,262.50		4,951.10	37,311.40
09/01/2054	510,000	42,262.50	552,262.50		4,951.10	547,311.40
03/01/2055		28,875.00	28,875.00		4,951.10	23,923.90
09/01/2055	535,000	28,875.00	563,875.00		4,951.10	558,923.90
03/01/2056		14,831.25	14,831.25		4,951.10	9,880.15
09/01/2056	565,000	14,831.25	579,831.25		287,871.36	291,959.89
	8,050,000	8,427,128.92	16,477,128.92	771,253.92	560,181.86	15,145,693.14

NET DEBT SERVICE

California Municipal Finance Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Refinancing of Series 2019--
--Preliminary, subject to change--

Date	Principal	Interest	Total Debt Service	Debt Service Reserve Fund	Net Debt Service
03/01/2027		65,577.33	65,577.33	1,573.37	64,003.96
09/01/2027	50,000	90,106.25	140,106.25	2,161.88	137,944.37
03/01/2028		88,856.25	88,856.25	2,161.88	86,694.37
09/01/2028	55,000	88,856.25	143,856.25	2,161.88	141,694.37
03/01/2029		87,481.25	87,481.25	2,161.88	85,319.37
09/01/2029	55,000	87,481.25	142,481.25	2,161.88	140,319.37
03/01/2030		86,106.25	86,106.25	2,161.88	83,944.37
09/01/2030	60,000	86,106.25	146,106.25	2,161.88	143,944.37
03/01/2031		84,606.25	84,606.25	2,161.88	82,444.37
09/01/2031	65,000	84,606.25	149,606.25	2,161.88	147,444.37
03/01/2032		82,981.25	82,981.25	2,161.88	80,819.37
09/01/2032	65,000	82,981.25	147,981.25	2,161.88	145,819.37
03/01/2033		81,356.25	81,356.25	2,161.88	79,194.37
09/01/2033	70,000	81,356.25	151,356.25	2,161.88	149,194.37
03/01/2034		79,606.25	79,606.25	2,161.88	77,444.37
09/01/2034	75,000	79,606.25	154,606.25	2,161.88	152,444.37
03/01/2035		77,731.25	77,731.25	2,161.88	75,569.37
09/01/2035	75,000	77,731.25	152,731.25	2,161.88	150,569.37
03/01/2036		75,856.25	75,856.25	2,161.88	73,694.37
09/01/2036	80,000	75,856.25	155,856.25	2,161.88	153,694.37
03/01/2037		73,856.25	73,856.25	2,161.88	71,694.37
09/01/2037	85,000	73,856.25	158,856.25	2,161.88	156,694.37
03/01/2038		71,731.25	71,731.25	2,161.88	69,569.37
09/01/2038	90,000	71,731.25	161,731.25	2,161.88	159,569.37
03/01/2039		69,481.25	69,481.25	2,161.88	67,319.37
09/01/2039	95,000	69,481.25	164,481.25	2,161.88	162,319.37
03/01/2040		67,106.25	67,106.25	2,161.88	64,944.37
09/01/2040	100,000	67,106.25	167,106.25	2,161.88	164,944.37
03/01/2041		64,606.25	64,606.25	2,161.88	62,444.37
09/01/2041	105,000	64,606.25	169,606.25	2,161.88	167,444.37
03/01/2042		61,981.25	61,981.25	2,161.88	59,819.37
09/01/2042	110,000	61,981.25	171,981.25	2,161.88	169,819.37
03/01/2043		59,231.25	59,231.25	2,161.88	57,069.37
09/01/2043	115,000	59,231.25	174,231.25	2,161.88	172,069.37
03/01/2044		56,356.25	56,356.25	2,161.88	54,194.37
09/01/2044	120,000	56,356.25	176,356.25	2,161.88	174,194.37
03/01/2045		53,356.25	53,356.25	2,161.88	51,194.37
09/01/2045	125,000	53,356.25	178,356.25	2,161.88	176,194.37
03/01/2046		50,231.25	50,231.25	2,161.88	48,069.37
09/01/2046	135,000	50,231.25	185,231.25	2,161.88	183,069.37
03/01/2047		46,856.25	46,856.25	2,161.88	44,694.37
09/01/2047	140,000	46,856.25	186,856.25	2,161.88	184,694.37
03/01/2048		43,181.25	43,181.25	2,161.88	41,019.37
09/01/2048	145,000	43,181.25	188,181.25	2,161.88	186,019.37
03/01/2049		39,375.00	39,375.00	2,161.88	37,213.12
09/01/2049	155,000	39,375.00	194,375.00	2,161.88	192,213.12
03/01/2050		35,306.25	35,306.25	2,161.88	33,144.37
09/01/2050	165,000	35,306.25	200,306.25	2,161.88	198,144.37
03/01/2051		30,975.00	30,975.00	2,161.88	28,813.12
09/01/2051	175,000	30,975.00	205,975.00	2,161.88	203,813.12
03/01/2052		26,381.25	26,381.25	2,161.88	24,219.37
09/01/2052	180,000	26,381.25	206,381.25	2,161.88	204,219.37
03/01/2053		21,656.25	21,656.25	2,161.88	19,494.37
09/01/2053	190,000	21,656.25	211,656.25	2,161.88	209,494.37
03/01/2054		16,668.75	16,668.75	2,161.88	14,506.87
09/01/2054	200,000	16,668.75	216,668.75	2,161.88	214,506.87
03/01/2055		11,418.75	11,418.75	2,161.88	9,256.87
09/01/2055	210,000	11,418.75	221,418.75	2,161.88	219,256.87
03/01/2056		5,906.25	5,906.25	2,161.88	3,744.37
09/01/2056	225,000	5,906.25	230,906.25	125,697.87	105,208.38
	3,515,000	3,456,171.08	6,971,171.08	252,660.28	6,718,510.80

NET DEBT SERVICE

California Municipal Finance Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--New Money--
--Preliminary, subject to change--

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest (through 9/1/2028)	Debt Service Reserve Fund	Net Debt Service
06/30/2027		150,572.67	150,572.67	150,572.67		
06/30/2028		413,787.50	413,787.50	413,787.50		
06/30/2029		413,787.50	413,787.50	206,893.75	4,951.10	201,942.65
06/30/2030	115,000	410,912.50	525,912.50		9,902.20	516,010.30
06/30/2031	120,000	405,037.50	525,037.50		9,902.20	515,135.30
06/30/2032	130,000	398,787.50	528,787.50		9,902.20	518,885.30
06/30/2033	135,000	392,162.50	527,162.50		9,902.20	517,260.30
06/30/2034	140,000	385,287.50	525,287.50		9,902.20	515,385.30
06/30/2035	150,000	378,037.50	528,037.50		9,902.20	518,135.30
06/30/2036	155,000	370,412.50	525,412.50		9,902.20	515,510.30
06/30/2037	165,000	362,412.50	527,412.50		9,902.20	517,510.30
06/30/2038	175,000	353,912.50	528,912.50		9,902.20	519,010.30
06/30/2039	180,000	345,037.50	525,037.50		9,902.20	515,135.30
06/30/2040	190,000	335,787.50	525,787.50		9,902.20	515,885.30
06/30/2041	200,000	326,037.50	526,037.50		9,902.20	516,135.30
06/30/2042	210,000	315,787.50	525,787.50		9,902.20	515,885.30
06/30/2043	220,000	305,037.50	525,037.50		9,902.20	515,135.30
06/30/2044	290,000	292,287.50	582,287.50		9,902.20	572,385.30
06/30/2045	305,000	277,412.50	582,412.50		9,902.20	572,510.30
06/30/2046	320,000	261,787.50	581,787.50		9,902.20	571,885.30
06/30/2047	335,000	245,412.50	580,412.50		9,902.20	570,510.30
06/30/2048	355,000	227,718.75	582,718.75		9,902.20	572,816.55
06/30/2049	370,000	208,687.50	578,687.50		9,902.20	568,785.30
06/30/2050	390,000	188,737.50	578,737.50		9,902.20	568,835.30
06/30/2051	410,000	167,737.50	577,737.50		9,902.20	567,835.30
06/30/2052	435,000	145,556.25	580,556.25		9,902.20	570,654.05
06/30/2053	460,000	122,062.50	582,062.50		9,902.20	572,160.30
06/30/2054	485,000	97,256.25	582,256.25		9,902.20	572,354.05
06/30/2055	510,000	71,137.50	581,137.50		9,902.20	571,235.30
06/30/2056	535,000	43,706.25	578,706.25		9,902.20	568,804.05
06/30/2057	565,000	14,831.25	579,831.25		287,871.36	291,959.89
	8,050,000	8,427,128.92	16,477,128.92	771,253.92	560,181.86	15,145,693.14

NET DEBT SERVICE

California Municipal Finance Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Refinancing of Series 2019--
--Preliminary, subject to change--

Period Ending	Principal	Interest	Total Debt Service	Debt Service Reserve Fund	Net Debt Service
06/30/2027		65,577.33	65,577.33	1,573.37	64,003.96
06/30/2028	50,000	178,962.50	228,962.50	4,323.76	224,638.74
06/30/2029	55,000	176,337.50	231,337.50	4,323.76	227,013.74
06/30/2030	55,000	173,587.50	228,587.50	4,323.76	224,263.74
06/30/2031	60,000	170,712.50	230,712.50	4,323.76	226,388.74
06/30/2032	65,000	167,587.50	232,587.50	4,323.76	228,263.74
06/30/2033	65,000	164,337.50	229,337.50	4,323.76	225,013.74
06/30/2034	70,000	160,962.50	230,962.50	4,323.76	226,638.74
06/30/2035	75,000	157,337.50	232,337.50	4,323.76	228,013.74
06/30/2036	75,000	153,587.50	228,587.50	4,323.76	224,263.74
06/30/2037	80,000	149,712.50	229,712.50	4,323.76	225,388.74
06/30/2038	85,000	145,587.50	230,587.50	4,323.76	226,263.74
06/30/2039	90,000	141,212.50	231,212.50	4,323.76	226,888.74
06/30/2040	95,000	136,587.50	231,587.50	4,323.76	227,263.74
06/30/2041	100,000	131,712.50	231,712.50	4,323.76	227,388.74
06/30/2042	105,000	126,587.50	231,587.50	4,323.76	227,263.74
06/30/2043	110,000	121,212.50	231,212.50	4,323.76	226,888.74
06/30/2044	115,000	115,587.50	230,587.50	4,323.76	226,263.74
06/30/2045	120,000	109,712.50	229,712.50	4,323.76	225,388.74
06/30/2046	125,000	103,587.50	228,587.50	4,323.76	224,263.74
06/30/2047	135,000	97,087.50	232,087.50	4,323.76	227,763.74
06/30/2048	140,000	90,037.50	230,037.50	4,323.76	225,713.74
06/30/2049	145,000	82,556.25	227,556.25	4,323.76	223,232.49
06/30/2050	155,000	74,681.25	229,681.25	4,323.76	225,357.49
06/30/2051	165,000	66,281.25	231,281.25	4,323.76	226,957.49
06/30/2052	175,000	57,356.25	232,356.25	4,323.76	228,032.49
06/30/2053	180,000	48,037.50	228,037.50	4,323.76	223,713.74
06/30/2054	190,000	38,325.00	228,325.00	4,323.76	224,001.24
06/30/2055	200,000	28,087.50	228,087.50	4,323.76	223,763.74
06/30/2056	210,000	17,325.00	227,325.00	4,323.76	223,001.24
06/30/2057	225,000	5,906.25	230,906.25	125,697.87	105,208.38
	3,515,000	3,456,171.08	6,971,171.08	252,660.28	6,718,510.80

NET DEBT SERVICE

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest (through 9/1/2028)	Debt Service Reserve Fund	Net Debt Service
06/30/2027		216,150.00	216,150.00	150,572.67	1,573.37	64,003.96
06/30/2028	50,000	592,750.00	642,750.00	413,787.50	4,323.76	224,638.74
06/30/2029	55,000	590,125.00	645,125.00	206,893.75	9,274.86	428,956.39
06/30/2030	170,000	584,500.00	754,500.00		14,225.96	740,274.04
06/30/2031	180,000	575,750.00	755,750.00		14,225.96	741,524.04
06/30/2032	195,000	566,375.00	761,375.00		14,225.96	747,149.04
06/30/2033	200,000	556,500.00	756,500.00		14,225.96	742,274.04
06/30/2034	210,000	546,250.00	756,250.00		14,225.96	742,024.04
06/30/2035	225,000	535,375.00	760,375.00		14,225.96	746,149.04
06/30/2036	230,000	524,000.00	754,000.00		14,225.96	739,774.04
06/30/2037	245,000	512,125.00	757,125.00		14,225.96	742,899.04
06/30/2038	260,000	499,500.00	759,500.00		14,225.96	745,274.04
06/30/2039	270,000	486,250.00	756,250.00		14,225.96	742,024.04
06/30/2040	285,000	472,375.00	757,375.00		14,225.96	743,149.04
06/30/2041	300,000	457,750.00	757,750.00		14,225.96	743,524.04
06/30/2042	315,000	442,375.00	757,375.00		14,225.96	743,149.04
06/30/2043	330,000	426,250.00	756,250.00		14,225.96	742,024.04
06/30/2044	405,000	407,875.00	812,875.00		14,225.96	798,649.04
06/30/2045	425,000	387,125.00	812,125.00		14,225.96	797,899.04
06/30/2046	445,000	365,375.00	810,375.00		14,225.96	796,149.04
06/30/2047	470,000	342,500.00	812,500.00		14,225.96	798,274.04
06/30/2048	495,000	317,756.25	812,756.25		14,225.96	798,530.29
06/30/2049	515,000	291,243.75	806,243.75		14,225.96	792,017.79
06/30/2050	545,000	263,418.75	808,418.75		14,225.96	794,192.79
06/30/2051	575,000	234,018.75	809,018.75		14,225.96	794,792.79
06/30/2052	610,000	202,912.50	812,912.50		14,225.96	798,686.54
06/30/2053	640,000	170,100.00	810,100.00		14,225.96	795,874.04
06/30/2054	675,000	135,581.25	810,581.25		14,225.96	796,355.29
06/30/2055	710,000	99,225.00	809,225.00		14,225.96	794,999.04
06/30/2056	745,000	61,031.25	806,031.25		14,225.96	791,805.29
06/30/2057	790,000	20,737.50	810,737.50		413,569.23	397,168.27
	11,565,000	11,883,300.00	23,448,300.00	771,253.92	812,842.14	21,864,203.94

AGGREGATE GROSS DEBT SERVICE

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Period Ending	New Money	Refunding	Help II (2023)	Aggregate Debt Service
06/30/2027	150,572.67	65,577.33	35,560.00	251,710.00
06/30/2028	413,787.50	228,962.50	53,340.00	696,090.00
06/30/2029	413,787.50	231,337.50	53,340.00	698,465.00
06/30/2030	525,912.50	228,587.50	53,340.00	807,840.00
06/30/2031	525,037.50	230,712.50	53,340.00	809,090.00
06/30/2032	528,787.50	232,587.50	53,340.00	814,715.00
06/30/2033	527,162.50	229,337.50	53,340.00	809,840.00
06/30/2034	525,287.50	230,962.50	53,340.00	809,590.00
06/30/2035	528,037.50	232,337.50	53,340.00	813,715.00
06/30/2036	525,412.50	228,587.50	53,340.00	807,340.00
06/30/2037	527,412.50	229,712.50	53,340.00	810,465.00
06/30/2038	528,912.50	230,587.50	53,340.00	812,840.00
06/30/2039	525,037.50	231,212.50	53,340.00	809,590.00
06/30/2040	525,787.50	231,587.50	53,340.00	810,715.00
06/30/2041	526,037.50	231,712.50	53,340.00	811,090.00
06/30/2042	525,787.50	231,587.50	53,340.00	810,715.00
06/30/2043	525,037.50	231,212.50	53,464.82	809,714.82
06/30/2044	582,287.50	230,587.50		812,875.00
06/30/2045	582,412.50	229,712.50		812,125.00
06/30/2046	581,787.50	228,587.50		810,375.00
06/30/2047	580,412.50	232,087.50		812,500.00
06/30/2048	582,718.75	230,037.50		812,756.25
06/30/2049	578,687.50	227,556.25		806,243.75
06/30/2050	578,737.50	229,681.25		808,418.75
06/30/2051	577,737.50	231,281.25		809,018.75
06/30/2052	580,556.25	232,356.25		812,912.50
06/30/2053	582,062.50	228,037.50		810,100.00
06/30/2054	582,256.25	228,325.00		810,581.25
06/30/2055	581,137.50	228,087.50		809,225.00
06/30/2056	578,706.25	227,325.00		806,031.25
06/30/2057	579,831.25	230,906.25		810,737.50
	16,477,128.92	6,971,171.08	889,124.82	24,337,424.82

BOND PRICING

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Bond Component	Maturity Date	Amount	Rate	Yield	Price		Yield to Maturity	Premium (-Discount)
Serial Bonds:								
	09/01/2027	50,000	5.000%	2.630%	102.008			1,004.00
	09/01/2028	55,000	5.000%	2.760%	104.039			2,221.45
	09/01/2029	170,000	5.000%	2.880%	105.784			9,832.80
	09/01/2030	180,000	5.000%	3.020%	107.166			12,898.80
	09/01/2031	195,000	5.000%	3.120%	108.419			16,417.05
	09/01/2032	200,000	5.000%	3.210%	109.494			18,988.00
	09/01/2033	210,000	5.000%	3.300%	110.361			21,758.10
	09/01/2034	225,000	5.000%	3.420%	110.809			24,320.25
	09/01/2035	230,000	5.000%	3.500%	111.342			26,086.60
	09/01/2036	245,000	5.000%	3.570%	111.797			28,902.65
	09/01/2037	260,000	5.000%	3.660%	111.006	C	3.756%	28,615.60
	09/01/2038	270,000	5.000%	3.730%	110.396	C	3.897%	28,069.20
	09/01/2039	285,000	5.000%	3.830%	109.531	C	4.042%	27,163.35
	09/01/2040	300,000	5.000%	3.880%	109.102	C	4.131%	27,306.00
	09/01/2041	315,000	5.000%	3.940%	108.589	C	4.216%	27,055.35
	09/01/2042	330,000	5.000%	3.980%	108.249	C	4.278%	27,221.70
	09/01/2043	405,000	5.000%	4.040%	107.741	C	4.347%	31,351.05
	09/01/2044	425,000	5.000%	4.120%	107.069	C	4.423%	30,043.25
	09/01/2045	445,000	5.000%	4.200%	106.401	C	4.493%	28,484.45
	09/01/2046	470,000	5.000%	4.330%	105.327	C	4.588%	25,036.90
		5,265,000						442,776.55
Term Bond due 2051:								
	09/01/2047	495,000	5.250%	4.590%	105.182	C	4.887%	25,650.90
	09/01/2048	515,000	5.250%	4.590%	105.182	C	4.887%	26,687.30
	09/01/2049	545,000	5.250%	4.590%	105.182	C	4.887%	28,241.90
	09/01/2050	575,000	5.250%	4.590%	105.182	C	4.887%	29,796.50
	09/01/2051	610,000	5.250%	4.590%	105.182	C	4.887%	31,610.20
		2,740,000						141,986.80
Term Bond due 2056:								
	09/01/2052	640,000	5.250%	4.750%	103.895	C	4.997%	24,928.00
	09/01/2053	675,000	5.250%	4.750%	103.895	C	4.997%	26,291.25
	09/01/2054	710,000	5.250%	4.750%	103.895	C	4.997%	27,654.50
	09/01/2055	745,000	5.250%	4.750%	103.895	C	4.997%	29,017.75
	09/01/2056	790,000	5.250%	4.750%	103.895	C	4.997%	30,770.50
		3,560,000						138,662.00
		11,565,000						723,425.35

Dated Date	10/20/2026	
Delivery Date	10/20/2026	
First Coupon	03/01/2027	
Par Amount	11,565,000.00	
Premium	723,425.35	
Production	12,288,425.35	106.255299%
Underwriter's Discount		
Purchase Price	12,288,425.35	106.255299%
Accrued Interest		
Net Proceeds	12,288,425.35	

BOND SUMMARY STATISTICS

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

	New Money	Refunding	Aggregate
Dated Date	10/20/2026	10/20/2026	10/20/2026
Delivery Date	10/20/2026	10/20/2026	10/20/2026
Last Maturity	09/01/2056	09/01/2056	09/01/2056
Arbitrage Yield	5.097477%	5.097477%	5.097477%
True Interest Cost (TIC)	4.667970%	4.625818%	4.655594%
Net Interest Cost (NIC)	4.871247%	4.838880%	4.861825%
All-In TIC	5.412424%	5.390949%	5.406115%
Average Coupon	5.178936%	5.172239%	5.176986%
Average Life (years)	20.214	19.010	19.848
Weighted Average Maturity (years)	20.065	18.875	19.703
Duration of Issue (years)	12.560	11.985	12.385
Par Amount	8,050,000.00	3,515,000.00	11,565,000.00
Bond Proceeds	8,550,669.80	3,737,755.55	12,288,425.35
Total Interest	8,427,128.92	3,456,171.08	11,883,300.00
Net Interest	7,926,459.12	3,233,415.53	11,159,874.65
Total Debt Service	16,477,128.92	6,971,171.08	23,448,300.00
Maximum Annual Debt Service	582,718.75	232,587.50	812,912.50
Average Annual Debt Service	551,740.90	233,431.46	785,172.36
Underwriter's Fees (per $1000)			
Average Takedown			
Other Fee			
Total Underwriter's Discount			
Bid Price	106.219501	106.337284	106.255299

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bonds	5,265,000.00	108.410	5.000%	12.733	3,999.40
Term Bond due 2051	2,740,000.00	105.182	5.250%	22.970	2,219.40
Term Bond due 2056	3,560,000.00	103.895	5.250%	27.968	2,848.00
	11,565,000.00			19.848	9,066.80

BOND SUMMARY STATISTICS

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

	TIC	All-In TIC	Arbitrage Yield
Par Value	11,565,000.00	11,565,000.00	11,565,000.00
+ Accrued Interest			
+ Premium (Discount)	723,425.35	723,425.35	723,425.35
- Underwriter's Discount			
- Cost of Issuance Expense		-376,950.00	
- Other Amounts		-667,639.95	-621,379.95
Target Value	12,288,425.35	11,243,835.40	11,667,045.40
Target Date	10/20/2026	10/20/2026	10/20/2026
Yield	4.655594%	5.406115%	5.097477%

PRIOR BOND DEBT SERVICE

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Period Ending	Principal	Coupon	Interest	Debt Service
06/30/2027	125,001.64	4.298%	93,876.33	218,877.97
06/30/2028	194,335.73	4.298%	134,444.61	328,780.34
06/30/2029	202,854.79	4.298%	125,444.96	328,299.75
06/30/2030	2,767,939.50	4.298%	39,937.39	2,807,876.89
	3,290,131.66		393,703.29	3,683,834.95

SAVINGS

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 10/20/2026 @ 5.0974770%
06/30/2027	218,877.97	65,577.33	153,300.64	150,982.04
06/30/2028	328,780.34	228,962.50	99,817.84	93,131.53
06/30/2029	328,299.75	231,337.50	96,962.25	85,938.19
06/30/2030	2,807,876.89	228,587.50	2,579,289.39	2,225,299.33
06/30/2031		230,712.50	-230,712.50	-188,203.44
06/30/2032		232,587.50	-232,587.50	-180,463.95
06/30/2033		229,337.50	-229,337.50	-169,215.69
06/30/2034		230,962.50	-230,962.50	-162,089.94
06/30/2035		232,337.50	-232,337.50	-155,089.82
06/30/2036		228,587.50	-228,587.50	-145,106.00
06/30/2037		229,712.50	-229,712.50	-138,697.71
06/30/2038		230,587.50	-230,587.50	-132,426.02
06/30/2039		231,212.50	-231,212.50	-126,299.96
06/30/2040		231,587.50	-231,587.50	-120,327.03
06/30/2041		231,712.50	-231,712.50	-114,513.28
06/30/2042		231,587.50	-231,587.50	-108,863.53
06/30/2043		231,212.50	-231,212.50	-103,381.42
06/30/2044		230,587.50	-230,587.50	-98,069.55
06/30/2045		229,712.50	-229,712.50	-92,929.60
06/30/2046		228,587.50	-228,587.50	-87,962.44
06/30/2047		232,087.50	-232,087.50	-84,962.96
06/30/2048		230,037.50	-230,037.50	-80,106.85
06/30/2049		227,556.25	-227,556.25	-75,380.38
06/30/2050		229,681.25	-229,681.25	-72,384.20
06/30/2051		231,281.25	-231,281.25	-69,344.56
06/30/2052		232,356.25	-232,356.25	-66,280.61
06/30/2053		228,037.50	-228,037.50	-61,884.05
06/30/2054		228,325.00	-228,325.00	-58,952.58
06/30/2055		228,087.50	-228,087.50	-56,032.27
06/30/2056		227,325.00	-227,325.00	-53,135.34
06/30/2057		230,906.25	-230,906.25	-51,356.08
	3,683,834.95	6,971,171.08	-3,287,336.13	-298,108.16

Savings Summary

PV of savings from cash flow	-298,108.16
Plus: Refunding funds on hand	126,796.53
Net PV Savings	-171,311.63

SUMMARY OF REFUNDING RESULTS

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Dated Date	10/20/2026
Delivery Date	10/20/2026
Arbitrage yield	5.097477%
Escrow yield	0.000000%
Value of Negative Arbitrage	
Bond Par Amount	3,515,000.00
True Interest Cost	4.625818%
Net Interest Cost	4.838880%
Average Coupon	5.172239%
Average Life	19.010
Par amount of refunded bonds	3,290,131.66
Average coupon of refunded bonds	4.362925%
Average life of refunded bonds	2.691
PV of prior debt to 10/20/2026 @ 5.097477%	3,241,531.33
Net PV Savings	-171,311.63
Percentage savings of refunded bonds	-5.206832%
Percentage savings of refunding bonds	-4.873731%

SUMMARY OF BONDS REFUNDED

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Series 2019, TERM29:					
	10/01/2029	4.298%	3,290,131.66	10/20/2026	100.000
			3,290,131.66		

ESCROW REQUIREMENTS

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Period Ending	Interest	Principal Redeemed	Total
10/20/2026	7,463.30	3,290,131.66	3,297,594.96
	7,463.30	3,290,131.66	3,297,594.96

ESCROW STATISTICS

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
Refunding, Global Proceeds Escrow:							
	3,297,594.96				3,297,594.96		
	3,297,594.96				3,297,594.96	0.00	0.00

Delivery date	10/20/2026
Arbitrage yield	5.097477%

DISCLOSURE

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Piper Sandler is providing the information contained herein for discussion purposes only in anticipation of being engaged to serve as underwriter or placement agent on a future transaction and not as a financial advisor or municipal advisor. In providing the information contained herein, Piper Sandler is not recommending an action to you and the information provided herein is not intended to be and should not be construed as a 'recommendation' or 'advice' within the meaning of Section 15B of the Securities Exchange Act of 1934. Piper Sandler is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act or under any state law to you with respect to the information and material contained in this communication. As an underwriter or placement agent, Piper Sandler's primary role is to purchase or arrange for the placement of securities with a view to distribution in an arm's-length commercial transaction, is acting for its own interests and has financial and other interests that differ from your interests. You should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.

The information contained herein may include hypothetical interest rates or interest rate savings for a potential refunding. Interest rates used herein take into consideration conditions in today's market and other factual information such as credit rating, geographic location and market sector. Interest rates described herein should not be viewed as rates that Piper Sandler expects to achieve for you should we be selected to act as your underwriter or placement agent. Information about interest rates and terms for SLGs is based on current publically available information and treasury or agency rates for open-market escrows are based on current market interest rates for these types of credits and should not be seen as costs or rates that Piper Sandler could achieve for you should we be selected to act as your underwriter or placement agent. More particularized information and analysis may be provided after you have engaged Piper Sandler as an underwriter or placement agent or under certain other exceptions as describe in the Section 15B of the Exchange Act.

Exhibit C

Detailed Financial Spread

Castle Family Health Centers Inc. Castle Family Clinic/Hospital Template (GEN) Statement in Actual (U.S. Dollar) August 12, 2026 3:39 PM	6/30/2022 Historical 12M Unqualified		6/30/2023 Historical 12M Unqualified		6/30/2024 Historical 12M Unqualified		6/30/2025 Historical 12M Unqualified		5/31/2026 Historical 11M Company Prepared	
Assets Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Cash	10,890,847	48.1	14,128,240	48.3	17,958,618	59.7	24,944,143	72.1	27,138,227	70.1
Cash and Cash Equivalents	10,890,847	48.1	14,128,240	48.3	17,958,618	59.7	24,944,143	72.1	27,138,227	70.1
Donor Restricted	585,520	2.6	561,534	1.9	761,220	2.5	346,947	1.0	0	0.0
Assets Limited To Use	585,520	2.6	561,534	1.9	761,220	2.5	346,947	1.0	0	0.0
Patient Accounts Receivable	2,056,564	9.1	1,835,330	6.3	1,158,546	3.9	1,333,414	3.9	8,837,001	22.8
Other Accounts Receivable	806,998	3.6	891,065	3.0	127,581	0.4	226,832	0.7	212,996	0.6
Contractual Allowances(-)	0	0.0	0	0.0	0	0.0	0	0.0	(7,423,354)	(19.2)
Reconcilation to Receivables (-)	0	0.0	0	0.0	0	0.0	0	0.0	(7,423,354)	(19.2)
Net Accounts Receivable	2,863,562	12.6	2,726,395	9.3	1,286,127	4.3	1,560,246	4.5	1,626,643	4.2
Supplies	157,326	0.7	218,496	0.7	203,424	0.7	152,998	0.4	171,867	0.4
Prepaid Expenses and Deferreds	135,505	0.6	57,150	0.2	338,778	1.1	330,573	1.0	123,741	0.3
Total Current Assets	**14,632,760**	**64.6**	**17,691,815**	**60.5**	**20,548,167**	**68.4**	**27,334,907**	**79.0**	**29,060,478**	**75.1**
Land and Improvements	535,782	2.4	749,686	2.6	749,686	2.5	783,486	2.3	3,185,422	8.2
Buildings and Improvements	7,586,233	33.5	8,612,292	29.5	8,612,292	28.7	8,617,865	24.9	8,627,272	22.3
Machinery & Equipment	4,140,294	18.3	4,292,183	14.7	4,565,118	15.2	4,609,629	13.3	4,687,712	12.1
Construction in Progress	0	0.0	0	0.0	0	0.0	0	0.0	495,562	1.3
Gross Fixed Assets	12,262,309	54.1	13,654,161	46.7	13,927,096	46.3	14,010,980	40.5	16,995,968	43.9
Accumulated Depreciation (-)	(4,245,536)	(18.7)	(5,130,320)	(17.5)	(6,007,987)	(20.0)	(6,735,200)	(19.5)	(7,356,988)	(19.0)
Accumulated Depreciation (-)	(4,245,536)	(18.7)	(5,130,320)	(17.5)	(6,007,987)	(20.0)	(6,735,200)	(19.5)	(7,356,988)	(19.0)
Net Fixed Assets	8,016,773	35.4	8,523,841	29.2	7,919,109	26.3	7,275,780	21.0	9,638,980	24.9
Right-of Use Assets	0	0.0	3,023,865	10.3	1,589,602	5.3	0	0.0	0	0.0
TOTAL ASSETS	**22,649,533**	**100.0**	**29,239,521**	**100.0**	**30,056,878**	**100.0**	**34,610,687**	**100.0**	**38,699,458**	**100.0**
Liabilities Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Current Portion Long Term Debt Bank/Bonds	87,635	0.4	264,041	0.9	279,000	0.9	267,551	0.8	35,168	0.1
Current Portion Capital Leases	0	0.0	1,434,263	4.9	1,589,602	5.3	0	0.0	0	0.0
Total Short Term Debt	87,635	0.4	1,698,304	5.8	1,868,602	6.2	267,551	0.8	35,168	0.1

Castle Family Health Centers Inc. Castle Family Clinic/Hospital Template (GEN) Statement in Actual (U.S. Dollar) August 12, 2026 3:39 PM	6/30/2022 Historical 12M Unqualified		6/30/2023 Historical 12M Unqualified		6/30/2024 Historical 12M Unqualified		6/30/2025 Historical 12M Unqualified		5/31/2026 Historical 11M Company Prepared	
Trade Accounts Payable	513,353	2.3	858,075	2.9	742,792	2.5	2,086,044	6.0	1,623,221	4.2
Accrued Wages/Salaries	1,326,432	5.9	1,546,451	5.3	1,716,296	5.7	1,640,749	4.7	1,667,745	4.3
Deferred Revenue	585,520	2.6	561,534	1.9	995,139	3.3	571,717	1.7	1,488,355	3.8
Total Accruals	1,911,952	8.4	2,107,985	7.2	2,711,435	9.0	2,212,466	6.4	3,156,100	8.2
Estimated Third Party Payors	2,598,111	11.5	3,476,080	11.9	4,116,595	13.7	7,517,423	21.7	9,772,430	25.3
Total Current Liabilities	**5,111,051**	**22.6**	**8,140,444**	**27.8**	**9,439,424**	**31.4**	**12,083,484**	**34.9**	**14,586,919**	**37.7**
Long Term Debt Bank/Bonds	4,147,901	18.3	4,608,287	15.8	4,453,204	14.8	4,185,514	12.1	4,134,618	10.7
Capital Lease Obligations	0	0.0	1,589,602	5.4	0	0.0	0	0.0	38,282	0.1
Total Liabilities	**9,258,952**	**40.9**	**14,338,333**	**49.0**	**13,892,628**	**46.2**	**16,268,998**	**47.0**	**18,759,819**	**48.5**
Net Worth Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Unrestricted	13,390,581	59.1	14,901,188	51.0	16,164,250	53.8	18,341,689	53.0	19,939,639	51.5
Net Assets	13,390,581	59.1	14,901,188	51.0	16,164,250	53.8	18,341,689	53.0	19,939,639	51.5
TOTAL LIABILITIES & NET WORTH	**22,649,533**	**100.0**	**29,239,521**	**100.0**	**30,056,878**	**100.0**	**34,610,687**	**100.0**	**38,699,458**	**100.0**

Castle Family Health Centers Inc.
Castle Family
Clinic/Hospital Template (GEN)
Statement in Actual (U.S. Dollar)
August 12, 2026 3:39 PM

Revenue Common Size	6/30/2022 Historical 12M Unqualified USD	%	6/30/2023 Historical 12M Unqualified USD	%	6/30/2024 Historical 12M Unqualified USD	%	6/30/2025 Historical 12M Unqualified USD	%	5/31/2026 Historical 11M Company Prepared USD	%
Patient Revenue/Other third-party payors	1,802,979	6.3	5,516,571	18.4	6,947,898	22.1	8,764,361	23.4	9,948,207	29.6
Medi-Cal	17,319,463	60.2	37,923,077	126.8	41,489,817	131.8	47,705,543	127.5	47,936,082	142.4
Medicare	1,388,762	4.8	7,246,386	24.2	7,931,312	25.2	10,676,871	28.5	11,349,108	33.7
Private Pay	1,724,626	6.0	2,391,609	8.0	2,335,205	7.4	2,138,207	5.7	2,473,164	7.3
Deductions from revenue	0	0.0	#########	#####	#########	#####	#########	(98.4)	#########	#####
Patient Revenue	22,235,830	0.0	21,700,573	0.0	23,820,202	0.0	32,478,060	0.0	28,309,833	0.0
Grants Unrestricted	3,043,507	10.6	3,750,191	12.5	744,134	2.4	806,702	2.2	0	0.0
Government Revenues	3,043,507	0.0	3,750,191	0.0	744,134	0.0	806,702	0.0	0	0.0
Other Revenue	3,501,708	12.2	4,451,877	14.9	6,922,804	22.0	4,117,281	11.0	5,346,045	15.9
Other Operating Revenue	3,501,708	0.0	4,451,877	0.0	6,922,804	0.0	4,117,281	0.0	5,346,045	0.0
Total Sales	28,781,045	100.0	29,902,641	100.0	31,487,140	100.0	37,402,043	100.0	33,655,878	100.0
Operating Expenses Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Salaries	12,914,122	44.9	12,734,304	42.6	13,629,056	43.3	15,496,032	41.4	13,785,053	41.0
Benefits	3,457,503	12.0	3,478,701	11.6	3,548,495	11.3	3,254,241	8.7	3,487,919	10.4
Personnel Expense	16,371,625	0.0	16,213,005	0.0	17,177,551	0.0	18,750,273	0.0	17,272,972	0.0
Purchased Services	2,029,367	7.1	2,507,211	8.4	2,712,859	8.6	4,336,708	11.6	4,356,231	12.9
Professional Fees	3,150,729	10.9	3,553,467	11.9	3,926,726	12.5	5,485,683	14.7	4,745,753	14.1
Purchased Services	5,180,096	0.0	6,060,678	0.0	6,639,585	0.0	9,822,391	0.0	9,101,984	0.0
Lease/Rent Expense	1,291,592	4.5	1,196,065	4.0	1,302,961	4.1	1,524,915	4.1	1,630,688	4.8
Medical Supplies	1,891,400	6.6	2,705,587	9.0	3,133,739	10.0	3,427,916	9.2	2,685,289	8.0
Other Operating Expenses	1,002,612	3.5	1,084,383	3.6	1,051,787	3.3	1,041,795	2.8	1,126,765	3.3
Depreciation	875,541	3.0	884,784	3.0	877,667	2.8	727,213	1.9	621,788	1.8
Operating Expenses	26,612,866	92.5	28,144,502	94.1	30,183,290	95.9	35,294,503	94.4	32,439,486	96.4
Operating Profit	2,168,179	7.5	1,758,139	5.9	1,303,850	4.1	2,107,540	5.6	1,216,392	3.6
Other R. & E. (Net Income) Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
PPP Loan Forgiveness	2,000,000	6.9	0	0.0	0	0.0	0	0.0	0	0.0
Restricted Grants and Donations	2,000,000	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Other Income	120,397	0.4	148,523	0.5	320,299	1.0	289,153	0.8	576,244	1.7
Total Other Income	2,120,397	7.4	148,523	0.5	320,299	1.0	289,153	0.8	576,244	1.7
Interest Expense	248,552	0.9	396,055	1.3	361,087	1.1	219,254	0.6	194,686	0.6
Other Expense	247,318	0.9	0	0.0	0	0.0	0	0.0	0	0.0

Castle Family Health Centers Inc. Castle Family Clinic/Hospital Template (GEN) Statement in Actual (U.S. Dollar) August 12, 2026 3:39 PM	6/30/2022 Historical 12M Unqualified		6/30/2023 Historical 12M Unqualified		6/30/2024 Historical 12M Unqualified		6/30/2025 Historical 12M Unqualified		5/31/2026 Historical 11M Company Prepared	
Total Other Expenses	495,870	1.7	396,055	1.3	361,087	1.1	219,254	0.6	194,686	0.6
Profit Before Tax	3,792,706	13.2	1,510,607	5.1	1,263,062	4.0	2,177,439	5.8	1,597,950	4.7
NET INCOME	**3,792,706**	**13.2**	**1,510,607**	**5.1**	**1,263,062**	**4.0**	**2,177,439**	**5.8**	**1,597,950**	**4.7**

Castle Family Health Centers Inc. Castle Family Clinic/Hospital Template (GEN) Statement in Actual (U.S. Dollar) August 12, 2026 3:39 PM	6/30/2022 Historical 12M Unqualified		6/30/2023 Historical 12M Unqualified		6/30/2024 Historical 12M Unqualified		6/30/2025 Historical 12M Unqualified		5/31/2026 Historical 11M Company Prepared	
Changes in Retained Earnings Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Beginning Net Worth	9,597,875	71.7	13,390,581	89.9	14,901,188	92.2	16,164,250	88.1	18,341,689	92.0
Changes in Retained Earnings:										
Net Income (Loss)	3,792,706	28.3	1,510,607	10.1	1,263,062	7.8	2,177,439	11.9	1,597,950	8.0
Changes in Net Worth Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Changes in Other NW										
Change in Net Worth	**3,792,706**	**28.3**	**1,510,607**	**10.1**	**1,263,062**	**7.8**	**2,177,439**	**11.9**	**1,597,950**	**8.0**
Ending Total Net Worth	**13,390,581**	**100.0**	**14,901,188**	**100.0**	**16,164,250**	**100.0**	**18,341,689**	**100.0**	**19,939,639**	**100.0**
Other Lines Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Principal Payments on ST & LTD	136,729	0.0	377,857	0.0	272,119	0.0	267,551	0.0	267,551	0.0
Number of Months	12	0.0	12	0.0	12	0.0	12	0.0	11	0.0
Short Description:										

Exhibit D

Audited Financial Statements

FYE 2025 – 2022

CASTLE FAMILY HEALTH CENTERS, INC.

Atwater, California

Financial Statements and
Independent Auditor's Report

For the Year Ended June 30, 2025 and 2024

CASTLE FAMILY HEALTH CENTERS, INC.

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Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Castle Family Health Centers, Inc.
Atwater, California

Opinion

We have audited the accompanying financial statements of Castle Family Health Centers, Inc. (CFHC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CFHC as of June 30, 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFHC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CFHC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

1013 North California Street, Stockton, California 95202 • (209) 466-3894 • Fax (209) 466-5545

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CFHC internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the CFHC ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Report on Summarized Comparative Information

Other auditors have audited the CFHC's June 30, 2024, financial statements, and their report dated October 24, 2024, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent in all material respects with the audited financial statements from which it has been derived.

Blomberg & Griffin A.C.
Blomberg & Griffin A.C.
Stockton, CA

August 27, 2025

CASTLE FAMILY HEALTH CENTERS, INC
Statement of Financial Position
June 30, 2025 and 2024

	June 30, 2025	June 30, 2024
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)	$ 24,944,143	$ 17,958,618
Patient accounts receivable, net of allowances (Note 3)	1,333,414	1,158,546
Other receivables (Note 4)	226,832	127,581
Assets limited as to use	346,947	761,220
Supplies	152,998	203,424
Prepaid expenses and deposits	330,573	338,778
Total current assets	27,334,907	20,548,167
Capital assets, net of accumulated depreciation (Note 5)	7,275,780	7,919,109
Right-of-use assets	-	1,589,602
Total Assets	$ 34,610,687	$ 30,056,878
Liabilities and Net Position		
Current Liabilities:		
Current maturities of long-term debt (Note 7)	$ 267,551	$ 279,000
Current operating lease liability	-	1,589,602
Accounts payable and accrued expenses	2,086,044	742,792
Accrued payroll and related liabilities	1,640,749	1,716,296
Deferred Revenue (Note 9)	571,717	995,139
Due to third-party payors	7,517,423	4,116,595
Total Current Liabilities	12,083,484	9,439,424
Non-current Liabilities:		
Debt borrowings, net of current maturities (Note 7)	4,185,514	4,453,204
Total Non-current Liabilities	4,185,514	4,453,204
Total Liabilities	16,268,998	13,892,628
Net assets:		
Net assets without donor restrictions	18,341,689	16,164,250
Total net assets	18,341,689	16,164,250
Total liabilities and net assets	$ 34,610,687	$ 30,056,878

See accompanying notes and auditor's report.

CASTLE FAMILY HEALTH CENTERS, INC
Statement of Activities
Years Ended June 30, 2025 and 2024

	Year Ended June 30	
	2025	2024
Operating Revenues		
Net patient service revenue	$ 32,478,060	$ 23,820,202
Grants revenue	806,702	744,134
Other operating revenue	4,117,281	6,922,804
Total operating revenues	37,402,043	31,487,140
Operating Expenses		
Salaries and wages	15,496,032	13,629,056
Employee benefits	3,254,241	3,548,495
Professional fees	5,485,683	3,926,726
Purchased services	4,336,708	2,712,859
Supplies	3,427,916	3,133,739
Utilities	73,504	68,492
Rental and lease	1,524,915	1,302,961
Depreciation and amortization	727,213	877,667
Insurance	583,014	567,983
Other operating expenses	385,277	415,312
Total operating expenses	35,294,503	30,183,290
Excess (deficit) of revenues over expenses	2,107,540	1,303,850
Non-operating revenues		
Interest Expense	(219,254)	(361,087)
Other non-operating revenue	289,153	320,299
Total non-operating revenues	69,899	(40,788)
Increase (decrease) in net assets without donor restriction	2,177,439	1,263,062
Net assets at beginning of the year	16,164,250	14,901,188
Net assets at end of the year	$ 18,341,689	$ 16,164,250

See accompanying notes and auditor's report

CASTLE FAMILY HEALTH CENTERS, INC
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	Year Ended June 30	
	2025	2024
Cash Flows from Operating Activities:		
Excess of revenues over expenses (expenses over revenues)	$ 2,107,540	$ 1,303,850
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and amortization	727,213	877,667
Changes in :		
Accounts Receivable	(174,868)	676,784
Other Receivable	(99,251)	763,484
Inventory	50,426	15,072
Prepaid Expenses	8,205	(281,628)
Accounts Payable and accrued expenses	1,343,252	(115,283)
Accrued payroll and related costs	(75,547)	169,845
Due to third-party payors	3,400,828	640,515
Net cash provided by (used) in operating activities	7,287,798	4,050,306
Cash Flows from Investing Activities:		
Purchase of property, buildings and equipment	(83,884)	(272,935)
Net change in right-of-use assets	1,589,602	1,434,263
Other non-operating revenue	289,153	320,299
Net cash provided by (used) in investing activities	1,794,871	1,481,627
Cash Flows from Financing Activities:		
Net change in assets whose use is limited	414,273	(199,686)
Net change in deferred revenue	(423,422)	433,605
Proceeds from debt borrowings	-	131,995
Operating lease liabilities	(1,589,602)	(1,434,263)
Interest payments on debt borrowings	(219,254)	(361,087)
Principal payments on debt borrowings	(279,139)	(272,119)
Net cash provided by (used for) capital and related financing activities	(2,097,144)	(1,701,555)
Net increase in cash and cash equivalents	6,985,525	3,830,378
Cash and cash equivalents at beginning of year	17,958,618	14,128,240
Cash and cash equivalents at end of year	$ 24,944,143	$ 17,958,618

See accompanying notes and auditor's report

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Castle Family Health Centers, Inc. (CFHC), is a not-for-profit corporation organized under the laws of the State of California for the purpose of providing comprehensive outpatient health services to a largely medically underserved population. Castle Family Health Center, Inc. (CFHC was formed in November 2008 and commenced operations in July 2010. CFHC received Federally Qualified Health Center Look-Alike status in 2010. CFHC provides primary medical care and other supportive health services at three clinic locations in Merced County. CFHC is committed to addressing the special needs of the community, which is medically underserved and has a migrant population.

Castle derives its support from patient fees and third-party charges. Additionally, revenues are derived through grants and contracts with the U.S. Department of Health and Human Services, the State of California, and other grantors.

Presentation: The accounting policies and financial statements of CFHC generally conform to the recommendations of the audit and accounting guide, Health Care Organizations, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). For purpose of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operational revenue and expenses.

Basis of Accounting: These financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CFHC and changes therein are classified are reported as follows:

Net assets without donor restrictions: Net assets that are currently available for use and are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of CFHC and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from donor restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents: For purposes of the statement of cash flows, CFHC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. CFHC maintains its cash balance in several financial institutions located in Central California.

Assets Whose Use is Limited – Assets whose use is limited consist of funds received from grantors, which are held for specific projects as authorized per the grant agreements.

Patient Accounts Receivable: Patient accounts receivable consists of amounts owed by various governmental agencies, insurance companies, and self-pay patients. CFHC manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectability, and providing for allowances on the accounting records of CFHC for estimated contractual adjustments and doubtful self-pay accounts.

Supplies: Pharmacy and medical supplies are stated at the lower of cost or market as determined by the first-in, first-out method.

P*roperty, Buildings and Equipment*: Property, building and equipment acquisitions are recorded at cost. Depreciation is computed on the straight-line method over the estimated lives of the depreciable assets as follows:

Building and building improvements	25 years
Equipment, furniture, and fixtures	3-7 years

Property acquired with federal grants supported funds is considered to be owned by the Clinic while used in the program for which it was purchased or in the other authorized programs. However, the federal government has a reversionary interest in the property equal to the federal share of the grant to which the acquisition cost of the property was charged.

Construction in Progress: Construction in progress is recorded at cost and includes capitalization of construction costs, real estate taxes, insurance, and interest. Depreciation is recorded when construction is complete, and the asset is placed in service.

Compensated Absence: CFHC's employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However,

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liability as of June 30, 2025, and 2024 are $667,454 and $536,196, respectively.

Estimated Third-party Payor Settlements – Third-party settlements represent estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. CFHC has recorded an estimated liability of $7,517,423 and $4,116,595 as of June 30, 2025, and 2024, respectively.

Sliding Fee Scale – CFHC provides care to patients who meet certain criteria under its sliding fee policy without charge or at amounts less than its established rates. Because CFHC does not pursue collection of amounts determined to qualify as sliding fee care, they are not reported to revenue. For the years ended June 30, 2025, and 2024, Castle provided a sliding fee discount totaling $1,336,829 and $1,489,219.

Charity Care – CFHC provides healthcare services to patients who meet certain criteria under its charity care policy. CFHC has established a sliding fee schedule policy based on the Federal Poverty Level guidelines for patients who qualify. CFHC charges a nominal fee to all such patients.

Revenue Recognition: Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at patient services revenue, net.

MediCal and Medicare revenues are reimbursed to CFHC at the net reimbursement rates as determined by each program's cost report. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

Grants and contracts awards for the acquisition of long-lived assets are reported as unrestricted revenues and other support, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets were acquired. Cash received in excess of revenues recognized is recorded as deferred revenue.

Contributions, including government grants and contracts, are reported as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assets are reported in the statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

Third-Party Payors: CFHC has agreements with third-party payors that provide for reimbursement to CFHC at amounts different from its established rates. Contractual adjustments and allowances under the third-party reimbursement program represent the difference between CFHC's established rates for services and amounts reimbursed by third-party payors. Services rendered to Medicare to Medi-Cal program beneficiaries are paid based upon a contracted rate. CFHC is paid at a tentative rate, with final settlement determined after submission of annual cost reports by CFHC and an audit of the cost report by the fiscal intermediary. Revenues recorded under the Medicare and Medi-Cal programs are subject to an audit and retroactive adjustments by the administrators of the programs to arrive at the reimbursable cost of the services provided. In the opinion of CFHC, adequate provision has been made for a retroactive adjustment that may result from such audits.

Income taxes: CFHC is a non-for-profit corporation and has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the State of California Revenue and Taxation Code by the IRS and Franchise Tax Board, respectively. Thus, no provision for income taxes is included in the accompanying financial statements. CFHC has adopted the accounting guidance for accounting for uncertainty in income taxes. CFHC is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated its material tax positions and determined that there is no income tax effects with respect to its financial statements. CFHS's returns are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Excess of revenues over expenses: The statements of operations contain an excess of revenues over expenses. Changes in net assets without donor restriction, which are excluded from excess of revenues over expenses, are consistent with industry practice, include contributions or grants of long-lived assets, including assets acquired using contributions or grants that by donor or granting agency restriction are to be used for the purpose of acquiring such assets, and unrealized gains and losses on investments other than trading securities.

Reclassifications: Certain financial statement amounts presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year's financial statement presentation.

NOTE 2 – DISCLOSURE ABOUT FAIR VALUE OF ASSETS

FASB ASC Topic 820, Fair Value Measurement and Disclosures (ASC 820) provides a framework for measuring fair value under U.S. generally accepted accounting principles. That framework provides a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The following provides a general description of the three levels of input that may be used to measure fair value under ASC 820:

Level 1 Quoted prices in active markets for identical assets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Pursuant to ASC 820, CFHC's investments are classified within Level 1 and Level 2 of the fair value hierarchy. The types of securities valued based on Level 1 input include money market securities. The following table presents financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of June 30, 2025, and 2024.

2025

	Fair Value Measurement Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Fixed income account	$ -	$ 2,969,906	$ -	$ 2,969,906
Mutal Funds	1,069,090		-	1,069,090
	$ 1,069,090	$ 2,969,906	$ -	$ 4,038,996

2024

	Fair Value Measurement Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Fixed income accounts	$ -	$ 4,426,078	$ -	$ 4,426,078
Mutal Funds	906,490			906,490
	$ 906,490	$ 4,426,078	$ -	$ 5,332,568

NOTE 2 – DISCLOSURE ABOUT FAIR VALUE OF ASSETS (continued)

The carrying amounts reported in the balance sheets for other financial assets and liabilities that are not measured at fair value on a recurring basis include patient accounts receivable, grant and other receivables, settlements receivables, accounts payable, accrued payroll and other expenses, deferred revenue, long-term debt, and estimated third-party liabilities at approximately fair value.

NOTE 3- INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

CFHC regularly monitors the availability of resources to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. CFHC has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and various receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, CFHC considers all expenditures related to its ongoing activities of providing healthcare-related services, as well as the conduct of services undertaken to support those activities, to be general expenditures.

CFHC strives to maintain liquid financial assets sufficient to cover 30 days of general expenditure. CFHS's policy is that 50% or less of its cash on hand is invested in investment instruments with maturities of 3-6 months and less than 10% in instruments with 9-12 months maturities with minimal risk exposure to principal balances. The following table reflects CFHC's financial assets as of June 30, 2025, and 2024, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

	2025	2024
Cash and cash equivalents	$ 24,944,143	$ 17,958,618
Patients accounts receivable, net of allowances	1,333,414	1,158,546
Other receivables	226,832	127,581
Assets whose use is limited	346,947	761,220
	26,851,336	20,005,965
Deferred Revenue	(571,717)	(995,139)
Financial assets available to meet cash needs for general expenditures within one year	$ 26,279,619	$ 19,010,826

In addition to financial assets available to meet general expenditures over the next 12 months, CFHC operates with a balanced budget and anticipates collecting sufficient patient services revenue to cover general spending not covered by grants or donor-restricted resources. Refer to the statement of cash flows, which identifies the sources and uses of CFHC's cash and shows positive cash generated by operations for fiscal years 2025 and 2024.

NOTE 4- PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK

Medicare: Medical services rendered to Medicare program beneficiaries are paid under a cost-based reimbursement system. CFHC is reimbursed at a tentative ("interim") rate, with final settlement determined after submission of an annual cost report by CFHC and audit thereof by the fiscal intermediary. In the opinion of management, any final settlement of the associated cost reports will not materially affect the financial statement of CFHC.

***Medi-Cal*:** Medical and dental services rendered to Medi-Cal beneficiaries are paid under a Prospective Payment System, using rates established by CFHC's cost reports filed under the cost-based reimbursement system. These rates are adjusted annually according to changes in the Medi-Care Economic Index and any approved changes in CFHC's scope of service. CFHC is required to file a payment reconciliation report with the state each year. In the opinion of management, any reconciliation settlement of the payment reconciliation will not materially affect the financial statements of CFHC.

CFHC grants credit without collateral to its patients, most of whom are local residents and insured under third-party payors. The Patient accounts receivable balances as of June 30, 2025, and 2024 are as follows:

	2025	2024
Medicare	$ 1,101,802	$ 887,446
Medi-Cal	3,816,918	2,891,126
Other third party payors	1,147,266	988,837
Self pay and other	197,509	179,560
Gross patient accounts receivable	6,263,495	4,946,969
Less allowances for contractual adjustments & bad debts	(4,930,081)	(3,788,423)
Net patient accounts receivable	$ 1,333,414	$ 1,158,546

CFHC maintains its cash balance with various financial institutions. Accounts with each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

NOTE 5 – NET PATIENT SERVICE REVENUE

Performance obligations are determined based on the nature of the services provided by Castle. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Castle 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.

Because all of its performance obligations relate to contracts with a duration of less than one year, Castle has elected to apply the optional exemption provided in FASB ASC Topic 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Castle 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 Castle's sliding fee policy, and implicit price concessions provided to uninsured patients. Castle determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Castle determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Effective with the adoption of ASU 2014-09 on July 1, 2018, for changes in credit issues not assessed at the date of service, such as a payor files for bankruptcy or a patient defaults on a payment plan, Castle recognizes these write-offs as bad debt expense, which is presented on the accompanying consolidated statements of operations and changes in net assets as a component of patient service revenue, net.

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

- Medicare: Covered services rendered to Medicare program beneficiaries are paid based on a prospective payment system (PPS). Medicare payment under the FQHC PPS is 80% of the lesser of the health center's actual charge or the applicable PPS rate (patient coinsurance will be 20% of the lesser of the health center's actual charge or the applicable PPS rate). Accordingly, to the extent a health center's charge is below the applicable PPS rate, Medicare FQHC reimbursement can be limited.

- Medi-Cal: Covered services rendered to Medi-Cal beneficiaries are paid under a PPS as well, using rates established by Castle's "Base Year" cost reports filed under the previous cost-based reimbursement system. These rates are adjusted annually according to changes in the Medicare Economic Index and any approved changes in Castle's scope of service. Castle is required to file a payment reconciliation report with the state. In the opinion of management, any reconciliation settlement of the payment reconciliation will not materially affect the financial statements of Castle.

NOTE 5 – NET PATIENT SERVICE REVENUE (continued)

- Other: Payments for services rendered to those payors other than Medicare or Medi-Cal are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations, and preferred provider organizations, which provide for various discounts from established rates.

As of June 30, 2025, and 2024, the following table reflects the patient service revenue by major payor groups:

	2025	2024
Medi-Cal	$ 47,705,543	$ 41,489,817
Medicare	10,676,871	7,931,312
Other third-party payors	8,764,361	6,947,898
Private pay	2,138,207	2,335,205
Total gross patient service revenue	69,284,982	58,704,232
Deduction from revenue	(36,806,922)	(34,884,030)
Total net patient service revenue	$ 32,478,060	$ 23,820,202

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 Castle'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 Castle. In addition, the contracts Castle has with commercial payors also provide for retroactive audit and review of claims.

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

NOTE 6 – 340B DRUG DISCOUNT PROGRAM REVENUE

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

	2025	2024
Gross receipts	$ 3,701,410	$ 2,726,764
Drug replenishment costs	(1,340,117)	(873,130)
Administrative and fees	(1,015,005)	(651,262)
Net Revenue	$ 1,346,288	$ 1,202,372

NOTE 7 – OTHER RECEIVABLES

Other receivables are comprised of the following as of June 30, 2025, and 2024:

	2025	2024
340B Program	$ 220,948	$ 113,795
Due from Bloss	-	3,439
Grants receivable	5,884	8,750
Other	-	1,597
Total	$ 226,832	$ 127,581

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2025, and 2024, are comprised of the following:

	2025	2024
Land and land improvements	$ 783,486	$ 749,686
Building and improvements	8,617,865	8,612,292
Equipment and furnitures	4,609,629	4,565,118
Total	14,010,980	13,927,096
Less accumulated depreciation	(6,735,200)	(6,007,987)
Total Propery and equipment, net	$7,275,780	$7,919,109

NOTE 9 – PENSION PLAN

CFHC has a defined contribution plan (403(b) plan) that covers employees who meet certain eligibility requirements. Contributions are made throughout the year up to certain legal limits of the eligible salary for participants. At the discretion of the Board of Directors, CFHC may also make additional matching and/or discretionary contributions during the year. There were employer contributions totaling $130,640 and $130,136 made for the years ended June 30, 2025, and 2024, respectively.

NOTE 10 – LONG-TERM DEBT

Long-term debt as of June 30, 2025, and 2024 are summarized as follows:

	2025	2024
Note payable to a bank, originally amount of $4,400,000, bearing interest at 4.298%, principal and interest payable monthly per loan agreement schedule, maturing in October 2029, secured by property, building and improvements.	$ 3,527,752	$ 3,700,526
Note payable to the California Health Facilities Financing Authority, original amount of $878,750, bearing interest at 2.0%, principal and interest payable monthly in the amount of $4,445, maturing in June 2043, secured by property and improvements.	805,821	842,650
Various note payable to finance companies, interest rates ranging from 2.6% to 8.6% per annum, monthly principal and interest payemnts at varous amounts per agreements, maturing through in August 2028, secured by equipment.	119,492	189,028
Total debt borrowings	4,453,065	4,732,204
Less current maturities	(267,551)	(279,000)
Debt borrowings, net of current maturities	$ 4,185,514	$ 4,453,204

The future principal payments required under existing debt, by years is as follows:

2026	$ 267,551
2027	259,054
2028	264,800
2029	252,392
Thereafter	3,409,268
	$ 4,453,065

NOTE 11 – FUNCTIONAL EXPENSES

CFHC provides healthcare services primarily to residents within its geographic area. The financial report includes certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, insurance, supplies, communications, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Expenses for the years ended June 30, 2025, and 2024, as follows:

	2025		
Expenses Category	**Health Care Services**	**General and Administrative**	**Total**
Salaries and wages	$ 13,904,051	$ 1,591,981	$ 15,496,032
Employee benefits	3,033,423	220,818	3,254,241
Professional fees	5,000,935	484,748	5,485,683
Purchased services	3,871,014	465,694	4,336,708
Supplies	3,252,275	175,641	3,427,916
Utilities	73,504		73,504
Rental and lease	1,522,711	2,204	1,524,915
Depreciation	670,255	56,958	727,213
Insurance	455,971	127,044	583,014
Other expenses	77,938	307,339	385,277
Total FY2025 Expenses	$ 31,862,076	$ 3,432,427	$ 35,294,503

	2024		
Expenses Category	**Health Care Services**	**General and Administrative**	**Total**
Salaries and wages	$ 12,208,974	$ 1,420,082	$ 13,629,056
Employee benefits	2,912,645	635,850	3,548,495
Professional fees	3,572,452	354,274	3,926,726
Purchased services	2,161,030	551,829	2,712,859
Supplies	2,904,202	229,537	3,133,739
Utilities	68,492	-	68,492
Rental and lease	1,290,757	12,204	1,302,961
Depreciation	740,380	137,287	877,667
Insurance	451,338	116,645	567,983
Other expenses	17,558	397,754	415,312
Total FY2024 Expenses	$ 26,327,828	$ 3,855,462	$ 30,183,290

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Contracted Services: CFHC has contracted with various funding agencies to perform certain healthcare services and receives Medicaid and Medicare revenue from the state and federal governments. Reimbursement received under these contracts and payments under Medicaid and Medicare are subject to audit by the Federal and State governments and other agencies. Upon audit, if discrepancies are discovered, CFHC could be held responsible for reimbursing agencies for the amounts in question.

Malpractice Insurance: CFHC, including officers, governing board members, employees, and contractors who are physicians or other licensed certified healthcare practitioners, are covered under the Federal Tort Claims Act (FTCA). FTCA provides malpractice coverage to eligible PHS supported programs and applies to CFHC while providing services included under grant related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. CFHC maintains gap coverage for claims that are not covered by FTSA. There are no known claims or incidents that may result in the assertion of additional claims as of the date of this report.

Litigation: CFHC may from time-to-time be involved in litigation and regulatory investigations, which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2025 will be resolved without material adverse effect on CFHC's future financial positions, results from operations or cash flows.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or un-asserted at this time.

These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient service received. While CFHC is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have any adverse effect on CFHC's financial position.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Grant Funding: Continuing program funding from federal and state sources is contingent upon the availability of funds and project performance. The funds are awarded on a yearly basis upon receipt and approval of program applications. In addition, expenses made under federal and state grants are subject to review and audit by the grantor agencies. CFHC received grant revenue from the various grants in the amounts of $806,702 and $744,134 for the fiscal years ending June 30, 2025, and 2024, respectively.

Operating Lease: CFHC leases various equipment and facilities under operating leases expiring at various dates through 2025. The Castle facilities lease ended on June 30, 2024. The lease was renewed. Rent expense was $1,524,915 and $1,302,961 for the years ended June 30, 2025, and 2024, respectively.

Risks and Uncertainties: Medi-Cal and Medicare have the authority to audit CFHC's records anytime within a three-year period after the date CFHC receives final notice of program reimbursement for each cost reporting period. The periods from January 2012 through June 30, 2024, remain open to examination. Any adjustments resulting from the audit process could retroactively adjust revenues.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted on August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee the security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be in compliance with the provisions outlined in the regulations. Management continues to evaluate the impact of this legislation on its operations, including future financial commitments that will be required.

Deferred Revenue: CFHC has received funds in the form of grants, which are subject to review and audit by the grantor agencies. Additionally, funds received in advance for their corresponding expenditure are considered to be refundable until such expenditure is incurred. Revenue recognition is also deferred until expenditures are realized. Deferred revenues in this category for the years ended June 30, 2025, and 2024 amounted to $571,717 and $995,139, respectively.

NOTE 13 - SUBSEQUENT EVENTS

The organization has evaluated events occurring after June 30, 2025, to determine if there is a need for any additional recognition or disclosures in the financial statements. These events were assessed up to September 03, 2025, the date when these financial statements were finalized. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosures in the financial statements.

Castle Family Health Centers, Inc.

Atwater, California

Financial Statements and Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023

JWT & Associates, LLP
Advisory Assurance Tax

Castle Family Health Centers, Inc.

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JWT & Associates, LLP

Advisory Assurance Tax

1111 E. Herndon Avenue, Suite 211, Fresno, CA 93720
Phone (559) 431-7708 Fax (559) 431-7685

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Castle Family Health Centers, Inc.
Atwater, California

Opinion

We have audited the accompanying financial statements of Castle Family Health Centers, Inc. (Castle), a non-profit organization, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Castle as of June 30, 2024 and 2023, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Castle's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material is there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Castle's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern.

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

JWT & Associates, LLP

Fresno, California
October 24, 2024

Castle Family Health Centers, Inc.

Statements of Financial Position

June 30, 2024 and 2023

Assets	2024	2023
Current assets		
Cash and cash equivalents	$ 17,958,618	$ 14,128,240
Patient accounts receivable, net of allowances	1,158,546	1,835,330
Other receivables	127,581	891,065
Assets whose use is limited	761,220	561,534
Supplies	203,424	218,496
Prepaid expenses and deposits	338,778	57,150
Total current assets	20,548,167	17,691,815
Capital assets, net of accumulated depreciation	7,919,109	8,523,841
Right-of-use assets	1,589,602	3,023,865
Total assets	$ 30,056,878	$ 29,239,521
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt	$ 279,000	$ 264,041
Current operating lease liability	1,589,602	1,434,263
Accounts payable and accrued expenses	742,792	858,075
Accrued payroll and related liabilities	1,716,296	1,546,451
Deferred revenue	995,139	561,534
Due to third-party payors	4,116,595	3,476,080
Total current liabilities	9,439,424	8,140,444
Long-term debt, less current maturities	4,453,204	4,608,287
Operating lease liability, less current portion	-	1,589,602
Total liabilities	13,892,628	14,338,333
Net assets		
Net assets without donor restrictions	16,164,250	14,901,188
Total net assets	16,164,250	14,901,188
Total liabilities and net assets	$ 30,056,878	$ 29,239,521

See accompanying notes to the financial statements

Castle Family Health Centers, Inc.

Statements of Operations and Changes in Net Assets

Year Ended June 30, 2024 and 2023

	2024	2023
Change in net assets without donor restriction		
Revenues and other support		
Net patient service revenue	$ 23,820,202	$ 21,700,573
Grant revenue	744,134	3,750,191
Other operating revenue	6,922,804	4,451,877
Total revenues and other support	31,487,140	29,902,641
Expenses		
Salaries and wages	13,629,056	12,734,304
Employee benefits	3,548,495	3,478,701
Professional fees	3,926,726	3,553,467
Purchased services	2,712,859	2,507,211
Supplies	3,133,739	2,705,587
Utilities	68,492	34,081
Rental and lease	1,302,961	1,196,065
Depreciation and amortization	877,667	884,784
Insurance	567,983	466,114
Other expenses	415,312	584,188
Total expenses	30,183,290	28,144,502
Excess of revenues over expenses	1,303,850	1,758,139
Non-operating revenue (expense)		
Interest expense	(361,087)	(396,055)
Other non-operating revenue	320,299	148,523
Total non-operating revenue (expense)	(40,788)	(247,532)
Increase in net assets without donor restriction	1,263,062	1,510,607
Net assets at beginning of the year	14,901,188	13,390,581
Net assets at end of the year	$ 16,164,250	$ 14,901,188

See accompanying notes to the financial statements

Castle Family Health Centers, Inc.

Statements of Cash Flows

Year Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Excess of revenues over expenses	$ 1,303,850	$ 1,758,139
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and amortization	877,667	884,784
Changes in		
Accounts receivable	676,784	221,234
Other receivables	763,484	(84,067)
Supplies	15,072	(61,170)
Prepaid expenses	(281,628)	78,255
Accounts payable and accrued expenses	(115,283)	344,722
Accrued payroll and related costs	169,845	220,019
Due to third-party payors	640,515	877,969
Net cash provided by operating activities	4,050,306	4,239,885
Cash flows from investing activities		
Purchase of property, buildings and equipment	(272,935)	(1,391,852)
Net change in right-of-use assets	1,434,263	1,273,832
Other non-operating revenue (expense)	320,299	148,523
Net cash provided by (used in) investing activities	1,481,627	30,503
Cash flows from financing activities		
Net change in assets whose use is limited	(199,686)	23,986
Net change in deferred revenue	433,605	(23,986)
Proceeds from debt borrowings	131,995	1,014,649
Principal payments on debt borrowings	(272,119)	(377,857)
Operating lease liabilities	(1,434,263)	(1,273,832)
Interest payments	(361,087)	(396,055)
Net cash provided by capital and related financing activities	(1,701,555)	(1,033,095)
Net decrease in cash and cash equivalents	3,830,378	3,237,293
Cash and cash equivalents at beginning of year	14,128,140	10,890,847
Cash and cash equivalents at end of year	$ 17,958,518	$ 14,128,140
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 363,476	$ 395,698

See accompanying notes to the financial statements

Castle Family Health Centers, Inc.

Notes to Financial Statements

June 30, 2024

NOTE 1 - ORGANIZATION

Castle Family Health Centers, Inc. (CFHC), is a non-for-profit corporation organized under the laws of the State of California for the purpose of providing comprehensive outpatient health services to a largely medically underserved population. Castle Family Health Center, Inc. (CFHC was formed in November 2008 and commenced operations in July 2010. CFHC received Federally Qualified Health Center Look-Alike status in 2010. CFHC provides primary medical care and other supportive health services at three clinic locations in Merced County, CFHC is committed to addressing the special needs of the community medically under-served and migrant population.

Castle derives its support from patient fees and third-party charges. Additionally, revenues are derived through grants and contracts with the U.S. Department of Health and Human Services, the State of California, and other grantors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation - The accounting policies and financial statements of Castle generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Castle and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for use and are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Castle and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from donor restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fair Value of Financial Instruments - Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments and, with none being held for trading purposes, approximate the carry values of such amounts.

Accounting principles generally accepted in the United States of America define fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurements. Assets and liabilities recorded at fair value in the Statements of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1prices, 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 terms of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

For cash and cash equivalents, Castle uses the carrying amounts, which approximate fair value due to their short maturity.

For long-term debt borrowings, the fair values are estimated using discounted cash flow analysis, based on Castle's current incremental borrowing rates for similar types of borrowing arrangements. As of June 30, 2024 and 2023, the fair values of long-term debt borrowings were not considered to be materially different from the recorded values.

Cash – Castle considers all unrestricted and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Assets Whose Use is Limited – Assets whose use is limited consists of cash and cash equivalents received as advance payment of various grants and contracts and is restricted to specific use as stipulated in the grant or contract agreements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient accounts receivable – Accounts receivable are recorded at amounts that reflect the consideration to which Castle expects to be entitled in exchange for providing patient care. In evaluating the collectability of patient accounts receivable, Castle regularly analyzes its past history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in patient accounts receivable.

For receivables associated with services provided to patients who have third-party coverage, Castle analyzes contractually due amounts and provides additional implicit and explicit price concessions, if necessary, based upon historical collection history for deductibles and copayments on accounts for which the third-party payer had not yet paid, or for remaining payer balances.

For receivables associated with self-pay patients, which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, Castle records a significant implicit price concession in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in patient accounts receivable.

Property, Buildings and Equipment - Property, building and equipment acquisitions are recorded at cost. Cost of maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated lives of the depreciable assets as follows:

Building and building improvements	25 years
Equipment, furniture and fixtures	3-7 years

Property acquired with federal grant supported funds is considered to be owned by the Clinic while used in the program for which it was purchased or in other authorized programs. However, the federal government has a reversionary interest in the property equal to the federal share of the grant to which the acquisition cost of the property was charged.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction in Progress - Construction in progress is recorded at cost and includes capitalization of construction costs, real estate taxes, insurance and interest. Depreciation is recorded when construction is complete, and the asset is placed in service.

Supplies - Pharmacy and medical supplies are stated at the lower of cost or market as determined by the first-in, first-out method.

Estimated Third-party Payor Settlements - Third-party payer settlements represent estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Castle has recorded an estimated liability as of June 30, 2024 and 2023 in the amount of $4,116,595 and $3,476,080, respectively.

Deferred Revenue - CFHC has received funds in the form of grants, which are subject to review and audit by the grantor agencies. Additionally, funds received in advance for their corresponding expenditures are considered to be refundable until such expenditure is incurred. Revenue recognition is also deferred until expenditures are realized. Deferred revenues in this category for the years ended June 30, 2024 and 2023 amounted to $995,139 and $561,534, respectively. There was no deferred revenue related to Federal funds as of the year ended June 30, 2023.

Sliding Fee Scale – Castle provides care to patients who meet certain criteria under its sliding fee policy without charge or at amounts less than its established rates. Because Castle does not pursue collection of amounts determined to qualify as sliding fee care they are not reported to revenue. For the years ended June 30, 2024 and 2023, Castle provided sliding fee discounts totaling $1,489,219 and $1,366,498, respectively.

Revenue recognition – Net patient service revenue is reported at the amount that reflects the consideration to which Castle expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (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, Castle bills the patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Castle provides medical, dental, and optical services to eligible patients at a discounted rate or for a nominal fee, based on eligibility determined by the patient's household size and income.

Revenue from government grants and contracts restricted for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as capital grants and contributions revenue, in absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as deferred revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions are recognized as revenue when they are received or unconditionally pledged. Donor stipulations that limit the use of the donation are recognized as contributions with donor restrictions. When the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. Castle reports gifts of cash and other assets as support with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements. Absent donor-imposed restrictions, Castle records donated services, materials, and facilities as support without donor restrictions. It is the policy of Castle to encourage contributions.

Capital grants and contributions consist of grants and contributions or resources that are restricted by the grantors or donors for capital asset purposes. To acquire, construct or renovate capital assets associated with the restricted purpose. Capital grants and contributions are recorded as increases to net assets with donor restrictions when cash is received in advance of acquisition of capital assets. Capital grants and contributions are released and recognized into net assets without restrictions when capital assets are acquired and/or placed in service.

Excess of revenues over expenses - The statements of operations contain excess of revenues over expenses. Changes in net assets without donor restriction 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 or grants which by donor or granting agency restriction are to be used for the purpose of acquiring such assets and unrealized gains and losses on investments other than trading securities.

Income Taxes - Castle is a not-for-profit corporation and has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the State of California Revenue and Taxation Code by the IRS and Franchise Tax Board, respectively. Accordingly, no provision for income taxes is included in the accompanying financial statements. Castle has adopted the accounting guidance related to uncertain tax positions and has evaluated its tax positions and believes that all of the positions taken by Castle in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Castle's returns are subject to examination by federal and state taxing authorities generally for three years after they are filed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Data - Certain prior year amounts have been reclassified to conform with the current year financial statement presentation.

Subsequent Events - In preparing these financial statements, Castle has evaluated events and transactions for potential recognition or disclosure through October 26, 2024, the date the financial statements were available to be issued.

Note 3 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

Castle regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Castle has various sources of liquidity at its disposal, including cash and cash equivalents, investments, various receivables, and a line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Castle considers all expenditures related to its ongoing activities of providing healthcare-related services as well as the conduct of services undertaken to support those activities to be general expenditures.

Castle strives to maintain liquid financial assets sufficient to cover 30 days of general expenditures. Castle's policy is that 50% or less of its cash on hand is invested in investment instruments with maturities of 3-6 months and less than 10% in instruments with 9-12 month maturities with minimal risk exposure to principal balances. The following table reflects Castle's financial assets as of June 30, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

	2024	2023
Cash and cash equivalents	$ 17,958,618	$ 14,128,240
Patient accounts receivable, net of allowances	1,158,546	1,835,330
Other receivables	127,581	891,065
Assets whose use is limited	761,220	561,534
	20,005,965	17,416,169
Deferred Revenue	(995,139)	(561,534)
Financial assets available to meet cash needs for general expenditures within one year	$ 19,010,826	$ 16,854,635

Note 3 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

In addition to financial assets available to meet general expenditures over the next 12 months, Castle operates with a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by grants or donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of Castle's cash and shows positive cash generated by operations for fiscal years 2024 and 2023.

NOTE 4 - PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK

Castle grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The patient accounts receivable balances as of June 30, 2024 and 2023 are comprised of the following:

	2024	2023
Medicare	$ 887,446	$ 593,909
Medi-Cal	2,891,126	2,492,317
Other third party payors	988,837	729,762
Self pay and other	179,560	177,518
Gross patient accounts receivable	4,946,969	3,993,506
Less allowances for contractual adjustments and bad debts	(3,788,423)	(2,158,176)
Net patient accounts receivable	$ 1,158,546	$ 1,835,330

Castle maintains its cash balances with various financial institutions. Accounts with each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Management believes the credit risk related to these deposits is minimal.

For the years ended June 30, 2024 and 2023, Castle received $744,134 and $3,750,191, respectively, in Community Health Center and other grants from the Department of Health and Human Services and other granting agencies, which represents 2% and 13% of the total revenue received.

NOTE 5 – NET PATIENT SERVICE REVENUE

Performance obligations are determined based on the nature of the services provided by Castle. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Castle 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.

Because all of its performance obligations relate to contracts with a duration of less than one year, Castle has elected to apply the optional exemption provided in FASB ASC Topic 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Castle 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 Castle's sliding fee policy, and implicit price concessions provided to uninsured patients. Castle determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Castle determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Effective with the adoption of ASU 2014-09 on July 1, 2018, for changes in credit issues not assessed at the date of service, such as a payor files for bankruptcy or a patient defaults on a payment plan, Castle recognizes these write-offs as bad debt expense, which is presented on the accompanying consolidated statements of operations and changes in net assets as a component of patient service revenue, net.

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

- Medicare: Covered services rendered to Medicare program beneficiaries are paid based on a prospective payment system (PPS). Medicare payment under the FQHC PPS are 80% of the lesser of the health center’s actual charge or the applicable PPS rate (patient coinsurance will be 20% of the lesser of the health center’s actual charge or the applicable PPS rate). Accordingly, to the extent a health center’s charge is below the applicable PPS rate, Medicare FQHC reimbursement can be limited.

- Medi-Cal: Covered services rendered to Medi-Cal beneficiaries are paid under a PPS as well, using rates established by Castle’s “Base Year’s” cost reports filed under the previous cost-based reimbursement system. These rates are adjusted annually according to changes in the Medicare Economic Index and any approved changes in Castle’s scope of service. Castle is required to file a payment reconciliation report with the state. In the opinion of management, any reconciliation settlement of the payment reconciliation will not materially affect the financial statements of Castle.

NOTE 5 – NET PATIENT SERVICE REVENUE (continued)

- Other: Payments for services rendered to those payors other than Medicare or Medi-Cal are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

As of June 30, 2024 and 2023, the following table reflects the patient service revenue by major payor groups:

	2024	2023
Medi-Cal	$ 41,489,817	$ 37,923,077
Medicare	7,931,312	7,246,386
Other third-party payors	6,947,898	5,516,571
Private pay	2,335,205	2,391,609
Total gross patient service revenue	58,704,232	53,077,643
Deductions from revenue	(34,884,030)	(31,377,070)
Total net patient service revenue	$ 23,820,202	$ 21,700,573

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 Castle'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 Castle. In addition, the contracts Castle has with commercial payors also provide for retroactive audit and review of claims.

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

NOTE 6 – 340B DRUG DISCOUNT PROGRAM REVENUE

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

	2024	2023
Gross receipts	$ 2,726,764	$ 3,476,337
Drug replenishment costs	(873,130)	(597,683)
Administration and fees	(651,262)	(757,231)
Net revenue	$ 1,202,372	$ 2,121,423

The net 340B revenue from this program is used in furtherance of Castle's mission.

NOTE 7 – OTHER RECEIVABLES

At June 30, 2024 and 2023, Castle reported other receivables are comprised of the following:

	2024	2023
340B Program	$ 113,795	$ 850,435
Due from Bloss	3,439	37,489
Grants receivable	8,750	-
Other	1,597	3,141
	$ 127,581	$ 891,065

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2024 and 2023 are comprised of the following:

	2024	2023
Land and land improvements	$ 749,686	$ 749,686
Buildings and improvements	8,612,292	8,612,292
Equipment and furniture	4,565,118	4,292,183
	13,927,096	13,654,161
Less accumulated depreciation	(6,007,987)	(5,130,320)
Total property and equipment, net	$ 7,919,109	$ 8,523,841

NOTE 9 - LONG-TERM DEBT

Long-term debt at June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Note payable to a bank, original amount of $4,400,000, bearing interest at 4.298%, principal and interest payable monthly per loan agreement schedule, maturing in October 2029, secured by property, building and improvements.	$ 3,700,526	$ 3,864,216
Note payable to the California Health Facilities Financing Authority, original amount of $878,750, bearing interest at 2.0%, principal and interest payable monthly in the amount of $4,445, maturing in June 2043, secured by property and improvements.	842,650	878,750
Various notes payable to finance companies, interest rates ranging from 2.6% to 8.6% per annum, monthly principal and interest payments at various amounts per agreements, maturing through in August 2028, secured by equipment.	189,028	129,362
Total debt borrowings	4,732,204	4,872,328
Less current maturities	(279,000)	(264,041)
Debt borrowings, net of current maturities	$ 4,453,204	$ 4,608,287

NOTE 9 - LONG-TERM DEBT (continued)

Long-term debt repayments due in each of the next five fiscal years and thereafter are:

Year Ended June 30,		
2025	$	279,000
2026		267,551
2027		259,054
2028		264,800
2029		252,392
Thereafter		3,409,407
	$	4,732,204

NOTE 10 - LEASES

Castle leases certain facilities and equipment under operating leases. Lease commencement occurs on the date Castle takes possession or control of the facility or equipment. Original terms for facility and equipment related leases are generally between three to five years. Castle's leases also include rental escalation clauses and termination provisions. Renewal options and termination options are included in determining the lease payments when management determines the options are reasonably certain of exercise.

If readily determinable, the rate implicit in the lease is used to discount lease payments to present value: however, all of Castle's leases did not provide a readily determinable implicit rate. When the implicit rate is not determinable, Castle's estimated incremental borrowing rate is utilized, determined on a collateralized basis, to discount lease payments based on information available at lease commencement.

Castle's leases typically require payment of maintenance and taxes which represent the majority of variable lease costs. Castle's lease agreements do not contain any material restrictions, covenants, or any material residual value guarantees.

NOTE 10 – LEASES (continued)

Lease related assets and liabilities as of June 30, 2024 and 2023, consist of the following:

	2024	2023
Assets		
Right-of-use assets	$ 1,589,602	$ 3,023,865
Liabilities		
Current portion of operating lease liability	$ 1,589,602	$ 1,434,263
Operating lease liability, net of current portion	-	1,589,602
	$ 1,589,602	$ 3,023,865

Total operating lease expense for the years ended September 30, 2024 and 2023, was $1,302,961 and $1,196,065, respectively.

The future minimum rental payments required under operating lease obligations as of June 30, 2024, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

Years ended June 30,	
2025	$ 1,632,559
Thereafter	-
	1,632,559
Less interest	(42,957)
Present value of lease liabilities	$ 1,589,602

The weighted-average remaining lease term and discount rate as of June 30, 2023, are as follows:

Weighted average discount rate	
Operating leases	5.0%
Weighted average remaining lease term (months)	
Operating leases	12

NOTE 11 - PENSION PLANS

Castle has a defined contribution plan (403(b) plan) that covers employees who meet certain eligibility requirements. Contributions are made throughout the year up to certain legal limits of eligible salary for participants. At the discretion of the Board of Directors, Castle may also make additional matching and/or discretionary contributions during the year. Contributions for the years ended June 30, 2024 and 2023 amounted to $367,329 and $351,260, respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Program Funding - Continuing program funding from federal and state sources is contingent upon availability of funds and project performance. The funds are awarded on a yearly basis upon receipt and approval of program applications. In addition, expenses made under federal and state grants are subject to review and audit by the grantor agencies.

Malpractice Insurance - Castle, including officers, governing board members, employees, and contractors who are physicians or other licensed or certified healthcare practitioners, are covered under the Federal Tort Claims Act (FTCA). FTCA provides malpractice coverage to eligible PHS supported programs and applies to Castle while providing services included under grant related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. Castle maintains gap coverage for claims that are not covered by FTCA. There are no known claims or incidents that may result in the assertion of additional claims as of the date of this report.

Contracted Services – Castle has contracted with various funding agencies to perform certain healthcare services and receives Medicaid and Medicare revenue from the state and federal governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, Castle could be held responsible for reimbursing agencies for the amounts in question.

Litigation - Castle may from time-to-time be involved in litigation and regulatory investigations, which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2024 will be resolved without material adverse effect on Castle's future financial positions, results from operations or cash flows.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient service received. While Castle is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have any adverse effect on Castle's financial position.

Risks and Uncertainties - Medi-Cal and Medicare have the authority to audit Castle's records anytime within a three-year period after the date Castle receives final notice of program reimbursement for each cost reporting period. The periods from January 2011 through June 30, 2023 remain open to examination. Any adjustments resulting from the audit process could retroactively adjust revenues.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management continues to evaluate the impact of this legislation on its operations, including future financial commitments that will be required.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by Castle in estimating the fair value of financial instruments:

Cash: The carrying amount reported in the balance sheet for cash approximates its fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates their fair values.

Long-term debt: The fair value of Castle’s long-term debt is estimated using discounted cash flow analysis, based on Castle’s incremental borrowing rates for similar types of borrowing arrangements.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) provides a framework for measuring fair value under U.S. generally accepted accounting principles. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The following provides a general description of the three levels of inputs that may be used to measure fair value under ASC 820:

> Level 1 - Inputs to the valuation methodology are based on quoted prices available in active markets for identical assets or liabilities on the reporting date.
>
> Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3 - Inputs to the valuation methodology include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value including assumptions regarding risk. Level 3 instruments include those that may be more structured or otherwise tailored to the Plan's needs.

As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Pursuant to ASC 820, Castle’s investments are classified within Level 1 and Level 2 of the fair-value hierarchy. The types of securities valued based on Level 1 inputs include interest bearing accounts. Certificates of deposits are valued based on Level 2 inputs.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

2024

	Investment Maturities in Years			
	Level 1	Level 2	Level 3	Total
Fixed income accounts	$ -	$ 4,426,078	$ -	$ 4,426,078
Mutual funds	906,490	-	-	906,490
Total at fair value	$ 906,490	$ 4,426,078	$ -	$ 5,332,568

2023

	Investment Maturities in Years			
	Level 1	Level 2	Level 3	Total
Fixed income accounts	$ -	$ 2,008,395	$ -	$ 2,008,395
Mutual funds	1,053,567	-	-	1,053,567
Total at fair value	$ 1,053,567	$ 2,008,395	$ -	$ 3,061,962

NOTE 14 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Castle provides healthcare services primarily to residents within its geographic area. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, insurance, supplies, communications and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Expenses for the years ended June 30, 2024 and 2023 are as follows:

	2024		
	Health Care Services	General and Administrative	Total
Salaries and wages	$ 12,208,974	$ 1,420,082	$ 13,629,056
Employee benefits	2,912,645	635,850	3,548,495
Professional fees	3,572,452	354,274	3,926,726
Purchased services	2,161,030	551,829	2,712,859
Supplies	2,904,202	229,537	3,133,739
Utilities	68,492	-	68,492
Rental and lease	1,290,757	12,204	1,302,961
Depreciation and amortization	740,380	137,287	877,667
Insurance	451,338	116,645	567,983
Other expenses	17,558	397,754	415,312
Total expenses	$ 26,327,827	$ 3,855,463	$ 30,183,290

	2023		
	Health Care Services	General and Administrative	Total
Salaries and wages	$ 11,434,770	$ 1,299,534	$ 12,734,304
Employee benefits	2,775,378	703,323	3,478,701
Professional fees	3,261,326	292,141	3,553,467
Purchased services	1,573,888	933,323	2,507,211
Supplies	2,505,148	200,439	2,705,587
Utilities	34,081	-	34,081
Rental and lease	1,180,358	15,707	1,196,065
Depreciation and amortization	706,637	178,147	884,784
Insurance	311,430	154,684	466,114
Other expenses	182,955	401,233	584,188
Total expenses	$ 23,965,971	$ 4,178,531	$ 28,144,502

Castle Family Health Centers, Inc.

Atwater, California

Financial Statements and Independent Auditor's Report

For the Years Ended June 30, 2023 and 2022

and

Single Audit and Independent Auditor's Reports

For the Year Ended June 30, 2023

Castle Family Health Centers, Inc.

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JWT & Associates, LLP

Advisory Assurance Tax

1111 E. Herndon Avenue, Suite 211, Fresno, CA 93720
Phone (559) 431-7708 Fax (559) 431-7685

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Castle Family Health Centers, Inc.
Atwater, California

Opinion

We have audited the accompanying financial statements of Castle Family Health Centers, Inc. (Castle), a non-profit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Castle as of June 30, 2023 and 2022, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Castle's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material is there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Castle's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern.

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

Emphasis of Matter

As discussed in Note 2, Castle adopted Accounting Standards Update ("ASU") ASU No. 2016-02, *Leases (Topic 842),* for the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Other Matters - Prior Year's Audit Report

The financial statements of Castle as of June 30, 2022, and for the year then ended, were audited by other auditors whose report dated October 18, 2022, expressed an unmodified opinion on those statements.

Other Matters - Supplementary Information

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

Other Matters - Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 on our consideration of Castle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Castle's internal control over financial reporting and compliance.

JWT & Associates, LLP

Fresno, California
October 26, 2023

Castle Family Health Centers, Inc.

Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Current assets		
Cash and cash equivalents	$ 14,128,240	$ 10,890,847
Patient accounts receivable, net of allowances	1,835,330	2,056,564
Other receivables	891,065	806,998
Assets whose use is limited	561,534	585,520
Supplies	218,496	157,326
Prepaid expenses and deposits	57,150	135,505
Total current assets	17,691,815	14,632,760
Capital assets, net of accumulated depreciation	8,523,841	8,016,773
Right-of-use assets	3,023,865	4,297,697
Total assets	$ 29,239,521	$ 26,947,230
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt	$ 264,041	$ 241,959
Current operating lease liability	1,434,263	1,273,832
Accounts payable and accrued expenses	858,075	513,353
Accrued payroll and related liabilities	1,546,451	1,326,432
Deferred revenue	561,534	585,520
Due to third-party payors	3,476,080	2,598,111
Total current liabilities	8,140,444	6,539,207
Long-term debt, less current maturities	4,608,287	3,993,577
Operating lease liability, less current portion	1,589,602	3,023,865
Total liabilities	14,338,333	13,556,649
Net assets		
Net assets without donor restrictions	14,901,188	13,390,581
Total net assets	14,901,188	13,390,581
Total liabilities and net assets	$ 29,239,521	$ 26,947,230

See accompanying notes to the financial statements

Castle Family Health Centers, Inc.

Statements of Operations and Changes in Net Assets

Year Ended June 30, 2023 and 2022

	2023	2022
Change in net assets without donor restriction		
Revenues and other support		
Net patient service revenue	$ 21,700,573	$ 22,235,830
Grant revenue	3,750,191	3,043,507
Other operating revenue	4,451,877	3,501,708
Total revenues and other support	29,902,641	28,781,045
Expenses		
Salaries and wages	12,734,304	12,914,122
Employee benefits	3,478,701	3,457,503
Professional fees	3,553,467	3,150,729
Purchased services	2,507,211	2,029,367
Supplies	2,705,587	1,891,400
Repairs and maintenance	22,467	43,951
Utilities	34,081	28,707
Rental and lease	1,196,065	1,045,368
Depreciation and amortization	884,784	875,541
Insurance	466,114	556,056
Other expenses	561,721	373,898
Total expenses	28,144,502	26,366,642
Excess of revenues over expenses	1,758,139	2,414,403
Non-operating revenue (expense)		
PPP loan forgiveness	-	2,000,000
Interest expense	(396,055)	(494,776)
Other non-operating revenue	148,523	(126,921)
Total non-operating revenue (expense)	(247,532)	1,378,303
Increase in net assets without donor restriction	1,510,607	3,792,706
Net assets at beginning of the year	13,390,581	9,597,875
Net assets at end of the year	$ 14,901,188	$ 13,390,581

See accompanying notes to the financial statements

Castle Family Health Centers, Inc.

Statements of Cash Flows

Year Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Excess of revenues over expenses	$ 1,758,139	$ 2,414,403
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and amortization	884,784	834,887
Changes in		
Accounts receivable	221,234	1,124,701
Other receivables	(84,067)	(166,473)
Supplies	(61,170)	6,451
Prepaid expenses	78,255	223,754
Accounts payable and accrued expenses	344,722	(5,258)
Accrued payroll and related costs	220,019	(14,030)
Due to third-party payors	877,969	(260,597)
Net cash provided by operating activities	4,239,885	4,157,838
Cash flows from investing activities		
Purchase of property, buildings and equipment	(1,391,852)	(578,074)
Net change in right-of-use assets	1,273,832	(4,297,697)
Other non-operating revenue (expense)	148,523	(126,921)
Net cash provided by (used in) investing activities	30,503	(5,002,692)
Cash flows from financing activities		
Net change in assets whose use is limited	23,986	325,606
Net change in deferred revenue	(23,986)	(325,606)
Proceeds from debt borrowings	1,014,649	-
Principal payments on debt borrowings	(377,857)	(196,704)
Operating lease liabilities	(1,273,832)	4,297,697
Interest payments	(396,055)	(494,776)
Net cash provided by capital and related financing activities	(1,033,095)	3,606,217
Net decrease in cash and cash equivalents	3,237,293	2,761,363
Cash and cash equivalents at beginning of year	10,890,847	8,129,484
Cash and cash equivalents at end of year	$ 14,128,140	$ 10,890,847
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 395,698	$ 494,997

See accompanying notes to the financial statements

Castle Family Health Centers, Inc.

Notes to Financial Statements

June 30, 2023

NOTE 1 - ORGANIZATION

Castle Family Health Centers, Inc. (CFHC), is a non-for-profit corporation organized under the laws of the State of California for the purpose of providing comprehensive outpatient health services to a largely medically underserved population. Castle Family Health Center, Inc. (CFHC was formed in November 2008 and commenced operations in July 2010. CFHC received Federally Qualified Health Center Look-Alike status in 2010. CFHC provides primary medical care and other supportive health services at three clinic locations in Merced County, CFHC is committed to addressing the special needs of the community medically under-served and migrant population.

Castle derives its support from patient fees and third-party charges. Additionally, revenues are derived through grants and contracts with the U.S. Department of Health and Human Services, the State of California, and other grantors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation - The accounting policies and financial statements of Castle generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Castle and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for use and are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Castle and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from donor restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fair Value of Financial Instruments - Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments and, with none being held for trading purposes, approximate the carry values of such amounts.

Accounting principles generally accepted in the United States of America define fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurements. Assets and liabilities recorded at fair value in the Statements of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1prices, 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 terms of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

For cash and cash equivalents, Castle uses the carrying amounts, which approximate fair value due to their short maturity.

For long-term debt borrowings, the fair values are estimated using discounted cash flow analysis, based on Castle's current incremental borrowing rates for similar types of borrowing arrangements. As of June 30, 2023 and 2022, the fair values of long-term debt borrowings were not considered to be materially different from the recorded values.

Cash – Castle considers all unrestricted and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Assets Whose Use is Limited – Assets whose use is limited consists of cash and cash equivalents received as advance payment of various grants and contracts and is restricted to specific use as stipulated in the grant or contract agreements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient accounts receivable – Accounts receivable are recorded at amounts that reflect the consideration to which Castle expects to be entitled in exchange for providing patient care. In evaluating the collectability of patient accounts receivable, Castle regularly analyzes its past history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in patient accounts receivable.

For receivables associated with services provided to patients who have third-party coverage, Castle analyzes contractually due amounts and provides additional implicit and explicit price concessions, if necessary, based upon historical collection history for deductibles and copayments on accounts for which the third-party payer had not yet paid, or for remaining payer balances.

For receivables associated with self-pay patients, which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, Castle records a significant implicit price concession in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in patient accounts receivable.

Property, Buildings and Equipment - Property, building and equipment acquisitions are recorded at cost. Cost of maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated lives of the depreciable assets as follows:

Building and building improvements	25 years
Equipment, furniture and fixtures	3-7 years

Property acquired with federal grant supported funds is considered to be owned by the Clinic while used in the program for which it was purchased or in other authorized programs. However, the federal government has a reversionary interest in the property equal to the federal share of the grant to which the acquisition cost of the property was charged.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction in Progress - Construction in progress is recorded at cost and includes capitalization of construction costs, real estate taxes, insurance and interest. Depreciation is recorded when construction is complete, and the asset is placed in service.

Supplies - Pharmacy and medical supplies are stated at the lower of cost or market as determined by the first-in, first-out method.

Estimated Third-party Payor Settlements - Third-party payer settlements represent estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Castle has recorded an estimated liability as of June 30, 2023 and 2022 in the amount of $3,476,080 and $2,598,111, respectively.

Deferred Revenue - CFHC has received funds in the form of grants, which are subject to review and audit by the grantor agencies. Additionally, funds received in advance for their corresponding expenditures are considered to be refundable until such expenditure is incurred. Revenue recognition is also deferred until expenditures are realized. Deferred revenues in this category for the years ended June 30, 2023 and 2022 amounted to $561,534 and $585,520, respectively. There was no deferred revenue related to Federal funds as of the year ended June 30, 2022.

Sliding Fee Scale – Castle provides care to patients who meet certain criteria under its sliding fee policy without charge or at amounts less than its established rates. Because Castle does not pursue collection of amounts determined to qualify as sliding fee care they are not reported to revenue. For the years ended June 30, 2023 and 2022, Castle provided sliding fee discounts totaling $1,366,498 and $1,675,291, respectively.

Revenue recognition – Net patient service revenue is reported at the amount that reflects the consideration to which Castle expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (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, Castle bills the patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Castle provides medical, dental, and optical services to eligible patients at a discounted rate or for a nominal fee, based on eligibility determined by the patient's household size and income.

Revenue from government grants and contracts restricted for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as capital grants and contributions revenue, in absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as deferred revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions are recognized as revenue when they are received or unconditionally pledged. Donor stipulations that limit the use of the donation are recognized as contributions with donor restrictions. When the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. Castle reports gifts of cash and other assets as support with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements. Absent donor-imposed restrictions, Castle records donated services, materials, and facilities as support without donor restrictions. It is the policy of Castle to encourage contributions.

Capital grants and contributions consist of grants and contributions or resources that are restricted by the grantors or donors for capital asset purposes. To acquire, construct or renovate capital assets associated with the restricted purpose. Capital grants and contributions are recorded as increases to net assets with donor restrictions when cash is received in advance of acquisition of capital assets. Capital grants and contributions are released and recognized into net assets without restrictions when capital assets are acquired and/or placed in service.

Excess of revenues over expenses - The statements of operations contain excess of revenues over expenses. Changes in net assets without donor restriction 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 or grants which by donor or granting agency restriction are to be used for the purpose of acquiring such assets and unrealized gains and losses on investments other than trading securities.

Income Taxes - Castle is a not-for-profit corporation and has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the State of California Revenue and Taxation Code by the IRS and Franchise Tax Board, respectively. Accordingly, no provision for income taxes is included in the accompanying financial statements. Castle has adopted the accounting guidance related to uncertain tax positions and has evaluated its tax positions and believes that all of the positions taken by Castle in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Castle's returns are subject to examination by federal and state taxing authorities generally for three years after they are filed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncement - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Castle has adopted ASU 2016-02 for the year beginning April 1, 2022, using the modified retrospective approach. The adoption of ASU 2016-02 also implemented additional disclosure requirements. See Note 12.

Comparative Data - Certain prior year amounts have been reclassified to conform with the current year financial statement presentation.

Subsequent Events - In preparing these financial statements, Castle has evaluated events and transactions for potential recognition or disclosure through October 26, 2023, the date the financial statements were available to be issued.

Note 3 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

Castle regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Castle has various sources of liquidity at its disposal, including cash and cash equivalents, investments, various receivables, and a line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Castle considers all expenditures related to its ongoing activities of providing healthcare-related services as well as the conduct of services undertaken to support those activities to be general expenditures.

Castle strives to maintain liquid financial assets sufficient to cover 30 days of general expenditures. Castle's policy is that 50% or less of its cash on hand is invested in investment instruments with maturities of 3-6 months and less than 10% in instruments with 9-12 month maturities with minimal risk exposure to principal balances. The following table reflects Castle's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

Note 3 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

	2023	2022
Cash and cash equivalents	$ 14,128,240	$ 10,890,847
Patient accounts receivable, net of allowances	1,835,330	2,056,564
Other receivables	891,065	806,998
Assets whose use is limited	561,534	585,520
	17,416,169	14,339,929
Deferred Revenue	(561,534)	(585,520)
Financial assets available to meet cash needs for general expenditures within one year	$ 16,854,635	$ 13,754,409

In addition to financial assets available to meet general expenditures over the next 12 months, Castle operates with a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by grants or donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of Castle's cash and shows positive cash generated by operations for fiscal years 2023 and 2022.

NOTE 4 - PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK

Castle grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The patient accounts receivable balances as of June 30, 2023 and 2022 are comprised of the following:

	2023	2022
Medicare	$ 593,909	$ 666,737
Medi-Cal	2,492,317	2,462,374
Other third party payors	729,762	400,811
Self pay and other	177,518	86,548
Gross patient accounts receivable	3,993,506	3,616,470
Less allowances for contractual adjustments and bad debts	(2,158,176)	(1,559,906)
Net patient accounts receivable	$ 1,835,330	$ 2,056,564

NOTE 4 - PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK (continued)

Castle maintains its cash balances with various financial institutions. Accounts with each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Management believes the credit risk related to these deposits is minimal.

For the years ended June 30, 2023 and 2022, Castle received $3,750,191 and $3,043,507, respectively, in Community Health Center and other grants from the Department of Health and Human Services and other granting agencies, which represents 13% and 11% of the total revenue received.

NOTE 5 – NET PATIENT SERVICE REVENUE

Performance obligations are determined based on the nature of the services provided by Castle. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Castle 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.

Because all of its performance obligations relate to contracts with a duration of less than one year, Castle has elected to apply the optional exemption provided in FASB ASC Topic 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Castle 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 Castle's sliding fee policy, and implicit price concessions provided to uninsured patients. Castle determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Castle determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Effective with the adoption of ASU 2014-09 on July 1, 2018, for changes in credit issues not assessed at the date of service, such as a payor files for bankruptcy or a patient defaults on a payment plan, Castle recognizes these write-offs as bad debt expense, which is presented on the accompanying consolidated statements of operations and changes in net assets as a component of patient service revenue, net.

NOTE 5 – NET PATIENT SERVICE REVENUE (continued)

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

- Medicare: Covered services rendered to Medicare program beneficiaries are paid based on a prospective payment system (PPS). Medicare payment under the FQHC PPS are 80% of the lesser of the health center's actual charge or the applicable PPS rate (patient coinsurance will be 20% of the lesser of the health center's actual charge or the applicable PPS rate). Accordingly, to the extent a health center's charge is below the applicable PPS rate, Medicare FQHC reimbursement can be limited.

- Medi-Cal: Covered services rendered to Medi-Cal beneficiaries are paid under a PPS as well, using rates established by Castle's "Base Year's" cost reports filed under the previous cost-based reimbursement system. These rates are adjusted annually according to changes in the Medicare Economic Index and any approved changes in Castle's scope of service. Castle is required to file a payment reconciliation report with the state. In the opinion of management, any reconciliation settlement of the payment reconciliation will not materially affect the financial statements of Castle.

- Other: Payments for services rendered to those payors other than Medicare or Medi-Cal are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

As of June 30, 2023 and 2022, the following table reflects the net patient service revenue by major payor groups:

	2023	2022
Medi-Cal	$ 17,835,092	$ 17,319,463
Medicare	974,602	1,388,762
Other third-party payors	1,745,874	1,802,979
Private pay	1,145,005	1,724,626
Total net patient service revenue	$ 21,700,573	$ 22,235,830

NOTE 5 – NET PATIENT SERVICE REVENUE (continued)

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 Castle'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 Castle. In addition, the contracts Castle has with commercial payors also provide for retroactive audit and review of claims.

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

NOTE 6 – 340B DRUG DISCOUNT PROGRAM REVENUE

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

	2023	2022
Gross receipts	$ 3,476,337	$ 2,892,746
Drug replenishment costs	597,683	416,940
Administration and fees	757,231	750,646
Net revenue	$ 4,831,251	$ 4,060,332

The net 340B revenue from this program is used in furtherance of Castle's mission.

NOTE 7 – OTHER RECEIVABLES

At June 30, 2023 and 2022, Castle reported other receivables are comprised of the following:

	2023	2022
340B Program	$ 850,435	$ 721,907
Due from Bloss	37,489	77,987
Grants receivable	-	6,899
Other	3,141	205
	$ 891,065	$ 806,998

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2023 and 2022 are comprised of the following:

	2023	2022
Land and land improvements	$ 749,686	$ 535,782
Buildings and improvements	8,612,292	7,586,233
Equipment and furniture	4,292,183	4,140,294
	13,654,161	12,262,309
Less accumulated depreciation	(5,130,320)	(4,245,536)
Total property and equipment, net	$ 8,523,841	$ 8,016,773

NOTE 9 - LONG-TERM DEBT

Long-term debt at June 30, 2023 and 2022 is summarized as follows:

	2023	2022
Note payable to a bank, original amount of $4,400,000, bearing interest at 4.298%, principal and interest payable monthly per loan agreement schedule, maturing in October 2029, secured by property, building and improvements.	$ 3,864,216	$ 4,022,211
Note payable to the California Health Facilities Financing Authority, original amount of $878,750, bearing interest at 2.0%, principal and interest payable monthly in the amount of $4,445, maturing in June 2043, secured by property and improvements.	878,750	-
Various notes payable to finance companies, interest rates ranging from 3.0% to 8.6% per annum, monthly principal and interest payments at various amounts per agreements, maturing through in October 2023, secured by equipment.	129,362	213,325
Total debt borrowings	4,872,328	4,235,536
Less current maturities	(264,041)	(241,959)
Debt borrowings, net of current maturities	$ 4,608,287	$ 3,993,577

Long-term debt repayments due in each of the next five fiscal years and thereafter are:

Year Ended June 30,	
2024	$ 264,041
2025	274,714
2026	217,961
2027	226,281
2028	235,038
Thereafter	3,654,293
	$ 4,872,328

NOTE 10 - LEASES

Castle leases certain facilities and equipment under operating leases. Lease commencement occurs on the date Castle takes possession or control of the facility or equipment. Original terms for facility and equipment related leases are generally between three to five years. Castle's leases also include rental escalation clauses and termination provisions. Renewal options and termination options are included in determining the lease payments when management determines the options are reasonably certain of exercise.

If readily determinable, the rate implicit in the lease is used to discount lease payments to present value: however, all of Castle's leases did not provide a readily determinable implicit rate. When the implicit rate is not determinable, Castle's estimated incremental borrowing rate is utilized, determined on a collateralized basis, to discount lease payments based on information available at lease commencement.

Castle's leases typically require payment of maintenance and taxes which represent the majority of variable lease costs. Castle's lease agreements do not contain any material restrictions, covenants, or any material residual value guarantees.

Lease related assets and liabilities as of June 30, 2023 and 2022, consist of the following:

	2023	2022
Assets		
Right-of-use assets	$ 3,023,865	$ 4,297,697
Liabilities		
Current portion of operating lease liability	$ 1,434,263	$ 1,273,832
Operating lease liability, net of current portion	1,589,602	3,023,865
	$ 3,023,865	$ 4,297,697

Total operating lease expense for the years ended September 30, 2022 and 2021, was $1,196,065 and $1,045,368, respectively.

NOTE 10 – LEASES (continued)

The future minimum rental payments required under operating lease obligations as of June 30, 2022, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

Years ended June 30,		
2024	$	1,552,884
2025		1,632,559
Thereafter		-
		3,185,443
Less interest		(161,578)
Present value of lease liabilities	$	3,023,865

The weighted-average remaining lease term and discount rate as of June 30, 2022, are as follows:

Weighted average discount rate	
Operating leases	5.0%
Weighted average remaining lease term (months)	
Operating leases	24

NOTE 11 - PENSION PLANS

Castle has a defined contribution plan (403(b) plan) that covers employees who meet certain eligibility requirements. Contributions are made throughout the year up to certain legal limits of eligible salary for participants. At the discretion of the Board of Directors, Castle may also make additional matching and/or discretionary contributions during the year. Contributions for the years ended June 30, 2023 and 2022 amounted to $351,260 and $361,249, respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Program Funding - Continuing program funding from federal and state sources is contingent upon availability of funds and project performance. The funds are awarded on a yearly basis upon receipt and approval of program applications. In addition, expenses made under federal and state grants are subject to review and audit by the grantor agencies.

Malpractice Insurance - Castle, including officers, governing board members, employees, and contractors who are physicians or other licensed or certified healthcare practitioners, are covered under the Federal Tort Claims Act (FTCA). FTCA provides malpractice coverage to eligible PHS supported programs and applies to Castle while providing services included under grant related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. Castle maintains gap coverage for claims that are not covered by FTCA. There are no known claims or incidents that may result in the assertion of additional claims as of the date of this report.

Contracted Services – Castle has contracted with various funding agencies to perform certain healthcare services and receives Medicaid and Medicare revenue from the state and federal governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, Castle could be held responsible for reimbursing agencies for the amounts in question.

Litigation - Castle may from time-to-time be involved in litigation and regulatory investigations, which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2023 will be resolved without material adverse effect on Castle's future financial positions, results from operations or cash flows.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient service received. While Castle is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have any adverse effect on Castle's financial position.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Risks and Uncertainties - Medi-Cal and Medicare have the authority to audit Castle's records anytime within a three-year period after the date Castle receives final notice of program reimbursement for each cost reporting period. The periods from January 2011 through June 30, 2022 remain open to examination. Any adjustments resulting from the audit process could retroactively adjust revenues.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management continues to evaluate the impact of this legislation on its operations, including future financial commitments that will be required.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by Castle in estimating the fair value of financial instruments:

Cash: The carrying amount reported in the balance sheet for cash approximates its fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates their fair values.

Long-term debt: The fair value of Castle's long-term debt is estimated using discounted cash flow analysis, based on Castle's incremental borrowing rates for similar types of borrowing arrangements.

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) provides a framework for measuring fair value under U.S. generally accepted accounting principles. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The following provides a general description of the three levels of inputs that may be used to measure fair value under ASC 820:

> Level 1 - Inputs to the valuation methodology are based on quoted prices available in active markets for identical assets or liabilities on the reporting date.

NOTE 13 – FAIR VALUE OF ASSETS (continued)

Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value including assumptions regarding risk. Level 3 instruments include those that may be more structured or otherwise tailored to the Plan's needs.

As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Pursuant to ASC 820, Castle's investments are classified within Level 1 and Level 2 of the fair-value hierarchy. The types of securities valued based on Level 1 inputs include interest bearing accounts. Certificates of deposits are valued based on Level 2 inputs. The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

2023				
	Investment Maturities in Years			
	Level 1	Level 2	Level 3	Total
Interest bearing accounts	$ 2,025,549	$ -	$ -	$ 2,025,549
Mutual funds	1,053,567	-	-	1,053,567
Total at fair value	$ 3,079,116	$ -	$ -	$ 2,025,549

2022				
	Investment Maturities in Years			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 952,331	$ -	$ -	$ 952,331
Total at fair value	$ 952,331	$ -	$ -	$ 952,331

NOTE 14 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Castle provides healthcare services primarily to residents within its geographic area. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, insurance, supplies, communications and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Expenses for the years ended June 30, 2023 and 2022 are as follows:

	2023		
	Health Care Services	General and Administrative	Total
Salaries and wages	$ 11,434,770	$ 1,299,534	$ 12,734,304
Employee benefits	2,775,378	703,323	3,478,701
Professional fees	3,261,326	292,141	3,553,467
Purchased services	1,573,888	933,323	2,507,211
Supplies	2,505,148	200,439	2,705,587
Utilities	34,081	-	34,081
Rental and lease	1,180,358	15,707	1,196,065
Depreciation and amortization	706,637	178,147	884,784
Insurance	311,430	154,684	466,114
Other expenses	182,955	401,233	584,188
Total expenses	$ 23,965,971	$ 4,178,531	$ 28,144,502

NOTE 14 - FUNCTIONAL CLASSIFICATION OF EXPENSES (continued)

	2022		
	Health Care Services	General and Administrative	Total
Salaries and wages	$ 11,574,892	$ 1,339,230	$ 12,914,122
Employee benefits	2,801,482	656,021	3,457,503
Professional fees	2,926,731	223,998	3,150,729
Purchased services	1,849,706	179,661	2,029,367
Supplies	992,656	898,744	1,891,400
Utilities	28,707	-	28,707
Rental and lease	1,007,136	38,232	1,045,368
Depreciation and amortization	624,596	250,945	875,541
Insurance	435,464	120,592	556,056
Other expenses	59,276	358,573	417,849
Total expenses	$ 22,300,646	$ 4,065,996	$ 26,366,642

Castle Family Health Centers, Inc.

SINGLE AUDIT REPORTS

June 30, 2023

Castle Family Health Centers, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor/ Pass-Though Grantor Program Title	Federal AL Number	Pass-Through or Identifying Number	Federal Expenditures	
U.S. Department of Health and Human Services, Public Health Services				
Direct Programs				
Health Resources and Services Administration Bureau of Primary Health Care				
Health Center Cluster				
Affordable Care Act Grants for New and Expanded Services Under the Health Center Program				
American Rescue Plan Act Funding for Look-Alikes	93.527	L2CCS42385-01-01	2,648,296	*
FY 2023 Expanding COVID-19 Vaccination	93.527	H8GCS48897-01-01	345,429	*
Total for Federal AL Number 93.527			2,993,725	
Total Expenditures of Federal Awards			$ 2,993,725	

* denotes major program

See notes to Schedule of Expenditures of Federal Awards.

Castle Family Health Centers, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Castle Family Health Centers, Inc. (Castle) under programs of the federal government for the year ended June 30, 2023. Amounts reported on the Schedule for Federal Assistance Listing Number 93.498 - Coronavirus Aid, Relief, and Economic Security (CARES) Act - Coronavirus Supplemental Provider Relief Funds are based upon the Period 4 and 5 Provider Relief Fund report. 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 Castle, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Castle.

NOTE 2 – BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. For Assistance Listing (AL) number 93.498, (formerly CFDA numbers), the amount reported on the Schedule is based on the Period 4 Provider Relief Fund (PRF) reports submitted to HRSA. Such expenditures are recognized following the cost principles contained in Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Castle elected not to use the de minimis cost rate because it has a negotiated indirect cost rate in place.

NOTE 4 – RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

Consistent with management's policy, federal awards and other grants are recorded in respective revenue categories. As result, the amount of total federal awards expended on the Schedule does not agree to total grant revenue on the Statement of Operations as presented in Castle's report on the audited financial statements.

JWT & Associates, LLP

Advisory Assurance Tax

1111 E. Herndon Avenue, Suite 211, Fresno, CA 93720
Phone (559) 431-7708 Fax (559) 431-7685

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

Board of Directors
Castle Family Health Centers, Inc.
Atwater, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States , the financial statements of Castle Family Health Centers, Inc. (Castle)(a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of operations, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Castle'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 Castle's internal control. Accordingly, we do not express an opinion on the effectiveness of Castle's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JWT & Associates, LLP

Fresno, California
October 26, 2023

JWT & Associates, LLP

Advisory Assurance Tax

1111 E. Herndon Avenue, Suite 211, Fresno, CA 93720
Phone (559) 431-7708 Fax (559) 431-7685

Report on Compliance for Each Major Federal Program And Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Castle Family Health Centers, Inc.
Atwater, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Castle Family Health Centers, Inc.'s (Castle) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Castle's major federal programs for the year ended June 30, 2023. Castle's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Castle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Castle's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Castle's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Castle's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Castle's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Castle's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

JWT & Associates, LLP

Fresno, California
October 26, 2023

Castle Family Health Centers, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified			
Internal Control over Financial Reporting: Material weakness identified?	____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	____	Yes	X	No
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs: Material weakness identified?	____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	____	Yes	X	No
Type of auditor's report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.5165(a)?	____	Yes	X	No

Major Programs	AL Number
ACA Grants for New and Expanded Services Under the Health Center Program	93.527
Dollar threshold used to distinguish Types A and B programs	$ 750,000

Auditee qualified as a low-risk auditee?	X	Yes	____	No

II. Current Year Audit Findings and Questioned Costs

Financial Statement Findings: None Reported

Federal Award Findings and Questioned Costs: None Reported

III. Prior Year Audit Findings and Questioned Costs

Financial Statement Findings: None Reported

Federal Award Findings and Questioned Costs: None Reported

CASTLE FAMILY HEALTH CENTERS, INC.

Atwater, California

Financial Statements and
Independent Auditor's Report

For the Year Ended June 30, 2022 and 2021

CASTLE FAMILY HEALTH CENTERS, INC.

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Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Castle Family Health Centers, Inc.
Atwater, California

Opinion

We have audited the accompanying financial statements of Castle Family Health Centers, Inc. (CFHC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CFHC as of June 30, 2022, and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFHC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CFHC ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

1013 North California Street, Stockton, California 95202 • (209) 466-3894 • Fax (209) 466-5545

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFHC internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CFHC ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022, on our consideration of CFHC internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CFHC 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 CFHC internal control over financial reporting and compliance.

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.
Stockton, CA
October 18, 2022

CASTLE FAMILY HEALTH CENTERS, INC
Statement of Financial Position
June 30, 2022 and 2021

	June 30, 2022	June 30, 2021
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)	$ 10,890,847	$ 8,129,484
Patient accounts receivable, net of allowances (Note 3)	2,056,564	3,181,265
Other receivables (Note 4)	806,998	640,525
Assets limited as to use	585,520	911,126
Supplies	157,326	163,777
Prepaid expenses and deposits	135,505	359,259
Total current assets	14,632,760	13,385,436
Capital assets, net of accumulated depreciation (Note 5)	8,016,773	8,273,586
Total Assets	$ 22,649,533	$ 21,659,022
Liabilities and Net Position		
Current Liabilities:		
Current maturities of long-term debt (Note 7)	$ 87,635	$ 73,061
Accounts payable and accrued expenses	513,353	518,611
Accrued payroll and related liabilities	1,326,432	1,340,462
Deferred Revenue (Note 9)	585,520	911,126
Due to third-party payors	2,598,111	2,858,708
Total Current Liabilities	5,111,051	5,701,968
Non-current Liabilities:		
SBA PPP Loan (Note 7)	-	2,000,000
Debt borrowings, net of current maturities (Note 7)	4,147,901	4,359,179
Total Non-current Liabilities	4,147,901	6,359,179
Total Liabilities	9,258,952	12,061,147
Net assets:		
Net assets with donor restrictions (Note 11)	-	2,000,000
Net assets without donor restrictions	13,390,581	7,597,875
Total net assets	13,390,581	9,597,875
Total liabilities and net assets	$ 22,649,533	$ 21,659,022

See accompanying notes and auditor's report.

CASTLE FAMILY HEALTH CENTERS, INC
Statement of Activities
Years Ended June 30, 2022 and 2021

	Year Ended June 30	
	2022	2021
Operating Revenues		
Net patient service revenue	$ 22,235,830	$ 22,619,949
Grants revenue	3,043,507	1,209,850
Other operating revenue	3,501,708	3,460,003
Total operating revenues	28,781,045	27,289,802
Operating Expenses		
Salaries and wages	12,914,122	13,025,765
Employee benefits	3,457,503	3,387,425
Professional fees	3,150,729	2,902,823
Purchased services	2,029,367	1,811,309
Supplies	1,891,400	2,208,754
Repairs and maintenance	43,951	65,060
Utilities	28,707	31,581
Rental and lease	1,291,592	1,271,831
Depreciation and amortization	875,541	738,895
Insurance	556,056	486,721
Other operating expenses	373,898	240,699
Total operating expenses	26,612,866	26,170,863
Excess (deficit) of revenues over expenses	2,168,179	1,118,939
Non-operating revenues		
PPP loan forgiveness	2,000,000	2,309,350
Sale of asset	-	35,000
Interest Expense	(248,552)	(200,799)
Other non-operating revenue	120,397	165,831
Other non-operating expenses	(247,318)	(18,084)
Total non-operating revenues	1,624,527	2,291,298
Increase (decrease) in net assets without donor restriction	3,792,706	3,410,237
Net assets at beginning of the year	9,597,875	6,187,638
Net assets at end of the year	$ 13,390,581	$ 9,597,875

See accompanying notes and auditor's report

CASTLE FAMILY HEALTH CENTERS, INC
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	Year Ended June 30	
	2022	2021
Cash Flows from Operating Activities:		
Excess of revenues over expenses (expenses over revenues)	$ 2,168,179	$ 1,118,939
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and amortization	834,887	738,895
Changes in :		
Accounts Receivable	1,124,701	(1,435,462)
Other Receivable	(166,473)	(397,511)
Inventory	6,451	(8,594)
Prepaid Expenses	223,754	(119,488)
Accounts Payable and accrued expenses	(5,258)	88,735
Accrued payroll and related costs	(14,030)	226,507
Due to third-party payors	(260,597)	1,254,981
Net cash provided by (used) in operating activities	3,911,614	1,467,002
Cash Flows from Investing Activities:		
Purchase of property, buildings and equipment	(578,074)	(259,979)
Sale of assets proceeds	-	35,000
Other non-operating revenue	(126,921)	147,747
Net cash provided by (used) in investing activities	(704,995)	(77,232)
Cash Flows from Financing Activities:		
Net change in assets whose use is limited	325,606	(160,398)
Net change in deferred revenue	(325,606)	160,398
Net change capital lease	(59,975)	55,805
Proceeds from SBA PPP loan	-	2,000,000
Interest payments on debt borrowings	(248,552)	(200,799)
Principal payments on debt borrowings	(136,729)	(144,880)
Net cash provided by (used for) capital and related financing activities	(445,256)	1,710,126
Net increase in cash and cash equivalents	2,761,363	3,099,896
Cash and cash equivalents at beginning of year	8,129,484	5,029,588
Cash and cash equivalents at end of year	$ 10,890,847	$ 8,129,484

See accompanying notes and auditor's report

NOTE 1 – DESCRIPTON OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Castle Family Health Centers, Inc. (CFHC), is a non-for-profit corporation organized under the laws of the State of California for the purpose of providing comprehensive outpatient health services to a largely medically underserved population. Castle Family Health Center, Inc. (CFHC was formed in November 2008 and commenced operations in July 2010. CFHC received Federally Qualified Health Center Look-Alike status in 2010. CFHC provides primary medical care and other supportive health services at three clinic locations in Merced County, CFHC is committed to addressing the special needs of the community medically under-served and migrant population.

Presentation: The accounting policies and financial statement of CFHC generally conform with the recommendations of the audit and accounting guide, Health Care Organizations, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). For purpose of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operational revenue and expenses.

Basis of Accounting: These financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CFHC and changes therein are classified are reported as follows:

Net assets without donor restrictions: Net assets that are currently available for use and are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of CFHC and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from donor restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

NOTE 1 – DESCRIPTON OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents: For purposes of the statement of cash flows, CFHC considers all highly liquid investments with a maturity of three months or less when purchase to be cash equivalents. CFHC maintains its cash balance in several financial institutions located in Central California.

Assets Whose Use is Limited – Assets whose use is limited consists of funds received from grantors which are held for specific projects as authorized per the grant agreements.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and self-pay patients. CFHC manages it's receivable by regularly reviewing the accounts, inquiring with respective payors as to collectability and providing for allowances on the accounting records of CFHC for estimated contractual adjustments and doubtful self-pay accounts.

Supplies: Pharmacy and medical supplies are stated at the lower of cost or market as determined by the first-in, first-out method.

P*roperty, Buildings and Equipment*: Property, building and equipment acquisitions are recorded at cost. Depreciation is computed on the straight-line method over the estimated lives of the depreciable assets as follows:

Building and building improvements	25 years
Equipment, furniture, and fixtures	3-7 years

Property acquired with federal grants supported funds is considered to be owned by the Clinic while used in the program for which it was purchased or in the other authorized programs. However, the federal government has a reversionary interest in the property equal to the federal share of the grant to which the acquisition cost of the property was charged.

Construction in Progress: Construction in progress is recorded at cost and includes capitalization of construction costs, real estate taxes, insurance, and interest. Depreciation is recorded when construction is complete, and the asset is placed in service.

Compensated Absence: CFHC's employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However,

NOTE 1 – DESCRIPTON OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liability as of June 30, 2022 and 2021 is $482,526 and $522,856, respectively.

Estimated Third-party Payor Settlements – Third-party settlements represents estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. CFHC has recorded an estimated liability of $2,598,111 and $2,858,708 as of June 30, 2022 and 2021, respectively.

Sliding Fee Scale – CFHC provides care to patients who meet certain criteria under its sliding fee policy without charge or at amounts less than its established rates. Because CFHC does not pursue collection of amounts determined to qualify as sliding fee care they are not reported to revenue.

Charity Care – CFHC provides healthcare services to patients who meet certain criteria under its charity care policy. CFHC has established a sliding fee schedule policy based on the Federal Poverty Level guidelines for patients that qualify. CFHC charges a nominal fee to all such patients.

Revenue Recognition: Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and other for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at patient services revenue, net.

MediCal and Medicare revenues is reimbursed to CFHC at the net reimbursement rates as determined by each program's cost report. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustment for such revisions is recognized in the fiscal year incurred.

Grants and contracts awards for the acquisition of long-lived assets are reported as unrestricted revenues and other support, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets were acquired. Cash received in excess of revenues recognized is recorded as deferred revenue.

Contributions, including government grants and contracts, are reported as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net

NOTE 1 – DESCRIPTON OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assets are reported in the statement of operations and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

Third-Party Payors: CFHC has agreements with third-party payors that provide for reimbursement to CFHC at amounts different from its established rates. Contractual adjustments and allowances under third-party reimbursement program represents the difference between CFHC's established rates for services and amounts reimbursed by third-party payors. Services rendered to Medicare to Medi-Cal program beneficiaries are paid based upon a contracted rate. CFHC is paid at tentative rate, with final settlement determined after submission of annual cost reports by CFHC and an audit of the cost report by the fiscal intermediary. Revenues recorded under the Medicare and Medi-Cal programs are subject to an audit and retroactive adjustments by the administrators of the programs to arrive at the reimbursable cost of the services provided. In the opinion of CFHC, adequate provision has been made for a retroactive adjustment that may result from such audits.

Income taxes: CFHC is a non-for-profit corporation and has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the State of California Revenue and Taxation Code by the IRS and Franchise Tax Board, respectively. Thus, no provision for income taxes is included in the accompanying financial statements. CFHC has adopted the accounting guidance for accounting for uncertainty in income taxes. CFHC is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated its material tax positions and determined that there are no income tax effects with respect to its financial statements. CFHS's return are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Excess of revenues over expenses: The statements of operations contain excess of revenues over expense. Changes in net assets without donor restriction which are excluded from excess of revenues over expenses, consist with industry practice, include contributions or grants of long-lived assets, including assets acquired using contributions or grants which by donor or granting agency restriction are to be used for the purpose of acquiring such assets and unrealized gains and losses on investments other than trading securities.

Reclassifications: Certain financial statement amounts are presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE 2- INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

CFHC regularly monitors the availability of resources to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. CFHC has various sources of liquidity at its disposal, including cash and cash equivalents investments, and various receivable. For purposes of analyzing resources available to meet general expenditures over a 12-month period, CFHC considers all expenditures related to its ongoing activities of providing healthcare-related services as well as the conduct of services undertaken to support those activities to be general expenditures.

CFHC strives to maintain liquid financial assets sufficient to cover 30 days of general expenditures. CFHS's policy is that 50% or less of its cash on hand is invested in investment instruments with maturities of 3-6 months and less than 10% in instruments with 9-12 months maturities with minimal risk exposure to principal balances. The following table reflects CFHC's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

	2022	2021
Cash and cash equivalents	$ 10,890,847	$ 8,129,484
Patients accounts receivable, net of allowances	2,056,564	3,181,265
Other receivables	806,998	640,525
Assets whose use is limited	585,520	911,126
	14,339,929	12,862,400
Deferred Revenue	(585,520)	(911,126)
Financial assets available to meet cash needs for general expenditures within one year	$ 13,754,409	$ 11,951,274

In addition to financial assets available to meet general expenditures over the next 12 months, CFHC operates with a balanced budget and anticipates collecting sufficient patient services revenue to cover general expenditures not covered by grants or donor-restricted resources. Refer to the statement of cash flows which identifies the sources and used of CFHC's cash and shows positive cash generated by operations for fiscal years 2022 and 2021.

NOTE 3- PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK

Medicare: Medical services rendered to Medicare program beneficiaries are paid under a cost-based reimbursement system. CFHC is reimbursed at a tentative ("interim") rate, with final settlement determined after submission of an annual cost report by CFHC and audit thereof by the fiscal intermediary. In the opinion of management, any final settlement of the associated cost reports will not materially affect the financial statement of CFHC.

***Medi-Cal*:** Medical and dental services rendered to Medi-Cal beneficiaries are paid under a Prospective Payment System, using rates established by CFHC's cost reports filed under the cost-based reimbursement system. These rates are adjusted annually according to changes in the Medi-Care Economic Index and any approved changes in CFHC's scope of service. CFHC is required to file a payment reconciliation report with the state each year. In the opinion of management, any reconciliation settlement of the payment reconciliation will not materially affect the financial statements of CFHC.

CFHC grants credit without collateral to its patients, most of whom are local residents and insured under third-party payors. The Patient accounts receivable balances as of June 30, 2022 and 2021 are as follows:

	2022	2021
Medicare	$ 666,737	$ 759,913
Medi-Cal	2,462,374	2,554,734
Other third party payors	400,811	1,062,794
Self pay and other	86,549	454,967
Gross patient accounts receivable	3,616,471	4,832,408
Less allowances for contractual adjustments & bad debts	(1,559,906)	(1,651,143)
Net patient accounts receivable	$ 2,056,565	$ 3,181,265

CFHC maintains its cash balances with various financial institutions. Accounts with each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

NOTE 4 – OTHER RECEIVABLES

Other receivables are comprised of the following as of June 30, 2022 and 2021:

	2022	2021
340B Program	$ 721,907	$ 591,319
Due from Bloss	77,987	38,204
Grants receivable	6,899	-
Other	205	11,002
Total	$ 806,998	$ 640,525

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022 and 2021 are comprised of the following:

	2022	2021
Land and land improvements	$ 535,782	$ 535,782
Building and improvements	7,586,233	7,586,023
Equipment and furnitures	4,140,294	3,562,431
Total	12,262,309	11,684,236
Less accumulated depreciation	(4,245,536)	(3,410,650)
Total Propery and equipment, net	$ 8,016,773	$ 8,273,586

NOTE 6 – PENSION PLAN

CFHC has a defined contribution plan (403(b) plan) that covers employees who meet certain eligibility requirements. Contributions are made throughout the year up to certain legal limits of eligible salary for participants. At the discretion of the Board of Directors, CFHC may also make additional matching and/or discretionary contributions during the year. There were employer contributions totaling $361,249 and $281,043 made for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 – LONG-TERM DEBT

Long-term debt as of June 30, 2022 and 2021 is summarized as follows:

	2022	2021
Note payable to a bank, originally amount of $4,400,000, bearing interest at 4.298%, principal and interest payable monthly in the amount of $45,600, maturing in October 2029, secured by property, building and improvements.	$ 4,022,211	$ 4,173,514
Loan payable to BBVA, USA, orginal amount of $2,000,000, prinicipal and interest (1%) payable monthly maturity in April 2026. The second PPP loan from Small Business Administration (SBA) to help business during COVID-19 pandemic.	-	2,000,000
Various note payable to finance companies, interest rates ranging from 3.0% to 8.6% per annum, monthly principal and interest payemnts at varous amounts per agreements, maturing through in June 2026, secured by equipment.	213,325	258,726
Total debt borrowings	4,235,536	6,432,240
Less current maturities	(527,866)	(258,840)
Debt borrowings, net of current maturities	$ 3,707,670	$ 6,173,400

The future principal payments required under existing debt, by years is as follows:

2023	527,866
2024	516,787
2025	510,645
thereafter,	2,680,436

The second PPP loan of $2,000,000 was received in March 2021, from Small Business Administration to keep business open and giving employees' salaries and benefits that they are entitled to. The loan has potential to become a grant after the CFHC's can demonstrate the funds were used to keep business open and to pay employee salaries and their benefits. CFHC have received full loan forgiveness approval from the Small Business Administration on March 25, 2022.

NOTE 8 – FUNCTIONAL EXPENSES

CFHC provides healthcare services primarily to residents within its geographic area. The financial report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, insurance, supplies, communications and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Expenses for the years ended June 30, 2022 and 2021, as follows:

Program Services	**2022**	**2021**
Salaries and wages	$ 11,574,893	$ 11,038,393
Employee benefits	2,801,482	2,506,061
Professional fees	2,926,731	2,477,938
Supplies	1,711,739	2,088,787
Purchased services	1,174,574	1,265,785
Depreciation	624,596	468,447
Rental and lease	1,253,360	1,234,433
Utilities	28,707	31,581
Insurance	435,464	412,575
Other expenses	263,877	183,974
Total Program Expenses	$ 22,795,423	$ 21,707,974

General and administrative	**2022**	**2021**
Salaries and wages	1,339,230	1,987,372
Employee benefits	656,021	881,364
Professional fees	223,998	424,885
Supplies	179,661	119,967
Purchased services	898,744	610,583
Depreciation	250,945	270,448
Rental and lease	38,232	37,398
Insurance	120,592	74,147
Other expenses	358,572	275,606
Total General & administrative	4,065,995	4,681,770
Total Functional Classification of Expenses	$ 26,861,418	$ 26,389,744

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Contracted Services: CFHC has contracted with various funding agencies to perform certain healthcare services and receives Medicaid and Medicare revenue from the state and federal governments. Reimbursement received under these contracts and payments under Medicaid and Medicare are subject to audit by Federal and State governments and other agencies. Upon audit, if discrepancies are discovered, CFHC could be held responsible for reimbursing agencies for the amounts in questions.

Malpractice Insurance: CFHC, including officers, governing board members, employees, and contractors who are physicians or other licensed certified healthcare practitioners, are covered under the Federal Tort Claims Act (FTCA). FTCA provides malpractice coverage to eligible PHS supported programs and applies to CFHC while providing services included under grant related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. CFHC maintains gap coverage for claims that are not covered by FTSA. There are no known claims or incidents that may result in the assertion of additional claims as of the date of this report.

Operating Lease: CFHC leases various equipment and facilities under operating lease expiring at various dates through 2024. Future minimum lease payments for the succeeding five years under these committed lease agreements is approximately $1,256,195 in 2023; and $1,292,750 in 2024. Rent expense was $1,291,592 and $1,271,831 for the years ended June 30, 2022 and 2021, respectively.

Litigation: CFHC may from time-to-time be involved in litigation and regulatory investigations, which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2022 will be resolved without material adverse effect on CFHC's future financial positions, results from operations or cash flows.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or un-asserted at this time.

These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past

NOTE 9 – COMMITMENTS AND CONTINGENCIES (continued)

reimbursement for patient service received. While CFHC is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have any adverse effect on CFHC's financial position.

Grant Funding: Continuing program funding from federal and state sources is contingent upon availability of funds and projects performance. The funds are awarded on a yearly basis upon receipt and approval of program applications. In addition, expenses made under federal and state grants are subject to review and audit by the grantor agencies. CFHC received grants revenue from the various grants in the amount of $3,043,507 and $1,209,850 for the fiscal year ending June 30, 2022, and 2021, respectively.

Risks and Uncertainties: Medi-Cal and Medicare have the authority to audit CFHC's records anytime within a three-year period after the date CFHC receives final notice of program reimbursement for each cost reporting period. The periods from January 2011 through June 30, 2022 remain open to examination. Any adjustments resulting from the audit process could retroactively adjust revenues.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be complaint with the provisions outlined in the regulations. Management continues to evaluate the impact of this legislation on its operations including future financial commitments that will be required.

Deferred Revenue: CFHC has received funds in the form of grants, which are subject to review and audit by the grantor agencies. Additionally, funds received in advance for their corresponding expenditures are considered to be refundable until such expenditure is incurred. Revenue recognition is also deferred until expenditures are realized. Deferred revenues in this category for the years ended June 30, 2022 and 2021 amounted to $585,520 and $911,126, respectively. There was no deferred revenue related to Federal funds as of the year ended June 30, 2022.

NOTE 10 – DISCLOSURE ABOUT FAIR VALUE OF ASSETS

FASB ASC Topic 820, Fair Value Measurement and Disclosures (ASC 820) provide a framework for measuring fair value under U.S. generally accepted accounting principles. That framework provides a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NOTE 10 – DISCLOSURE ABOUT FAIR VALUE OF ASSETS (continued)

The following provides a general description of the three levels of inputs that may be used to measure fair value under ASC 820:

Level 1 Quoted prices in active markets for identical assets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in market that are not active; or other inputs that are observable or can be corroborated by observable market date of substantially the full term of the assets.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Pursuant to ASC 820, CFHC's investments are classified within Level 1 and Level 2 of the fair value hierarchy. The types of securities valued based on Level 1 input include money market securities. The following table presents financial instruments measure at fair value on a recurring basis in accordance with ASC 820 as of June 30, 2022 and 2021.

2022

	Fair Value Measurement Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Mutal Funds	$ 952,331			$ 952,331
	$ 952,331	$ -	$ -	$ 952,331

2021

	Fair Value Measurement Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Interest Bearing Accounts	$ 509,569	$ -	$ -	$ 509,569
Mutal Funds	613,217			613,217
	$ 1,122,786	$ -	$ -	$ 1,122,786

NOTE 10 – DISCLOSURE ABOUT FAIR VALUE OF ASSETS (continued)

The carrying amounts reported in the balance sheets for other financial assets and liabilities that are not measured at fair value on a recurring basis including patient accounts receivable, grant and other receivables, settlements receivables, accounts payable, accrued payroll and other expenses, deferred revenue, long term debt, and estimated third party liabilities approximate fair value.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

FY 2022 - The Castle Family Healthcare Centers, Inc does not have any net assets with donor restrictions. The CFHC received a full loan forgiveness approval from Small Business Administration on March 25, 2022. Therefore, a loan of $2,000,000 with restrictions was recorded as non-operating revenue during the year.

FY 2021 - The Castle Family Healthcare Centers, Inc has received second loan from Small Business Administration in the amount of $2,000,000, to keep business open and giving employees' salaries and benefits that they are entitled to. The loan has potential to become a grant after the CFHC's can demonstrate the funds were used to keep business open and to pay employee salaries and their benefits. The funds are restricted to use for employees' wages and benefits, utilities, and rents.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued, on October 18, 2022.

CASTLE FAMILY HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022

Federal Grantor Program or Cluster Title	Federal ALN	Award Number		Total Federal Expenditures
Department of Health And Human Services				
Direct Programs				
Health Center Cluster:				
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Care Program				
Health Care Related Equipments & Supplies	93.527	L2CCS42385-01-00	$	478,364
Operating	93.527	L2CCS42385-01-00		1,920,465
Subtotal Health Center Cluster Direct Programs				2,398,829
Total Department of Health And Human Services				2,398,829
Total Expenditures of Federal Awards			$	2,398,829

Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S 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*

To the Board of Directors of
Castle Family Health Centers, Inc.

Atwater, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Castle Family Health Centers, Inc (CFHC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CFHC 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 CFHC internal control. Accordingly, we do not express an opinion on the effectiveness of CFHC internal control.

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

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

1013 North California Street, Stockton, California 95202 • (209) 466-3894 • Fax (209) 466-5545

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.

Stockton, California

October 18, 2022

Exhibit E

Internally Prepared Financial

Statements YTD 11-Month Ended

5/31/2026

CASTLE FAMILY HEALTH CENTERS

DETAILED BALANCE SHEET

	CURRENT 05/31/2026	PRIOR 05/31/2025	$ CHANGE	% CHANGE
Assets				
CURRENT:				
CASH AND EQUIVALENTS				
PNC GEN CHECKING-Finance	$6,913,447.44	$21,326,634.19	($14,413,186.75)	(67.58%)
PNC SPECIALFUND CHECKING-Finance	$55,779.17	$55,779.17	$0.00	0.00%
PNC JOINT REDDY CFHC-Finance	$17.95	$17.95	$0.00	0.00%
PNC JOINT PROVIDER-Finance	$154.69	$12,060.47	($11,905.78)	(98.72%)
PNC PAYROLL ACCOUNT-Finance	$9,388.14	$9,909.28	($521.14)	(5.26%)
PETTY CASH-Finance	$2,000.00	$2,000.00	$0.00	0.00%
LPL INVESTMENT-Finance	$1,383,259.97	$1,127,908.41	$255,351.56	22.64%
LPL INVESTMENT GROWTH-Finance	$178,973.12	$157,413.96	$21,559.16	13.70%
LPL TREASURY-Finance	$2,607,957.60	$2,515,202.69	$92,754.91	3.69%
CHANGE FUNDS-Finance	$7,300.00	$6,900.00	$400.00	5.80%
WELLS FARGO SWAP ACCOUNT	$15,152,962.45	$0.00	$15,152,962.45	0.00%
Wells General Checking	$826,986.69	$0.00	$826,986.69	0.00%
Total CASH AND EQUIVALENTS	**$27,138,227.22**	**$25,213,826.12**	**$1,924,401.10**	**7.63%**
PATIENT ACCOUNTS RECEIVABL				
A/R BAD DEBT NEXTGEN-Finance	$2,297,375.61	$1,973,465.73	$323,909.88	16.41%
MEDICARE-Finance	$1,378,541.06	$1,163,350.00	$215,191.06	18.50%
MEDI-CAL-Finance	$3,303,274.81	$3,675,987.79	($372,712.98)	(10.14%)
INSURANCE-Finance	$1,574,285.59	$1,084,185.10	$490,100.49	45.20%
SELF PAY-Finance	$283,567.69	$194,855.01	$88,712.68	45.53%
CASH CLEARING-Finance	($426.30)	($1,516.95)	$1,090.65	(71.90%)
PT REFUND CLRNG-Finance	$382.24	$221.00	$161.24	72.96%
Total PATIENT ACCOUNTS RECE	**$8,837,000.70**	**$8,090,547.68**	**$746,453.02**	**9.23%**
ALLOWANCES				
ALLOWANCE- B. D. NEXTGEN-Finance	($2,297,375.61)	($1,973,465.73)	($323,909.88)	16.41%
ALLOWANCE - MEDICARE-Finance	($982,210.51)	($828,886.87)	($153,323.64)	18.50%
ALLOWANCE - MEDI-CAL-Finance	($2,659,415.58)	($3,254,038.56)	$594,622.98	(18.27%)
ALLOWANCE - INSURANCE-Finance	($1,262,262.19)	($869,299.61)	($392,962.58)	45.20%
ALLOWANCE - SELF PAY-Finance	($222,090.21)	($152,610.44)	($69,479.77)	45.53%
Total ALLOWANCES	**($7,423,354.10)**	**($7,078,301.21)**	**($345,052.89)**	**4.87%**
OTHER ACCOUNTS RECEIVABLE				
VERITY RECEIVABLE-Finance	$45,427.73	$62,380.67	($16,952.94)	(27.18%)
RENT RECEIVABLE-Finance	$0.00	$4,800.00	($4,800.00)	(100.00%)
OTHER ACCOUNTS RECEIVABLE-Finance	$0.00	$4,000.00	($4,000.00)	(100.00%)
340B WALGREENS-Finance	$29,750.51	$92,756.54	($63,006.03)	(67.93%)
340B WELLPARTNER-Finance	$137,817.54	$32,327.35	$105,490.19	326.32%
Total OTHER ACCOUNTS RECEIV	**$212,995.78**	**$196,264.56**	**$16,731.22**	**8.52%**
INVENTORY				
INVENTORY-Finance	$128,957.84	$178,381.18	($49,423.34)	(27.71%)

CASTLE FAMILY HEALTH CENTERS

DETAILED BALANCE SHEET

	CURRENT 05/31/2026	PRIOR 05/31/2025	$ CHANGE	% CHANGE
OPTICAL - FRAMES-Finance	$42,909.31	$45,258.21	($2,348.90)	(5.19%)
tax on Inventory	$0.00	$12.26	($12.26)	(100.00%)
Total INVENTORY	**$171,867.15**	**$223,651.65**	**($51,784.50)**	**(23.15%)**
PREPAID EXPENSES AND DEPOS				
PREPAID INSURANCE-Finance	$20,638.24	$18,315.50	$2,322.74	12.68%
PREPAID EXPENSE MANUAL-Finance	$91,094.91	$95,853.58	($4,758.67)	(4.96%)
PREPAID SUPPLIES	$12,006.97	$0.00	$12,006.97	0.00%
Total PREPAID EXPENSES AND I	**$123,740.12**	**$114,169.08**	**$9,571.04**	**8.38%**
TOTAL CURRENT ASSETS	**$29,060,476.87**	**$26,760,157.88**	**$2,300,318.99**	**8.60%**
NON CURRENT ASSETS:				
PROPERTY PLANT & EQUIPMEN				
LAND-Finance	$3,185,422.00	$783,485.84	$2,401,936.16	306.57%
BUILDING AND IMPROVEMENTS-Financ	$84,824.12	$84,824.12	$0.00	0.00%
ATWATER BUILDING & IMPROV	$1,026,060.00	$1,026,060.00	$0.00	0.00%
New Construction in Progress	$495,562.16	$0.00	$495,562.16	0.00%
WINTON BUILDING AND IMPROVEMEN	$7,516,387.65	$7,506,981.28	$9,406.37	0.13%
EQUIPMENT - MINOR-Finance	$891,473.74	$891,473.74	$0.00	0.00%
CFHC EQUIPMENT - MAJOR MOVABLE-F	$1,362,331.71	$1,299,040.75	$63,290.96	4.87%
WINTON-MAJOR MOVABLE-Finance	$636,567.80	$636,567.80	$0.00	0.00%
COMPUTER SOFTWARE -Finance	$106,974.24	$92,181.98	$14,792.26	16.05%
ELECTRONIC MEDICAL RECORD-Finance	$931,130.35	$931,130.35	$0.00	0.00%
ATWATER EQUIPMENT-MAJOR MOVABL	$59,429.25	$59,429.25	$0.00	0.00%
WINTON-EQUIPMENT MINOR-Finance	$200,013.71	$200,013.71	$0.00	0.00%
ARP HRSA GRANT EQUIP	$499,791.15	$499,791.15	$0.00	0.00%
Total PROPERTY PLANT & EQUI	**$16,995,967.88**	**$14,010,979.97**	**$2,984,987.91**	**21.30%**
ACCUMULATED DEPRECIATION				
ACCUM DEPREC - BLDGS & IMPROV-Fin	($1,432,576.50)	($1,378,434.33)	($54,142.17)	3.93%
ACCUM DEPEREC - MAJOR-Finance	($4,865,791.96)	($4,305,463.80)	($560,328.16)	13.01%
ACCUM DEPREC -MINOR EQUIPMENT-F	($1,058,619.23)	($992,650.61)	($65,968.62)	6.65%
Total ACCUMULATED DEPRECIA	**($7,356,987.69)**	**($6,676,548.74)**	**($680,438.95)**	**10.19%**
Total	$9,638,980.19	$7,334,431.23	$2,304,548.96	31.42%
Total Assets	**$38,699,457.06**	**$34,094,589.11**	**$4,604,867.95**	**13.51%**
LIABILITIES AND FUND BALANCE				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE				
ACCOUNTS PAYABLE	$47,743.43	($56,218.16)	$103,961.59	(184.93%)
ACCOUNTS PAYABLE - ACCRUALS-Finan	$167,154.88	$192,555.31	($25,400.43)	(13.19%)
ACCRUED MORTGAGE INTEREST PAYAB	$13,735.86	$13,514.80	$221.06	1.64%

CASTLE FAMILY HEALTH CENTERS

DETAILED BALANCE SHEET

	CURRENT 05/31/2026	PRIOR 05/31/2025	$ CHANGE	% CHANGE
ACCRUED PROFESSIONAL FEES-Finance	$17,075.00	$14,125.00	$2,950.00	20.89%
ACCOUNTS PAYABLE OTHER-Finance	$526,801.74	$283,291.78	$243,509.96	85.96%
PAGA CLAIM ACCRUAL -Finance	$44,818.76	$674,649.56	($629,830.80)	(93.36%)
CCAH CARE BASE ACCRUAL-Finance	$677,139.04	$569,047.00	$108,092.04	19.00%
340B VERITY-Finance	$10,164.42	$20,524.00	($10,359.58)	(50.48%)
340B - WALGREENS	$34,457.00	$0.00	$34,457.00	0.00%
340B WELLPARTNER - MCKESSON-Finan	$84,130.97	$41,120.53	$43,010.44	104.60%
Total ACCOUNTS PAYABLE	**$1,623,221.10**	**$1,752,609.82**	**($129,388.72)**	**(7.38%)**
ACCRUED PAYROLL				
Accrued Salary and Wages	$545,270.61	$609,165.92	($63,895.31)	(10.49%)
Accrued Vacation	$636,688.75	$683,127.24	($46,438.49)	(6.80%)
Accrued Fica Payable	$39,850.80	$44,666.33	($4,815.53)	(10.78%)
403B Accrued Pension Plan	$137,691.69	$454,256.15	($316,564.46)	(69.69%)
Accrued Christmas Club Cash	$122,289.49	$108,851.25	$13,438.24	12.35%
Other Payroll Payables	$21,605.84	$12,982.49	$8,623.35	66.42%
457B Accrued Pension Plan	$164,347.32	$151,546.51	$12,800.81	8.45%
Total ACCRUED PAYROLL	**$1,667,744.50**	**$2,064,595.89**	**($396,851.39)**	**(19.22%)**
OTHER CURRENT LIABILITIES				
Deferred Revenue 340B	$317,427.21	$254,742.56	$62,684.65	24.61%
Deferred Revenue LHE Health Grant	$10,000.00	$23,905.41	($13,905.41)	(58.17%)
Deferred Revenue CCAH Provid Grant	$26,401.64	$20,760.46	$5,641.18	27.17%
Deferred Revenue CCAH WORKFORCE G	$284,191.47	$279,411.90	$4,779.57	1.71%
DEFFERED REV CCAH CAPTIAL GRANT	$777,334.30	$0.00	$777,334.30	0.00%
DEFFERED REV LHE PROGRAM GRANT	$73,000.00	$163,309.47	($90,309.47)	(55.30%)
Current Portion - Long-Term Loans	$35,168.45	$37,908.03	($2,739.58)	(7.23%)
Total OTHER CURRENT LIABILIT	**$1,523,523.07**	**$780,037.83**	**$743,485.24**	**95.31%**
Total CURRENT LIABILITIES	**$4,814,488.67**	**$4,597,243.54**	**$217,245.13**	**4.73%**
LONG TERM LIABILITIES:				
Due to/FROM Medical	$9,772,429.75	$7,005,116.43	$2,767,313.32	39.50%
Construction Loan payable	$3,363,209.40	$3,541,734.85	($178,525.45)	(5.04%)
Capital leases	$38,281.54	$85,230.40	($46,948.86)	(55.08%)
DUE TO/FROM MEDICARE	$0.00	$512,306.29	($512,306.29)	(100.00%)
STATE HELP II LOAN PAYABLE	$771,408.75	$808,918.36	($37,509.61)	(4.64%)
Total LONG TERM LIABILITIES	**$13,945,329.44**	**$11,953,306.33**	**$1,992,023.11**	**16.67%**
FUND BALANCE:				
Captial -CFHC	$9,597,874.73	$9,597,874.73	$0.00	0.00%
CURRENT YEAR NET INCOME (I	$10,341,764.22	$7,946,164.51	$2,395,599.71	30.15%
Total	$19,939,638.95	$17,544,039.24	$2,395,599.71	13.65%
Total FUND BALANCE	**$19,939,638.95**	**$17,544,039.24**	**$2,395,599.71**	**13.65%**

CASTLE FAMILY HEALTH CENTERS

DETAILED BALANCE SHEET

	CURRENT 05/31/2026	PRIOR 05/31/2025	$ CHANGE	% CHANGE
TOTAL LIABILITIES AND FUND BALAN	$38,699,457.06	$34,094,589.11	$4,604,867.95	13.51%
BEGINNING BALANCE WITH CURREN	$18,341,688.93	$16,164,249.87	$2,177,439.06	13.47%
NET SURPLUS/(DEFICIT)	$1,597,950.02	$1,379,789.37	$218,160.65	15.81%
ENDING NET ASSETS	$19,939,638.95	$17,544,039.24	$2,395,599.71	13.65%

Castle Family Health Centers, Inc.
SUMMARY INCOME STATEMENT
YTD PRIOR YEAR COMPARISON

	Actual 05/31/2026	PRIOR 05/31/2025	$ VARIANCE	% VARIANCE
Revenues				
PATIENT SERVICES REVENUE				
MEDICARE	$11,349,108.70	$9,593,912.33	$1,755,196.37	18.29%
MEDI-CAL	$47,936,082.76	$43,476,111.60	$4,459,971.16	10.26%
INSURANCE	$9,948,207.15	$7,947,986.39	$2,000,220.76	25.17%
SELF PAY/OTHER	$2,473,163.58	$1,936,918.49	$536,245.09	27.69%
Total	$71,706,562.19	$62,954,928.81	$8,751,633.38	13.90%
DEDUCTIONS FROM REVENUE				
MEDICARE	($9,969,990.94)	($8,343,630.69)	($1,626,360.25)	19.49%
MEDI-CAL	($25,786,661.37)	($19,046,568.64)	($6,740,092.73)	35.39%
INSURANCE	($6,778,087.44)	($5,352,161.89)	($1,425,925.55)	26.64%
OTHER / SELF	($861,988.57)	($623,482.12)	($238,506.45)	38.25%
Total	($43,396,728.32)	($33,365,843.34)	($10,030,884.98)	30.06%
Total Revenues	**$28,309,833.87**	**$29,589,085.47**	**($1,279,251.60)**	**(4.32%)**
OTHER REVENUES				
	$5,346,044.53	$4,312,848.91	$1,033,195.62	23.96%
Total	$5,346,044.53	$4,312,848.91	$1,033,195.62	23.96%
Total	$5,346,044.53	$4,312,848.91	$1,033,195.62	23.96%
Expenses				
SALARIES & WAGES	$13,785,053.48	$14,291,404.00	($506,350.52)	(3.54%)
Total	$13,785,053.48	$14,291,404.00	($506,350.52)	(3.54%)
EMPLOYEE BENIFITS	$3,487,918.90	$3,271,589.42	$216,329.48	6.61%
Total	$3,487,918.90	$3,271,589.42	$216,329.48	6.61%
PROFESSIONAL FEES	$4,745,752.93	$5,045,245.74	($299,492.81)	(5.94%)
Total	$4,745,752.93	$5,045,245.74	($299,492.81)	(5.94%)
SUPPLIES	$2,685,289.16	$2,983,873.46	($298,584.30)	(10.01%)
Total	$2,685,289.16	$2,983,873.46	($298,584.30)	(10.01%)
PURCHASED SERVICES	$4,356,231.33	$3,958,259.74	$397,971.59	10.05%
Total	$4,356,231.33	$3,958,259.74	$397,971.59	10.05%

Castle Family Health Centers, Inc.
SUMMARY INCOME STATEMENT
YTD PRIOR YEAR COMPARISON

	Actual 05/31/2026	PRIOR 05/31/2025	$ VARIANCE	% VARIANCE
DEPRECIATION	$621,787.88	$668,562.07	($46,774.19)	(7.00%)
Total	$621,787.88	$668,562.07	($46,774.19)	(7.00%)
RENTS & LEASES	$1,630,687.36	$1,430,085.64	$200,601.72	14.03%
Total	$1,630,687.36	$1,430,085.64	$200,601.72	14.03%
UTILITIES	$69,177.56	$66,972.66	$2,204.90	3.29%
Total	$69,177.56	$66,972.66	$2,204.90	3.29%
INSURANCE	$588,301.21	$528,782.80	$59,518.41	11.26%
Total	$588,301.21	$528,782.80	$59,518.41	11.26%
OTHER EXPENSES	$469,286.37	$503,725.40	($34,439.03)	(6.84%)
Total	$469,286.37	$503,725.40	($34,439.03)	(6.84%)
Total Expenses	**$32,439,486.18**	**$32,748,500.93**	**($309,014.75)**	**(0.94%)**
NON OPERATING REVENUE				
	$575,243.52	$355,120.39	$220,123.13	61.99%
Total	$575,243.52	$355,120.39	$220,123.13	61.99%
Total Gains	**$575,243.52**	**$355,120.39**	**$220,123.13**	**61.99%**
DONATIONS				
NON OPERATING DONATIONS.Finance	$1,000.00	$0.00	$1,000.00	0.00%
Total	$1,000.00	$0.00	$1,000.00	0.00%
NON OPERATING EXPENSE				
	$194,685.72	$128,764.47	$65,921.25	51.20%
Total	$194,685.72	$128,764.47	$65,921.25	51.20%
Total Losses	**$194,685.72**	**$128,764.47**	**$65,921.25**	**51.20%**
NET SURPLUS/(DEFICIT)	**$1,597,950.02**	**$1,379,789.37**	**$218,160.65**	**15.81%**

Exhibit F

Financial Feasibility Report

Financial Feasibility Study for Atwater Building B

08.21.2026

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PREPARED FOR

Castle Family Health Centers

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I. Introduction

The following financial overview was prepared to demonstrate Castle Family Health Centers' (CFHC's) financial capacity to support the proposed Atwater Building B expansion project, including the associated capital investment, related financing obligations, and the refinancing of CFHC's existing $3.7 million construction loan as part of the overall financing structure. The analysis also incorporates preliminary estimates of potential financing obligations associated with a larger flagship facility development, referred to as Patriotic Drive, in the later years of the forecast period. Planning for the Patriotic Drive project remains in the early stages, and key elements—including the timing, scope, financing structure, and ultimate development plan—have not yet been finalized. Operations for the site are anticipated to commence beyond the projection horizon and, as such, no operating impact has been incorporated into the forecast.

Castle Family Health Centers (CFHC) also recently received notification of a New Access Point (NAP) award, representing an important transition from FQHC Look-Alike status to becoming a federally funded Federally Qualified Health Center (FQHC). This designation is expected to have a meaningful positive financial impact on the organization. The award provides approximately $650,000 in recurring annual federal grant funding and enables CFHC to benefit from Federal Tort Claims Act (FTCA) coverage for eligible in-scope services. As a result, CFHC is expected to substantially reduce its reliance on commercial provider malpractice insurance, an expense that currently exceeds $500,000 annually. Collectively, these benefits strengthen CFHC's ongoing operating performance and financial position. The anticipated financial impact of the NAP award, including both the additional grant revenue and projected malpractice insurance savings, has been incorporated into the financial projections.

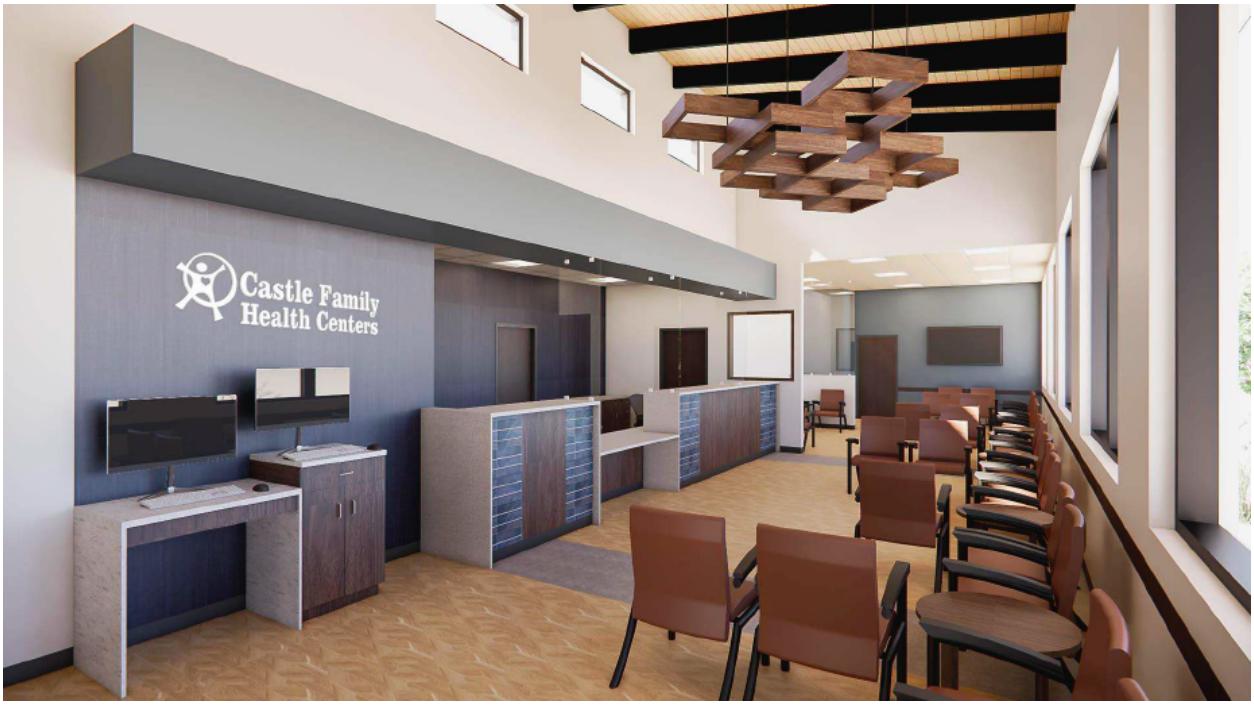
The Atwater Building B expansion represents a strategic investment aimed at expanding access to comprehensive healthcare services within the Atwater community while strengthening CFHC's long-term operational capacity. Similarly, the Patriotic Drive project reflects a long-term strategic initiative to reduce reliance on leased facilities, build organizational equity over time, and enhance the sustainability and protection of CFHC's service delivery infrastructure.

The Atwater Building B project is intended to modernize and expand clinical space, improve patient flow, enhance operational efficiency, and provide additional capacity to support future service expansion. The facility is designed to support integrated primary care delivery while creating flexibility for future growth in medical, dental, behavioral health, care management, and enabling services. In addition to supporting projected long-term growth, the expanded facility will help alleviate capacity constraints across CFHC's broader delivery system by accommodating overflow demand and improving access to care for existing and future patients.

The project reflects CFHC's continued investment in creating accessible, patient-centered healthcare environments that support high-quality care delivery and long-term community health needs. See Figure 1 for the Atwater Building B Exterior Rendering and Figure 2 for the Interior Rendering.

FIGURE 1: PROPOSED ATWATER BUILDING B EXTERIOR RENDERING

FIGURE 2: PROPOSED ATWATER BUILDING B INTERIOR RENDERING



The financial forecast appendices attached to this report contain projected financial statements and supporting schedules portraying the historical and forecasted financial profile of CFHC, including the expanded operational capacity associated with the proposed capital project.

Appendix 1 includes the projected balance sheet and related assumptions supporting the organization's projected asset, liability, liquidity, and equity position throughout the forecast period. Appendix 2 contains the projected income statement, including detailed revenue and

expense assumptions associated with projected operations, strategic initiatives, and anticipated policy impacts. Appendix 3 includes the projected statement of cash flows, reflecting operating cash generation, capital expenditures, financing activities, and projected liquidity trends. Appendix 4 summarizes key financial metrics and indicators, including debt service coverage, leverage ratios, liquidity measures, operating margin performance, and other financial benchmarks utilized to evaluate organizational financial capacity and long-term sustainability.

II. Historical Financial Analysis

Historical Financial Condition (Balance Sheet Review)

CASH POSITION & DAYS CASH ON HAND

Over the FY23–FY26 period, CFHC has steadily improved its liquidity levels, reporting 260 days cash on hand in the most recent audit (FY25) and 281 days projected in 2026, based on internal financial projections. See Table 1. Unrestricted cash and investments increased from approximately $14.1 million in FY23 to $24.9 million in FY25 and are projected to reach approximately $27.1 million in FY26. The increase in cash reserves is attributable to improved operating performance, including growth in patient service revenue associated with the implementation of an oral medication program and increased pharmacy revenues resulting from a Third-Party Administrator (TPA) relationship. These operational improvements contributed to stronger cash flow generation and are projected to remain stable through FY26.

TABLE 1: DAYS CASH ON HAND

Cash Position	2023	2024	2025	2026 Projected
Unrestricted Cash & Investments	$ 14,128,240	$ 17,958,618	$ 24,944,143	$ 27,138,227
Daily Operating Expense	$ 75,721	$ 81,405	$ 96,020	$ 96,417
Depreciation	$ 884,784	$ 877,667	$ 727,213	$ 678,314
Days Cash on Hand	**187**	**221**	**260**	**281**

ACCOUNTS RECEIVABLE (AR) & AR DAYS

CFHC's AR balance totaled approximately $1.3 million in FY25, representing 15 days in AR, compared to 30 days in FY23. See Table 2. This improvement was largely driven by a training initiative within the billing department in FY24, which yielded successful process improvement results. The organization has maintained relatively consistent AR performance over the review period, reflecting stable billing and collection processes despite anticipated increases in complexity associated with future Medi-Cal eligibility and enrollment changes. Variations in AR days are primarily attributable to timing of payer reimbursements and shifts in payer mix. Overall, CFHC's AR levels remain within an acceptable range for similarly sized community health centers.

TABLE 2: ACCOUNTS RECEIVABLE

Accounts Receivable	2023	2024	2025	2026 Projected*
Net Patient Accounts Receivable	$ 1,835,330	$ 1,158,546	$ 1,333,414	$ 1,413,647
Net Patient Service Revenue / 360	$ 60,279	$ 66,167	$ 90,217	$ 85,787
Days Net Patient Receivables	**30**	**18**	**15**	**16**

**As of May 2026*

ACCOUNTS PAYABLE (AP) & AP DAYS

AP totaled approximately $2.1 million in FY25, representing 47 days payable outstanding, compared to 28 days in FY23. See Table 3. CFHC has maintained a consistent approach to managing vendor obligations, balancing timely payments with cash flow preservation. Their focus on process improvement and staff development has supported effective management of vendor obligations while balancing cash flow preservation needs. While AP days increased during the review period, payable levels remain within a manageable range for the organization. The organization's payable levels indicate adequate liquidity to meet short-term liabilities without overextending payment cycles.

TABLE 3: ACCOUNTS PAYABLE

Accounts Payable	2023	2024	2025	2026 Projected
Accounts Payable	$ 858,076	$ 742,792	$ 2,086,044	$ 1,623,221
Total Operating Expenses	$ 28,144,502	$ 30,183,290	$ 35,294,503	$ 35,388,530
Salaries	$ 12,734,304	$ 13,629,056	$ 15,496,032	$ 15,038,240
Fringe	$ 3,478,701	$ 3,548,495	$ 3,254,241	$ 3,805,002
Depreciation	$ 884,784	$ 877,667	$ 727,213	$ 678,314
Total Expenses less Salaries + Fringe + Dep.	$ 11,046,713	$ 12,128,072	$ 15,817,017	$ 15,866,974
Divided by 360	$ 30,685	$ 33,689	$ 43,936	$ 44,075
Days in Account Payable	**28**	**22**	**47**	**37**

CURRENT RATIO

CFHC reported a current ratio of 2.26 in FY25, compared to 2.17 in FY23, indicating an adequate level of short-term liquidity. See Table 4. The organization's current ratio has remained relatively consistent throughout the historical period, reflecting a balanced relationship between current assets and current liabilities and prudent working capital management. In FY26, the projected current ratio increases primarily due to the planned payoff of a significant third-party payable obligation associated with the Medicaid PPS reconciliation process, which is a common settlement and reconciliation mechanism for FQHCs and is incorporated into CFHC's routine financial planning practices. The increase is also partially influenced by timing differences related to the PPS reconciliation cycle, as the subsequent reconciliation liability had not yet been accrued at the time of projection development, along with reductions in several large AP balances. Overall, CFHC maintains sufficient liquidity and working capital to comfortably meet its near-term financial obligations while continuing to support ongoing operations and strategic growth initiatives.

TABLE 4: CURRENT RATIO

Current Ratio	2023	2024	2025	2026 Projected*
Total Current Assets	$ 17,691,815	$ 20,548,167	$ 27,334,907	$ 29,060,477
Total Current Liabilities	$ 8,140,444	$ 9,439,424	$ 12,083,484	$ 4,814,489
Current Ratio	**2.17**	**2.18**	**2.26**	**6.04**

**As of May 2026*

LEVERAGE RATIO

CFHC has historically maintained a conservative long-term debt position relative to its asset base and overall financial profile. As of May 2026, total long-term debt obligations were approximately $13.9 million and consisted primarily of a third-party settlement payable associated with PPS reconciliation activities, construction-related obligations for the current clinic site, and a State HELP loan associated with building acquisition activities in Atwater. The $3.4M note payable for PNC Bank reflected below is assumed to be refinanced as part of the proposed financing package and therefore is not considered incremental debt associated with the Atwater Building B project.

TABLE 5: LONG TERM DEBT

Long Term Debt

Obligation Type	Balance as of May 2026	Description	Purpose
Third Party Settlement Payable	$ 9,772,429.75	Medicaid Payable	PPS Reconciliation
Note Payable	$ 3,363,209.40	PNC Bank	Construction Loan (Winton Site)
Finance Lease Obligations	$ 38,281.54		
Note payable	$ 771,408.75	State Help II Loan	Building acquisition in Atwater
Total Debt	**$ 13,945,329.44**		
Less Maturities	$ (35,168.45)		
Less Deferred Financing Costs	$ -		
Total Long Term Debt	**$ 13,910,160.99**		

CFHC's leverage ratio was 0.89 in FY25, compared to 0.96 in FY23, reflecting a low and well-managed debt position. The organization has consistently maintained a leverage ratio below 1.0 throughout the historical review period, which remains well within Facktor's and the industry's recommended benchmark range for community health centers of approximately 1.0–1.5 or lower.

This conservative leverage position provides CFHC with additional financial flexibility to pursue strategic capital investments, including the proposed Atwater Building B expansion, while maintaining a manageable overall debt profile.

TABLE 6: LEVERAGE RATIO

Leverage Ratio	2023	2024	2025	2026 Projected
Total Liabilities	$ 14,338,333	$ 13,892,628	$ 16,268,998	$ 18,759,818
Net Assets	$ 14,901,188	$ 16,164,250	$ 18,341,689	$ 19,939,639
Leverage Ratio	**0.96**	**0.86**	**0.89**	**0.94**

Historical Operating Performance (Income Statement Review)

CFHC has been able to generate positive margins over the three-year audited periods under review. See Table 7. Compression of margins in 2024 was largely due to a large reduction in one-time COVID grant funding. However, we see performance begin to rebound again in 2025. While historical audited performance remained positive, FY26 projections reflect increasing inflationary pressures on operating costs without sufficient corresponding increases in

revenue-generating activities combined with Medi-Cal payer mix impact. The driver behind this is a series of medical leaves for high producing providers which were then backfilled by locums. Locums are more expensive and less productive, leading to compression of margins. Importantly, the providers are set to return and will alleviate the strain. In addition to the return of providers, there are several management strategies not yet reflected in financial performance.

TABLE 7: OPERATING MARGIN

Operating Margin	2023	2024	2025	2026 Projected
Change in Net Assets (Operating)	$ 1,758,139	$ 1,303,850	$ 2,107,540	$ 1,326,973
Total Operating Revenue	$ 29,902,642	$ 31,487,140	$ 37,402,043	$ 36,715,504
Operating Margin	**5.9%**	**4.1%**	**5.6%**	**3.6%**

The bottom-line margin reflects the adjustments from additional non-operating revenue/expenses. Leading up to 2025 non-operating revenues were negative, largely driven by interest expense. This can be seen in the bottom-line margins when compared to the operating margin. In 2025 the non-operating revenue turned positive because of some large, unrealized gains in investments. See Table 8.

TABLE 8: BOTTOM LINE MARGIN

Bottom Line Margin	2023	2024	2025	2026 Projected
Total Change in Net Assets	$ 1,510,607	$ 1,263,062	$ 2,177,439	$ 1,743,218
Total Operating Revenue	$ 29,655,109	$ 31,487,140	$ 37,402,043	$ 37,224,247
Bottom Line Margin	**5.9%**	**4.1%**	**5.6%**	**3.6%**

OPERATING REVENUE

CFHC generated total operating revenue of approximately $37.4 million in FY25, representing an increase of approximately 25 percent compared to FY23. Revenue growth over the historical period was driven primarily by increases in net patient service revenue, which grew from approximately $21.7 million in FY23 to $32.5 million in FY25. See Table 9. This growth was partially offset by a decline in grant and contract funding following the expiration of certain pandemic-related funding sources.

TABLE 9: OPERATING REVENUE

Operating Revenue Sources	2023	2024	2025	2026 Projected
Net Patient Service Revenue	$ 21,700,573	$ 23,820,202	$ 32,478,060	$ 30,883,455
Grants & Contracts	$ 3,750,191	$ 744,134	$ 806,702	$ 909,021
Pharmacy	$ 2,121,423	$ 1,202,372	$ 1,346,288	$ 1,346,288
Other Operating Revenue	$ 2,330,454	$ 5,720,432	$ 2,770,993	$ 3,576,740
Total Operating Revenue	**$ 29,902,641**	**$ 31,487,140**	**$ 37,402,043**	**$ 36,715,504**

The increase in patient revenue was largely attributable to increased patient utilization across payer categories and implementation of the oral medication program. Pharmacy revenue decreased from approximately $2.1 million in FY23 to $1.3 million in FY25 due to increased regulatory pressures, while patient service revenue grew as a percentage of total operating revenue from 72.6 percent in FY23 to 86.8 percent in FY25. See Table 10.

TABLE 10: OPERATING REVENUE MIX

Operating Revenue Mix	2023	2024	2025	2026 Projected
Patient Service Revenue %	72.6%	75.7%	86.8%	84.1%
Grants & Contracts Revenue %	12.5%	2.4%	2.2%	2.5%
Other Operating Revenue %	14.9%	22.0%	11.0%	13.4%

Although projected FY26 operating revenue declines modestly to approximately $36.7 million, management attributes this temporary decrease primarily to reduced patient visit volume associated with provider leave coverage and anticipated shifts in payer mix. Overall, CFHC has demonstrated the ability to maintain stable operating revenue performance over time, supported by its role as a safety-net provider, expanding service lines, and diversified funding sources. See Table 11.

TABLE 11: OPERATING REVENUE GROWTH

Operating Revenue Growth	2023	2024	2025	2026 Projected
Operating Revenue	$ 29,902,642	$ 31,487,140	$ 37,402,043	$ 36,715,504
Growth %	3.9%	5.3%	18.8%	-1.8%

PAYER MIX

CFHC's payer mix is predominantly composed of Medicaid (Medi-Cal), which represented approximately 67.7 percent of total patient visits in FY25, followed by commercial insurance at 15.8 percent, Medicare at 11.8 percent, and self-pay/uninsured patients at 4.7 percent. See Table 12. The organization's payer mix reflects its mission to serve a medically underserved population. Changes in payer mix over time have modestly impacted reimbursement levels but have remained generally consistent with peer community health centers. The relatively high proportion of Medicare and commercial patients is partially attributable to CFHC operating the only urgent care facility within approximately a 30-minute radius of Atwater. Beginning in FY26, Medicaid utilization is projected to decline modestly, with stabilization occurring following the initial H.R.1-related enrollment impacts due to anticipated enrollment associated with the federally mandated changes to Medicaid with H.R.1 and the respective mitigation strategies set forth by management. Other payer categories are expected to remain relatively stable.

TABLE 12: PAYER MIX

Payor Mix by Patient Visit Volume	2023	2024	2025	2026 Projected
Medicaid	67.2%	66.3%	67.7%	64.9%
Medicare	11.3%	12.3%	11.8%	12.9%
Other Public	0.0%	0.0%	0.0%	0.0%
Commercial	13.9%	15.3%	15.8%	17.2%
Self Pay / Sliding Fee	7.6%	6.2%	4.7%	5.0%

OPERATING EXPENSES

Total operating expenses were approximately $35.3 million in FY25, reflecting an increase of 25 percent from FY23. Personnel costs represent the largest component of expenses, accounting

for approximately 68 percent of total operating expenses. Increases in contracted expenses and purchased services were the primary drivers of expense growth in FY25. See Table 13.

TABLE 13: OPERATING EXPENSE GROWTH

Operating Expense Growth	2023	2024	2025	2026 Projected
Operating Expense	$ 28,144,502	$ 30,183,290	$ 35,294,503	$ 35,388,530
Growth %	4.78%	6.8%	14.5%	0.3%

A significant portion of these increased costs was associated with investments in 340B program support services related to new enterprise service platform (ESP) feed requirements, implementation of the oral medication program, and recruitment-related expenses. While these initiatives increased operating expenses, several also generated corresponding revenue growth. In particular, the enhanced 340B support infrastructure and oral medication program contributed to increased pharmacy and patient service revenue, more than offsetting a portion of the related expense growth and supporting overall operating performance.

Other major cost categories include medical supplies, facility costs, and administrative expenses. Overall, expense growth has generally remained aligned with increases in service volume, strategic program expansion, and broader inflationary pressures.

EMPLOYMENT EXPENSES

Given the labor-intensive nature of community health center operations, growth in Operating Expenses at CFHC is driven primarily by Personnel Expenses, including professional and contracted services and temporary staffing coverage for employee leaves. As shown in Table 14, salaries and related expenses consumed 65 percent of operating revenues in 2025, below the 70 percent benchmark level suggested by Facktor for financial sustainability. In FY26, unaudited statements show that this ratio is consistent to FY25 at 65 percent.

TABLE 14: EMPLOYMENT RELATED EXPENSES

Employment Related Expenses	2023	2024	2025	2026 Projected
Salaries	$ 12,734,304	$ 13,629,056	$ 15,496,032	$ 15,038,240
Fringe + Payroll Taxes	$ 3,478,701	$ 3,548,495	$ 3,254,241	$ 3,805,002
Contractual Expenses	$ 3,553,467	$ 3,941,726	$ 5,485,683	$ 5,177,185
Total Employment Related Expenses	$ 19,766,472	$ 21,119,277	$ 24,235,956	$ 24,020,428
Total Operating Revenue	$ 29,902,642	$ 31,487,140	$ 37,402,043	$ 36,715,504
Employment Related Expense %	**66%**	**67%**	**65%**	**65%**

Facktor also evaluated employment expenses as a percentage of total operating expenses. Based on Uniform Data System (UDS) data and industry white papers, employment-related expenses for Federally Qualified Health Centers (FQHCs) and FQHC Look-Alikes generally range between 60 and 70 percent of total expenses. CFHC's employment-related expenses remained approximately 70 percent from FY23 through FY25, with a projected ratio of 65 percent in FY26 based on unaudited results. These levels remain within the acceptable industry benchmark range.

Looking at these two metrics combined, it shows stable staffing expenses over time and is well aligned with revenue.

HISTORICAL DEBT CAPACITY

CFHC has historically maintained adequate debt service coverage, reporting a debt service coverage ratio of 5.56 in FY23 compared to 15.76 in FY25. Net income available for debt service totaled approximately $4.8 million in FY25. The organization's historical financial performance indicates sufficient capacity to support additional debt associated with the proposed Atwater Building B project, subject to maintaining projected operating performance.

TABLE 15: DEBT CAPACITY

Historical Debt Capacity Sensitivity	2023	2024	2025	2026 Projected
Total Funds Available for Debt Service (FADS)	$ 2,570,171	$ 2,315,511	$ 3,009,535	$ 2,559,692
Adjusted (discounted by debt coverage service ratio 1.25)	$ 2,056,137	$ 1,852,409	$ 2,407,628	$ 2,047,753
Debt supported by Adjusted Cashflow Interest Rate: 5% Term: 30 years	$ 31,607,868	$ 28,476,061	$ 37,011,141	$ 31,478,990
Debt supported by Adjusted Cashflow Interest Rate: 6% Term: 30 years	$ 28,302,381	$ 25,498,092	$ 33,140,591	$ 28,186,980

As shown in Table 15 above, CFHC's FY25 operational cash flow would support approximately $37 million in total long-term debt, based on a 30-year term and an assumed fixed interest rate range of 5–6 percent. Based on audited historical cash flow for FY23–FY25, CFHC's debt capacity appears sufficient to accommodate both existing obligations and the proposed Atwater Building B project financing.

It should be noted that it is not generally recommended that health centers pursue financing to the full extent of their theoretical debt capacity. Careful consideration of projected operations, financial performance, and risk tolerance is critical in determining an appropriate level of borrowing. While the historical cash flow analysis provides a useful benchmark for understanding CFHC's financial capacity, it should be evaluated in conjunction with forward-looking financial projections and operational assumptions related to the Atwater Building B expansion.

III. Forecasted Financial Analysis

Atwater Building B: Forecasted Financial Operations FY2027 - FY2031

Five years of financial projections spanning FY27 through FY31 were developed to project out the financial implications of an expansion at the Atwater clinic location. Prorated FY26 financial data serve as the baseline reference for the planned expansion of operations. The results of the financial projections can be seen in Table 16 below. The incremental Net Income from the project ranges from $2.3M in FY28 (the first operational year) to $2.2M in FY31.

For projection purposes, the analysis focuses on the expanded capacity at the Atwater Building B facility, which will be delivered through the proposed project and operational strategies set forth by management to diversify revenue streams and mitigate anticipated impacts associated with H.R.1-related Medicaid eligibility and enrollment changes. In addition to modeling the operational performance of the expansion, the analysis also incorporates the projected debt service associated with the proposed financing structure to evaluate CFHC's long-term ability to safely and sustainably meet all debt obligations throughout the forecast period.

The Atwater Building B facility is an additional building at the Atwater location. It will house 15 exam rooms with capacity for five medical providers and one dental provider. During the first year of operations (FY28), 21,422 visits are expected at Atwater Building B. This doubles current capacity at the existing Atwater site, which also houses 15 exam rooms and has seven total providers, allowing CFHC to strengthen and expand its commitment to providing care to the community. Within this broader systemwide volume, the Atwater Building B expansion serves as a key capacity enhancement initiative that supports future growth, operational flexibility, and redistribution of patient flow across the organization.

While the expansion adds long-term clinical capacity, projections assume a stabilization period during the early forecast years as H.R.1-related Medicaid impacts are realized and management implements phased operational and revenue diversification initiatives. Forecasts further assume utilization of approximately 85 percent of the additional building capacity throughout the projection period, providing operational flexibility and reserve capacity to accommodate future patient growth beyond the forecast horizon.

Four medical providers who work at the existing Atwater site will move to Atwater Building B. These four providers will be backfilled with new hires at the existing Atwater site. To further expand capacity at Atwater Building B, one new medical and one new dental provider will be hired. Aligned with CFHC's provider expectations, the newly hired providers are expected to start off seeing eight patients per day, ramping up to the standard of 17 patients per day over the course of two months. The dental provider is projected to support oral health assessments within the medical clinic and is expected to average approximately eight patients per day once fully ramped up.

Management anticipates that implementation of H.R.1 policies may contribute to a gradual shift in payer mix beginning in FY27, primarily driven by potential reductions in Medicaid enrollment among certain patient populations, commonly referred to as the "chilling effect." As a result, Medicaid visits are projected to decline during the forecast period before stabilizing in the later years of the projection horizon. The projected payer mix assumptions for Atwater Building B were informed in part by CFHC's historical payer experience prior to the Affordable

Care Act Medicaid expansion, making 2023 a reasonable proxy for evaluating potential long-term impacts associated with future Medicaid eligibility and enrollment reductions.

Under these assumptions, self-pay/sliding fee visits are projected to increase as some patients transition out of Medicaid coverage, while Medicare utilization is expected to remain relatively stable throughout the forecast period. Commercial utilization is also projected to remain relatively consistent overall, with only modest fluctuations over time, partially reflecting the types of services these patients commonly seek. Atwater houses one of the only urgent care clinics within approximately a 30-mile radius making it a consistent access point for commercially insured patients seeking immediate and episodic care services.

The projections further incorporate conservative assumptions related to provider ramp-up, phased operational stabilization, and moderated patient growth following initial implementation of the expansion. In addition, management's revenue diversification initiatives, expanded ancillary services, and care coordination strategies are expected to help partially offset potential reimbursement pressure associated with projected payer mix changes. These assumptions are also reflected in the broader consolidated financial projections and balance sheet forecasts, which continue to demonstrate strong liquidity, stable unrestricted cash reserves, and adequate operating flexibility throughout the forecast period.

TABLE 16: INCREMENTAL NET INCOME FROM ATWATER BUILDING B

Atwater Building B	FY28	FY29	FY30	FY31
Incremental Net Income	$2,299,733	$2,227,296	$2,326,392	$2,188,468

TABLE 17: FORECASTED PAYER MIX BY PATIENT VISIT VOLUME

Payor Mix by Patient Visit Volume	2027	2028	2029	2030	2031
Medicaid	64.8%	65.6%	65.8%	65.8%	65.8%
Medicare	12.1%	12.1%	12.1%	12.1%	12.1%
Other Public	0.0%	0.0%	0.0%	0.0%	0.0%
Commercial	15.7%	15.7%	15.7%	15.7%	15.7%
Self Pay / Sliding Fee	7.4%	6.6%	6.4%	6.4%	6.4%

Although these projected payer mix shifts may place pressure on reimbursement levels and patient revenue growth in the near term, management has developed several operational and revenue diversification initiatives intended to stabilize financial performance and position the organization for long-term growth. Revenue diversification and mitigation strategies are further described below.

ATWATER BUILDING B STAFFING

The Atwater Building B expansion is projected to support approximately 12.8 provider FTEs at stabilization, including 11.0 medical provider FTEs and 1.8 dental provider FTEs. Of this total, approximately 5.0 medical provider FTEs and 1.0 dental provider FTE are considered incremental additions beyond current Atwater staffing capacity. To support the providers at Atwater Building B and maintain CFHC's minimum of 1.33 support staff to provider ratio, six medical assistants will be hired. To support the patients seen at Atwater Building B, five registration staff and one receptionist will be hired.

TABLE 18: ATWATER BUILDING B PROVIDERS

Provider FTE by Department	Current State (FY27)	Building B Staffing	Post-Expansion (FY28 and beyond)
Medical	6.0	5.0	11.0
Dental	0.8	1.0	1.8
Total Providers	**6.8**	**6.0**	**12.8**

At full provider ramp-up, the expansion is projected to support approximately 19,437 additional annual medical visits and 1,985 additional annual dental visits. These incremental visits are estimated to generate approximately $4.2 million in additional annual patient revenue in the first operational year (FY28) beyond the revenue currently generated at the site.

TABLE 19: VISIT PROJECTIONS

Patient Visits	FY27	FY28	FY29	FY30	FY31
Current Atwater Site	26,640	26,748	26,722	26,723	26,723
Atwater Building B	-	21,422	21,526	21,524	21,524
Total Atwater Visits	26,640	48,170	48,248	48,247	48,247

ATWATER BUILDING B PATIENT REVENUE

Forecasted patient revenue generation is based on the productivity targets aligned with industry standards, a factored in ramp-up period, and the historical reimbursement rates by payer source. It is forecasted that the PPS rate for Medicaid reimbursement will increase by the Medicare Economic Index (MEI) rate of 2 percent year over year, aligning with historical trends. While management anticipates that H.R.1-related Medicaid enrollment and eligibility changes may create near-term pressure on patient utilization and payer mix, the Atwater Building B project is intended to position CFHC for long-term operational stability, future growth, and expanded service capacity once market conditions stabilize.

As a result, projections assume relatively stable patient visit volumes during the early forecast period following initial implementation and provider ramp-up. The expansion is designed to provide additional clinical capacity, improve patient flow, reduce operational constraints at existing sites, and support long-term service expansion across the CFHC delivery system. Financial projections assume the facility operates at approximately 85 percent of total incremental capacity throughout the forecast period, allowing additional room for future growth, provider expansion, and evolving service line development beyond the current projection horizon.

Facktor analyzed total expected costs in the first year of operations of Atwater Building B in relation to the forecasted number of visits to determine if a PPS rate setting strategy would be a viable financial option for this new site. If total cost per visit exceeded 20 percent of the current PPS rate, a rate setting process would be advisable to maximize Medicaid reimbursement. After this analysis, the total expected cost per visit was not high enough for us to recommend this strategy.

In addition to supporting future patient growth, Atwater Building B is expected to help absorb overflow demand from CFHC's existing Castle site. As provider capacity is added and patient flow is redirected, the expanded Atwater facility can relieve pressure on current clinical space, improve appointment availability, and support more efficient distribution of visits across CFHC's delivery system. This allows the project to serve both as a near-term capacity stabilization strategy and a longer-term growth platform.

Patient volumes for the Atwater Building B operations are projected to increase from approximately 26,640 visits in FY27 (equivalent to approximately 8,072 patients based on an average utilization rate of 3.3 visits per patient) to 48,242 visits by FY29 (14,618 patients assuming a consistent utilization rate). These projected patient volumes remain within the ranges identified in the market demand analysis and current waitlists and reflect gradual operational stabilization and phased implementation of strategic growth initiatives.

The projected payer mix is based on CFHC's historical experience and assumes modest shifts associated with anticipated Medicaid enrollment impacts under H.R.1. Medi-Cal is expected to remain the dominant payer source throughout the forecast period, while Medicare, commercial, and self-pay revenue remain relatively stable. Medicaid revenue is projected to increase from approximately $2.7 million in FY28 to approximately $3.1 million by FY31, reflecting gradual operational stabilization and phased implementation of strategic growth initiatives.

TABLE 20: TOTAL ATWATER BUILDING B PATIENT REVENUE

Patient Revenue: Building B	FY28	FY29	FY30	FY31
Medical	$3,784,685	$3,866,337	$3,943,461	$4,022,331
Dental	$461,337	$488,107	$740,333	$755,140
Total Patient Revenue	**$4,246,023**	**$4,354,444**	**$4,683,794**	**$4,777,470**

TABLE 21: ATWATER BUILDING B PATIENT REVENUE BY PAYER

Patient Revenue by Payor	2028	2029	2030	2031
Medicaid	$2,720,378	$2,797,753	$3,009,508	$3,069,698
Medicare	$480,132	$492,382	$529,636	$540,228
Other Public	$0	$0	$0	$0
Commercial	$583,289	$597,258	$641,499	$654,329
Self Pay / Sliding Fee	$462,224	$467,050	$503,152	$513,215

Overall, total patient revenue is projected to increase from approximately $5.2 million in FY27 to approximately $10.1 million by FY31, reflecting operational stabilization, expanded service offerings, implementation of provider productivity initiatives, and phased execution of revenue diversification strategies associated with the Atwater Building B facility.

TABLE 22: ATWATER EXISTING BUILDING+ EXPANDED BUILDING B PATIENT REVENUE BY PAYER

Pre-Build	Post Build				
Patient Revenue by Payor	**2027**	**2028**	**2029**	**2030**	**2031**
Medicaid	$ 3,340,418	$ 6,249,093	$ 6,409,593	$ 6,537,629	$ 6,668,382
Medicare	$ 623,501	$ 1,151,215	$ 1,176,199	$ 1,199,711	$ 1,223,705
Commercial	$ 810,014	$ 1,498,600	$ 1,529,151	$ 1,557,578	$ 1,588,729
Self Pay / Sliding Fee	$ 382,055	$ 627,553	$ 619,808	$ 634,325	$ 647,012
Total	**$ 5,155,988**	**$ 9,526,462**	**$ 9,734,751**	**$ 9,929,243**	**$ 10,127,828**

Over time, the project is expected to support additional revenue diversification through expanded provider capacity, improved care coordination programs, operational efficiencies, ancillary service growth, and implementation of the strategic initiatives described below.

REVENUE DIVERSIFICATION & MITIGATION STRATEGIES

To evaluate the potential financial impact of H.R.1, we first modeled a "no intervention" scenario to establish the organization's maximum potential exposure if no operational or strategic actions were taken in response to the legislation. This baseline analysis was developed using the organization's current payer mix, available health plan data, market-specific information, and published research from multiple national policy and healthcare research organizations. Each major policy provision was modeled independently—including the loss of coverage for undocumented immigrants (UIS) receiving state-funded benefits, the transition from annual to semiannual Medicaid eligibility redeterminations, the expiration of Enhanced Premium Tax Credits, and the implementation of Medicaid work requirements—before combining the impacts into a consolidated annual financial effect. Under this worst-case scenario, the estimated annual revenue impact ranges from approximately $1.78 million in the initial year to $4.24 million by FY31, as the various policy changes are implemented on different timelines and become fully realized over time. A breakdown of the financial impact of these assumptions is provided in the table below. These projections are intentionally conservative and do not assume any future legislative or regulatory actions by the State of California to preserve or expand coverage for affected populations. After establishing the baseline exposure, we incorporated a series of operational and strategic mitigation initiatives to reflect how we believe the organization will realistically respond to these policy changes. The resulting financial projections presented in this feasibility study reflect the expected performance after implementation of these mitigation strategies, which are described in detail in the following section.

FIGURE 3: Medicaid Policy Impact Forecast

REVENUE	2027 (Projections)	2028 (Projections)	2029 (Projections)	2030 (Projections)	2031 (Projections)
Medicaid Policy Impacts	$ (1,777,748)	$ (3,689,449)	$ (4,045,020)	$ (4,153,710)	$ (4,236,784)

To offset anticipated reimbursement and utilization pressures, CFHC has incorporated several strategic initiatives into its long-range operational and financial planning. These initiatives are intended to strengthen patient engagement, improve care coordination, diversify revenue sources, and improve provider productivity over time.

GLP-1 Program Expansion
CFHC is developing a GLP-1 program designed to improve metabolic outcomes, including reductions in A1C levels, obesity, and cardiovascular risk factors. Through a partnership with Health Haven, the program will provide patient engagement services, digital tracking tools, and care navigation support to strengthen treatment adherence and improve clinical outcomes.

The model also includes screening services for prediabetes, obesity, and cardiovascular risk factors to identify eligible patients earlier in the care continuum, including patients whose insurance coverage may not fully support GLP-1 therapies. Through negotiated access pathways and discounted medication pricing, the program is expected to improve affordability for patients while generating an incremental revenue stream and attracting new patients into the CFHC delivery system.

Community Outreach & Patient Engagement
CFHC maintains an active outreach strategy through four outreach workers who engage with the community at health fairs, flea markets, and local events throughout Merced County. These efforts are designed to improve healthcare access among underserved and rural populations while strengthening patient retention and continuity of care. As part of this strategy, CFHC will actively work through the 5,852-patient waitlist to bring patients into the clinic.

Additional outreach efforts include digital billboard advertising at the highly trafficked "5 Corners" intersection, promoting providers, clinic services, and community programming. CFHC also prioritizes recruitment and retention of bilingual providers and staff to improve culturally responsive care and strengthen communication with the area's diverse patient population.

ACO & Value-Based Care Initiatives
CFHC continues to strengthen participation in value-based care and Accountable Care Organization (ACO) initiatives through focused improvements in coding accuracy, clinical documentation, and chronic disease management. Monthly provider and nursing meetings emphasize risk-adjustment coding, chronic condition documentation, and appropriate utilization of evaluation and management coding practices for Medicare Advantage populations which result in optimized Medicare reimbursement rates.

CFHC also maintains expanded ancillary services, including in-house radiology and laboratory capabilities, which support continuity of care and reduce care fragmentation. Telehealth services and remote patient monitoring further support chronic disease management and improve access for Medicare patients who may face barriers to in-person care. This strategy helps to retain Medicare patients who are the highest payers over their lifetime.

Enhanced Care Management (ECM) Program
CFHC's ECM program is designed to strengthen care coordination and address social determinants of health for high-risk patient populations. The organization currently employs two Community Health Workers (CHWs), with additional staff actively completing CHW certification training.
CHWs assist patients with navigating the healthcare system, scheduling appointments, securing transportation, and connecting with food assistance and other community-based support services. The program is expected to continue expanding through ongoing outreach and patient engagement activities. This program receives special funding through the state that adds total revenue for the organization.

AI-Enabled Clinical Documentation Tools

CFHC is implementing ambient AI scribe technology designed to reduce provider documentation burden and improve clinic efficiency. By automating portions of the charting process, the technology is expected to allow providers to accommodate up to two additional patient visits per day while improving provider satisfaction and reducing administrative workload.

Financial projections assume a phased implementation and ramp-up period of approximately 10 months before full productivity gains are achieved.

Potential PPS Rate Revisions
Management is also evaluating opportunities associated with future PPS rate adjustments and rebasing activities. While the financial impact of any revised PPS methodology has not yet been finalized, management anticipates that future rate adjustments may provide incremental reimbursement support beyond the forecasted period.

ATWATER BUILDING B EXPENSES

Operating expenses for the Atwater Building B site are projected to increase from approximately $3.4 million in FY27 to approximately $5.9 million in FY31 as operations stabilize and additional provider capacity is phased into the facility. Personnel-related costs, including salaries, fringe benefits, payroll taxes, and contracted professional services, represent the largest component of projected operating expenses throughout the forecast period. Non-personnel costs are expected to increase at an assumed rate of 2% year-over-year, aligned with expected inflation.

Salary and benefit expenses are projected to increase as additional staffing is added to support expanded clinical operations and patient access initiatives associated with the project. Recruiting expenses of approximately $50k per year have been incorporated into FY27 and FY28 to account for any specialty recruiting services for providers. Professional and contracted service expenses remain steady throughout the forecasted period and do not mimic the growth in salary expenses. CFHC anticipates utilizing a lower proportion of contracted staff as operations scale.

Other expense categories include supplies, facility operations and maintenance, administrative overhead, and depreciation associated with existing and newly renovated assets. Facility-related costs are projected to increase gradually over time as the expanded building becomes fully operational and supports additional clinical activity. Depreciation expense also increases throughout the projection period as capital investments associated with the Atwater Building B project are placed into service.

Overall, projected expense growth reflects the phased implementation of the expanded facility, operational stabilization, and strategic investments intended to support long-term service capacity and financial sustainability.

TABLE 23: ATWATER BUILDING B EXPENSES

	Pre-Build	First Year of Operations at Building B	Post-Build		
Atwater Operations with Building B	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**
Operating Expenses					
Salaries & Related Expenses	$ 2,378,618	$ 3,551,959	$ 3,658,517	$ 3,768,273	$ 3,881,321
Professional/Contracted	$ 59,533	$ 61,319	$ 63,158	$ 65,053	$ 67,005
Supplies	$ 97,004	$ 99,914	$ 102,911	$ 105,999	$ 109,179
Facility Operation& Maintenance	$ 118,631	$ 122,189	$ 125,855	$ 129,631	$ 133,520
Other Expenses	$ 85,779	$ 88,352	$ 41,003	$ 42,233	$ 43,500
Depreciation Existing Assets	$ 102,324	$ 603,376	$ 692,814	$ 778,904	$ 862,015
Total Expenses	**$ 3,371,131**	**$ 5,317,420**	**$ 5,498,279**	**$ 5,728,533**	**$ 5,960,133**

Staffing Expenses

Including providers, clinical support staff, and administrative personnel, total staffing at the Atwater Building B site is projected to increase from approximately 28 FTEs currently to approximately 44.2 FTEs following expansion. Total FTE at the remaining sites is projected to be 167.34, bringing the total organization's FTE post-expansion to 211.54. Total salary and benefit expenses are projected to reach approximately $3.5 million annually at full implementation. Staffing levels are aligned with projected patient volumes, operational needs, and productivity assumptions consistent with industry benchmarks. See Table 24.

TABLE 24: ATWATER BUILDING B STAFFING PROJECTION

FTE by Department	Current State (FY27)	Building B Staffing	Post-Expansion (FY28 and beyond)
Medical	6.00	5.00	11.00
Dental	0.80	1.00	1.80
MAs	14.00	6.00	20.00
LVNs	1.00	0.00	1.00
Registration / Reception	5.20	4.20	9.40
Other Staff	1.00	0.00	1.00
Total Staff	**28.00**	**16.20**	**44.20**

Site	Total FTE
Atwater Building B	16.20
Atwater	28.00
Remaining Org	167.34
Total	**211.54**

Depreciation Expense – Atwater Building B Project:

The Atwater Building B project includes approximately $9.9 million in total capital investment, consisting of approximately $8.3 million in hard construction costs and approximately $0.7 million in soft costs, including design, engineering, permitting, project management,

insurance, and related development expenses. The remaining amount is broken out between approximately $700k in equipment purchases and approximately $200k in insurance-related costs. *Note: This breakdown reflects only the New Money component of the proposed financing package. There is an additional $3.7M in refinancing proposed.*

For financial projection purposes, depreciable project assets are primarily categorized between building improvements and equipment purchases. Building-related project costs totaling approximately $9.2 million are projected to be depreciated over an estimated useful life of 25 years, resulting in annual depreciation expense of approximately $368k. Equipment purchases totaling approximately $700k are projected to be depreciated over a 5-year useful life, resulting in annual depreciation expense of approximately $140k.

Total annual depreciation expense associated with the Atwater Building B project is projected to approximate $508k once all project assets are fully placed into service.

TABLE 25: PROJECT ASSET DEPRECIATION

Asset Depreciation	Value	Annual Depreciation	Useful Life
Building	$ 9,200,000	$ 368,000.04	25
Equipment	$ 700,000	$ 140,000.00	5

Interest expense—pre-existing debt

Interest expense associated with CFHC's existing debt obligations has been incorporated into the consolidated financial projections. As part of these projections, we assumed the phased repayment of the refinanced PNC loan, which will be rolled into the proposed lending package. Accordingly, the projections retain interest expense related to the remaining outstanding loans while also incorporating the revised interest expense associated with the existing debt under the proposed financing structure.

Interest expense—Atwater Building B Project

The Atwater Building B project assumes approximately $11 million in project-related financing beginning in FY27 as part of the proposed Series 2026 financing structure. Consistent with the preliminary debt service schedule prepared by Piper Sandler & Co., the projections incorporate approximately $700k in capitalized interest through September 2028, which helps moderate repayment obligations during the initial implementation and operational ramp-up period.

Following the capitalized interest period, annual interest expense is projected to average approximately $515k and has been incorporated into the financial forecasts based on the preliminary debt amortization schedule. The modeled debt service structure was included as part of the overall financial feasibility analysis to evaluate CFHC's long-term capacity to safely meet ongoing repayment obligations while continuing to support operational growth, liquidity, and strategic expansion initiatives.

ATWATER BUILDING B FINANCING

Sources and Uses of Funds

The preliminary Sources and Uses of Funds prepared by Piper Sandler & Co. outlines the financing structure for the California Municipal Finance Authority's Insured Revenue Bonds, Series 2026, issued on behalf of Castle Family Health Centers, with a delivery date of October 20, 2026. The transaction totals approximately $15.28 million and includes both a new money component of approximately $11.55 million and a refunding component of approximately $3.73 million. See Figure 4

FIGURE 4: SOURCES AND USES OF FUNDS

Prepared by Piper Sandler & Co.

SOURCES AND USES OF FUNDS

California Health Facilities Financing Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2026
--Preliminary, subject to change--

Dated Date	10/20/2026
Delivery Date	10/20/2026

Sources:	New Money	Refunding	Total
Bond Proceeds:			
Par Amount	8,050,000.00	3,515,000.00	11,565,000.00
Premium	500,669.80	222,755.55	723,425.35
	8,550,669.80	3,737,755.55	12,288,425.35
Other Sources of Funds:			
Equity for Atwater Clinic	500,000.00		500,000.00
Grant for Atwater Clinic	2,500,000.00		2,500,000.00
	3,000,000.00		3,000,000.00
	11,550,669.80	3,737,755.55	15,288,425.35

Uses:	New Money	Refunding	Total
Project Fund Deposits:			
Renovation of Atwater Clinic	9,112,840.00		9,112,840.00
Equipment Costs	700,000.00		700,000.00
	9,812,840.00		9,812,840.00
Refunding Escrow Deposits:			
Cash Deposit		3,297,594.96	3,297,594.96
Other Fund Deposits:			
Capitalized Interest (through 9/1/2028)	722,987.90		722,987.90
Debt Service Reserve Fund	282,920.26	123,535.99	406,456.25
	1,005,908.16	123,535.99	1,129,444.15
Delivery Date Expenses:			
Cost of Issuance	262,381.97	114,568.03	376,950.00
Insurance Premium (2.65%)	436,643.92	184,736.03	621,379.95
Certification and Inspection Fee	32,200.00	14,060.00	46,260.00
	731,225.89	313,364.06	1,044,589.95
Other Uses of Funds:			
Additional Proceeds	695.75	3,260.54	3,956.29
	11,550,669.80	3,737,755.55	15,288,425.35

Sources of funds include approximately $11.56 million in bond proceeds and $723,425 in premium across both components. The new money portion is further supported by approximately $500k in equity contributions and a $2.5 million grant designated for the Atwater Clinic project.

On the uses side, the majority of proceeds will fund capital improvements, including approximately $9.11 million for renovation of the Atwater Clinic and $700k for equipment purchases. In addition, approximately $3.29 million will be deposited into a refunding escrow to retire prior obligations. Other uses of funds include approximately $722,987 for capitalized interest through September 1, 2028; $406,456 for the debt service reserve fund; $376,950 for costs of issuance; a $621,379 bond insurance premium (2.65%); and $45,260 for certification and

inspection fees. An additional $3,956 in proceeds rounds out the financing structure. The financing remains preliminary and is subject to change.

Debt Service Schedule

The debt service schedule prepared by Piper Sandler & Co. outlines the projected repayment structure for the Series 2026 bonds through final maturity on June 30, 2057. Total debt service is estimated at approximately $23.48 million, consisting of $11.56 million in principal and approximately $11.88 million in interest payments. The structure also incorporates approximately $771,253 in capitalized interest through September 1, 2028, which helps reduce early-year repayment obligations, as well as funding for the debt service reserve fund. After accounting for these offsets, total net debt service is projected at approximately $21.86 million over the life of the bonds. Annual debt service remains relatively level throughout the repayment period, supporting long-term affordability and cash flow stability for Castle Family Health Centers.

TABLE 26: PROJECT DEBT SERVICE SCHEDULE – ATWATER + REFINANCING

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest (through 9/1/2028)	Net Debt Service	Debt Service Reserve Fund
6/30/27	0	216,150	216,150	150,572.67	64,003.96	1,573.37
6/30/28	50,000	592,750	642,750	413,787.50	224,638.74	4,323.76
6/30/29	55,000	590,125	645,125	206,893.75	428,956.39	9,274.86
6/30/30	170,000	584,500	754,500		740,274.04	14,225.96
6/30/31	180,000	575,750	755,750		741,524.04	14,225.96
6/30/32	195,000	566,375	761,375		747,149.04	14,225.96
6/30/33	200,000	556,500	756,500		742,274.04	14,225.96
6/30/34	210,000	546,250	756,250		742,024.04	14,225.96
6/30/35	225,000	535,375	760,375		746,149.04	14,225.96
6/30/36	230,000	524,000	754,000		739,774.04	14,225.96
6/30/37	245,000	512,125	757,125		742,899.04	14,225.96
6/30/38	260,000	499,500	759,500		745,274.04	14,225.96
6/30/39	270,000	486,250	756,250		742,024.04	14,225.96
6/30/40	285,000	472,375	757,375		743,149.04	14,225.96
6/30/41	300,000	457,750	757,750		743,524.04	14,225.96
6/30/42	315,000	442,375	757,375		743,149.04	14,225.96
6/30/43	330,000	426,250	756,250		742,024.04	14,225.96
6/30/44	405,000	407,875	812,875		798,649.04	14,225.96
6/30/45	425,000	387,125	812,125		797,899.04	14,225.96
6/30/46	445,000	365,375	810,375		796,149.04	14,225.96
6/30/47	470,000	342,500	812,500		798,274.04	14,225.96
6/30/48	495,000	317,756	812,756		798,530.29	14,225.96
6/30/49	515,000	291,244	806,244		792,017.79	14,225.96
6/30/50	545,000	263,419	808,419		794,192.79	14,225.96
6/30/51	575,000	234,019	809,019		794,792.79	14,225.96
6/30/52	610,000	202,913	812,913		798,686.54	14,225.96
6/30/53	640,000	170,100	810,100		795,874.04	14,225.96
6/30/54	675,000	135,581	810,581		796,355.29	14,225.96
6/30/55	710,000	99,225	809,225		794,999.04	14,225.96
6/30/56	745,000	61,031	806,031		791,805.29	14,225.96
6/30/57	790,000	20,738	810,738		397,168.27	413,569.23
Total	11,565,000	11,883,300	23,448,300	771,254	21,864,204	812,842

Debt Service Coverage Ratio & Cash Flow

The projected Debt Service Coverage Ratio (DSCR) remains above the minimum target threshold of 1.25x throughout the forecast period, demonstrating CFHC's continued ability to safely meet its debt obligations while supporting the proposed Atwater Building B expansion. DSCR is projected to decline from 14.5x in FY27 to 6.2x in FY31, largely reflecting the organization's intentionally conservative forecasting assumptions. These projections incorporate anticipated Medicaid reimbursement and coverage impacts that are expected to fully materialize by FY29 and remain relatively stable thereafter. In addition, the forecast assumes mitigation strategies will generate stronger offsetting impacts earlier in the projection period before leveling out in subsequent years. Patient service volume and the corresponding revenue growth associated with the expansion are also assumed to stabilize following post-implementation ramp-up. Despite these conservative assumptions and declining projected net income over time, CFHC is expected to maintain debt service coverage

levels above lender benchmark requirements throughout the forecast horizon, indicating a safe and sustainable capacity to meet ongoing debt service obligations.

TABLE 27: DEBT SERVICE COVERAGE RATIO CALCULATION

Debt Service Coverage Ratio (DSCR) Calculation	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
YTD Net Operating Income	$ 5,262,216	$ 5,803,149	$ 5,300,134	$ 4,793,522	$ 4,563,073
YTD Net Debt Service	$ 362,574	$ 523,169	$ 705,790	$ 836,664	$ 741,524
Debt Service Reserve Fund	$ 1,573	$ 4,324	$ 9,275	$ 14,226	$ 14,226
Rolling 12 Net Operating Income	$ 5,262,216	$ 5,803,149	$ 5,300,134	$ 4,793,522	$ 4,563,073
Rolling 12 Debt Service	$ 514,720	$ 941,281	$ 921,959	$ 850,890	$ 755,750
DSCR	14.5	11.1	7.5	5.7	6.2
Target (Greater than 1.25)	1.25	1.25	1.25	1.25	1.25

The projected Days Cash on Hand (DCOH) ratios demonstrate CFHC's strong liquidity position and its ability to maintain sufficient unrestricted cash reserves to support ongoing operations and debt obligations throughout the forecast period. DCOH is projected to increase from 321 days in FY27 to 474 days in FY31, significantly exceeding the organizational target benchmark of 90 days in each projected year. This increase is driven primarily by CFHC's projected annual operating performance, as positive net income generated each year accumulates within the organization's cash reserves and compounds over the forecast period. On average, DCOH increases by approximately 38 days per year, equivalent to roughly $4.2 million in additional cash reserves annually. The rate of DCOH growth moderates in the later years of the forecast period, directly corresponding with the projected decline in annual net income as anticipated Medicaid impacts are more fully realized. Despite this moderation, continued positive operating performance allows CFHC to steadily build its liquidity position, reaching approximately 474 days of cash on hand by FY31. The projections also incorporate the $500,000 equity contribution identified within the project sources and uses of funds, which was contributed in FY26 and included in the opening cash balance supporting the forecast period. Overall, the projected accumulation of cash reflects CFHC's sustained positive operating performance and provides substantial financial flexibility to absorb operational variability, support future capital needs, and safely meet debt service obligations.

TABLE 28: DAYS CASH ON HAND CALCULATION

Days Cash on Hand (DCOH) Calculation	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Operating Expenses (excl. Depreciation)	$ 36,224,588	$ 38,372,734	$ 39,459,294	$ 40,542,606	$ 41,650,303
Depreciation Expense	$ 565,017	$ 1,034,653	$ 1,001,861	$ 983,377	$ 1,852,307
Daily Operating Expense	$ 100,624	$ 106,591	$ 109,609	$ 112,618	$ 115,695
Total Debt Service	$ 514,719.72	$ 941,280.51	$ 921,958.79	$ 850,889.82	$ 755,750.00
Cash and Cash Equivalent Estimate	$ 28,085,458	$ 34,054,286	$ 39,840,859	$ 45,370,416	$ 50,671,412
Cash and Cash Equivalent Estimate + Investments	$ 32,255,649	$ 38,224,477	$ 44,011,050	$ 49,540,607	$ 54,841,603
Days Cash on Hand (Incl. Investments)	321	359	402	440	474
Target (90 Days)	90	90	90	90	90

SENSITIVITY ANALYSIS

To further evaluate CFHC's capacity to safely support the proposed financing structure, a sensitivity analysis was performed to model the potential financial impact of several adverse operating scenarios. These scenarios were designed to assess the organization's ability to maintain sufficient liquidity and debt service coverage under varying operational and reimbursement pressures.

The following three scenarios were modeled:

- **Scenario 1: Increased Inflationary Pressure**
  - Assumes non-personnel operating expenses increase at 5% annually
  - Demonstrates the potential impact of sustained cost inflation on operating performance and cash flow
- **Scenario 2: Medicaid Payer Mix Reduction**

    - Assumes an additional 3% of Medicaid patient volume shifts to self-pay/sliding fee status
    - Demonstrates the potential financial impact associated with Medicaid eligibility changes and reimbursement pressure resulting from H.R.1-related policy impacts (Note: Facktor does not foresee this much shift in payer mix actualizing, though it was included as a possibility)
- **Scenario 2a: Medicaid Payor mix Reduction 5%**
    - Assumes an additional 5% of Medicaid patient volume shifts to self-pay/sliding fee status
    - Demonstrates the potential financial impact associated with Medicaid eligibility changes and reimbursement pressure resulting from H.R.1-related policy impacts (Note: Facktor does not foresee this much shift in payer mix actualizing, though it was included as a possibility)
- **Scenario 3: Reduced Building Utilization**
    - Assumes a 10% reduction in projected patient visits at the original Atwater building and at Atwater Building B
    - Demonstrates the potential impact of slower-than-anticipated provider ramp-up and facility utilization actualizing, though it was included as a possibility)
- **Scenario 4: Increase of 50 bps**
    - Assumes the above scenario plus a 50 basis point increase.
- **Scenario 5: Increased inflation, payor mix shift, and delayed new provider hiring**
    - Assumes 4% inflation, a 17% shift of Medicaid patient volume to self-pay/sliding fee status, and delayed new provider hiring until January 2028

The resulting impacts on Debt Service Coverage Ratio (DSCR) and Days Cash on Hand (DCOH) are summarized in Table 29.

TABLE 29: SENSITIVITY ANALYSIS

Sensitivty Analysis					
Scenarios	FY27	FY28	FY29	FY30	FY31
Scenario 1: Inflation rate of 5%					
Debt Service Coverage Ratio	13.99	10.24	6.54	4.70	4.30
Days Cash on Hand	306	336	368	394	413
Scenario 2: 3% shift in Medicaid payor mix					
Debt Service Coverage Ratio	12.07	9.16	6.19	4.60	4.66
Days Cash on Hand	303	332	368	398	425
Scenario 2a: 5% shift in Medicaid payor mix					
Debt Service Coverage Ratio	10.50	8.01	5.34	3.87	3.82
Days Cash on Hand	297	321	351	377	399
Scenario 3: 10% reduction in patients seen per day (total Atwater)					
Debt Service Coverage Ratio	13.02	9.33	6.29	4.68	4.76
Days Cash on Hand	307	337	373	405	432
Scenario 4: Loan increased by 50 bps					
Debt Service Coverage Ratio	14.51	11.09	7.51	5.73	6.15
Days Cash on Hand	312	350	393	432	466
Scenario 5: 4% inflation, 17% shift in Medicaid payor mix, delayed new provider hiring until January 2028					
Debt Service Coverage Ratio	-1.30	-2.40	-0.30	-1.00	-1.90
Days Cash on Hand	264	237	229	220	207

Although certain downside scenarios place pressure on projected debt service coverage in the later forecast years, CFHC maintains strong liquidity throughout the projection period, supporting the organization's overall financial resilience and ability to manage the proposed financing obligations under adverse operating conditions.

SUMMARY

The financial projections prepared for the Atwater Building B expansion demonstrate CFHC's strong financial capacity to support the proposed capital investment and comfortably meet all associated debt service obligations throughout the forecast period. Projected Debt Service Coverage Ratios (DSCR) remain above the lender benchmark requirement of 1.25x in each forecasted year, ranging from 14.5x in FY27 to 6.2x in FY31, indicating a safe and sustainable ability to service debt obligations even under conservative operating assumptions. In addition, projected Days Cash on Hand (DCOH) levels remain exceptionally strong, increasing from 321 days in FY27 to 474 days in FY31, substantially exceeding the organizational target of 90 days and demonstrating continued liquidity, operational stability, and financial flexibility.

The Atwater Building B expansion is intended to strengthen CFHC's long-term operational capacity by modernizing and expanding clinical space to support future service growth, improve patient flow, and increase operational flexibility across the organization. The expanded facility is expected to improve patient access, reduce capacity constraints at existing sites, and provide the organization with additional flexibility to absorb overflow demand across the broader CFHC delivery system. The financial projections assume a gradual operational stabilization period as staffing is phased in, operational initiatives are implemented, and management continues executing strategies focused on diversifying revenue sources and improving provider productivity. The projections also incorporate conservative assumptions related to anticipated Medicaid impacts and stabilized post-implementation patient growth.

Even under these assumptions, CFHC is projected to maintain strong liquidity and debt service coverage metrics, further supporting the organization's ability to safely and effectively manage future debt servicing requirements while continuing to invest in strategic growth initiatives.

Patriotic Drive: Forecasted Financial Operations FY2027 - FY2031

As part of CFHC's long-term strategic planning efforts, management is evaluating the potential development of a future flagship medical site currently referred to as the Patriotic Drive project. While the proposed project has not yet been formally approved and CFHC may ultimately decide not to proceed, leadership believes it is prudent to evaluate the potential financial implications of the project alongside the proposed Atwater Building B expansion as part of CFHC's broader long-term capital planning strategy. Accordingly, this feasibility study incorporates a preliminary financing scenario to assess CFHC's long-term debt capacity, liquidity position, and overall ability to support both strategic initiatives concurrently.

The proposed Patriotic Drive development would consist of an approximately 30,000 square foot flagship healthcare facility designed to strengthen CFHC's long-term operational stability and reduce dependence on leased clinical space. Currently, CFHC remains significantly reliant on leased clinical space at its primary site and continues to incur substantial monthly rental obligations. Ownership of a flagship facility would provide the organization with greater long-term operational control and site stability while allowing the organization to build equity over time rather than continuing to absorb escalating occupancy costs through lease payments.

To evaluate the potential impact of this future project, the financial model incorporates a preliminary bond financing scenario prepared by Piper Sandler & Co. The illustrative financing structure assumes approximately $23.2 million in bond proceeds and a total project cost of approximately $32.0 million, supported by an assumed organizational equity contribution of $12.5 million. For modeling purposes, the feasibility study assumes the equity contribution would be funded incrementally at approximately 50 percent of project draw amounts until the full $12.5 million contribution is reached in November 2030. Although the projected in-service date for the Patriotic Drive facility falls outside of the current forecast period, the model includes the anticipated debt service obligations associated with the financing in order to evaluate CFHC's projected financial capacity under a broader long-term growth and capital planning scenario.

FIGURE 5: SOURCES AND USES OF FUNDS PATRIOTIC DRIVE ONLY

SOURCES AND USES OF FUNDS

California Municipal Finance Authority
(Castle Family Health Centers)
Insured Revenue Bonds, Series 2027
--Preliminary, subject to change--

Dated Date	04/01/2027
Delivery Date	04/01/2027

Sources:	
Bond Proceeds:	
Par Amount	23,185,000.00
Premium	1,895,879.60
	25,080,879.60
Other Sources of Funds:	
Equity for Patriotic Drive	12,500,000.00
	37,580,879.60

Uses:	
Project Fund Deposits:	
Patriotic Drive	32,000,000.00
Other Fund Deposits:	
Capitalized Interest (through 4/1/2029)	2,186,605.38
Debt Service Reserve Fund	1,169,925.00
	3,356,530.38
Delivery Date Expenses:	
Cost of Issuance	695,550.00
Insurance Premium (3.00%)	1,433,226.97
Certification and Inspection Fee	92,740.00
	2,221,516.97
Other Uses of Funds:	
Additional Proceeds	2,832.25
	37,580,879.60

Debt Service Schedule

The combined debt service schedule reflects the projected repayment obligations associated with both the proposed Atwater Building B expansion financing and the potential future Patriotic Drive flagship facility financing. The schedule includes annual principal and interest payments, debt service reserve fund requirements, and capitalized interest through June 2030, which helps reduce net debt service obligations during the construction and early operational stabilization periods of the projects. By incorporating capitalized interest in the earlier years, the financing structure allows CFHC additional operational flexibility while staffing is phased in, patient volumes stabilize, and operational efficiencies are realized.

Following the capitalized interest period, annual net debt service is projected to stabilize between approximately $2.1 million and $2.3 million for the majority of the repayment term, supporting a relatively predictable and manageable long-term repayment structure.

TABLE 30: COMBINED DEBT SERVICE SCHEDULE (ATWATER BUILDING B + PATRIOTIC DRIVE)

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest (through 9/1/2028)	Debt Service Reserve Fund	Net Debt Service
06/30/2027	-	216,150	216,150	150,573	1,573.37	64,003.96
06/30/2028	50,000	1,684,213	1,734,213	1,505,251.04	4,323.76	224,638.74
06/30/2029	55,000	1,780,813	1,835,813	1,397,581.25	9,274.86	428,956.39
06/30/2030	170,000	1,775,188	1,945,188	99,223.96	34,699.65	1,811,263.89
06/30/2031	550,000	1,757,188	2,307,188	-	55,173.34	2,252,014.16
06/30/2032	590,000	1,728,688	2,318,688	-	55,173.34	2,263,514.16
06/30/2033	615,000	1,698,563	2,313,563	-	55,173.34	2,258,389.16
06/30/2034	645,000	1,667,063	2,312,063	-	55,173.34	2,256,889.16
06/30/2035	685,000	1,633,813	2,318,813	-	55,173.34	2,263,639.16
06/30/2036	710,000	1,598,937	2,308,937	-	55,173.34	2,253,764.16
06/30/2037	750,000	1,562,438	2,312,438	-	55,173.34	2,257,264.16
06/30/2038	785,000	1,524,063	2,309,063	-	55,173.34	2,253,889.16
06/30/2039	825,000	1,483,813	2,308,813	-	55,173.34	2,253,639.16
06/30/2040	865,000	1,441,563	2,306,563	-	55,173.34	2,251,389.16
06/30/2041	915,000	1,397,063	2,312,063	-	55,173.34	2,256,889.16
06/30/2042	955,000	1,350,313	2,305,313	-	55,173.34	2,250,139.16
06/30/2043	1,005,000	1,301,313	2,306,313	-	55,173.34	2,251,139.16
06/30/2044	1,120,000	1,248,188	2,368,188	-	55,173.34	2,313,014.16
06/30/2045	1,175,000	1,190,813	2,365,813	-	55,173.34	2,310,639.16
06/30/2046	1,235,000	1,130,563	2,365,563	-	55,173.34	2,310,389.16
06/30/2047	1,305,000	1,067,063	2,372,063	-	55,173.34	2,316,889.16
06/30/2048	1,365,000	999,694	2,364,694	-	55,173.34	2,309,520.41
06/30/2049	1,435,000	927,282	2,362,282	-	55,173.34	2,307,107.91
06/30/2050	1,510,000	849,975	2,359,975	-	55,173.34	2,304,801.66
06/30/2051	1,600,000	768,338	2,368,338	-	55,173.34	2,313,164.16
06/30/2052	1,690,000	681,976	2,371,976	-	55,173.34	2,316,801.66
06/30/2053	1,775,000	591,019	2,366,019	-	55,173.34	2,310,845.41
06/30/2054	1,865,000	495,469	2,360,469	-	55,173.34	2,305,295.41
06/30/2055	1,965,000	394,931	2,359,931	-	55,173.34	2,304,757.91
06/30/2056	2,070,000	289,012	2,359,012	-	55,173.34	2,303,839.16
06/30/2057	2,190,000	177,188	2,367,188	-	454,516.61	1,912,670.89
06/30/2058	2,280,000	59,850	2,339,850	-	1,190,398.69	1,149,451.31
Total	34,750,000	36,472,531	71,222,531	3,152,629	3,129,294	64,940,610

Debt Service Coverage Ratio & Cash Flow

The combined financial projections for the Atwater Building B expansion and the illustrative Patriotic Drive flagship development demonstrate that CFHC maintains a strong overall liquidity position throughout the forecast period, while also highlighting the increasing operational pressure associated with layering in both strategic capital initiatives simultaneously.

From a liquidity perspective, projected Days Cash on Hand (DCOH) remains exceptionally strong across all forecasted years, ranging from 321 days in FY27 to 326 days in FY31, significantly exceeding the organizational benchmark target of 90 days. Even as cash reserves gradually decline in the later years due to increased debt service obligations and conservative operating assumptions, the organization continues to maintain substantial unrestricted liquidity and financial flexibility. These projections indicate that CFHC is expected to retain adequate unrestricted cash reserves to support ongoing operations, absorb operational

variability, and fund future strategic initiatives while servicing the combined debt obligations associated with both projects.

TABLE 31: DAYS CASH ON HAND CALCULATION

Days Cash on Hand (DCOH) Calculation	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Operating Expenses (excl. Depreciation)	$ 36,224,588	$ 38,372,734	$ 39,459,294	$ 40,542,606	$ 41,650,303
Depreciation Expense	$ 565,017	$ 1,034,653	$ 1,001,861	$ 983,377	$ 1,852,307
Daily Operating Expense	$ 100,624	$ 106,591	$ 109,609	$ 112,618	$ 115,695
Total Debt Service	$ 514,719.72	$ 2,032,744.05	$ 2,112,646.29	$ 2,041,577.32	$ 2,307,187.50
Cash and Cash Equivalent Estimate	$ 28,085,458	$ 32,962,823	$ 32,225,375	$ 31,230,911	$ 33,517,136
Cash and Cash Equivalent Estimate + Investments	$ 32,255,649	$ 37,133,013	$ 36,395,565	$ 35,401,102	$ 37,687,327
Days Cash on Hand (Incl. Investments)	321	348	332	314	326
Target (90 Days)	90	90	90	90	90

The Debt Service Coverage Ratio (DSCR) analysis similarly demonstrates strong performance during the early forecast years, with coverage levels of 14.5x in FY27, 11.1x in FY28, and 7.5x in FY29. These elevated coverage levels are partially supported by the inclusion of capitalized interest during the earlier years of the financing structure, which reduces net debt service obligations while both projects are in development and operational ramp-up phases. However, beginning in FY30 and FY31, DSCR declines to 1.9x and 1.4x, respectively, as the full impact of combined debt service obligations materializes following the expiration of the capitalized interest period and as conservative operating assumptions continue to pressure projected net operating income.

Importantly, the later-year compression in DSCR is driven largely by intentionally conservative modeling assumptions, including anticipated Medicaid reimbursement and coverage impacts, stabilization of patient growth following post-implementation ramp-up, phased realization of operational efficiencies, and inclusion of the full projected debt burden associated with both capital projects despite the Patriotic Drive facility not yet being formally approved. While FY31 remains modestly above the lender benchmark target of 1.25x CFHC recognizes that the combined financing scenario would likely require additional operational optimization, revenue diversification, financing refinement, or strategic project timing adjustments if both projects ultimately proceed concurrently.

TABLE 32: DEBT SERVICE COVERAGE RATIO CALCULATION

Debt Service Coverage Ratio (DSCR) Calculation	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
YTD Net Operating Income	$ 5,262,216	$ 5,803,149	$ 5,300,134	$ 3,702,058	$ 3,239,469
YTD Net Debt Service	$ 362,574	$ 523,169	$ 705,790	$ 1,907,654	$ 2,252,014
Debt Service Reserve Fund	$ 1,573	$ 4,324	$ 9,275	$ 34,700	$ 55,173
Rolling 12 Net Operating Income	$ 5,262,216	$ 5,803,227	$ 5,300,134	$ 3,702,058	$ 3,239,469
Rolling 12 Debt Service	$ 514,720	$ 2,032,744	$ 2,112,646	$ 2,041,577	$ 2,307,188
DSCR	14.5	11.1	7.5	1.9	1.4
Target (Greater than 1.25)	1.25	1.25	1.25	1.25	1.25

Overall, the analysis demonstrates that CFHC maintains a strong near-term liquidity and financial flexibility while also illustrating the importance of disciplined long-term capital planning, operational execution, and financing strategy should the organization elect to pursue both projects concurrently.

It is important to note that if CFHC elects to pursue the Patriotic Drive development strategy, management would also anticipate pursuing a PPS Change in Scope adjustment, which could materially improve Medicaid reimbursement rates and associated operating revenue following project implementation. Additionally, projected Days Cash on Hand levels remain sufficiently strong throughout the forecast period to absorb the temporary timing delays and cash flow variability commonly associated with the Change in Scope review and settlement process.

Forecasted Corporate Financial Profile: Castle Family Health Centers

The operating budgets associated with the Atwater Building B expansion have been consolidated with CFHC's existing operations to develop the projected corporate-level financial statements. Appendix 1 includes the forecasted consolidated income statement, balance sheet, and statement of cash flows. Project-related assets and associated financing liabilities are incorporated into the consolidated financial projections to evaluate CFHC's overall financial capacity to support the proposed capital investment and related debt obligations.

As reflected in the key financial metrics presented below, CFHC's forecasted financial performance and overall financial condition are expected to remain stable throughout the projection period while positioning the organization for long-term operational growth and expanded service capacity. The projections incorporate several strategic initiatives intended to diversify revenue sources, improve provider productivity, strengthen care coordination programs, and mitigate anticipated reimbursement and utilization pressures associated with H.R.1-related impacts.

Cash flow from consolidated operations is projected to remain sufficient to support annual debt service of approximately $700k annually associated with the proposed financing for Atwater Building B, while maintaining liquidity and operational flexibility. Other key financial indicators are projected to remain within or exceed typical industry benchmark ranges, supporting CFHC's ability to meet conventional credit and underwriting requirements.

OPERATING MARGIN, BOTTOM LINE MARGIN, & CHANGE IN NET ASSETS

CFHC is projected to maintain positive operating performance throughout the FY27–FY31 forecast period, with operating margins ranging from approximately 12.5 to 9.6 percent. Operating income and corresponding changes in net assets are projected to remain positive each year, ranging from approximately $4.6 million to $5.8 million annually.

Projected operating performance is strongest during the earlier years of the forecast period as strategic operational initiatives are implemented and revenue diversification efforts mature. While operating margins moderate slightly in the later projection years, the organization is expected to maintain stable financial performance and sufficient operating cash flow to support ongoing operations, debt service obligations, and future strategic investments.

These projections reflect the combined impact of the Atwater Building B expansion, operational stabilization efforts, provider productivity initiatives, expanded ancillary services, and revenue diversification strategies implemented by management.

TABLE 33: OPERATING MARGIN

Operating Margin	2027	2028	2029	2030	2031
Change in Net Assets (Operating)	$ 5,262,216	$ 5,803,149	$ 5,300,134	$ 4,793,522	$ 4,563,073
Total Operating Revenue	$ 42,195,907	$ 45,390,062	$ 46,144,537	$ 46,904,005	$ 47,756,051
Operating Margin	**12.5%**	**12.8%**	**11.5%**	**10.2%**	**9.6%**

Operating Revenue Growth

Operating revenue is projected to increase from approximately $42.1 million in FY27 to approximately $47.8 million by FY31. Revenue growth is projected to be strongest during the earlier years of the forecast period as new operational initiatives, ancillary service lines, and provider productivity improvements are implemented and mature.

Operating revenue growth is projected at approximately 14.2 percent in FY27 and 7.6 percent in FY28, before moderating in later years as operations stabilize. Despite slower growth rates in the later projection years, CFHC is expected to maintain stable revenue performance supported by diversified revenue streams, expanded service capacity, and operational efficiency initiatives. See Table 33.

TABLE 34: OPERATING REVENUE GROWTH

Operating Revenue Growth	2027	2028	2029	2030	2031
Operating Revenue	$ 42,195,907	$ 45,390,062	$ 46,144,537	$ 46,904,005	$ 47,756,051
Growth %	14.2%	7.6%	1.7%	1.6%	1.8%

Patient Service Revenue

Patient service revenue is presented by service line. Medical (primary care) is by far the largest component, growing from approximately $25.6 million in FY27 to approximately $30.8 million by FY31. Dental is the next largest, increasing from approximately $4.4 million to $5.2 million, followed by Behavioral Health (approximately $2.8 million to $3.0 million) and Optical (approximately $0.6 million). In total, patient service revenue is projected to grow from approximately $33.3 million in FY27 to approximately $39.7 million by FY31, with the strongest growth occurring between FY27 and FY28 as Atwater Building B capacity and newer service lines mature, before leveling off in the later forecast years. See Table 34.

TABLE 35: PATIENT SERVICE REVENUE BREAKOUT BY SERVICE

Patient Revenue: Total Org	FY27	FY28	FY29	FY30	FY31
Medical	$25,593,065	$29,209,611	$29,633,698	$30,225,781	$30,830,296
Behavioral Health	$2,799,540	$2,867,729	$2,901,566	$2,959,454	$3,018,643
Dental	$4,377,753	$4,945,815	$5,010,686	$5,126,578	$5,229,110
Optical	$572,562	$586,543	$593,508	$605,707	$617,821
Total Patient Revenue	**$33,342,919**	**$37,609,698**	**$38,139,458**	**$38,917,520**	**$39,695,870**

Patient service revenue is also presented by payer. Medicaid (Medi-Cal) remains the predominant payer throughout the forecast, with revenue increasing from approximately $28.6 million in FY27 to approximately $34 million by FY31; while Medi-Cal's dollar contribution grows with overall volume and reimbursement, its share of the payer mix declines over the period consistent with the H.R.1 assumptions. Commercial revenue grows from approximately $3.0 million to $3.6 million and Medicare from approximately $1.3 million to $1.5 million, both assumed to track historical trends. Self-Pay/Sliding Fee rises from approximately $0.46 million in FY27 to approximately $0.56 million and then holds flat; as a share of the payer mix, this category is projected to peak in FY27 and then ease as outreach and enrollment efforts re-enroll eligible patients who transition off Medi-Cal. Total patient service revenue grows from approximately $33.3 million to $39.7 million, consistent with Table 34. See Table 35.

TABLE 36: PATIENT SERVICE REVENUE BREAKOUT BY PAYOR

Patient Revenue by Payor	2027	2028	2029	2030	2031
Medicaid	$28,606,473	$32,237,047	$32,704,499	$33,357,804	$34,024,960
Medicare	$1,305,096	$1,472,392	$1,493,478	$1,523,347	$1,553,814
Commercial	$2,968,782	$3,372,964	$3,406,900	$3,490,818	$3,560,634
Self Pay / Sliding Fee	$462,569	$527,295	$534,581	$545,550	$556,461
Total Patient Revenue	**$33,342,919**	**$37,609,698**	**$38,139,458**	**$38,917,520**	**$39,695,870**

Total organizational visits are projected at approximately 172,393 in FY27, rising to approximately 192,103 in FY28 as Atwater Building B becomes fully operational — an increase of roughly 19,700 visits, consistent with the approximately 21,422 incremental annual capacity the expansion adds — and then holding at approximately 191,050 visits through FY31 as volume stabilizes. See Table 36.

TABLE 37: TOTAL VISIT PROJECTIONS

Visit Projections	FY27	FY28	FY29	FY30	FY31
Castle	113,227	126,172	125,482	125,480	125,480
Atwater	26,888	29,963	29,799	29,798	29,798
Winton	21,765	24,254	24,121	24,121	24,121
Bloss	10,513	11,715	11,650	11,650	11,650
Total	**172,393**	**192,103**	**191,052**	**191,050**	**191,050**

Patient Visits	FY27	FY28	FY29	FY30	FY31
Total Organization	172,393	192,103	191,052	191,050	191,050

DAYS CASH ON HAND

Days cash on hand is projected to increase steadily throughout the FY27–FY31 forecast period, growing from approximately 321 days in FY27 to 474 days by FY31. This increase reflects continued positive operating performance, prudent cash management, and growth in unrestricted cash reserves over time.

Unrestricted cash and investments are projected to increase from approximately $32.2 million in FY27 to approximately $54.8 million by FY31, supported by stable operating cash flow generation and implementation of revenue diversification and operational efficiency initiatives. Projected liquidity levels remain substantially above typical industry benchmark ranges for community health centers and support continued operational flexibility.

TABLE 38: FORECASTED DAYS CASH ON HAND

Cash Position	2027	2028	2029	2030	2031
Unrestricted Cash & Investments	$ 32,255,649	$ 38,224,477	$ 44,011,050	$ 49,540,607	$ 54,841,603
Daily Operating Expense	$ 100,624	$ 106,591	$ 109,609	$ 112,618	$ 115,695
Depreciation	$ 565,017	$ 1,034,653	$ 1,001,861	$ 983,377	$ 966,926
Days Cash on Hand	**321**	**359**	**402**	**440**	**474**

DEBT SERVICE COVERAGE RATIO

The projected Debt Service Coverage Ratio (DSCR) remains above the lender benchmark target of 1.25x throughout the forecast period, demonstrating CFHC's continued ability to safely meet its debt service obligations under the proposed financing structure. DSCR is projected to decline from 14.5x in FY27 to 6.2x in FY31 as additional debt obligations associated with the capital expansion projects are phased into the model and conservative operating assumptions related to Medicaid impacts, operational stabilization, and moderated post-implementation growth are realized. Despite the gradual compression in coverage over time, the organization is projected to maintain sufficient operating cash flow to support debt repayment requirements throughout the forecasted period. Overall, the projections demonstrate CFHC's strong underlying financial position and its capacity to support strategic capital investment while maintaining compliance with conventional lender coverage requirements.

TABLE 39: DEBT SERVICE COVERAGE RATIO CALCULATION

Debt Service Coverage Ratio (DSCR) Calculation	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
YTD Net Operating Income	$ 5,262,216	$ 5,803,149	$ 5,300,134	$ 4,793,522	$ 4,563,073
YTD Net Debt Service	$ 362,574	$ 523,169	$ 705,790	$ 836,664	$ 741,524
Debt Service Reserve Fund	$ 1,573	$ 4,324	$ 9,275	$ 14,226	$ 14,226
Rolling 12 Net Operating Income	$ 5,262,216	$ 5,803,149	$ 5,300,134	$ 4,793,522	$ 4,563,073
Rolling 12 Debt Service	$ 514,720	$ 941,281	$ 921,959	$ 850,890	$ 755,750
DSCR	14.5	11.1	7.5	5.7	6.2
Target (Greater than 1.25)	1.25	1.25	1.25	1.25	1.25

CURRENT RATIO

The current ratio is projected to remain between 4.4 and 8.6 over the forecast period, indicating continued ability to meet short-term obligations. These projected levels indicate continued short-term liquidity strength and sufficient current assets to support ongoing operational obligations.

TABLE 40: FORECASTED CURRENT RATIO

Current Ratio	2027	2028	2029	2030	2031
Total Current Assets	$ 41,107,118	$ 41,107,118	$ 46,881,112	$ 53,024,367	$ 58,520,571
Total Current Liabilities	$ 7,973,078	$ 7,167,462	$ 6,904,604	$ 7,511,211	$ 6,772,034
Current Ratio	**4.4**	**5.7**	**6.8**	**7.1**	**8.6**

LEVERAGE RATIO

CFHC's leverage ratio is projected to decrease to approximately 0.59 as organizational net assets continue to strengthen. This level of leverage is well within acceptable ranges for community health centers undertaking capital expansion projects.

TABLE 41: FORECASTED LEVERAGE RATIO

Leverage Ratio	2027	2028	2029	2030	2031
Total Liabilities	$ 29,036,357	$ 27,954,266	$ 27,426,248	$ 27,792,634	$ 26,873,458
Net Assets	$ 25,201,854	$ 31,005,003	$ 36,305,154	$ 41,098,646	$ 45,661,719
Leverage Ratio	**1.15**	**0.90**	**0.76**	**0.68**	**0.59**

Notable Assumptions

The financial projections are based on several key assumptions, including:

- Patient volume is projected to grow from 176,603 visits in FY26 (based on 9 months of pro-rated data) to approximately 191k visits by FY31. The primary driver of this growth is the expansion of Atwater Building B capacity following renovation, which is expected to add approximately 21,422 visits annually.
- The projections model the anticipated implications of H.R.1 on payer mix using data from UC Berkeley, the U.S. Bureau of Labor Statistics, Georgetown University, KFF, and information provided by the health plan. This analysis indicates increasing impacts beginning in FY27, with stabilization occurring by FY29 as H.R.1-related enrollment impacts are fully realized. Mitigation strategies outlined earlier in this study have been incorporated to help offset the anticipated loss of Medicaid-covered lives.
- Commercial and Medicare payer volumes are assumed to remain generally consistent with historical trends throughout the forecast period.
- Financial projections for revenue diversification tactics were provided by management.
- Operating expenses are projected to grow at an average annual rate of approximately 4.29%.
- Medicare Economic Index (MEI) assumptions have been incorporated into the projections to estimate future PPS reimbursement growth and inflationary impacts on healthcare service delivery over the forecast period.
- Staffing levels are assumed to scale in alignment with projected service delivery needs, provider productivity assumptions, and implementation of operational initiatives described throughout the report.
- Capital investment for the Atwater Building B renovation is estimated at approximately $9.82 million.
- Depreciation expense associated with the Atwater Building B project has been forecasted based on estimated useful lives of 25 years for building improvements and 5 years for equipment purchases.
- Assumes FQHC status goes into effect in October 2026.
- Other receivables, supplies, and prepaid expenses are assumed to remain generally consistent with historical trends.
- Accrued payroll, deferred revenue, and amounts due to third-party payers are also assumed to remain consistent with prior-year trends and management input.

These assumptions are subject to change based on evolving market conditions, reimbursement environments, regulatory changes, and operational factors.

IV. Appendices

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Note: All appendices are for CFHC with the Atwater Building B proposed site included. They do not include the Patriotic Drive site.

Appendix 1: Projected Balance Sheet

Projected Balance Sheet	Audited Results			Unaudited	Projected				
Assets	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Current assets									
Cash and cash equivalents	$14,128,240	$17,958,618	$24,944,143	$27,138,227	$32,255,649	$38,224,477	$44,011,050	$49,540,607	$54,841,603
Patient accounts receivable, net of allowances	$1,835,330	$1,158,546	$1,333,414	$1,413,647	$1,798,883	$1,667,707	$1,806,080	$1,997,909	$2,189,077
Other receivables	$891,065	$127,581	$226,832	$212,996	$712,996	$712,996	$562,996	$984,869	$984,869
Assets whose use is limited	$561,534	$761,220	$346,947	$0	$0	$0	$0	$0	$0
Supplies	$218,496	$203,424	$152,998	$171,867	$260,109	$178,168	$177,216	$177,212	$181,251
Prepaid expenses and deposits	$57,150	$338,778	$330,573	$123,740	$323,771	$323,771	$323,771	$323,771	$323,771
Total current assets	**$17,691,815**	**$20,548,167**	**$27,334,907**	**$29,060,477**	**$35,351,408**	**$41,107,118**	**$46,881,112**	**$53,024,367**	**$58,520,571**
Capital assets, net of accumulated depreciation	$8,523,841	$7,919,109	$7,275,780	$9,638,980	$9,073,963	$17,852,150	$16,850,290	$15,866,913	$14,014,606
Construction in Progress					$9,812,840	$0	$0	$0	$0
Right-of-use assets	$3,023,865	$1,589,602	$0	$0	$0	$0	$0	$0	$0
Total assets	**$29,239,521**	**$30,056,878**	**$34,610,687**	**$38,699,457**	**$54,238,211**	**$58,959,269**	**$63,731,402**	**$68,891,280**	**$72,535,176**
Liabilities and Net Assets									
Current liabilities									
Current maturities of long-term debt	$264,041	$279,000	$267,551	$35,168	$221,438	$276,475	$265,161	$240,220	$180,000
Current operating lease liability	$1,434,263	$1,589,602	$0	$0	$0	$0	$0	$0	$0
Accounts payable and accrued expenses	$858,075	$742,792	$2,086,044	$1,623,221	$1,685,694	$1,765,254	$1,202,338	$1,862,837	$1,717,074
Accrued payroll and related liabilities	$1,546,451	$1,716,296	$1,640,749	$1,667,745	$1,494,446	$1,271,124	$1,297,888	$1,307,013	$1,057,013
Deferred revenue	$561,534	$995,139	$571,717	$1,488,355	$566,626	$566,626	$851,667	$813,513	$559,812
Due to third-party payors	$3,476,080	$4,116,595	$7,517,423	$0	$4,004,875	$3,287,984	$3,287,552	$3,287,628	$3,258,136
Total Current Liabilities	**$8,140,444**	**$9,439,424**	**$12,083,484**	**$4,814,489**	**$7,973,078**	**$7,167,462**	**$6,904,604**	**$7,511,211**	**$6,772,034**
Long-term debt, less current maturities	$4,608,287	$4,453,204	$4,185,514	$13,945,329	$21,063,279	$20,786,804	$20,521,644	$20,281,423	$20,101,423
Operating lease liability, less current portion	$1,589,602								
Total Liabilities	**$14,338,333**	**$13,892,628**	**$16,268,998**	**$18,759,818**	**$29,036,357**	**$27,954,266**	**$27,426,248**	**$27,792,634**	**$26,873,458**
Net assets									
Net assets without donor restrictions	$14,901,188	$16,164,250	$18,341,689	$19,939,639	$25,201,854	$31,005,003	$36,305,154	$41,098,646	$45,661,719
Total Net Assets	**$14,901,188**	**$16,164,250**	**$18,341,689**	**$19,939,639**	**$25,201,854**	**$31,005,003**	**$36,305,154**	**$41,098,646**	**$45,661,719**
Total Liabilities and Net Assets	**$29,239,521**	**$30,056,878**	**$34,610,687**	**$38,699,457**	**$54,238,211**	**$58,959,269**	**$63,731,402**	**$68,891,280**	**$72,535,176**

Appendix 2: Projected Income Statement

Castle Family Health Centers
Projected Budget for Capital Expansion Project

REVENUE

REVENUE	2027 (Projections)	2028 (Projections)	2029 (Projections)	2030 (Projections)	2031 (Projections)
Private Grants/Contracts	$ 2,722,172	$ 1,456,702	$ 1,456,702	$ 1,456,702	$ 1,456,702
340B	$ 3,742,907	$ 3,817,765	$ 3,894,120	$ 3,972,003	$ 4,051,443
Other	$ 587,007	$ 598,747	$ 610,722	$ 622,937	$ 635,396
Program Income - Clinic	$ 33,342,919	$ 37,609,698	$ 38,139,458	$ 38,917,520	$ 39,695,870
Medicaid Policy Impacts	**$ (1,777,748)**	**$ (3,689,449)**	**$ (4,045,020)**	**$ (4,153,710)**	**$ (4,236,784)**
Policy Impact Mitigation - PSR	**$ 2,156,149**	**$ 2,751,598**	**$ 3,243,553**	**$ 3,243,553**	**$ 3,308,424**
Policy Impact Mitigation - Non PSR	**$ 1,422,500**	**$ 2,845,000**	**$ 2,845,000**	**$ 2,845,000**	**$ 2,845,000**
TOTAL REVENUE	**$ 42,195,907**	**$ 45,390,062**	**$ 46,144,537**	**$ 46,904,005**	**$ 47,756,051**

EXPENSES

PERSONNEL	2027 (Projections)	2028 (Projections)	2029 (Projections)	2030 (Projections)	2031 (Projections)
Administration	$ 1,611,091	$ 1,659,424	$ 1,709,206	$ 1,760,483	$ 1,813,297
Medical	$ 8,423,584	$ 9,431,838	$ 9,714,793	$ 10,006,237	$ 10,306,424
Dental	$ 1,965,897	$ 2,171,141	$ 2,236,276	$ 2,303,364	$ 2,372,465
Behavioral Health	$ 511,835	$ 527,190	$ 543,006	$ 559,296	$ 576,075
Enabling Services	$ 1,200,292	$ 1,436,468	$ 1,479,562	$ 1,523,949	$ 1,569,668
Other Staff	$ 1,169,639	$ 1,204,728	$ 1,240,870	$ 1,278,096	$ 1,316,439
Radiology	$ 612,678	$ 631,058	$ 649,990	$ 669,490	$ 689,574
Laboratory	$ 922,783	$ 950,467	$ 978,981	$ 1,008,350	$ 1,038,601
Optical	$ 690,667	$ 711,387	$ 732,729	$ 754,710	$ 777,352
TOTAL PERSONNEL	**$ 17,108,465**	**$ 18,723,701**	**$ 19,285,412**	**$ 19,863,975**	**$ 20,459,894**

FRINGE BENEFITS	2027 (Projections)	2028 (Projections)	2029 (Projections)	2030 (Projections)	2031 (Projections)
FICA	$ 1,197,593	$ 1,310,659	$ 1,349,979	$ 1,390,478	$ 1,432,193
UNEMPLOYMENT INSURANCE	$ 11,976	$ 13,107	$ 13,500	$ 13,905	$ 14,322
HEALTH INSURANCE	$ 1,881,931	$ 2,059,607	$ 2,121,395	$ 2,185,037	$ 2,250,588
PENSION PLAN	$ 333,615	$ 365,112	$ 376,066	$ 387,348	$ 398,968
WORKERS COMPENSATION	$ 244,651	$ 267,749	$ 275,781	$ 284,055	$ 292,576
CONTINUING MEDICAL EDUCATION	$ 99,229	$ 108,597	$ 111,855	$ 115,211	$ 118,667
OTHER BENEFITS	$ 37,639	$ 41,192	$ 42,428	$ 43,701	$ 45,012
TOTAL FRINGE BENEFITS	**$ 3,806,634**	**$ 4,166,024**	**$ 4,291,004**	**$ 4,419,734**	**$ 4,552,326**

TRAVEL	2027 (Projections)	2028 (Projections)	2029 (Projections)	2030 (Projections)	2031 (Projections)
Travel Expense	$ 14,992	$ 15,292	$ 15,597	$ 15,909	$ 16,228
TOTAL TRAVEL	**$ 14,992**	**$ 15,292**	**$ 15,597**	**$ 15,909**	**$ 16,228**

EQUIPMENT	2027 (Projections)	2028 (Projections)	2029 (Projections)	2030 (Projections)	2031 (Projections)
Minor Medical Equipment	$ 161,021	$ 164,242	$ 167,526	$ 170,877	$ 174,295
Minor Office Equipment	$ 62,511	$ 63,761	$ 65,037	$ 66,337	$ 67,664
TOTAL EQUIPMENT	**$ 223,532**	**$ 228,003**	**$ 232,563**	**$ 237,214**	**$ 241,959**

SUPPLIES	2027 (Projections)	2028 (Projections)	2029 (Projections)	2030 (Projections)	2031 (Projections)
Medical Supplies	$ 963,662	$ 1,087,854	$ 1,125,427	$ 1,147,935	$ 1,170,894
Dental Supplies	$ 89,597	$ 101,217	$ 104,920	$ 107,013	$ 109,153
Office Supplies	$ 356,904	$ 364,042	$ 371,323	$ 378,749	$ 386,324
Pharmaceuticals	$ 1,841,297	$ 2,078,764	$ 2,151,046	$ 2,194,067	$ 2,237,948
TOTAL SUPPLIES	**$ 3,251,460**	**$ 3,631,876**	**$ 3,752,716**	**$ 3,827,765**	**$ 3,904,320**

CONTRACTUAL	2027 (Projections)	2028 (Projections)	2029 (Projections)	2030 (Projections)	2031 (Projections)
Contracted Services - Medical	$ 2,867,794	$ 2,925,150	$ 2,983,653	$ 3,043,326	$ 3,104,193
Contracted Services - Dental	$ 430,872	$ 439,489	$ 448,279	$ 457,245	$ 466,390
Contracted Services - Consulting	$ 126,693	$ 129,227	$ 131,812	$ 134,448	$ 137,137
Contracted Services - Legal	$ 572,541	$ 223,991	$ 228,471	$ 233,041	$ 237,701
Contracted Services - Accounting	$ 24,602	$ 25,094	$ 25,596	$ 26,108	$ 26,630
Contracted Services - Other	$ 1,557,284	$ 1,588,429	$ 1,620,198	$ 1,652,602	$ 1,685,654
TOTAL CONTRACTUAL	**$ 5,579,786**	**$ 5,331,382**	**$ 5,438,010**	**$ 5,546,770**	**$ 5,657,705**

OTHER	2027 (Projections)	2028 (Projections)	2029 (Projections)	2030 (Projections)	2031 (Projections)
Advertising	$ 98,697	$ 100,671	$ 102,684	$ 104,738	$ 106,833
Building Repairs and Maintenance	$ 119,665	$ 122,058	$ 124,499	$ 126,989	$ 129,529
Dues and Subscriptions	$ 92,820	$ 94,677	$ 96,570	$ 98,502	$ 100,472
Interest Expense	$ 1,377	$ 563	$ -	$ -	$ -
Incremental Interest Expense	$ 142,709	$ 178,963	$ 383,231	$ 584,500	$ 575,750
Malpractice Insurance	$ 133,613	$ -	$ -	$ -	$ -
Other Expense	$ 49,827	$ 50,824	$ 51,840	$ 52,877	$ 53,934
Other Purchased Services	$ 3,481,378	$ 3,551,005	$ 3,622,025	$ 3,694,466	$ 3,768,355
Phone/Internet	$ 23,334	$ 23,800	$ 24,276	$ 24,762	$ 25,257
Professional Liability Insurance	$ 214,759	$ 219,054	$ 223,435	$ 227,904	$ 232,462
Recruiting Expense	$ 46,679	$ 47,612	$ 48,565	$ 49,536	$ 50,527
Rent - Building	$ 1,607,642	$ 1,688,024	$ 1,763,790	$ 1,857,464	$ 1,948,589
Rent - Equipment	$ 168,020	$ 171,380	$ 174,808	$ 178,304	$ 181,870
Software Expense	$ 19,846	$ 20,243	$ 20,648	$ 21,061	$ 21,482
Tax Expense	$ 42,424	$ 43,272	$ 44,138	$ 45,021	$ 45,921
Training Expense	$ 66,546	$ 67,877	$ 69,235	$ 70,619	$ 72,032
Utilities	$ 74,469	$ 75,959	$ 77,478	$ 79,027	$ 80,608
Depreciation	$ 565,017	$ 1,034,653	$ 1,001,861	$ 983,377	$ 966,926
TOTAL OTHER	**$ 6,948,821**	**$ 7,490,635**	**$ 7,829,083**	**$ 8,199,146**	**$ 8,360,546**
TOTAL DIRECT CHARGES	**$ 36,933,691**	**$ 39,586,913**	**$ 40,844,386**	**$ 42,110,514**	**$ 43,192,978**

Net Income	**$ 5,262,216**	**$ 5,803,149**	**$ 5,300,151**	**$ 4,793,491**	**$ 4,563,073**

Appendix 3: Statement of Cash Flows

Operating Cash Flow & Forecast	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Beginning Balances (BAU):	22,968,037	28,085,458	34,054,286	39,840,859	45,370,416
Beginning Balances (BAU) - including investments:	27,138,227	32,255,649	38,224,477	44,011,050	49,540,607
Revenue					
Patient Service Revenue	$ 33,721,321	$ 36,671,847	$ 37,337,992	$ 38,007,364	$ 38,767,511
Grant/Contract Revenue	$ 2,722,172	$ 1,456,702	$ 1,456,702	$ 1,456,702	$ 1,456,702
Other Revenue	$ 587,007	$ 598,747	$ 610,722	$ 622,937	$ 635,396
340b Revenue	$ 3,742,907	$ 3,817,765	$ 3,894,120	$ 3,972,003	$ 4,051,443
Strategic Tactic Revenue	$ 1,422,500	$ 2,845,000	$ 2,845,000	$ 2,845,000	$ 2,845,000
Cash Inflow					
Cash flows from Operating Activities:					
Patient Service Revenue	$ 33,432,099	$ 36,553,748	$ 37,294,624	$ 38,000,242	$ 38,718,508
Grant/Contract Revenue	$ 2,673,593	$ 1,396,090	$ 1,456,702	$ 1,456,702	$ 1,456,702
Other Revenue	$ 587,007	$ 598,747	$ 610,722	$ 622,937	$ 635,396
340b Revenue	$ 5,165,407	$ 6,662,765	$ 6,739,120	$ 6,817,003	$ 6,896,443
Cash flows from Financing Activities:					
Cashflow from bond	$ 9,812,840	$ -	$ -	$ -	$ -
Total Cash In-Flows:	$ 51,670,947	$ 45,211,350	$ 46,101,169	$ 46,896,884	$ 47,707,049
Cash Outflow					
Cash flows from Operating Activities:					
Gross Payroll	$ 20,915,099	$ 22,889,725	$ 23,576,417	$ 24,283,709	$ 25,012,220
Operating Expenses (excl. Depreciation)	$ 15,453,575	$ 15,662,535	$ 16,266,125	$ 16,843,397	$ 17,213,833
Cash Flow from Investing Activities:					
Purchase of PPE	$ 9,812,840		$ -	$ -	$ -
Capitalized Interest	$ 150,573	$ 413,788	$ 206,894		$ -
Cash flows from Financing Activities:					$ -
Principle payments on debt borrowings	$ 221,438	$ 276,475	$ 265,161	$ 240,220	$ 180,000
Total Cash Out-Flows:	$ 46,553,525	$ 39,242,523	$ 40,314,596	$ 41,367,327	$ 42,406,053
Change in Cash (excl. Investments)	5,117,422	5,968,828	5,786,573	5,529,557	5,300,996
Ending Balances (BAU):	28,085,458	34,054,286	39,840,859	45,370,416	50,671,412
Ending Balances (BAU) - includes investments:	32,255,649	38,224,477	44,011,050	49,540,607	54,841,603

Appendix 4: Financial Metrics

Debt Service Coverage Ratio (DSCR) Calculation	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
YTD Net Operating Income	$ 4,373,877	$ 4,608,009	$ 4,094,091	$ 3,576,358	$ 3,334,566
YTD Net Debt Service	$ 362,574	$ 523,169	$ 705,790	$ 836,664	$ 741,524
Debt Service Reserve Fund	$ 1,573	$ 4,324	$ 9,275	$ 14,226	$ 14,226
Rolling 12 Net Operating Income	$ 4,373,877	$ 4,608,009	$ 4,094,091	$ 3,576,358	$ 3,334,566
Rolling 12 Debt Service	$ 514,720	$ 941,281	$ 921,959	$ 850,890	$ 755,750
DSCR	12.1	8.8	5.8	4.3	4.5
Target (Greater than 1.25)	1.25	1.25	1.25	1.25	1.25

Days Cash on Hand (DCOH) Calculation	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Operating Expenses (excl. Depreciation)	$ 36,625,426	$ 38,917,874	$ 40,015,337	$ 41,109,770	$ 42,228,810
Depreciation Expense	$ 565,017	$ 1,034,653	$ 1,001,861	$ 983,377	$ 1,852,307
Daily Operating Expense	$ 101,737	$ 108,105	$ 111,154	$ 114,194	$ 117,302
Total Debt Service	$ 514,719.72	$ 941,280.51	$ 921,958.79	$ 850,889.82	$ 755,750.00
Cash and Cash Equivalent Estimate	$ 27,251,287	$ 32,024,974	$ 36,605,504	$ 40,917,897	$ 44,990,386
Cash and Cash Equivalent Estimate + Investments	$ 31,421,477	$ 36,195,165	$ 40,775,695	$ 45,088,088	$ 49,160,577
Days Cash on Hand (Incl. Investments)	309	335	367	395	419
Target (90 Days)	90	90	90	90	90

Long-Term Debt-to-Equity Leverage Ratio	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Total Long-Term Debt	$ 21,063,279	$ 20,786,804	$ 20,521,644	$ 20,281,423	$ 20,101,423
Total Net Assets	$ 24,313,516	$ 28,921,525	$ 33,015,633	$ 36,591,961	$ 39,926,527
Long Term Debt-to-Equity Ratio	0.87	0.72	0.62	0.55	0.50
Long Term Debt-to-Equity Ratio Target	1.00	1.00	1.00	1.00	1.00

Current Ratio	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Current Assets	$ 34,517,236	$ 39,077,807	$ 43,645,758	$ 48,571,849	$ 52,839,545
Construction in Progress	$ 9,812,840	$ -	$ -	$ -	$ -
Current Liabilities	$ 8,027,244	$ 7,221,628	$ 6,958,770	$ 7,565,377	$ 6,826,200
Current Ratio	4.3	5.4	6.3	6.4	7.7

Asset to Long Term Debt Ratio	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Total Assets	$ 53,404,040	$ 56,929,957	$ 60,496,047	$ 64,438,761	$ 66,854,150
Long-Term Debt	$ 21,063,279	$ 20,786,804	$ 20,521,644	$ 20,281,423	$ 20,101,423
Assets to Long Term Debt Ratio	2.54	2.74	2.95	3.18	3.33

Operating Margin	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Operating Income	$ 4,373,877	$ 4,608,009	$ 4,094,091	$ 3,576,358	$ 3,334,566
Total Revenue	$ 41,708,407	$ 44,740,062	$ 45,494,537	$ 46,254,005	$ 47,106,051
Operating Margin	10.49	10.30	9.00	7.73	7.08

Equity Ratio	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Total Equity	$ 24,313,516	$ 28,921,525	$ 33,015,633	$ 36,591,961	$ 39,926,527
Total Assets	$ 53,404,040	$ 56,929,957	$ 60,496,047	$ 64,438,761	$ 66,854,150
Equity Ratio	0.46	0.51	0.55	0.57	0.60

KPI Summary					
DSCR	12.1	8.8	5.8	4.3	4.5
Days Cash on Hand	309	335	367	395	419
Long-Term Debt to Equity Ratio	0.9	0.7	0.6	0.6	0.5
Current Ratio	4.3	5.4	6.3	6.4	7.7
Asset to Long Term Ratio	2.5	2.7	2.9	3.2	3.3
Operating Margin	10.5	10.3	9.0	7.7	7.1
Equity Ratio	0.5	0.5	0.5	0.6	0.6

Debt Service Coverage Ratio (DSCR) Calculation	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
YTD Net Operating Income	$ 5,262,216	$ 5,803,149	$ 5,300,134	$ 4,793,522	$ 4,563,073
YTD Net Debt Service	$ 362,574	$ 523,169	$ 705,790	$ 836,664	$ 741,524
Debt Service Reserve Fund	$ 1,573	$ 4,324	$ 9,275	$ 14,226	$ 14,226
Rolling 12 Net Operating Income	$ 5,262,216	$ 5,803,149	$ 5,300,134	$ 4,793,522	$ 4,563,073
Rolling 12 Debt Service	$ 514,720	$ 941,281	$ 921,959	$ 850,890	$ 755,750
DSCR	14.5	11.1	7.5	5.7	6.2
Target (Greater than 1.25)	1.25	1.25	1.25	1.25	1.25

Days Cash on Hand (DCOH) Calculation	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Operating Expenses (excl. Depreciation)	$ 36,224,588	$ 38,372,734	$ 39,459,294	$ 40,542,606	$ 41,650,303
Depreciation Expense	$ 565,017	$ 1,034,653	$ 1,001,861	$ 983,377	$ 1,852,307
Daily Operating Expense	$ 100,624	$ 106,591	$ 109,609	$ 112,618	$ 115,695
Total Debt Service	$ 514,719.72	$ 941,280.51	$ 921,958.79	$ 850,889.82	$ 755,750.00
Cash and Cash Equivalent Estimate	$ 28,085,458	$ 34,054,286	$ 39,840,859	$ 45,370,416	$ 50,671,412
Cash and Cash Equivalent Estimate + Investments	$ 32,255,649	$ 38,224,477	$ 44,011,050	$ 49,540,607	$ 54,841,603
Days Cash on Hand (Incl. Investments)	321	359	402	440	474
Target (90 Days)	90	90	90	90	90

Long-Term Debt-to-Equity Leverage Ratio	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Total Long-Term Debt	$ 21,063,279	$ 20,786,804	$ 20,521,644	$ 20,281,423	$ 20,101,423
Total Net Assets	$ 25,201,854	$ 31,005,003	$ 36,305,154	$ 41,098,646	$ 45,661,719
Long Term Debt-to-Equity Ratio	0.84	0.67	0.57	0.49	0.44
Long Term Debt-to-Equity Ratio Target	1.00	1.00	1.00	1.00	1.00

Current Ratio	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Current Assets	$ 35,351,408	$ 41,107,118	$ 46,881,112	$ 53,024,367	$ 58,520,571
Construction in Progress	$ 9,812,840	$ -	$ -	$ -	$ -
Current Liabilities	$ 7,973,078	$ 7,167,462	$ 6,904,604	$ 7,511,211	$ 6,772,034
Current Ratio	4.4	5.7	6.8	7.1	8.6

Asset to Long Term Debt Ratio	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Total Assets	$ 54,238,211	$ 58,959,269	$ 63,731,402	$ 68,891,280	$ 72,535,176
Long-Term Debt	$ 21,063,279	$ 20,786,804	$ 20,521,644	$ 20,281,423	$ 20,101,423
Assets to Long Term Debt Ratio	2.58	2.84	3.11	3.40	3.61

Operating Margin	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Operating Income	$ 5,262,216	$ 5,803,149	$ 5,300,134	$ 4,793,522	$ 4,563,073
Total Revenue	$ 42,195,907	$ 45,390,062	$ 46,144,537	$ 46,904,005	$ 47,756,051
Operating Margin	12.47	12.79	11.49	10.22	9.55

Equity Ratio	FY27 Total	FY28 Total	FY29 Total	FY30 Total	FY31 Total
Total Equity	$ 25,201,854	$ 31,005,003	$ 36,305,154	$ 41,098,646	$ 45,661,719
Total Assets	$ 54,238,211	$ 58,959,269	$ 63,731,402	$ 68,891,280	$ 72,535,176
Equity Ratio	0.46	0.53	0.57	0.60	0.63

KPI Summary					
DSCR	14.5	11.1	7.5	5.7	6.2
Days Cash on Hand	321	359	402	440	474
Long-Term Debt to Equity Ratio	0.8	0.7	0.6	0.5	0.4
Current Ratio	4.4	5.7	6.8	7.1	8.6
Asset to Long Term Ratio	2.6	2.8	3.1	3.4	3.6
Operating Margin	12.5	12.8	11.5	10.2	9.6
Equity Ratio	0.5	0.5	0.6	0.6	0.6

Agenda Item 6a

Cal-Mortgage Reports: Project Monitoring – Informational Item

Department of Health Care Access and Information
Cal-Mortgage Loan Insurance Program

As of August 25, 2026

Summary of Monitoring
Financial Statements Received
Project Filing Status

Survey Date:	Jun 27, 2024	Aug 23, 2024	Apr 2, 2025	May 27, 2025	Jan 29, 2026	Aug 25, 2026
Current	43	38	48	27	36	34
Behind 1 quarter	14	12	6	21	18	21
Behind 2 quarters	1	7	2	8	0	0
Behind 3 quarters	1	2	2	1	1	1
Total:	**59**	**59**	**58**	**57**	**55**	**56**

Summary of Monitoring
Debt Service Coverage Ratio
Number of Projects that Exceed Required Ratio

Survey Date:	Jun 27, 2024	Aug 23, 2024	Apr 2, 2025	May 27, 2025	Jan 29, 2026	Aug 25, 2026
DSCR at or greater than required:	47	51	48	48	51	52
DSCR less than required:	11	7	9	8	4	3
Problem Project:	1	1	1	1	0	1
Total:	**59**	**59**	**58**	**57**	**55**	**56**

Summary of Monitoring
Site Visits
Number of Projects that are Current

Survey Date:	Jun 27, 2024	Aug 23, 2024	Apr 2, 2025	May 27, 2025	Jan 29, 2026	Aug 25, 2026
Current:	21	23	9	8	6	6
Past Due:	38	36	49	49	49	50
Total:	**59**	**59**	**58**	**57**	**55**	**56**

Agenda Item 6b

Cal-Mortgage Reports: Pending Projects – Informational Item

Department of Health Care Access and Information (HCAI)
Cal-Mortgage Loan Insurance Program
As of September 1, 2025

Projects Insured - Fiscal 2025-2026

Project Name	Location	Facility Type	Loan Amount	Loan Type	Rating
Sequoia Living Inc.	San Francisco	Multi- CCRC	$151,555,000	Refinance Plus	BBB

Projects Insured - Fiscal 2024 - 2025

Project Name	Location	Facility Type	Loan Amount	Loan Type	Rating
Moldaw	Palo Alto	Multi-CCRC	$59,450,000	New	BBB-
La Maestra Community Health Centers	San Diego	Clinic-PC	$14,225,000	New	
			$73,675,000		

Projects with Letters of Commitment

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Gateways Hospital	Los Angeles	Hospital	$57,000,000	New	BBB

Applications Before Advisory Loan Insurance Committee

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Channing House	Palo Alto	Multi - CCRC	$36,175,000	New	

Pending Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating

Pre - Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating
SAC Health	San Bernardino	Clinic - PC	$45,000,000	New	
Oroville Hospital	Oroville	Hospital	$215,000,000	New	
Lompoc Valley Medical Center	Lompoc	Hospital - Dist.	$20,000,000	New	
Castle Family Health Centers	Atwater	Clinic - PC	$40,600,000	New	
			$320,600,000		

Discussions

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Odd Fellows	Saratoga	CCRC	$78,000,000	New	
OLE Health	Fairfield	Clinic - PC	$35,600,000	New	
Atherton Baptist Homes	Alhambra	CCRC	$13,000,000	New	
Alexander Valley Healthcare	Cloverdale	Clinic - PC	$39,530,000	New	
Tulare District Hospital	Tulare	Hospital - Dist.	$50,000,000	New	
Del Puerto Health Care District	Patterson	Clinic - Dist.	$24,999,999	New	
			$241,129,999		

Facility Type Abbreviations

ADHC-DD	Adult Day Health Care-Developmentally Disabled
CDRF	Chemical Dependency Recovery Facility
Clinic-PC	Clinic for Primary Care
GH-DD	Group Home for the Developmentally Disabled
GH-Mental Health	Group Home - Mental Health
Hosp	General Acute Care Hospital
Hosp-Dist.	Acute Care Hospital - Healthcare District
Multi-CCRC	Multi-level Facility - Entrance Fee Continuing Care Retirement Community
Multi-Others	Multi-level Facility - Multiple Levels of Care, Month-to-Month Rental Community
SNF	Skilled Nursing Facility

Agenda Item 6c

Cal-Mortgage Reports: Problem Projects

Report – Informational Item

Department of Health Care Access and Information

Cal-Mortgage Loan Insurance Progam

Problem Projects Report

August 2026

Distribution: Elizabeth A. Landsberg, Director
Scott Christman, Chief Deputy Director
Dean O'Brien, Deputy Director, Cal-Mortgage
Advisory Loan Insurance Committee Members

Problem Projects Report - Update for August 2026

Facility Name	Location	Type	Risk Rating as of 8/1/26	Current Obligation (Millions)	Percent In Debt Reserve Fund [1]	Payment Status?	Technical Default? (or other issues)	HFCLIF [2] Payment Likelihood?[3]	Change Since Last Report	Page
I. HFCLIF Payments Expected										
II. Ongoing HFCLIF Payments										
St. Rose Hospital	Hayward	Hospital	E	$12.41M - Note (as of 7/1/26) $17.83M - HFCLIF Advances ($10.087M for LOC & $7.7M for Note)	N/A	Paid from HFCLIF pursuant to Debt Relief Agreement	Liquidity, Ratio Default	HFCLIF making 100% of Payments	HFCLIF payment made on May 1, 2026; next HFCLIF payment will be made on November 1, 2026 in the amount of $1,935,085.80. YTD 5/31/2026 40.1 DCOH and (3.04) DSCR.	1
III. Financial Performance Problems										
None										
IV. Defaulted Projects: Pending Asset Sales										
None										
V. Resolved Defaulted Projects										
Verdugo Mental Health	Glendale	Clinic-MH							Last payment received on July 30, 2026. Current balance is $3,490,371.79.	5
Lake Merrit - Cal-Nevada/Pacifica	Oakland	CCRC							Last payment received on August 3, 2026. Current balance is $12,877,719.01	6

[1] The insured project's Debt Service Reserve Fund (DSRF)

[2] Health Facility Construction Loan Insurance Fund

[3] Likelihood means probability or possibility of using HFCLIF for next payment.

II. Financial Performance Problems

Project: St. Rose Hospital **Numbers:** 1084 & 1096 (HFCLIF Adv.)

Description:
Hayward Sisters Hospital dba St. Rose Hospital (Corporation) is a general acute care 171 bed facility in Hayward, CA which offers emergency; subacute care; cardiology; orthopedics; rehabilitation; and both inpatient and outpatient services that was founded in 1962. From 2013 until the end of 2024, the Corporation was run via a management agreement with Alecto Healthcare LLC (Alecto). In the third quarter of 2024, Alecto notified the Department of Health Care Access and Information (Department) Cal-Mortgage Loan Insurance Program of the CEO's intention to retire; discontinue management services; and not acquire the Corporation under the Management Services Agreement (MSA). In response to the Alecto decision, the Corporation issued a Request for Proposal (RFP) in an attempt to find a new long-term operator or partner. As a result of the RFP process and on August 19, 2024, the Corporation and Alameda Health System (AHS) entered into a membership issuance agreement (Agreement) by which AHS became the sole corporate member of the Hospital. AHS assumed control of all operations at the Corporation effective October 31, 2024. Under the new organizational structure, the Corporation continues its existence as a California nonprofit public benefit corporation and will remain the owner and licensed operator of St. Rose Hospital.

Background:
In May 2009, the Department insured a $42.1 million bond issue to refinance existing debt, remodel the 5th floor to add 30 acute care beds, and to retrofit the hospital to meet seismic regulations through 2030 (2009 Bonds). In May 2009, concurrently with the 2009 Bonds, the Department also insured $10 million line-of-credit (LOC) with City Nation Bank (CNB) to ensure adequate operating liquidity for the Corporation (2009 LOC). In May 2016, the 2009 Bonds were refinanced with a Department insured $38.0 million CNB term note (2016 Term Note). In August 2022, the 2016 Term Note was refinanced with a Department insured 24.36 million CNB term note (2022 Term Note). The 2022 Term Note has an outstanding principal balance of $12.41 million with a final maturity date of December 28, 2029.

In December 2010, the Corporation had financial issues and drew on a $7 million Alameda County emergency reserve fund to pay $4 million for Hospital Provider Fees and $3 million to pay down the outstanding balance on the 2009 LOC. As a result of this and other performance issues, in 2012, the Department took action to avert bankruptcy and replaced all five board members, including two members from the Department's Advisory Loan Insurance Committee. After restructuring the Board of Directors and various management roles, the Corporation ultimately entered into a management agreement with Alecto, a for-profit hospital management company.

In early 2023, a group of community stakeholders led by Eden Health District engaged Innova Healthcare Solutions to conduct a study on the future sustainability of St. Rose Hospital. The study revealed that St. Rose Hospital was not sustainable as a stand-alone hospital without substantial and ongoing increases in public funding. The report further recommended the Corporation's board pursue an affiliation with a health system that had sufficient resources to secure the Corporation's ability to operate. The Corporation engaged Kaufman Hall and Steven Hollis as consultants to assist with a request for proposal (RFP) process. After an extensive search for an affiliation partner, the Corporation entered into a 90-day affiliation agreement with Alameda Health System (AHS). The affiliation then led to a long-term agreement with AHS. On August 19, 2024, the Corporation and Alameda Health System (AHS) entered into a membership issuance agreement (Agreement) by which AHS became the sole corporate member of the Corporation. The Agreement closed on October 31, 2024 and became effective November 1, 2024. The Agreement with AHS resulted in the termination of management agreement with Alecto. As part of the Agreement, AHS required that the Corporation restructure its 2022 Term Note and 2009 LOC and that AHS shall not be required to guarantee or become co-obligor.

The debt restructuring is intended to provide debt service relief while the Corporation implements its turnaround plan and revenue generating initiatives.

On October 31, 2024, the Department, the Corporation, and AHS executed a Debt Service Relief Agreement (DSRA) by which the Department agreed to cure the Corporation's defaults by making payments on the 2009 LOC and 2022 Term Note from the Health Facility Construction Loan Insurance Fund (HFCLIF). The DSRA terms are as follows:

- The payments due on the 2009 LOC will be made in full by the Department from the HFCLIF.
- Between November 1, 2024, and October 1, 2027 (36-months), monthly payments on the 2022 Term Note will be made in full by the Department from the HFCLIF.
- Between November 1, 2027, and October 1, 2029 (24-months), monthly payments on the 2022 Term Note will be made equally (50% each) by the Corporation and the Department.
- Between November 1, 2029, and December 1, 2029 (2-months), monthly payments on the 2022 Term Note will be made in full by the Corporation, until the defeasance of the 2022 Term Note on December 1, 2029.
- Between January 1, 2030, and December 1, 2034 (60-months), the Corporation will make monthly payments to the Department to repay all of the HFCLIF advances on the 2009 LOC and 2022 Term Note.
- Interest will accrue at 4.44% on the outstanding balance of the HFCLIF Advances beginning January 1, 2030.

In accordance with the DSRA, on December 10, 2024, the Department paid in full the $10 million outstanding principal balance of the 2009 LOC from the HFCLIF and the 2009 LOC was closed. The HFCLIF advanced a total of $10.087 million towards the 2009 LOC to cover principal plus accrued interest. In accordance with the DSRA, the Department began making monthly debt service payments on the 2022 Term Note. The Department worked with CNB to remit six-months of payments in advance, which are held in escrow and applied monthly as each payment becomes due. Each six-month advance totals approximately $1.9 million. Between December 2024 and May 2026, the HFCLIF has made four six-month advances totaling $7.7 million. The Department estimates it will make additional advances from the HFCLIF towards the 2022 Term Note totalling $7.7 million. The next six-month advance will be due on November 1, 2026. As of May 1, 2026, the HFCLIF advances totaled $17.83 million, with $10.087 million paid on the LOC and $7.7 million paid on the Note.

In addition to the AHS transition and DSRA execution, the Corporation secured additional funding in December 2023 when the Corporation was allocated a $17.65 million Distressed Hospital Loan Program (DHLP) award. The Corporation applied for a loan modification for the DHLP loan and was approved on May 8, 2025; the loan modification extended the payment deferral period by an additional 12 months until July 1, 2026. The Corporation applied for second loan modification and was approved on May 18, 2026; the loan modification forgave 12 months of debt service.

In March 2025 AHS agreed to provide $15 million LOC to the Corporation for the purposes of addressing cash shortages and meeting operating expenses while the turn-around plan is in progress. The LOC funds come from AHS's Liquidity Facility.

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Current Situation: (as of August 13, 2026) **Risk Rating: E**

The following table shows key financial statistics of the Corporation:

Amount in Thousands	Internal 5/31/2026 (8 mo.)	Audit 9/30/2025	Audit 9/30/2024	Audit 9/30/2023	Audit 9/30/2022
Cash & Equivalents	$15,443	$9,596	$9,041	$8,768	$11,652
Current Assets	$70254	$35,146	$42,615	$31,772	$32,321
Total Assets	$105,517	$78,495	$82,731	$68,449	$68,242
Current Liabilities	$45,076	$26,951	$45,171	$35,940	$21,930
Total Liabilities	$115,873	$75,636	$78,741	$59,298	$49,238
Net Assets	($10,355)	$2,859	$3,990	$9,151	$19,004
Operating Revenue	$79,995	$132,115	$137,483	$119,316	$122,295
Operating Expense	$95,398	$134,530	$141,651	$129,785	$127,067
Operating Income (Loss)	($15,403)	($2,415)	($4,169)	($10,470)	($4,773)
Non-Operating Income (Loss)*	$913	($763)	($992)	$616	($1,353)
Net Income (Loss)	($14,490)	($1,652)	($5,161)	($9,853)	($5,712)
Debt Service Coverage	(3.04)	0.63	0.07	(1.25)	0.30
Days Cash on Hand	40.1	26.61	23.7	25.2	25.0
Current Ratio	1.56	1.30	0.94	0.88	1.47

*Includes interest expense.

As of the eight-month period ended May 31, 2026, the Corporation's liquidity increased to $15.4 million, or 40.1 days cash on hand. The operating revenue of $79.9 million was less than the operating expenses of $95.3 million and led to an operating loss of $15.4 million. Other non-operating income of $0. 91 million led to a net loss of $14.49 million, which compared unfavorably to a budgeted net income of $13.7 million for the fiscal year to date. The net loss led to a negative 3.04 debt service coverage ratio, which did not meet the covenant requirement. The days cash on hand of 40.1 met the covenant requirement and the current ratio of 1.56 met the covenant requirement. The Corporation receives the majority of its supplemental funding (primarily from County Measure A funding and Intergovernmental Transfer Program participation) in May each year, however, the funds have been delayed with no estimated date on when the fund will be available. AHS provides the Corporation with access to a $15 million line-of-credit to ensure it can cover its operating liabilities each month while awaiting receipt of the supplemental funding.

Pursuant to the DSRA, the HFCLIF will make the next six-month installment payment of $1.93 million on November 1, 2026. As of May 1, 2026, the HFCLIF advances totaled $17.83 million, with $10.087 million paid on the LOC and $7.7 million paid on the Note.

The Department meets monthly with the Corporation's General Counsel Mike Sarrao, Chief Administrative Officer Chris Adams, and Controller Rosario Eugenio to discuss and receive updates regarding the Corporation's turnaround plan and financial operations. The latest meeting was held on August 7, 2026, and the following was discussed:

- The Corporation has changed its fiscal year end from September 30 to June 30 to align with AHS. It has engaged Baker Tilly to conduct the June 30, 2026, audit.
- The Corporation's HQAF and IGT payment have been delayed, with no estimate of when funds will be received. The Corporation fully drew on its $15 million line-of-credit with AHS, fortunately, AHS agreed to increase the line-of-credit to $25 million to provide adequate liquidity.
- On January 16, 2026, the Corporation entered into a collaboration with Stanford Health to provide 20 skilled nursing beds for their use over the next five years. The Corporation negotiated a bed reserve agreement with Stanford Health and patients began utilizing the facilities on March 16, 2026.
- The Corporation selected NT Lewis as contractor for the buildout of a new cardiac catheterization lab adjacent to its existing lab. HCAI issued the permit for radiology door component and construction started on December 1, 2025; permits were received for the Cath Lab component of the project. Construction is underway and expected to be completed and open to patients in December

2026 or early January 2027. The cost is estimated at $5.3 million and will be funded from a $3.5 million donation from Alameda Alliance, a $1 million donation from SRH Foundation, and seeking additional donations for the remaining amount.
- Continued focus on building a referral network for primary and specialty care through partnerships with local AHS clinics.
- Awarded $62.4 million Behavioral Health Continuum Infrastructure Program (BHCIP) for the construction of a 20-bed medical psychiatry unit and 20-bed geriatric psychiatry unit (preliminary stages). The scope of the project has been changed to renovate its old skilled nursing facility (single story stand-alone building) into 40 psych beds which was approved by BHCIP.
- Union contract negotiations underway with California Nurses Association (CNA) and ESC Local 20. Proposing to extend Teamsters contract for one year so it can focus on CNA negotiations.
- Evaluating a stand-alone women's health building for prenatal care.

Assessment:

Profitability:	YTD 5/31/2026 (8 mo.): ($14,490,000)
Liquidity:	Days Cash on Hand: 40.1 days
Debt Service Reserve Fund:	Not required per terms of note
Debt Service Payments:	Paid from HFCLIF
HFCLIF Payments:	Next installment due 11/1/2026
St. Rose CAO (via AHS):	Chris Adams
St. Rose Controller:	Rosario Eugenio
Counsel:	Michael Sarrao, Esq.

Account Manager: Lauren Hadley

Supervisor: Consuelo Hernandez

V. Resolved Defaulted Projects

Project: Verdugo Mental Health **Number:** 0973

Description:
The Las Candelas Nonprofit Group, in conjunction with the Glendale Hospital, established the Verdugo Mental Health Center (Clinic) in 1957. Services focused on abused and emotionally disturbed children, seriously mentally ill adults, and those recovering from substance abuse and other addictions. In December 1993, the Department insured a loan to purchase, renovate, and equip an outpatient/administrative facility. This loan was refinanced in April 2005 for the balance of $810,000. In April 2006, the Department approved a $5,505,000 loan to construct a 14,740 square foot outpatient clinic. The clinic is a two-story building with partial subterranean parking, joined with existing retrofitted, 4281 square foot clinic.

Background:
Verdugo filed Chapter 7 bankruptcy due to a special education local plan area liability of $566,000, growing net losses resulting from cuts in reimbursements for patient services, and declining fundraising. On December 9, 2010, the Department issued a Declaration of Default and Notice to Cure for $5,220,000.

All bonds were redeemed by the trustee on April 18, 2011, using funds drawn from the HFCLIF and the balance of the trustee accounts, which was $5,732,382.18. A $5,000,000 bankruptcy court order approved, HCAI financed sale to DiDi Hirsch Psychiatric (DiDi Hirsch) closed on May 13, 2011.

Current Situation: (as of July 30, 2026) **Risk Rating: None**
The August 2026 amortized payment of $21,080.20 was made on July 30, 2026. The current outstanding balance is $3,490,371.79. The 2025 audited financial statements were received on December 15, 2025.

Assessment:

Profitability: (DiDi Hirsch)	$808,484 (6/30/25 Audit)
Liquidity: (DiDi Hirsch)	$24,192,219 cash & investment (6/30/25 Audit)
DSCR: (DiDi Hirsch)	2.51 (6/30/25 Audit)
Loan Balance:	$3,490,371.79
Payments:	Current (8/1/2026)
Final Maturity:	6/1/2044
Interest Rate:	3%
Payment Terms:	$21,080.20 monthly until maturity on 6/1/2044

CEO: Jonathan Goldfinger, MD **CFO:** Howard Goldman

Account Manager: Dennis Lo **Supervisor:** Consuelo Hernandez

V. Financial Performance Problems

Project: California Nevada Methodist Homes **Numbers:** 1018, 1053, 1088

Description:
California Nevada Methodist Homes (Corporation) was founded over 60 years ago. It operates two continuing care retirement communities (CCRCs)–Forest Hill Manor (FHM) in Pacific Grove and Lake Park Retirement Residence (LPRR) in Oakland.

Background:
On October 1, 2015, the Department of Health Care Access and Information (Department) insured Revenue Bonds Series 2015 (Bonds) for the Corporation in the amount of $32,920,000. The Bonds were used to refinance the Department insured 2006 bonds and fund $6.3 million in capital improvements.

The Corporation has had several financial setbacks dating back to 2007, which contributed to its net losses since Fiscal Year End (FYE) 2009. Approximately $27.5 million of the $42.3 million 2006 bonds were used for the expansion of FHM. Construction was scheduled to be completed in late 2007, but construction was delayed by 16 months. The construction delays caused the opening of FHM to be set back until March 2009, right at the beginning of the recession. By March 2009, Independent Living (IL) cottage deposits had declined, and the Corporation has not been able to increase occupancy at FHM. The purpose of the 2015 Bonds was to provide interest rate savings, along with an additional $6.3 million for renovations and upgrades to the Corporation's facilities. The renovations were believed to be necessary to improve occupancy and increase the marketability of vacant IL units. The units have not sold at the pace that was projected in the feasibility study done by Bill Hendrickson at the time of the bond closing.

On March 16, 2021, the Corporation filed a voluntary petition commencing Chapter 11 for relief under the Bankruptcy Code continuing in possession of its property and operation of its businesses as debtor-in-possession (DIP). The Corporation missed the monthly debt service payments from February 2020 through December 2022. On December 6, 2022, the sale of the Corporation to Pacifica Companies, LLC (Pacifica) was finalized. The Department elected to accelerate the bonds per section 7.2 of the Indenture and the bonds were paid in full and redeemed on March 3, 2023. The Plan of Liquidation was approved during the court hearing on June 30, 2023, and became effective on July 5, 2023. The Department received a wire of $2,358,613.01 on July 6, 2023. The wire was the amount due to the Department as part of the liquidation plan.

On September 8, 2023, the Corporation entered a final decree to close their Chapter 11 case with the Bankruptcy Court. The final decree was approved by the Court on October 4, 2023.

Current Situation: (as of August 14, 2026**)** **Risk Rating: N/A**
There are some disputes over administrative expense claims that still need to be resolved; it is anticipated that the recovery will be $1.12 million. Any money left after all expenses paid will be returned to the Department. According to the Corporation's legal counsel, one of the unresolved disputes pertains to an administrative claim filed by PG&E against the Corporation. This matter needs to be resolved before the Corporation can complete its dissolution and make the final payment to the Department of its remaining funds. On February 5, 2026, the Corporation's legal counsel informed the Department's attorney that the IRS lost or misfiled some paperwork that affected the Corporation's audits and tax filings. The Corporation has to resolve the additional issue before it can close out the account and reimburse the Department. On June 2, 2026, The Corporation's attorney informed the Department's attorney that the Corporation had submitted the necessary paperwork to the IRS but the

IRS review timeline is uncertain. As of August 14, 2026, the Corporation's attorney did not provide the Department's attorney with additional updates.

Under the amended Purchase Sale Agreement, the Department and Pacifica have negotiated a workout plan that involved a carryback secured note (Note) with Pacifica dba Lake Merritt Senior Living LLC as the obligor. The Note is secured by a Deed of Trust recorded against LPRR. The Note is for $15 million and amortized over 240 months, but payable in full on or before month 120. Interest is 3%, and a $3 million loan forgiveness will be issued upon payoff. Pacifica has made the required monthly payment of $83,189.64 punctually with no issues. The current outstanding balance is $12,877,719.01.

Assessment:

Pacifica CEO: Deepak Israni
Pacifica Counsel: Thomas P. Sayer

Account Manager: Tom Wenas **Supervisor:** Consuelo Hernandez

V. Resolved Defaulted Projects

Project: Verdugo Mental Health **Number:** 0973

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Current Situation: (as of July 3014, 2026) **Risk Rating: None**
The July August 2026 amortized payment of $21,080.20 was made on July 3014, 2026. The current outstanding balance is $3,490,371.79$3,502,695.25. The 2025 audited financial statements were received on December 15, 2025.

Assessment:

Profitability: (DiDi Hirsch)	$808,484 (6/30/25 Audit)
Liquidity: (DiDi Hirsch)	$24,192,219 cash & investment (6/30/25 Audit)
DSCR: (DiDi Hirsch)	2.51 (6/30/25 Audit)
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Payments:	Current (87/1/2026)
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Payment Terms:	$21,080.20 monthly until maturity on 6/1/2044

CEO: Jonathan Goldfinger, MD **CFO:** Howard Goldman

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Current Situation: (as of August 14, 2026**)** **Risk Rating: N/A**
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Assessment:

Pacifica CEO: Deepak Israni
Pacifica Counsel: Thomas P. Sayer

Account Manager: Tom Wenas **Supervisor:** Consuelo Hernandez