ADVISORY LOAN INSURANCE COMMITTEE

July 11, 2024

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

HCAI 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, July 11, 2024
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 1237, Sacramento, CA 95833

Microsoft Teams Link: Click here to join the meeting
Call-in audio only: (916) 535-0978, Conference ID: 154 161 555#

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
- Scott Christman, HCAI Chief Deputy Director
- J.P. Marion, Cal-Mortgage Deputy Director

Item No. 4 Approval of the Minutes of the March 14, 2024, Meeting – Action Item
Jay Harris, Committee Chair (or designee)

Item No. 5 Swear-in of New Committee Member – Action Item
Scott Christman, Chief Deputy Director, HCAI

Mr. Christman will administer the Oath of Office to new ALIC Committee member Mary Connick.

Item No. 6 Loan Insurance Application Review, La Maestra Community Health Centers (Applicant) – Action Item
Consuelo Hernandez, Cal-Mortgage Supervisor

The Applicant is a California nonprofit public benefit corporation and a Section 330 Federally Qualified Health Center operating several primary care clinics throughout San Diego County. The purpose of the insured loan of $14.3 million is to reimburse the Corporation for the acquisition and renovation of three buildings at 1242, 1246, 1248 East Main Street in El Cajon.

Item No. 7 Cal-Mortgage Reports – Informational Item

A. Project Monitoring
Dean O'Brien, Cal-Mortgage Supervisor

Mr. O'Brien will report on statistics about the existing portfolio of Cal-Mortgage Borrowers.

B. Pending Projects
Consuelo Hernandez, Cal-Mortgage Supervisor

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

C. Problem Project Report
J.P. Marion, Cal-Mortgage Deputy Director

Mr. Marion will report on projects appearing on the Cal-Mortgage Problem Report.

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
Scott Christman, Chief Deputy Director
J.P. Marion, Deputy Director
Consuelo Hernandez, Supervisor
Dean O'Brien, 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, 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. Attn: Joanna Luce

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 or 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.

For oral interpretation and written translation in any language other than English, or American Sign Language interpretation services, please contact Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov. Providing your request at least seven (7) business days before the meeting will help ensure availability of the requested language services.

Para interpretación oral y traducción escrita en cualquier idioma que no sea inglés, o servicios de interpretación de lengua de señas americano, comuníquese con Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov. Presentar su solicitud al menos siete (7) días laborales antes de la reunión ayudará a garantizar la disponibilidad de los servicios lingüísticos solicitados.

Agenda Items 4 – Draft Minutes of the

March 14, 2024 ALIC Meeting Minutes

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

March 14, 2024

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.

COMMITTEE MEMBERS PRESENT
Jay Harris, Chair, via teleconference
Derik Ghookasian, Vice Chair, via teleconference
Soyla Reyna-Griffin, Member, via teleconference
Jonathon Andrus, Member, via teleconference
John Woodward, Member, via teleconference
Richard Tannahill, Member, via teleconference
Scott Coffin, Member, via teleconference

COMMITTEE MEMBERS ABSENT
None

ADDITIONAL ATTENDEES
Scott Christman, HCAI, Chief Deputy Director
Jeremy (J.P.) Marion, HCAI, Cal-Mortgage, Deputy Director
Consuelo Hernandez, HCAI, Cal-Mortgage, Supervisor
Dean O’Brien, HCAI, Cal-Mortgage, Supervisor
Geoff Trautman, HCAI, Staff Attorney
Elizabeth Ballart, HCAI Staff Attorney
Camille Dixon, HCAI Staff Attorney
Dennis Lo, HCAI, Cal-Mortgage Account Manager
Lauren Hadley, HCAI, Cal-Mortgage, Account Manager
Arne Bracchi, HCAI, Cal-Mortgage, Account Manager
Tom Wenas, HCAI, Cal-Mortgage, Account Manager
Joanna Luce, HCAI, Executive Secretary

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

Before Mr. Harris called the meeting to order, Mr. J.P. Marion, HCAI, Cal-Mortgage Deputy Director asked that for purposes of documenting the minutes for this teleconference meeting, that any participants when speaking on the call, to first state their name, noting members of the public are exempt from this request. Mr. Marion also asked that for today's action items, the item be done through a roll-call vote. With that announcement, Mr. Marion turned the meeting over to Mr. Harris to preside over the meeting agenda.

Mr. Harris proceeded to perform a voice roll call of the Committee members present at today's meeting. At the conclusion of the roll call, Geoff Trautman, HCAI Staff Attorney, asked that as part of the new SB 544 Bagley-Keene Act rules, a disclaimer be made for any Committee Member not appearing on video on the record. Mr. Harris and Ms. Soyla Reyna-Griffin, Committee Member stated the reasons they are not able to attend today's meeting on video. Mr. Harris then asked ALIC Vice Chair, Derik Ghookasian, to conduct the meeting.

Mr. Ghookasian then asked for public comments on today's agenda. Hearing none, Mr. Ghookasian called upon Mr. Harris for his opening remarks.

3. ALIC CHAIR AND HCAI EXECUTIVE STAFF REMARKS

- **ALIC Chair**
  Mr. Harris stated there is not a new project on today's agenda. However, he and Mr. Marion felt there were enough topics that are discussed at regular Committee meetings they felt that it was important to have an interim meeting, and that is the context for today's meeting.

- **HCAI Director**
  Ms. Elizabeth Landsberg, HCAI Director did not attend today's meeting.

- **HCAI Chief Deputy Director**
  Mr. Scott Christman, HCAI Chief Deputy Director stated Ms. Landsberg's regrets for not being able to attend today's meeting.

  Mr. Christman gave an update on the Governor's proposed budget for the 2024-2025 Fiscal Year that is similar to last year's budget. The budget features a deficit that appears to be growing according to the Legislative Analyst Office. Mr. Christman said the proposed budget does preserve most core state programs while still providing the ability to continue new investments in future years. Mr. Christman outlined what the proposed budget means for HCAI. Noting, that HCAI is operating with almost 750 positions, a significant growth to HCAI; with delayed funding there are delays to our health workforce development programs; this proposed budget has no impact to the Cal-Mortgage program. The next steps in the proposed budget cycle are for the Governor to release the May revised budget, and the final budget must be signed by June 30th for the fiscal year that begins on July 1.

  Mr. Christman shared program updates, saying that HCAI recently launched a brand-new program called Certified Wellness Coach program for prospective employers, students, or individuals interested in pursuing a career in behavioral health. This program is a grant program for employers that launched in January. The goal of the program is to provide grant funding to school based and school linked community-based organizations, local education agencies, county offices of education, and school-based education agencies to recruit, employ, and build capacity for certified wellness coaches. In addition to this new program, HCAI is providing money through grants to incentivize employers to take on these new roles and fill some of the gaps HCAI recognizes exist in behavioral workforce.

Mr. Christman said HCAI has been focusing on the intersection of workforce issues and hospital space; refreshed some of the hospital related data and refreshing some of those data related products. The most recent available data is 2021. Mr. Christman detailed the potential uses for these new data products.

Lastly, Mr. Christman outlined in detail the first full year of HCAI's Office of Health Care Affordability's operations, programs, and goals.

At the conclusion of Mr. Christman's opening remarks there was a short discussion with Mr. Christman and the Committee that covered the topics of a legislative update for SB2511, emergency generators for nursing facilities; the Song-Brown program; and community health care worker certification.

- **Cal-Mortgage Deputy Director**
  Mr. Marion began his remarks stating there is quite a bit of echoing on the call and asked the meeting participants to mute themselves when they are not talking.

  Next, Mr. Marion said it is Form 700 season. Stating that Committee members should receive an email with the subject line, "FPPC 700 annual Form 700 which will have instructions to complete the Form 700 online. He asked the Committee members to look for this email and complete their Form 700.

  Mr. Marion then advised the Committee that he has been in discussions with prospective members to fill the vacancy on the Committee left behind by Mr. Dave Kears. Mr. Marion said he will discuss the prospective candidates with the Director's Office and hopes that he will have some information about a new team member joining the Committee soon.

  At the conclusion of Mr. Marion's opening remarks there was a brief discussion with Mr. Marion and the Committee about Form 700.

4. APPROVAL OF THE MINUTES OF THE OCTOBER 11, 2023 MEETING

A motion to approve the minutes as written was made by Mr. John Woodward. Mr. Jay Harris seconded the motion. The motion passed, 6-0. Mr. Jonathon Andrus abstained on the vote to approve the minutes.

5. DEPUTY DIRECTOR'S REPORT

- **Project Monitoring – Dean O'Brien**
  Mr. Ghookasian then asked Mr. Dean O'Brien, HCAI Cal-Mortgage Supervise to present the Project Monitoring Report. Mr. Marion shared a printed copy of the Deputy Director's Reports for the individuals attending the meeting via video teleconference. Mr. O'Brien informed the Committee that since the last meeting the portfolio has been consistent with reporting of quarterly financials. Noting we are tracking a handful of borrowers that are having liquidity issues and we are helping them however we can. We are monitoring them more closely, but the overall portfolio has been consistent and doing relatively well.

  Mr. O'Brien reported the staff is getting out and visiting their projects. Site visits are up 21% in terms of being current from our last meeting in October. Noting the account managers have been doing a good job getting out in the field. Mr. O'Brien said he has done a couple of recent site visits with Tom Wenas, Account Manager. It has been really good to get out and see our clients.

  At the conclusion of Mr. O'Brien's report, the Committee did not have any questions for this report. Mr. Ghookasian then asked Ms. Consuelo Hernandez, HCAI, Cal-Mortgage Supervisor to present the Pending Projects Report.

- **Pending Projects – Consuelo Hernandez**
  Ms. Hernandez informed the Committee that the next project that will probably be coming before the Committee is Alexander Valley. They are aiming for the August ALIC meeting. Ms. Hernandez then provided the Committee with a brief background of Alexander Valley and the scope of the project that will be presented to the Committee. Ms. Hernadez also said the other projects on our list are currently in discussion phases of financing so the April ALIC meeting will be canceled.

  The Committee did not have any questions for Ms. Hernandez at the conclusion of her report. Mr. Ghookasian then called upon Mr. Marion to present the Problem Projects Report.

- **Problem Project Report – J.P. Marion**
  Mr. Marion discussed the borrowers that are experiencing financial difficulties and the action plan devised to address each borrower as well as additional borrowers that we are tracking on our Watch List, and potentially may be added to a future Problem Project Report. Mr. Marion then provided the Committee with additional updates on the following borrowers:

  St. Rose Hospital (St. Rose): Mr. Marion began his report of St. Rose with a detailed background of Cal-Mortgage's history with St. Rose; financial situation including the review of The Innova Group's Study on the Future Sustainability of St. Rose; and the next steps for St. Rose.

At the conclusion of Mr. Marion's report on St. Rose Mr. Marion answered questions from the Committee concerning St. Rose.

San Benito Health Care District (San Benito): Mr. Marion gave the Committee a brief update about this borrower's financial situation, bankruptcy case proceedings, and the proposals for acquiring San Benito. Mr. Marion noted San Benito is a recipient of a Distressed Hospital Loan Program (DHLP) loan that still has to close however, the transaction documents are currently being worked on, and once completed San Benito will have an additional $10.0 million available to them through the DHLP loan.

Hill Country Community Clinic (Hill Country): Mr. Marion detailed Hill Country's financial challenges; the new Chief Financial Officer (CFO) and their performance; a new Chief Restructuring Officer was hired to assist with the clinic that was built in Redding; the problems associated with this clinic location; and arranging a sale for the Center of Hope, there is currently an offer from Shasta Community Health Center. In the meantime, Hill Country is missing payments to us and the Center for Hope debt, but if this sale goes through in April, as it should go through, the sale proceeds should refill Hill Country's Debt Service Reserve Fund; allow them to begin making payments to Cal-Mortgage on their loan; and focus their operations on their clinics in Round Mountain.

Verdugo Mental Health: This borrower is a resolved default and Cal-Mortgage is collecting payments; and noted we are receiving regular payments as outlined in their settlement agreement.

California-Nevada Methodist Homes: This borrower is a resolved default and Cal-Mortgage is collecting payments; and noted we are receiving regular payments as expected in their settlement agreement.

Jewish Home of San Francisco: Mr. Marion said this project is on our Watch List. He gave an update of this borrower and their struggles of financial liquidity. They have a relatively new Chief Executive Officer and their CFO recently retired. A new CFO has been brought onboard. Census has been improving. Things slowly seem to be improving and we are continuing to keep our eye on them.

Asian Community Health Care Centers: Mr. Marion said this borrower has a similar situation to Jewish Home of San Francisco. They have hired a new CEO, and they seem to be doing a very good job reorganizing and restructuring things to turn things around. They are actively marketing their new assisted living and memory care facility and census has been improving. We are hoping this activity will translate into better financial performance. This borrower is in the middle of a process of looking for a working capital line of credit, with the possibility of doing it uninsured outside of Cal-Mortgage.

Santa Rosa Community Health Center: Mr. Marion gave a brief report and said this borrower has always been a very strong borrower in our portfolio. Recently they have been experiencing some financial issues because of a new EHR system and lower patient volume to give the providers, billing, and collections personnel extra time to learn the new EHR system. Lower patient volume also meant billings and claims also went down. On top of this there were a lot of problems with the new EHR system submitting and entering claims into the system and getting reimbursed. The problems are being worked through and things are improving. We are keeping an eye on them, but hopefully they are back on track now with their day-to-day operations.

Distressed Hospital Loan Program: There was no discussion made under this agenda item.

Small and Rural Hospital Relief Program: There was no discussion made under this agenda item.

6. FUTURE AGENDA ITEMS/ANNOUNCEMENTS FROM COMMITTEE MEMBERS

There was no discussion made under this agenda item.

7. GENERAL PUBLIC COMMENT

No public comments were made.

8. ADJOURN

Mr. Harris made a motion to adjourn the meeting and the meeting was adjourned at 10:48 a.m.

The Minutes of the above meeting were approved during the meeting of the Committee held on Date of Meeting.

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Derik Ghookasian, Vice Chair

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Joanna Luce, Executive Secretary

Agenda Item 6 – Project Information for
La Maestra Community Health Centers

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

July 1, 2024

Members of the Advisory Loan Insurance Committee

RE: La Maestra Family Clinic, Inc. (Corporation)
Loan No. 1094
Request for Loan Insurance

Dear Committee Members:

Enclosed is the Project Summary and Feasibility Analysis for the Corporation's loan insurance request to the Department of Health Care Access and Information.

I look forward to discussing this project with you on July 11, 2024. Meanwhile, if you have any questions, please feel free to contact me at (916) 319-8820, or by email at Consuelo.Hernandez@hcai.ca.gov.

Sincerely,

Consuelo Hernandez

Consuelo Hernandez
Supervisor

Enclosure

Cal-Mortgage Application
July 11, 2024 ALIC Meeting

4390 University Avenue
San Diego, CA 91205

Contents

Project Summary & Feasibility Study

La Maestra Community Health Centers

PROJECT SUMMARY & FEASIBILITY ANALYSIS

For the July 11, 2024 Advisory Loan Insurance Committee

Date: July 1, 2024

Applicant: La Maestra Family Clinic, Inc.
dba La Maestra Community Health Centers, Inc. (Corporation)
4060 Fairmount Ave.
San Diego, California 92105

Loan No.: 1094 (2024 Bonds - New)

1077 (2021 Bonds)
1075 (2020 Bonds)

Supervisor: Consuelo Hernandez

Executive Summary:
The Corporation was established in 1991 and received a Section 330 Federally Qualified Health Center (FQHC) designation in 1998. The Corporation operates multiple primary care sites, three licensed mobile sites, and three school-based health centers in San Diego County. The Corporation also operates three licensed pharmacies under the Section 340B Federal Drug Pricing Program, offering uninsured patients access to pharmaceuticals. The Corporation serves more than 44,000 individuals annually in federally designated Medically Underserved Areas and to Medically Underserved Populations. The Corporation is devoted to comprehensive health care for individuals and families and offers services such as primary care, dental, pediatrics, OB/GYN, pharmacy, laboratory, and behavioral health. In fiscal year 2023, the Corporation provided healthcare services for 184,820 billable visits of which 78 percent were paid by Medi-Cal.

The proposed 2024 Bonds of $13,410,000 will be used to: (i) finance the acquisition and renovation of three buildings at 1242, 1246, 1248 East Main Street in El Cajon for the use of a new health clinic, (ii) pay the expenses and loan insurance premium in connection with the financing and debt service reserve fund. The financing will not exceed 90 percent of the cost of the buildings and renovations.

Financing History with HCAI:
The Department of Health Care Access and Information (HCAI) insured the Corporation’s first loan on September 4, 2008, for $18,500,000 (2008 Bonds). The proceeds were used to construct the Corporation’s 36,440 square foot, three-story main health center located at 4060 Fairmount Avenue in San Diego. The 2008 Bonds were refinanced in November 2020 with an insured loan amount of $13,590,000 and net present value savings of 19 percent (2020 Bonds).

On August 5, 2021, HCAI insured $12,295,000 revenue bonds (2021 Bonds). The proceeds were used to refinance a loan for the purchase of a medical office building located at 4074 Fairmount Avenue in San Diego, finance the acquisition and renovation of a medical office building located at 205 Highland Avenue in National City, and reimburse the Corporation’s cash acquisition of a medical office building at 181 Rea Avenue in El Cajon.

The Project:
In November 2021, the Corporation purchased a commercial retail property located at 1242, 1246, & 1248 Main Street in El Cajon (Property) for $6,450,000. The Property is a 22,694 square foot retail strip center located on a 1.91-acre site. It consists of three one-story buildings which were constructed in 1989. The Corporation requested, and HCAI consented, to the Corporation using cash reserves to purchase the Property.

1242 Main Street is a 3,542 square foot building that is currently occupied by the Corporation and used for dental services. The second building is 1246 Main Street, Units 101–112, which is a 14,310 square foot building and is currently being remodeled. The renovations began in December 2023 and to date include plumbing; electrical line installation; concrete moisture barrier application; wall/column/beam installation; and interior partition and storefront framing. As of June 2024, the Corporation has paid roughly $1.7 million in renovations using its own cash reserves. The renovations are expected to be completed by October 2024 and operations will begin in November. The Corporation intends to provide primary medical care, pediatric, OB-GYN, chiropractic, optometry, and acupuncture services. Additional services to be provided will include pharmacy; community outreach; enhanced care management; community support; and administrative services for programs such as senior services, liver, and asthma health programs. 1246 Main Street has an additional Unit 113 consisting of a 2,400 square foot building which is currently leased by a retail tobacco business. This lease is scheduled to end on May 30, 2025, but the lease agreement contains an option for the tenant to extend the lease term for an additional 5 years. The tenant has indicated they will exercise the option to lease the unit for an additional 5 years. At the end of the 5-year option period, May 30, 2030, the Corporation intends to occupy the space and provide additional health services.

The third building is 1248 Main Street and consists of 2,468 square foot building which is currently leased by City Bistro restaurant. This lease is scheduled to expire on February 28, 2026, but the tenant has two sixty-month extensions, which it can exercise. It is unknown at this time whether the tenant plans to exercise either of the options, which could extend the lease term to February 28, 2036. Once the lease terminates, the Corporation intends to remodel and occupy the space and provide additional health services.

The net proceeds from the Bonds are being used to reimburse the Corporation for the purchase of the site and remodeling the 1246 building. A tax analysis has been completed that states the revenue from the for-profit entities does not exceed the five percent of the Corporation’s total revenue as required by non-profit IRS laws.

The Property was appraised by CBRE Valuation and Advisory Services (CBRE) on July 5, 2021. CBRE provided a hypothetical as complete and stabilized appraisal of $10,150,000.

As a condition of the 2024 Bonds, the combined loan-to value ratio of the 2024 Bonds, 2021 Bonds, and 2020 Bonds is not to exceed 90 percent, and is addressed further in the Loan to Value Analysis section.

Insured Total:
The 2024 Bonds shall not exceed a par amount of $13,410,000 to be insured by HCAI. The bond model dated May 30, 2024, shows a par amount of $13,410,000 and a premium of $896,608 for a total of $14,306,608. The equity contribution of $1,589,623 consists of the acquisition and pre-paid project expenses for the Property, which is sufficient to cover the ten percent equity contribution requirement.

Corporation Background and Services:
The Corporation was founded in July 1991 to provide residents in the City Heights community of San Diego with licensed preschool; health education and literacy programs; medical care; housing assistance; job training and placement; and other social services that addressed the social determinates of health. The residents identified health care as a major unmet need in the community. The name La Maestra in Spanish means "the teacher" and the Corporation aims to live up to its name by improving access and quality of care for all and to teach self-sufficiency and self-reliance to underserved populations. In September 1998, the Corporation earned a Section 330 FQHC designation, which provides federal grant funding from HRSA, in addition to Medi-Cal Prospective Payment System payments. The Federally Supported Health Centers Assistance Act of 1992 and 1995 granted no-cost medical malpractice liability protection through the Federal Tort Claims Act (FTCA) to HRSA-supported health centers. The federal government assumes responsibility for costs related to a claim resulting from the performance of medical, surgical, dental, or related functions. Since the FQHC designation, the Corporation has been able to expand its capacity and services. Special emphasis is placed on serving minorities, refugees, and immigrants from more than 60 countries. The Corporation offers translation on site and the staff speaks 19 different languages.

The remainder of the page has been intentionally left blank.

The Corporation's primary service areas are the communities of City Heights, El Cajon, Lemon Grove, and National City of San Diego County. A list of all the Corporation's facilities owned and leased follows:

Facility Name	Address	Services
Owned – HCAI Lien		
Main Clinic – City Heights	4060 Fairmount Ave., San Diego	Medical Health Center
Hope Clinic	4171 Fairmount Ave., San Diego	Medical Health Center
Cough & Cold Clinic	4074 Fairmount Ave., San Diego	Health Access Information
National City Clinic	217 Highland Ave., National City	Medical Health Center
Rea Clinic	181 Rea Ave., El Cajon	Medical Health Center
Owned – NO HCAI Lien		
Transitional Housing	4129 Fairmount Ave., San Diego	Transitional Housing
Transitional Housing	4135 Fairmount Ave., San Diego	Transitional Housing
Foundation	4185 Fairmount Ave., San Diego	Medical Health Center
Community Behavioral Health	4157 Fairmount Ave., San Diego	Behavioral Health
Immigration & CHAD	4147 Fairmount Ave., San Diego	Legal & Health Access Info.
Administration	4090 Fairmount Ave., San Diego	Administration
Leased		
Wellness Clinics	4175-4179 Fairmount Ave., San Diego	Behavioral Health
1st St. Clinic	165 South 1st St., El Cajon	Medical Health Center
Broadway/El Cajon Clinic	1032 Broadway, El Cajon	Medical Health Center
University Dental Suites, 120, 150, 300 & 345	4305 University Ave., San Diego	Dental
Main St. Dental – El Cajon	1242 E Main St., El Cajon	Dental
Broadway/Lemon Grove Dental	7967 Broadway Ave., Lemon Grove	Dental
Monroe Clark Middle School	4388 Thorn St., San Diego	School-Based Clinic
Central Elementary School	3878 Orange Ave., San Diego	School-Based Clinic
Hoover High School HR Offices	4474 El Cajon Blvd., San Diego 500 Fesler St., Ste. 201-203	School-Based Clinic HR Offices
HR Offices	550 Fesler St., Ste. G-3	HR Offices
Foundation Generations	4113 Fairmount Ave., San Diego	Foundation
Administration	4167 Fairmount Ave., San Diego	Administration
Storage	332 Coogan Way	Medical Records Storage
Multiple Use	4283 El Cajon Blvd., Ste 235	Multiple Use
Storage	1452 Fayette St., El Cajon	Maintenance Storage
City Heights Square	4029 43rd St., Ste. 800	CHS

There are various primary care providers in the Corporation's service area. However, the Corporation experiences little direct competition since most private practice physicians do not generally provide services to the Corporation's target population of low income and Medi-Cal recipients. The Corporation is required as an FQHC to offer a sliding fee scale with discounts based on patient family size and income in accordance with federal poverty guidelines, and services are open to all, regardless of their ability to pay.

As of Fiscal Year End (FYE) 2023, the Corporation had over 800 employees, 90 of whom are primary care staff such as full-time family practitioners, obstetrician/gynecologists, pediatricians, physician assistants, nurse practitioners, dentists, psychologists, and professional mental health providers. Many of the staff are recruited from the community and reflect the diverse cultural backgrounds present in the communities served by the Corporation. None of the employees have any union affiliation. The Corporation has struggles similar to other clinics in recruiting family practice physicians and other medical providers. To help with recruitment the Corporation has a partnership with a physician assistant program to help train residents at local medical schools and in the Corporation's clinics.

Executive Management:

Chief Executive Officer (CEO)

Zara Marselian founded the Corporation in 1991 and has served as its CEO since its beginning. Ms. Marselian holds an M.A. in Organizational Management and a B.A. in Sociology. Prior to working for the Corporation, she worked as the Executive Director of La Maestra Amnesty Center for five years. The Amnesty Center offered vocational training, literacy, and child development programs. Ms. Marselian holds various community service posts and professional memberships including, among others, Board Member of the Council of Community Clinics; Member of California Primary Care Association; and Member of San Diego State University College of Health and Human Services' Dean's Advisory Board.

Chief Financial Officer (CFO)

Jeff Neumann has been the CFO of the Corporation since June 2017. Prior to working for the Corporation, he served as the controller of Sea Mar Community Health Centers, an FQHC with over 90 sites and 2500 employees across western Washington State.
Mr. Neumann has over 33 years of executive finance management, and Medicare and Medicaid reimbursement consulting experience. He holds a B.A. in Accounting from the University of Washington.

Executive Director (ED)

Marty Stroud has been with the Corporation since 2005. From 2005 to 2018 he was the Director of Dental Operations for the Corporation, but was promoted to his current position, Executive Director, in 2018. Prior to working for the Corporation, he was in the U.S. Navy where he had considerable experience overseeing operations of dental centers in the U.S. Navy. Mr. Stroud holds a B.S. degree in Social Science from Excelsior College, New York.

Chief Operations Officer (COO)

Alejandrina Areizaga has been the COO of the Corporation since 2001. Ms. Areizaga has over 40 years of experience in healthcare administration and human resources administration. Prior to working for the Corporation, she was the Administrator of Provider Contracts for Community Health Group in Chula Vista.

Outstanding Litigation:

The Corporation is not currently involved in any litigation.

<u>Board of Directors (BOD)</u>:
The Corporation is governed by a Board of Directors, which can consist of between nine and fifteen members who are elected to serve a three-year term. Officers are elected annually. As an FQHC, the Corporation requires at least 51 percent of the governing board members to be registered clients of the healthcare centers who are representative of the populations served by the Corporation. Members also serve on Board committees including Finance, Personnel, Compliance, and Fundraising. The Corporation's Board of Directors currently consists of 11 board members:

Name	Board Position	Occupation	Member Since
Samuel Mireles	Chair	Chief Financial Officer	1997
Charlene Castro	Vice Chair	Community Volunteer	7/12/2002
Robert Marquez	Secretary	Community Volunteer	7/10/1995
Pida Kongphouthone	Treasurer	Realtor/Broker	6/2/2017
Monica De la Torre	Board Member	Independent Consultant	3/1/2013
Christopher Ewald	Board Member	Art, Music Instructor	7/6/1995
Peter Both Gach	Board Member	Pastor	2023
Graciela Putzoli	Board Member	Community Volunteer	11/8/2004
Mark Boyer	Board Member	Attorney-at-Law	7/9/1995
Yessica Quiroz	Board Member	Medical Technician	2023
Louie Cazares	Board Member	Insurance Broker	7/12/1995

<u>Succession Plan</u>:
In the event the CEO is temporarily unavailable (e.g., illness or leave of absence), one of the organization's internal management staff will serve as temporary chief executive. In the event the CEO is permanently unavailable, the executive committee of the BOD shall do the following:

1. Within five business days appoint an interim CEO according to the following line of succession:

    a. Executive Director: Marty Stroud
    b. Other executive level manager selected by the executive committee of the BOD
    c. External consultant (with experience as an interim CEO)

2. Within 15 business days appoint an executive transition committee if a permanent change in leadership is required. This committee shall be comprised of at least one member of the executive committee and two BOD members. It shall be the responsibility of this committee to communicate with key stakeholders regarding actions taken by the BOD, consider the need for consulting assistance (i.e. transition management or executive search consultant), and establish a time frame and plan for the recruitment and selection process.

Rating and Insurance Premium:
The Corporation is unrated, and no rating is expected. The HCAI premium will be 3 percent of the total debt service, or approximately $884,873 with certification and inspection fees.

Debt Service Reserve Fund:
The Debt Service Reserve Fund (DSRF) shall be established at loan closing in the amount equal to 50 percent of the maximum annual debt service of the bonds, which is projected to be $1,084,563.

Eligibility and Licensing:
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. Its health clinics are licensed in the State of California by the California Department of Public Health.

Cal-Mortgage Priority:
In accordance with the State Plan, the Project promotes access to primary healthcare services to the uninsured and underinsured population of San Diego County and is considered a Cal-Mortgage program priority.

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Sources and Uses of Funds:

Sources of Funds	Total	Percentage
Bond Proceeds:		
Par Amount	$13,410,000	84.4%
Premium	$896,608	5.6%
Other Sources of Funds:		
Equity Contribution	$1,589,623	10.0%
Total Sources of Funds	**$15,896,231**	**100.0%**
Uses of Funds		
Project Fund Deposits:		
El Cajon Development Costs	$6,286,882	39.5%
El Cajon Purchase Price	$6,450,000	40.6%
Other Project Costs	$700,000	4.4%
Debt Service Reserve Fund	$1,084,562	6.8%
Delivery Date Expenses:		
Cost of Issuance	$335,000	2.1%
Underwriter's Discount	$98,993	0.6%
Certification of Inspection Fee	$53,640	0.3%
Cal-Mortgage Insurance Premium	$884,872	5.6%
Additional Proceeds	$2,282	0.01%
Total Uses of Funds	**$15,896,231**	**100.0%**

Financing:
The 2024 Bonds are projected to have a par amount of $13,410,000 with a premium of $896,608. The 2024 Bond payments are being structured around the 2020 and 2021 Bonds. As such, the bond payments during the first 27 years will not exceed $1.0 million and will increase to $2.2 million the final three years. They will be financed through tax-exempt bonds issued by the California Municipal Finance Authority and insured by HCAI with the following terms:

The bond series will have a 30-year term and mature in 2054.

1. All bonds are to be issued at fixed rates. Average coupon rate is 5.0 percent with a true interest cost of 4.6 percent.
2. Average annual debt service is $983,192, and the Maximum Annual Debt Service (MADS) is $2,169,125.

3. The Debt Service Reserve Fund is $1,084,563, which is 50 percent of MADS.

The proposed bond model, dated May 30, 2023, is available to review under Exhibit A

Project Readiness:
The 2024 Bonds are tentatively scheduled to price on August 29, 2024, and close on September 19, 2024. Environmental reviews from the State of California Department of Toxic Substance Control are in progress.

Financing Team:

Role	Organization
Bond Counsel	Stradling Yocca Carlson & Rauth LLP
Bond Trustee	U.S. Bank National Association
Corporation Counsel	McDougal Boehmer Foley Lyon & Mitchell & Erickson
Authority	California Municipal Finance Authority
Municipal Advisor	Wulff, Hansen & Co.
Title Company	Stewart Title Guaranty Company
Underwriter	Piper Sandler & Co.

Security:
HCAI shall retain and receive a security interest in the Corporation's real and personal property, secured by fixture filings, first deeds of trust, UCC-1s, a gross revenue pledge with a Deposit Account Control Agreement and Securities Account Control Agreement covering said property of the Corporation. After the proposed financing, HCAI will have liens on the following properties:

1. City Height Clinic – 4060 Fairmount Avenue, San Diego
2. Hope Clinic – 4171 Fairmount Avenue, San Diego (No bond proceeds used)
3. Cough & Cold Clinic – 4074 Fairmount Avenue, San Diego
4. National City Clinic – 217 Highland Avenue, National City
5. Rea Clinic – 181 Rea Avenue, El Cajon
6. New Property – 1242 – 1248 East Main Street, El Cajon

In addition to the properties previously listed, the Corporation owns six other properties in San Diego. These include two primary care clinics, one administration building, one behavioral center, and two transitional housing buildings. The estimated value of the six properties is $4,340,000. HCAI will not be taking liens on these properties as they were purchased independently by the Corporation and no bond proceeds went toward the purchase of the buildings. HCAI reserves the right to file a future Deed of Trust on the properties if needed.

Appraisal and Loan-to-Value (LTV):
HCAI will continue to have a first position security interest in four and second position security in one of the properties owned by the Corporation. 4060 Fairmount Avenue was appraised by the Samppala Group on March 5, 2008, for $23,880,000.
4074 Fairmount Avenue was appraised by CBRE on September 18, 2019, for

$4,500,000. 217 Highland Avenue was appraised by CBRE on February 4, 2021, for $4,600,000. 181 Rea Avenue was appraised by CBRE on December 22, 2020, for $1,500,000 but had $1.3 million dollars of improvement in 2021 and is currently valued at $2,800,000. 4171 Fairmount Avenue, the county's assessed value is listed as $839,000. HCAI has a junior lien to Wells Fargo, who has a note payable with an outstanding balance of $186,000 on this property.

Keith Edwards of CBRE prepared the appraisal report for the new Property dated July 5, 2021, which determined the as-is market value of the property at $6,500,000 and the as-completed & stabilized value of the property at $10,150,000. The remaining economic life is 35 years. The valuations and the estimated LTV are outlined in the following table.

LTV for HCAI Insured Loans	
Properties Address	**Value**
4060 Fairmount Ave., San Diego	$23,880,000
4171 Fairmount Ave., San Diego	$673,000
4074 Fairmount Ave., San Diego	$4,500,000
217 Highland Ave., National City	$4,600,000
181 Rea Ave., El Cajon	$2,800,000
New Property – 1242 – 1248 East Main St., El Cajon	$10,150,000
Total Valuation	**$46,603,000**
2020 Bonds Principal Balance	$11,700,000
2021 Bonds Principal Balance	$12,295,000
Proposed 2024 Bonds	$13,410,000
Line of Credit Current Balance ($3.5 million)	$0
Total Loans	**$37,405,000**
LTV Ratio	**80.3%**

Financial Performance:
The following table summarizes the historical results for several key ratios and financial statistics from the Corporations' consolidated audited financial statements for FYE 2021 – 2023, and internally prepared financial statements for March 31, 2024. It should be noted that the table may include category variances compared to the actual financial statement and the Financial Feasibility Report due to the financial spreadsheet software utilized by the Account Manager. A detailed spreadsheet is provided under Exhibit B, and the audited financial statements and internally prepared financial statements are provided under Exhibit C.

	Fiscal Year Ended June 30			9-month internal
	2021	**2022**	**2023**	**3/31/2024**
Cash & Cash Equivalents	$5,382,523	$10,275,125	$4,461,705	$8,336,075
Net Accounts Receivable	$8,991,932	$9,739,450	$8,366,794	$18,798,297
Current Assets	$19,008,002	$24,579,805	$18,971,151	$31,495,196
Total Assets	$59,440,154	$73,608,943	$74,408,094	$89,319,405
Current Liabilities	$8,704,409	$12,016,862	$12,411,272	$12,375,063
Total Liabilities	$28,274,303	$38,1721,120	$39,779,737	$38,723,385
Revenue	$69,055,832	$78,781,985	$81,515,541	$74,391,402
Operating Expense	$55,906,148	$71,596,955	$80,873,756	$64,397,811
Net Worth	$20,915,383	$31,165,851	$35,436,823	$41,865,638
Net Income	$10,250,468	$4,270,972	($808,466)	$8,730,382
Debt Service Coverage	5.67	3.74	1.92	9.54
Current Ratio	2.18	2.05	1.53	2.55
Days Cash on Hand	36	53	21	36

During the COVID-19 pandemic, the Corporation received considerable federal funding in the form of grants and provider relief funding that enabled the Corporation to maintain a positive net income while operating at less than full capacity and productivity. In 2020, The Corporation received a combined total of $3.7 million in grants under the CARES Act to offset COVID-19 related revenue losses. These grants, in conjunction with increased Medicare reimbursement for treating COVID-19 patients, enabled the Corporation to substantially offset increased expenses during the pandemic. During FYE 2023, the Corporation’s net earnings were negative. This was primarily due to lower than anticipated patient service encounters and revenues, caused by a combination of regular seasonal impacts on patient encounter volume, reductions and elimination of COVID-19 grant funding, COVID-19 impacts on Provider staffing, and COVID-19 impacts on patient engagement and in-person Provider care. Federal and State COVID-19 funding was mostly exhausted in the second and third quarters of FYE 2023 at a period where productivity had not returned to previous levels. The Corporation maintained full staffing during the entire COVID-19 period during a period when productivity was low. Patient demand did rebound, and provider productivity increased in late FY 2022 and FY 2023. Which as shown in the table restored profitability in FY 2024.

Patient Revenues: Patient Revenue makes up most Corporation’s total revenue. The Corporation’s gross patient revenue mix was approximately 78 percent Medi-Cal, 11 percent self-pay, 7 percent Medicare, and 3 percent commercial insurance for fiscal year 2023. During the height of the pandemic, from 2020 to 2022, the Corporation’s billable visits were below average at around 167,000 visits. In 2023, billable visits were 184,000 which translated into roughly $44.5 million net patient revenue. Patient revenue for the year-to-date nine months ended March 31, 2024, was $74.4 million and is expected to be roughly $95.1 million, exceeding last year’s FYE totals. The Debt Service Coverage ratio, based on Maximum Annual Debt Service, is projected to exceed 5 times at the end of the current fiscal year.

Federal Grants: The Corporation received $14.8 million in FYE 2023 from grants and contracts, the largest of which was the Section 330 Consolidated Health Center grant. An amount of $5.2 million was awarded in fiscal year 2023 and the Corporation expects to receive $5.2 million in fiscal year 2024. The Corporation has been continuously awarded the Section 330 grant since September 1, 2002. The current award is for three years and expires on April 30, 2025. The Corporation will be submitting a Service Area Competition application in November 2024 and are very confident they will receive the full award for an additional three years. The Section 330 grant funding supports uncompensated care resulting from sliding fee scale self-pay patients. The Corporation's base funding from the Section 330 grant fluctuates based on additional special project funding that HRSA distributes for quality improvement, behavioral health integration, expansion of dental services, etc. The Corporation also receives capital grants from HRSA to fund building improvements, purchases of equipment, and other capital projects.

340B Drug Discount Program: The 340B Pharmacy Program accounted for roughly $12 million of fiscal year 2023 revenue and the net benefit to the Corporation is approximately $5.4 million. On January 1, 2022, the State of California adjusted State guidelines for the 340B program, which had the effect of reducing prior financial benefits to the program. An Executive Order directed the Department of Health Care Services (DHCS) to transition all pharmacy services for Medi-Cal managed care to fee-for-services (FFS), referred to as Medi-Cal Rx. The goal of Medi-Cal Rx is to lower the cost of drugs and streamline the administration of drug benefits in the Medi-Cal system. The transition eliminated savings that community health centers received from the 340B program in Medi-Cal Rx that fills the gap in uncompensated services and costs in providing services. To help community clinics to partially offset the loss of 340B revenue, DHCS began a new annual supplemental payment pool for non-hospital 340B clinics. This payment from the State supplemental payment pool along with cost reductions achieved by great efficiency and reductions in non-medical services has helped offset the potential loss of the Medi-Cal 340B program. The overall net loss to the Corporation resulting from changes in the 340B Program is expected to be between $1.25 million and $1.75 million per year and it has been factored into its budget.

Days Cash on Hand: The Corporation generates positive cashflow to support its operations, debt payments, and capital needs. Days Cash on Hand (DCOH) as of March 31, 2024, was 36. The Corporation has operated with less than 30 DCOH in the past and has been able to make its bond payments. In FYE 2023, DCOH dropped to 21 days. This was a result of the Corporation using cash reserves to purchase three different properties in the prior year and subsequently renovating said properties. If the 2024 Bonds are approved the Corporation's DCOH will be restored to over 70 days, because it will be reimbursing itself for the prior purchases.

The Corporation has not drawn on its insured LOC since it was insured in 2021. Historically, the LOC is used for working capital and has always paid the balance when the extra liquidity is no longer needed.

La Maestra Foundation Inc. (LMF):
LMF is a 501(c) corporation that shares the same CEO, Zara Marselian, with the Corporation. The composition of the LMF Board of Directors is different from that of the Corporation. LMF is a non-profit foundation, and its operation is independent of the Corporation. The mission of LMF is to provide and support advocacy and community services that improve the well-being of low-income, culturally diverse individuals and families in San Diego with the goal of achieving self-sufficiency. This is accomplished by administering, promoting, and providing programs and services that are outside of the scope of services of the Corporations' FQHC designation. LMF receives a substantial part of its support from the Corporation's annual contribution, which typically ranges between $500,000 to $1,500,000. LMF also organizes fundraising events that generate some revenue. LMF operates after school education programs in academics, arts, music, and technology and it also provides vocational and job skills training, and transitional housing to individuals in recovery programs. Conversely, LMF could potentially support the Corporation if the need arose.

Portfolio Comparison:
The Cal-Mortgage Program currently has nine insured clinic borrowers. Four borrowers, namely the Corporation, Petaluma Health Center, Valley Health Team, and Santa Rosa Community Health Centers, are at a comparable revenue range between $50 million to $90 million. The Corporation performed comparable in debt service coverage to the other clinics but has the lowest days cash on hand. The Corporation has been growing and expanding services for the past thirteen years and has used its cash reserves to support the expansion. The proposed financing will reimburse the Corporation for the $6.45 million purchase of the Property and renovations paid to date at closing, which is expected to be around $3.0 million. The cash infusion is projected to increase DCOH to 74, in line with the portfolio average.

Cal-Mortgage Insured Clinics Comparisons					
Project	**City**	**DSCR**	**CR**	**DCOH**	**Last Audited Annual Revenue (Million)**
Community Medical Centers, Inc.	Stockton	1.68	1.17	36	$105.70
Hill Country Community Center*	Round Mtn.	2.66	1.37	42	$16.12
La Maestra Family Clinic, Inc.	**San Diego**	**1.92**	**1.53**	**21**	**$74.40**
Open Door Community Health	Arcata	4.19	5.08	137	$126.45
Petaluma Health Center	Petaluma	1.52	2.03	73	$58.55
Santa Rosa Community Health	Santa Rosa	1.10	1.89	62	$90.64
St. Johns Well Child & Family	Los Angeles	5.02	1.67	46	$128.75
Valley Health Team	Fresno	5.09	2.23	227	$51.34
West County Health Centers	Guerneville	-2.35	2.32	54	$30.37
	Median	**1.92**	**1.89**	**54**	
	Average	**2.47**	**2.14**	**78**	

*2020 Audited Financial Statement

Feasibility Analysis

The attached Financial Feasibility Report, dated June 3, 2024 (Feasibility Study), was prepared by Bill Hendrickson of Hendrickson Consulting, and is provided under Exhibit D. The Feasibility Study assumes:

1. A fixed-rate, insured bond financing of approximately $13.41 million, plus a $900K premium with a 30-year repayment schedule.
2. A $14.3 million bond issuance will be used to reimburse the Corporation for the purchase and renovations of the Property.
3. Interest payments to bondholders will begin on March 1, 2025, and the annual principal payments will begin on September 1, 2027, and end in 2055.
4. The financial forecasts are based on audited financial statements, year-to-date internal financial statements, budget, and discussions with management.

The Feasibility Study concludes the following for the FYE June 30, 2024, through June 30, 2029, financial forecasts:

1. Sources of funds will be adequate to meet operating expenses, working capital, and other capital requirements.
2. The Corporation is expected to meet and exceed a debt service coverage ratio of 2.0x MADS throughout the projection period.
3. Unrestricted Cash and Investments are projected to be above 70 days beginning in FYE 2025 and thereafter.

Revenue Assumptions:
Total revenue is projected to increase from $95.3 million in FYE 2024 to $107.5 million in FYE 2029, which is an increase of 3 percent per year. The Corporation makes its revenue from four main sources; clinic visit reimbursement, 60 percent; 340B and other pharmacy payments, 15 percent; grants and contributions, 15 percent; and other sources, 10 percent.

The Payor Mix is expected to remain the same through the projection period, where Medi-Cal accounts for 78 percent of visits. The Medi-Cal PPS weighted average reimbursement rate is $241 per visit. At the Corporation’s main site and all satellite sites, defined as clinics open less than 40 hours per week, the PPS rates are $294 as of October 1, 2023. Rates are projected to increase by approximately 3 percent per year.

With the opening of the new Property in November 2024, the number of La Maestra visits is projected to increase to 18,700 in FYE 2025 and 28,000 thereafter. The Medi-Cal PPS rate at the new Property in FYE 2025 is $154 which is a conservative estimate based on the predicted patient mix and increased sliding fee scale for the charity care portion. The Corporation’s management is confident that the growth will be primarily through Medi-Cal qualified patients at their current comparable rate of $293.88 which will be assigned to this site as an intermittent clinic, but for projection purposes the conservative route was chosen. Revenue at the new Property is projected to be

$2.9 million in FYE 2025 and $4.4 million in FYE 2026, thereafter it will increase by 3 percent annually. CMS released the market basket index (for rate inflation) forecast on November 2022, and shows the rate increase for FQHC is 3.9 percent from calendar year 2022 to 2023, which is in line with the increase the Corporation received in October 2023 of 3.8 percent. In October 2022, the Corporation received a 2.1 percent increase. The services at the new Property will include medical, behavioral, dental, optometry, pharmacy, and community outreach services.

The Corporation makes roughly $12 million in annual revenue from its 340B pharmacy operations of which 50 percent of the pharmacy revenue comes from Medi-Cal 340B program. The State of California adjusted State guidelines for the 340B program at the beginning of 2022, which has reduced the amount of revenue the Corporation receives. The Corporation estimates that they will make a net cash surplus of $5.4 million from the program in FY 2024. The amount of revenue the Corporation receives is related to the total number of visits and is expected to increase by 3 percent annually.

The Corporation received between $14.7 million and $18.9 million in Federal, State, and private grants during the fiscal years 2021 to 2023. In FYE 2022 the Corporation received COVID-19 related grants which put them at $18.9 million, and in FYE 2023, the Corporation received a one-time gift of $9.0 million from a benefactor which will put them at $21.9 million. The Corporation is forecast to receive $14 million in FYE 2025, and it will increase by 3 percent thereafter.

Expense Assumptions:
The total expenses are forecast to increase from $83.4 million in FYE 2024 to $101.1 million in FYE 2029, an average annual increase of 3 percent. Total expenses consist of salaries, benefits, supplies, and other. Salaries and benefits account for 75 – 80 percent of total expenses. The Corporation has made salary and benefit increases and cost of living adjustments in the past several years to bring its pay levels to market wages. Salaries are projected to increase by 3 percent per year while benefits continue to be around 15 percent of salaries. The new clinic will be staffed with both relocated current employees and sixteen newly hired employees. The total number of employees is estimated to be 67 full-time equivalents. Other expenses are assumed at 3 percent inflation annually. The Corporation leases several sites for clinics and administrative services. With the purchase and renovation of the Property, lease expense is expected to be reduced as more staff is moved away from leased sites into the new Property. These projections are reasonable as the Corporation has continued to address the challenges in recruiting physicians and other medical providers in a tight labor market via increased wages and retirement benefits and residency and physician assistant programs.

Healthcare workers' minimum wage will be increased by Senate Bill 525 (SB525) which was passed by the California Legislature in September 2023; however, all staff are currently at or above the $21 minimum set for July 1, 2024. Only 78 of the Corporation's over 800 staff are at this minimum amount. The Corporation currently has 288 staff below the maximum of $25 that will become effective on June 1, 2027. The employees making $21 now will reach the $22 minimum effective June 1, 2026 with normal cost of living increases of around 3 percent. With an annual 3 percent cost of living increase it would cost less than $350,000 per year to bring everyone up to $25 in 2027, and a 6 percent annual cost of living increase would raise everyone above the $25 minimum by 2027. Exempt staff are already above the current required amount, and they will remain so without any unusual increases.

Sensitivity Analysis:

There are three sensitivity scenarios covered in the Feasibility Study. The following tables summarize the financial covenants for the base projections and each of the sensitivity scenarios.

Scenario 1: Salaries and other expenses are increased by 4 percent from the base case of 3 percent while revenues are held at the base case levels.

Scenario 2: Reimbursement rates are cut by 5 percent in FY 2026 without any offsetting reduction in expenses or visits.

Scenario 3: Interest rates are increased by 1 percent over the current estimates, increasing the annual debt by approximately $150,000 per year.

Base Case Ratios						
Fiscal Year End 6/30 (000's)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Income	$7,562	$250	$802	$939	$1,231	$1,528
Net Cash for Debt Service	$11,920	$4,876	$5,855	$6,024	$6,204	$6,391
Total Debt Service	$1,502	$1,834	$2,176	$2,177	$2,203	$2,230
DSCR – MADS	7.94	2.66	2.69	2.77	2.82	2.87
DCOH	37	74	73	73	73	74

Sensitivity Ratios with each Scenario					
Fiscal Year End 6/30	**2025**	**2026**	**2027**	**2028**	**2029**
Scenario 1 – High Salary Inflation					
DSCR - MADS	1.89	2.00	1.72	1.42	1.10
DCOH	72	65	57	47	35
Scenario 2 – Reimb. Rate Reduction					
DSCR – MADS	2.17	1.23	1.24	1.23	1.23
DCOH	74	62	51	39	28
Scenario 3 – Higer Interest Rates					
DSCR – MADS	2.03	2.44	2.51	2.58	2.66
DCOH	74	72	71	71	71

Scenario 1: The increase in expense at 4 percent will be 1 percent higher than the forecast Medi-Cal rate increase of 3 percent per year. It is forecast that the Corporation could manage to support the increase in expenses and debt service in the short term and would manage to meet the DSCR requirement until FYE 2028. However, it will

dampen the Corporation’s ability to build to a cash reserve, which in turn, will limit the Corporation’s ability to expand its services in the long run. Management will look for other funding sources to offset the expenses.

Scenario 2: Of all the scenarios, this scenario has the most adverse financial impact on the Corporation. The Corporation will deplete its cash if there is a 5 percent drop in Medi-Cal rates without offsetting reductions in expenses. FQHCs are highly susceptible to Medi-Cal rate changes. The Corporation will likely cut services and reduce staff in this scenario. The financial viability of FQHCs is highly dependent on the availability of federal and state reimbursements. The Corporation has a long history of providing services to the underserved population and it is unlikely for such a drastic cut in reimbursement to occur without an alternative funding source.

Scenario 3: This scenario has the least impact to the Corporation out of the three scenarios. A 1 percent increase in interest rates has no material effect on the feasibility of the proposed financing.

Strengths:

1. **Financial Stability:** The Corporation has been generating enough positive cash flow to be able to expand its operations for the past twelve years. The Corporation has met the DSCR, CR and DCOH covenant requirements and has made timely bond payments since joining HCAI in 2020.

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 founded the Corporation and has served in the position since 1991. The current CFO joined the Corporation in 2017 and is highly knowledgeable in finance and governmental reimbursements. 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 San Diego County since 1991 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.

<u>Weaknesses</u>:

1. **Dependent on Governmental Sources:** The Corporation depends on state reimbursements and federal grants for a large portion of its revenue. If legislation were enacted to reduce reimbursements and grants in the future, it would negatively impact the Corporation's operation. As a result, the Corporation would reduce services, and implement other cost saving strategies.

<u>Mitigation:</u> The Corporation has several leased sites and will have some flexibility to scale down its operations. The Corporation has been operating in the community for over thirty years and it is one of the largest providers of public healthcare services. There are still great unmet needs for medical, mental, and dental health services in the communities where the Corporation operates. The debt service coverage ratio is projected to be over 2.5x throughout the forecast period, and it provides a safety cushion to meet debt service if revenue from governmental sources is reduced.

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.

<u>Mitigation</u>: The Corporation has a strategic partnership with a physician assistant program to help train residents at their local school and in the Corporation's clinics. This step, and the additional steps mentioned above in the Expense Assumptions discussion, has had success, and the Corporation believes that they will be able to maintain sufficient staff to meet the projected increases in patient care.

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Recommendation:
I recommend HCAI issue a commitment for six months to insure a loan to the Corporation not to exceed $13,410,000 for the 2024 Bonds as proposed with the following conditions:

A. HCAI shall receive a security interest on the Corporation's properties financed by the 2024 Bonds. 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 and a Securities Account Control Agreement.

B. HCAI shall reserve the right to 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 the 2024 Bonds and the structure of the transaction shall not differ from those set forth in the Financial Feasibility Report, dated June 4, 2024, the application for loan insurance, the project description and scope as agreed to by HCAI.

D. The 2024 bonds shall have a term not to exceed 30 years from the date of the loan or 75 percent of the estimated economic life of the Corporation's real property. Principal shall be amortized beginning on or before September 1, 2027. The no-call period, if any, shall not extend beyond the first eight years of the loan; thereafter, the redemption price 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 90 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, (iii) 10 percent of the outstanding principal amount of the bonds, or (iv) other amount to be determined by HCAI.

I. Prior to the sale or pricing of the bonds, 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. Evidence that 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.

5. Updates, if any, to the Financial Feasibility Report, which must be acceptable to HCAI.

6. A satisfactory Phase 1 assessment and Environmental Review Report completed by the California Department of Toxic Substances Control for the Property.

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

8. As construction is part of this project:

   a. Copies of all 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, or assurances must be acceptable to HCAI.

   b. Copies of the executed construction contracts, including all amendments or additions thereto, 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, as requested by HCAI.

   c. Evidence of fire insurance 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.

   d. Evidence of builder's risk coverage for all work performed under contract.

   e. Evidence of payment, performance, and materialman's bonds in the amount of the construction contract for all contractors and subcontractors as requested by HCAI.

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

K. 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.

L. 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 par amount of the bonds, with the endorsements described above.

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.

Consuelo Hernandez

Consuelo Hernandez, Supervisor

Date: 7/1/2024

I approve the above recommendation.

Jeremy P. Marion, Deputy Director

Date: 7/1/2024

* *

Copy of the foregoing approved Project Summary & Feasibility Analysis (PS&FA) mailed/emailed this 1st day of July, to the Applicant, and a copy delivered to the Supervisor, the Deputy Director, and HCAI's Attorney.

Consuelo Hernandez
Supervisor

* *

On the 28th day of June, the Account Manager contacted Mr. Jeffrey Neumann, CFO of the Corporation, who stated to the Account Manager that the Corporation (1) excepting minor corrections, acknowledged all of the facts as presented in this PS&FA; (2) agreed to all of the representations in this PS&FA; and (3) agreed to all of the conditions contained in this PS&FA.

Consuelo Hernandez
Supervisor

*

<u>Advisory Loan Insurance Committee Action</u>:

Date of meeting: July 11, 2024

The Project was recommended for approval. The motion was made by Committee Member ________and seconded by Committee Member_________.

The Motion passed.

Number in favor:

Number opposed:

Absent:

Exhibit A

Proposed Bond Model

SOURCES AND USES OF FUNDS

California Municipal Finance Authority
Insured Revenue Bonds
(La Maestra Community Health Centers)
Assumes AA- Insured Rating
--Preliminary--

Dated Date	09/01/2024
Delivery Date	09/01/2024

Sources:	
Bond Proceeds:	
Par Amount	13,410,000.00
Premium	896,608.40
	14,306,608.40
Other Sources of Funds:	
Equity Requirement	1,589,623.16
	15,896,231.56

Uses:	
Project Fund Deposits:	
El Cajon Development Costs	6,286,882.00
El Cajon Purchase Price	6,450,000.00
Other Project Costs	700,000.00
	13,436,882.00
Other Fund Deposits:	
Debt Service Reserve Fund	1,084,562.50
Delivery Date Expenses:	
Cost of Issuance	335,000.00
Underwriter's Discount	98,992.95
Certification and Inspection Fee	53,640.00
Cal-Mortgage Insurance Premium	884,872.50
	1,372,505.45
Other Uses of Funds:	
Additional Proceeds	2,281.61
	15,896,231.56

BOND DEBT SERVICE

California Municipal Finance Authority
Insured Revenue Bonds
(La Maestra Community Health Centers)
Assumes AA- Insured Rating
--Preliminary--

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2025			335,250	335,250	
06/30/2025					335,250
09/01/2025			335,250	335,250	
03/01/2026			335,250	335,250	
06/30/2026					670,500
09/01/2026			335,250	335,250	
03/01/2027			335,250	335,250	
06/30/2027					670,500
09/01/2027	30,000	5.000%	335,250	365,250	
03/01/2028			334,500	334,500	
06/30/2028					699,750
09/01/2028	60,000	5.000%	334,500	394,500	
03/01/2029			333,000	333,000	
06/30/2029					727,500
09/01/2029	60,000	5.000%	333,000	393,000	
03/01/2030			331,500	331,500	
06/30/2030					724,500
09/01/2030	80,000	5.000%	331,500	411,500	
03/01/2031			329,500	329,500	
06/30/2031					741,000
09/01/2031	90,000	5.000%	329,500	419,500	
03/01/2032			327,250	327,250	
06/30/2032					746,750
09/01/2032	95,000	5.000%	327,250	422,250	
03/01/2033			324,875	324,875	
06/30/2033					747,125
09/01/2033	100,000	5.000%	324,875	424,875	
03/01/2034			322,375	322,375	
06/30/2034					747,250
09/01/2034	105,000	5.000%	322,375	427,375	
03/01/2035			319,750	319,750	
06/30/2035					747,125
09/01/2035	115,000	5.000%	319,750	434,750	
03/01/2036			316,875	316,875	
06/30/2036					751,625
09/01/2036	120,000	5.000%	316,875	436,875	
03/01/2037			313,875	313,875	
06/30/2037					750,750
09/01/2037	130,000	5.000%	313,875	443,875	
03/01/2038			310,625	310,625	
06/30/2038					754,500
09/01/2038	135,000	5.000%	310,625	445,625	
03/01/2039			307,250	307,250	
06/30/2039					752,875
09/01/2039	350,000	5.000%	307,250	657,250	
03/01/2040			298,500	298,500	
06/30/2040					955,750
09/01/2040	365,000	5.000%	298,500	663,500	
03/01/2041			289,375	289,375	
06/30/2041					952,875
09/01/2041	390,000	5.000%	289,375	679,375	
03/01/2042			279,625	279,625	
06/30/2042					959,000
09/01/2042	405,000	5.000%	279,625	684,625	
03/01/2043			269,500	269,500	
06/30/2043					954,125
09/01/2043	430,000	5.000%	269,500	699,500	
03/01/2044			258,750	258,750	
06/30/2044					958,250
09/01/2044	445,000	5.000%	258,750	703,750	
03/01/2045			247,625	247,625	
06/30/2045					951,375
09/01/2045	470,000	5.000%	247,625	717,625	
03/01/2046			235,875	235,875	
06/30/2046					953,500

BOND DEBT SERVICE

California Municipal Finance Authority
Insured Revenue Bonds
(La Maestra Community Health Centers)
Assumes AA- Insured Rating
--Preliminary--

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
09/01/2046	495,000	5.000%	235,875	730,875	
03/01/2047			223,500	223,500	
06/30/2047					954,375
09/01/2047	525,000	5.000%	223,500	748,500	
03/01/2048			210,375	210,375	
06/30/2048					958,875
09/01/2048	550,000	5.000%	210,375	760,375	
03/01/2049			196,625	196,625	
06/30/2049					957,000
09/01/2049	580,000	5.000%	196,625	776,625	
03/01/2050			182,125	182,125	
06/30/2050					958,750
09/01/2050	610,000	5.000%	182,125	792,125	
03/01/2051			166,875	166,875	
06/30/2051					959,000
09/01/2051	635,000	5.000%	166,875	801,875	
03/01/2052			151,000	151,000	
06/30/2052					952,875
09/01/2052	1,915,000	5.000%	151,000	2,066,000	
03/01/2053			103,125	103,125	
06/30/2053					2,169,125
09/01/2053	2,010,000	5.000%	103,125	2,113,125	
03/01/2054			52,875	52,875	
06/30/2054					2,166,000
09/01/2054	2,115,000	5.000%	52,875	2,167,875	
06/30/2055					2,167,875
	13,410,000		16,085,750	29,495,750	29,495,750

NET DEBT SERVICE

California Municipal Finance Authority
Insured Revenue Bonds
(La Maestra Community Health Centers)
Assumes AA- Insured Rating
--Preliminary--

Period Ending	Total Debt Service	Debt Service Reserve Fund	Net Debt Service
06/30/2025	335,250	22,591.34	312,658.66
06/30/2026	670,500	45,182.68	625,317.32
06/30/2027	670,500	45,182.68	625,317.32
06/30/2028	699,750	45,182.68	654,567.32
06/30/2029	727,500	45,182.68	682,317.32
06/30/2030	724,500	45,182.68	679,317.32
06/30/2031	741,000	45,182.68	695,817.32
06/30/2032	746,750	45,182.68	701,567.32
06/30/2033	747,125	45,182.68	701,942.32
06/30/2034	747,250	45,182.68	702,067.32
06/30/2035	747,125	45,182.68	701,942.32
06/30/2036	751,625	45,182.68	706,442.32
06/30/2037	750,750	45,182.68	705,567.32
06/30/2038	754,500	45,182.68	709,317.32
06/30/2039	752,875	45,182.68	707,692.32
06/30/2040	955,750	45,182.68	910,567.32
06/30/2041	952,875	45,182.68	907,692.32
06/30/2042	959,000	45,182.68	913,817.32
06/30/2043	954,125	45,182.68	908,942.32
06/30/2044	958,250	45,182.68	913,067.32
06/30/2045	951,375	45,182.68	906,192.32
06/30/2046	953,500	45,182.68	908,317.32
06/30/2047	954,375	45,182.68	909,192.32
06/30/2048	958,875	45,182.68	913,692.32
06/30/2049	957,000	45,182.68	911,817.32
06/30/2050	958,750	45,182.68	913,567.32
06/30/2051	959,000	45,182.68	913,817.32
06/30/2052	952,875	45,182.68	907,692.32
06/30/2053	2,169,125	45,182.68	2,123,942.32
06/30/2054	2,166,000	45,182.68	2,120,817.32
06/30/2055	2,167,875	1,107,153.84	1,060,721.16
	29,495,750	2,440,042.90	27,055,707.10

AGGREGATE DEBT SERVICE

California Municipal Finance Authority
Insured Revenue Bonds
(La Maestra Community Health Centers)
Assumes AA- Insured Rating
--Preliminary--

Period Ending	*2023 New Money Projects*	*2020 Bonds*	*2021A&B Bonds*	*Notes Payable*	*Aggregate Debt Service*
06/30/2025	335,250	940,375.00	482,120	66,800	1,824,545.00
06/30/2026	670,500	936,875.00	482,120	80,160	2,169,655.00
06/30/2027	670,500	943,075.00	482,120	80,160	2,175,855.00
06/30/2028	699,750	943,925.00	482,120	44,705	2,170,500.00
06/30/2029	727,500	939,525.00	482,120	19,380	2,168,525.00
06/30/2030	724,500	939,875.00	482,120	19,380	2,165,875.00
06/30/2031	741,000	939,925.00	482,120	4,845	2,167,890.00
06/30/2032	746,750	938,712.50	482,120		2,167,582.50
06/30/2033	747,125	941,162.50	482,120		2,170,407.50
06/30/2034	747,250	937,212.50	482,120		2,166,582.50
06/30/2035	747,125	936,837.50	482,120		2,166,082.50
06/30/2036	751,625	935,962.50	482,120		2,169,707.50
06/30/2037	750,750	937,350.00	482,120		2,170,220.00
06/30/2038	754,500	930,950.00	482,120		2,167,570.00
06/30/2039	752,875	933,800.00	482,120		2,168,795.00
06/30/2040	955,750		1,211,390		2,167,140.00
06/30/2041	952,875		1,216,030		2,168,905.00
06/30/2042	959,000		1,210,500		2,169,500.00
06/30/2043	954,125		1,213,000		2,167,125.00
06/30/2044	958,250		1,209,200		2,167,450.00
06/30/2045	951,375		1,214,000		2,165,375.00
06/30/2046	953,500		1,212,300		2,165,800.00
06/30/2047	954,375		1,214,100		2,168,475.00
06/30/2048	958,875		1,209,400		2,168,275.00
06/30/2049	957,000		1,213,100		2,170,100.00
06/30/2050	958,750		1,210,100		2,168,850.00
06/30/2051	959,000		1,210,400		2,169,400.00
06/30/2052	952,875		1,213,800		2,166,675.00
06/30/2053	2,169,125				2,169,125.00
06/30/2054	2,166,000				2,166,000.00
06/30/2055	2,167,875				2,167,875.00
	29,495,750	14,075,562.50	22,989,120	315,430	66,875,862.50

BOND PRICING

California Municipal Finance Authority
Insured Revenue Bonds
(La Maestra Community Health Centers)
Assumes AA- Insured Rating
--Preliminary--

Bond Component	Maturity Date	Amount	Rate	Yield	Price		Yield to Maturity	Call Date	Call Price
Serial Bonds:									
	09/01/2027	30,000	5.000%	3.370%	104.614				
	09/01/2028	60,000	5.000%	3.410%	105.898				
	09/01/2029	60,000	5.000%	3.430%	107.157				
	09/01/2030	80,000	5.000%	3.420%	108.505				
	09/01/2031	90,000	5.000%	3.420%	109.762				
	09/01/2032	95,000	5.000%	3.430%	110.903				
	09/01/2033	100,000	5.000%	3.440%	111.986				
	09/01/2034	105,000	5.000%	3.450%	113.015				
	09/01/2035	115,000	5.000%	3.480%	112.744	C	3.588%	09/01/2034	100.000
	09/01/2036	120,000	5.000%	3.530%	112.295	C	3.720%	09/01/2034	100.000
	09/01/2037	130,000	5.000%	3.640%	111.314	C	3.883%	09/01/2034	100.000
	09/01/2038	135,000	5.000%	3.630%	111.403	C	3.933%	09/01/2034	100.000
	09/01/2039	350,000	5.000%	3.690%	110.872	C	4.027%	09/01/2034	100.000
	09/01/2040	365,000	5.000%	3.840%	109.557	C	4.175%	09/01/2034	100.000
	09/01/2041	390,000	5.000%	3.930%	108.777	C	4.269%	09/01/2034	100.000
	09/01/2042	405,000	5.000%	3.980%	108.347	C	4.328%	09/01/2034	100.000
	09/01/2043	430,000	5.000%	4.030%	107.918	C	4.382%	09/01/2034	100.000
	09/01/2044	445,000	5.000%	4.080%	107.492	C	4.431%	09/01/2034	100.000
		3,505,000							
Term Bond due 2049:									
	09/01/2045	470,000	5.000%	4.230%	106.225	C	4.579%	09/01/2034	100.000
	09/01/2046	495,000	5.000%	4.230%	106.225	C	4.579%	09/01/2034	100.000
	09/01/2047	525,000	5.000%	4.230%	106.225	C	4.579%	09/01/2034	100.000
	09/01/2048	550,000	5.000%	4.230%	106.225	C	4.579%	09/01/2034	100.000
	09/01/2049	580,000	5.000%	4.230%	106.225	C	4.579%	09/01/2034	100.000
		2,620,000							
Term Bond due 2054:									
	09/01/2050	610,000	5.000%	4.310%	105.557	C	4.654%	09/01/2034	100.000
	09/01/2051	635,000	5.000%	4.310%	105.557	C	4.654%	09/01/2034	100.000
	09/01/2052	1,915,000	5.000%	4.310%	105.557	C	4.654%	09/01/2034	100.000
	09/01/2053	2,010,000	5.000%	4.310%	105.557	C	4.654%	09/01/2034	100.000
	09/01/2054	2,115,000	5.000%	4.310%	105.557	C	4.654%	09/01/2034	100.000
		7,285,000							
		13,410,000							

Dated Date	09/01/2024	
Delivery Date	09/01/2024	
First Coupon	03/01/2025	
Par Amount	13,410,000.00	
Premium	896,608.40	
Production	14,306,608.40	106.686118%
Underwriter's Discount	-98,992.95	-0.738202%
Purchase Price	14,207,615.45	105.947915%
Accrued Interest		
Net Proceeds	14,207,615.45	

BOND SUMMARY STATISTICS

California Municipal Finance Authority
Insured Revenue Bonds
(La Maestra Community Health Centers)
Assumes AA- Insured Rating
--Preliminary--

Dated Date	09/01/2024
Delivery Date	09/01/2024
Last Maturity	09/01/2054
Arbitrage Yield	4.165983%
True Interest Cost (TIC)	4.579195%
Net Interest Cost (NIC)	4.752074%
All-In TIC	5.268919%
Average Coupon	5.000000%
Average Life (years)	23.991
Duration of Issue (years)	14.229
Par Amount	13,410,000.00
Bond Proceeds	14,306,608.40
Total Interest	16,085,750.00
Net Interest	15,288,134.55
Total Debt Service	29,495,750.00
Maximum Annual Debt Service	2,169,125.00
Average Annual Debt Service	983,191.67
Underwriter's Fees (per $1000)	
Average Takedown	
Other Fee	7.382025
Total Underwriter's Discount	7.382025
Bid Price	105.947915

Bond Component	***Par Value***	***Price***	***Average Coupon***	***Average Life***
Serial Bonds	3,505,000.00	109.378	5.000%	15.068
Term Bond due 2049	2,620,000.00	106.225	5.000%	23.105
Term Bond due 2054	7,285,000.00	105.557	5.000%	28.602
	13,410,000.00			23.991

	TIC	All-In TIC	Arbitrage Yield
Par Value	13,410,000.00	13,410,000.00	13,410,000.00
+ Accrued Interest			
+ Premium (Discount)	896,608.40	896,608.40	896,608.40
- Underwriter's Discount	-98,992.95	-98,992.95	
- Cost of Issuance Expense		-335,000.00	
- Other Amounts		-938,512.50	
Target Value	14,207,615.45	12,934,102.95	14,306,608.40
Target Date	09/01/2024	09/01/2024	09/01/2024
Yield	4.579195%	5.268919%	4.165983%

DISCLOSURE

California Municipal Finance Authority
Insured Revenue Bonds
(La Maestra Community Health Centers)
Assumes AA- Insured Rating
--Preliminary--

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 B

Detailed Financial Spread

La Maestra Family Clinic, Inc. Statement for La Maestra Family Clinic, Inc. with currency of USD General/ Middle Market Statement in Actual (U.S. Dollar) June 7, 2024 10:42 AM	6/30/2021 Historical 12M Unqualified	6/30/2022 Historical 12M Unqualified	6/30/2023 Historical 12M Unqualified	3/31/2024 Historical 9M Company Prepared
CalMortgage (GEN)				
Debt Service Coverage	5.67	3.74	1.92	9.54
Days Cash on Hand	35.87	53.32	20.64	36.16
Current Ratio	2.18	2.05	1.53	2.55
Quick Ratio	2.17	2.02	1.50	2.54
Working Capital	10,303,593.00	12,562,943.00	6,559,879.00	19,120,133.00
Actual Payables in Days	9.14	8.46	12.92	19.52
Actual Receivables in Days	63.16	58.16	55.21	72.60
Pre-Tax (Operating) Profit Margin	14.84	5.42	(0.99)	11.07
Net Profit Margin	14.84	5.42	(0.99)	11.07
EBITDA	13,642,474.00	7,877,415.00	2,297,552.00	11,073,319.00
Debt/Tangible Net Worth	0.91	1.08	1.15	0.77

La Maestra Family Clinic, Inc.
Statement for La Maestra Family Clinic, Inc.
with currency of USD
General/ Middle Market
Statement in Actual (U.S. Dollar)
June 7, 2024 10:42 AM

	6/30/2021 Historical 12M Unqualified		6/30/2022 Historical 12M Unqualified		6/30/2023 Historical 12M Unqualified		3/31/2024 Historical 9M Company Prepared	
Assets Common Size	USD	%	USD	%	USD	%	USD	%
Cash and Cash Equivalents	5,382,523	9.1	10,275,125	14.0	4,461,705	6.0	8,336,075	9.3
Assets Limited To Use	655,631	1.1	638,603	0.9	731,310	1.0	1,184,580	1.3
Patient Accounts Receivable	4,625,098	7.8	5,235,623	7.1	6,038,337	8.1	8,061,931	9.0
Est Due From Third Party Payors	4,366,834	7.3	4,503,827	6.1	2,328,457	3.1	2,690,880	3.0
Other A/R	0	0.0	0	0.0	0	0.0	8,045,486	9.0
Net A/R	8,991,932	15.1	9,739,450	13.2	8,366,794	11.2	18,798,297	21.0
Government Receivables	2,924,622	4.9	2,727,948	3.7	3,908,089	5.3	2,111,997	2.4
Affiliate Receivables	32,258	0.1	84,971	0.1	55,061	0.1	0	0.0
Inventory - RX	141,234	0.2	306,493	0.4	347,464	0.5	81,269	0.1
Prepaid Expenses and Deferreds	879,802	1.5	807,215	1.1	1,100,728	1.5	982,978	1.1
Total Current Assets	**19,008,002**	**32.0**	**24,579,805**	**33.4**	**18,971,151**	**25.5**	**31,495,196**	**35.3**
Asset Limited to Use	475,627	0.8	475,909	0.6	482,794	0.6	477,707	0.5
Land and Improvements	6,694,298	11.3	10,275,801	14.0	10,275,801	13.8	11,141,988	12.5
Buildings and Improvements	32,885,020	55.3	36,449,566	49.5	36,449,566	49.0	36,609,566	41.0
Machinery & Equipment	10,967,437	18.5	12,768,582	17.3	13,523,020	18.2	13,134,138	14.7
Transportation Equipment	908,144	1.5	1,284,777	1.7	1,284,777	1.7	1,429,625	1.6
Furniture & Fixtures	542,389	0.9	561,931	0.8	561,931	0.8	581,414	0.7
Leasehold Improvements	5,901,630	9.9	6,589,834	9.0	7,277,192	9.8	11,478,052	12.9
Construction in Progress	28,353	0.0	1,023,516	1.4	5,628,466	7.6	4,241,611	4.7
Gross Fixed Assets	57,927,271	97.5	68,954,007	93.7	75,000,753	100.8	78,616,394	88.0
Accumulated Depreciation (-)	(17,970,746)	(30.2)	(20,400,778)	(27.7)	(22,933,639)	(30.8)	(24,156,927)	(27.0)

La Maestra Family Clinic, Inc.
Statement for La Maestra Family Clinic, Inc.
with currency of USD
General/ Middle Market
Statement in Actual (U.S. Dollar)
June 7, 2024 10:42 AM

	6/30/2021 Historical 12M Unqualified		6/30/2022 Historical 12M Unqualified		6/30/2023 Historical 12M Unqualified		3/31/2024 Historical 9M Company Prepared	
Net Fixed Assets	39,956,525	67.2	48,553,229	66.0	52,067,114	70.0	54,459,467	61.0
Right-to-use asset	0	0.0	0	0.0	2,887,035	3.9	2,887,035	3.2
TOTAL ASSETS	**59,440,154**	**100.0**	**73,608,943**	**100.0**	**74,408,094**	**100.0**	**89,319,405**	**100.0**
Liabilities Common Size	USD	%	USD	%	USD	%	USD	%
Current Portion Long Term Debt Secured	999,602	1.7	812,676	1.1	714,739	1.0	740,558	0.8
Current Portion - Capital Lease Obligations	207,877	0.3	183,516	0.2	120,095	0.2	0	0.0
Total Short Term Debt	1,207,479	2.0	996,192	1.4	834,834	1.1	740,558	0.8
Trade Accounts Payable	1,343,000	2.3	1,603,391	2.2	2,773,192	3.7	4,462,429	5.0
Accrued Wages/Salaries	3,736,974	6.3	4,987,149	6.8	4,778,155	6.4	5,269,027	5.9
Deferred Revenue	110,000	0.2	110,000	0.1	0	0.0	259,552	0.3
Total Accruals	3,846,974	6.5	5,097,149	6.9	4,778,155	6.4	5,528,579	6.2
Lease Liability - current portion	0	0.0	0	0.0	849,898	1.1	849,898	1.0
Estimated Third Party Payors	2,306,956	3.9	4,320,130	5.9	3,175,193	4.3	793,599	0.9
Total Current Liabilities	**8,704,409**	**14.6**	**12,016,862**	**16.3**	**12,411,272**	**16.7**	**12,375,063**	**13.9**
Long Term Debt Bank/Bond	19,964,974	33.6	27,834,372	37.8	27,015,492	36.3	25,927,764	29.0
Capital Lease Obligations	325,859	0.5	142,345	0.2	22,250	0.0	29,135	0.0
Unamortized Debt Issuance Costs	(720,939)	(1.2)	(1,821,459)	(2.5)	(1,740,529)	(2.3)	(1,679,831)	(1.9)
Lease Liability	0	0.0	0	0.0	2,071,252	2.8	2,071,254	2.3
Total Liabilities	**28,274,303**	**47.6**	**38,172,120**	**51.9**	**39,779,737**	**53.5**	**38,723,385**	**43.4**
Net Worth Common Size	USD	%	USD	%	USD	%	USD	%
Net Assets	31,165,851	52.4	35,436,823	48.1	34,628,357	46.5	50,596,020	56.6
TOTAL LIABILITIES & NET WORTH	**59,440,154**	**100.0**	**73,608,943**	**100.0**	**74,408,094**	**100.0**	**89,319,405**	**100.0**

La Maestra Family Clinic, Inc. Statement for La Maestra Family Clinic, Inc. with currency of USD General/ Middle Market Statement in Actual (U.S. Dollar) June 7, 2024 10:42 AM	6/30/2021 Historical 12M Unqualified		6/30/2022 Historical 12M Unqualified		6/30/2023 Historical 12M Unqualified		3/31/2024 Historical 9M Company Prepared	
Revenue Common Size	USD	%	USD	%	USD	%	USD	%
Patient Revenue	34,068,349	49.3	36,540,498	46.4	38,214,535	46.9	39,333,360	49.9
Capitation Revenue	5,350,254	7.7	6,036,237	7.7	6,245,157	7.7	5,399,296	6.8
Government Revenues	14,733,872	21.3	18,588,937	23.6	14,881,191	18.3	9,633,318	12.2
Donations/Contributions Unrestricted	3,885,817	5.6	3,975,954	5.0	5,813,260	7.1	0	0.0
Other Operating Revenue	11,017,540	16.0	13,640,359	17.3	16,361,398	20.1	24,477,908	31.0
Total Sales	69,055,832	100.0	78,781,985	100.0	81,515,541	100.0	78,843,882	100.0
Provision for Bad Debts (Contra)	0	0.0	0	0.0	0	0.0	4,452,480	5.6
Gross Profit	69,055,832	100.0	78,781,985	100.0	81,515,541	100.0	74,391,402	94.4
Operating Expenses Common Size	USD	%	USD	%	USD	%	USD	%
Personnel Expense	39,773,647	57.6	55,420,768	70.3	59,502,441	73.0	48,104,706	61.0
Purchased Services	4,714,349	6.8	2,403,297	3.1	2,503,707	3.1	2,228,100	2.8
Utilities	855,189	1.2	1,002,985	1.3	1,230,630	1.5	1,100,892	1.4
Lease/Rent Expense	1,452,162	2.1	1,342,099	1.7	1,496,323	1.8	1,182,302	1.5
Repairs and Maintenance	701,018	1.0	664,675	0.8	843,107	1.0	663,093	0.8
Supplies	4,535,949	6.6	5,471,838	6.9	10,287,960	12.6	7,251,429	9.2
Insurance	382,234	0.6	477,228	0.6	562,405	0.7	379,867	0.5
Other Operating Expenses	1,226,478	1.8	2,384,033	3.0	1,914,322	2.3	1,668,026	2.1
Depreciation	2,265,122	3.3	2,430,032	3.1	2,532,861	3.1	1,819,396	2.3
Total Operating Expenses	55,906,148	81.0	71,596,955	90.9	80,873,756	99.2	64,397,811	81.7
Operating Profit	13,149,684	19.0	7,185,030	9.1	641,785	0.8	9,993,591	12.7
Other R. & E. (Net Income) Common Size	USD	%	USD	%	USD	%	USD	%
Restricted Grants and Donations	411,699	0.6	(237,647)	(0.3)	(402,094)	(0.5)	0	0.0
Interest Expense	1,126,884	1.6	1,176,411	1.5	573,157	0.7	523,541	0.7
Loss on Sale of Assets	0	0.0	0	0.0	0	0.0	39,668	0.1

La Maestra Family Clinic, Inc. Statement for La Maestra Family Clinic, Inc. with currency of USD General/ Middle Market Statement in Actual (U.S. Dollar) June 7, 2024 10:42 AM	6/30/2021 Historical 12M Unqualified		6/30/2022 Historical 12M Unqualified		6/30/2023 Historical 12M Unqualified		3/31/2024 Historical 9M Company Prepared	
Contribution to La Maestra Foundation	1,300,000	1.9	1,500,000	1.9	475,000	0.6	700,000	0.9
Loss - Bond Exp Writeoff	884,031	1.3	0	0.0	0	0.0	0	0.0
Total Other Expenses	3,310,915	4.8	2,676,411	3.4	1,048,157	1.3	1,263,209	1.6
Profit Before Tax	10,250,468	14.8	4,270,972	5.4	(808,466)	(1.0)	8,730,382	11.1
NET INCOME	**10,250,468**	**14.8**	**4,270,972**	**5.4**	**(808,466)**	**(1.0)**	**8,730,382**	**11.1**

La Maestra Family Clinic, Inc.
Statement for La Maestra Family Clinic, Inc.
with currency of USD
General/ Middle Market
Statement in Actual (U.S. Dollar)
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	6/30/2021 Historical 12M Unqualified		6/30/2022 Historical 12M Unqualified		6/30/2023 Historical 12M Unqualified		3/31/2024 Historical 9M Company Prepared	
Changes in Retained Earnings Common Size	USD	%	USD	%	USD	%	USD	%
Beginning Net Worth	20,915,383	67.1	31,165,851	87.9	35,436,823	102.3	41,865,638	82.7
Changes in Retained Earnings:								
Net Income (Loss)	10,250,468	32.9	4,270,972	12.1	(808,466)	(2.3)	8,730,382	17.3
Changes in Net Worth Common Size	USD	%	USD	%	USD	%	USD	%
Changes in Other NW								
Change in Net Worth	**10,250,468**	**32.9**	**4,270,972**	**12.1**	**(808,466)**	**(2.3)**	**8,730,382**	**17.3**
Ending Total Net Worth	**31,165,851**	**100.0**	**35,436,823**	**100.0**	**34,628,357**	**100.0**	**50,596,020**	**100.0**
Other Lines Common Size	USD	%	USD	%	USD	%	USD	%
Principal Payments on ST & LTD	1,207,479	0.0	996,192	0.0	834,834	0.0	849,898	0.0
Number of Months	12	0.0	12	0.0	12	0.0	9	0.0

La Maestra Family Clinic, Inc.
Statement for La Maestra Family Clinic, Inc. with currency of USD
General/ Middle Market
Statement in Actual (U.S. Dollar)
June 7, 2024 10:42 AM

Consolidated UCA Cash Flow	6/30/2021 Historical 12M Unqualified	6/30/2022 Historical 12M Unqualified	6/30/2023 Historical 12M Unqualified
Net Sales or Revenue	69,055,832	78,781,985	81,515,541
Change in Current Receivables	(1,908,866)	(610,525)	(802,714)
Cash from Sales	67,146,966	78,171,460	80,712,827
Cost of Goods Sold (Less Depr.)	0	0	0
Change in Inventories	(6,091)	(165,259)	(40,971)
Change in Accounts Payable	(356,496)	260,391	1,169,801
Cash Production Costs	(362,587)	95,132	1,128,830
CASH FROM TRADING	**66,784,379**	**78,266,592**	**81,841,657**
Selling, General & Admin. Expenses	(44,487,996)	(57,824,065)	(62,006,148)
Other Operating Expenses	(9,153,030)	(11,342,858)	(16,334,747)
Change in Prepaids or Bid Deposits	(82,751)	72,587	(293,513)
Change in Accrued Expenses	904,344	1,250,175	(208,994)
Chg in Oth. Curr. Assets / Liab.	(884,417)	1,823,468	1,060,343
Cash Operating Costs	(53,703,850)	(66,020,693)	(77,783,059)
CASH AFTER OPERATIONS	**13,080,529**	**12,245,899**	**4,058,598**
Other Income (Expense)	(1,772,332)	(1,737,647)	(877,094)
Change in Other Liabilities	183,673	(1,100,520)	2,152,182
Income Tax Expense	0	0	0
Change in Deferred Income Taxes	0	0	0
Change in Income Taxes Payable	(2,323,729)	196,674	(330,243)
Taxes Paid & Other Inc (Exp)	(3,912,388)	(2,641,493)	944,845
NET CASH AFTER OPERATIONS	**9,168,141**	**9,604,406**	**5,003,443**
Dividends or Owners Withdrawals	0	0	0

La Maestra Family Clinic, Inc. Statement for La Maestra Family Clinic, Inc. with currency of USD General/ Middle Market Statement in Actual (U.S. Dollar) June 7, 2024 10:42 AM	6/30/2021 Historical 12M Unqualified	6/30/2022 Historical 12M Unqualified	6/30/2023 Historical 12M Unqualified
Consolidated UCA Cash Flow			
Change in Dividends Payable	(755,083)	0	(110,000)
Interest Expense	(1,126,884)	(1,176,411)	(573,157)
Change in Interest Payable	0	0	0
Cash Financing Costs	(1,881,967)	(1,176,411)	(683,157)
CASH AFTER FINANCING COSTS	**7,286,174**	**8,427,995**	**4,320,286**
Current Portion Long Term Debt	(1,460,700)	(1,207,479)	(996,192)
CASH AFTER DEBT AMORTIZATION	**5,825,474**	**7,220,516**	**3,324,094**
Capital Expenditures	(8,863,242)	(11,026,736)	(6,046,746)
Change in Long Term Investments	0	0	(2,887,035)
Change in Intangibles / Other Assets	712,178	(282)	(6,885)
Cash Used for Plant/Invest	(8,151,064)	(11,027,018)	(8,940,666)
FINANCING SURPLUS/REQUIREMENT	**(2,325,590)**	**(3,806,502)**	**(5,616,572)**
Change in Short Term Debt	0	0	0
Change in Long Term Debt	11,830	8,682,076	(104,141)
Change in Contributed Capital	0	0	0
Other Changes in Retained Earnings	0	0	0
Total External Financing	11,830	8,682,076	(104,141)
FINANCING SURPLUS (REQUIREMENT) + TOTAL EXTERNAL FINANCING	**(2,313,760)**	**4,875,574**	**(5,720,713)**
Change in Cash & Equivalents	(2,313,760)	4,875,574	(5,720,713)

Exhibit C

Audited Financial Statements FYE 2021 – 2024

Audited Consolidated Financial Statements

LA MAESTRA FAMILY CLINIC, INC.
dba LA MAESTRA COMMUNITY HEALTH CENTERS

For the Years Ended June 30, 2021 and 2020

La Maestra Family Clinic, Inc.
dba La Maestra Community Health Centers

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CHW LLP
Healthcare Audit, Tax & Consulting Services
7797 N. First Street #15, Fresno, California 93720
Phone: 559.549.5400 Email: info@chwllp.org

Independent Auditor's Report

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

Report on the Financial Statements
We have audited the accompanying financial statements of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center"), which comprise the balance sheet as of June 30, 2021 and 2020 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.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers as of June 30, 2021 and 2020 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2022 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Center's internal control over financial reporting and compliance.

CHW, LLP

Fresno, California
January 7, 2022

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Balance Sheets
June 30, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents	$ 5,382,523	$ 8,093,044
Assets limited as to use	655,631	258,870
Patient accounts receivable, net	4,625,098	2,716,232
Grant, contract, and other receivables	2,924,622	600,893
Affiliate receivables	32,258	64,791
Estimated third-party payor settlements	4,366,834	3,015,914
Inventory	141,234	135,143
Prepaid expenses & other current assets	879,802	797,051
Total current assets	19,008,002	15,681,938
Assets limited as to use	475,627	1,187,805
Property and equipment, net	39,956,525	33,358,405
Total assets	$ 59,440,154	$ 50,228,148
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and other accrued expenses	$ 1,343,000	$ 1,581,667
Accrued payroll and related liabilities	3,736,974	2,950,459
Deferred revenue	110,000	865,083
Estimated third-party payor settlements	2,306,956	1,872,986
Long-term debt, current portion	999,602	1,115,274
Capital lease obligation, current portion	207,877	345,426
Total current liabilities	8,704,409	8,730,895
Capital lease obligation	325,859	533,997
Long-term debt, principal	19,964,974	20,952,485
Unamortized debt issuance costs	(720,939)	(904,612)
Long term debt, net	19,244,035	20,047,873
Total liabilities	28,274,303	29,312,765
Net assets:		
Net assets without donor restrictions	30,465,562	20,626,793
Net assets with donor restrictions	700,289	288,590
Total liabilities and net assets	$ 59,440,154	$ 50,228,148

See accompanying Consolidated Notes to the Financial Statements

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Statement of Operations and Changes in Net Assets
For the years ended June 30, 2021 and 2020

	2021	2020
Change in net assets without donor restrictions		
Revenues and other support:		
Patient service revenue, net	$ 34,068,349	$ 30,933,929
Capitation revenue	5,350,254	5,200,303
Grant and contract revenue	14,733,872	10,530,934
Pharmacy revenue	9,151,836	8,551,455
Contributions and other	3,885,817	2,065,688
Net assets released from donor restrictions	1,865,704	1,506,283
Total unrestricted revenue and other support	69,055,832	58,788,592
Expenses:		
Salaries and benefits	39,773,647	39,276,093
Contracted services	4,714,349	3,754,410
Supplies	4,535,949	4,902,745
Rent and leases	1,452,162	1,531,445
Repairs and maintenance	701,018	617,062
Utilities	855,189	806,031
Insurance	382,234	376,508
Depreciation and amortization	2,265,122	2,080,498
Interest	1,126,884	1,025,743
Loss on bond redemption	884,031	-
Other	1,226,478	1,219,552
Total expenses	57,917,063	55,590,087
Excess of revenues over expenses	11,138,769	3,198,505
Contribution to La Maestra Foundation	(1,300,000)	(830,000)
Change in net assets without donor restrictions	9,838,769	2,368,505
Change in net assets with donor restrictions		
Contributions	2,277,403	1,794,873
Net assets released from donor restrictions	(1,865,704)	(1,506,283)
Change in net assets with donor restrictions	411,699	288,590
Change in net assets	10,250,468	2,657,095
Net Assets		
Net assets, beginning of year	20,915,383	18,258,288
End of year	$ 31,165,851	$ 20,915,383

See accompanying Consolidated Notes to the Financial Statements

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Statement of Cash Flows
For the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 10,250,468	$ 2,657,095
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,265,122	2,080,498
Amortization of debt issuance costs	183,673	49,393
Amortization of bond premium	(21,643)	-
Loss on bond redemption	884,031	-
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,908,866)	652,246
Grant, contract receivable	(2,323,729)	424,039
Affiliate receivable	32,533	49,070
Inventory	(6,091)	(19,615)
Prepaid expenses and other assets	(82,751)	(238,781)
Estimated third-party payor settlements	(916,950)	3,100,440
Accounts payable and other accrued expenses	(238,667)	(597,955)
Accrued payroll and related liabilities	786,515	508,958
Deferred revenue	(755,083)	722,955
Net cash provided by operating activities	8,148,562	9,388,343
Cash flows from investing activities:		
Purchase of property and equipment	(8,863,242)	(7,241,539)
Net cash provided by (used in) investing activities	(8,863,242)	(7,241,539)
Cash flows from financing activities:		
Proceeds from debt issuance	13,367,636	5,700,000
Change in line-of-credit	-	(1,499,374)
Principal payments on long-term debt	(15,333,207)	(1,199,635)
Payments of capital lease obligations	(345,687)	(332,859)
Net cash used in financing activities	(2,311,258)	2,668,132
Net increase in cash and cash equivalents	(3,025,938)	4,814,936
Cash and cash equivalents at beginning of year:	9,539,719	4,724,783
Cash and cash equivalents at end of year:	$ 6,513,781	$ 9,539,719
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,126,884	$ 1,025,743
Property and equipment acquired under capital leases	$ -	$ 166,859

See accompanying Consolidated Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Organization and Operations:

La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center") was incorporated on July 22, 1991 as a nonprofit public benefit corporation under the corporation laws of the state of California. The clinic's specific purpose is to provide community health care services to minorities, refugees, children and others for whom such services are generally limited or unavailable. The Center is unique in the diverse cultures it serves and in identifying the health needs of the special populations. The services, programs, and functional units of the Center have all developed and been implemented in response to demonstrated needs presented by its patient base.

To accomplish this goal, the Center developed, the "*Circle of Care*" model whereby the staff understand and practice that the health of the individual extends to the well-being of the whole family. The "Circle of Care" approach includes providing for medical, dental, mental & behavioral health, vision care, job training and placement, housing and community development, onsite food pantry, transportation, outreach and social services, pharmacy and dispensary, telemedicine program, translation, health promotions and education, school-based clinics and Mobile Health, laboratory, and digital imaging.

On March 2, 2015, the Center achieved Patient Centered Medical Home (PCMH) Level 3.

Basis of Accounting:

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 the Center and changes therein are classified and reported as follows:

> <u>Net assets without donor restrictions:</u> Net assets that are currently available for use and are not subject to donor-imposed stipulations.
>
> <u>Net assets with donor restrictions</u>: Contributions, including government grants and contracts, are recorded as donor restricted 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 restrictions ends or purpose restriction is accomplished, donor restricted assets are reclassified to unrestricted net assets and 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.

Basis of Consolidation

The consolidated financial statements include the accounts of the Center and Community Health Imaging Centers (CHIC). CHIC is a not-for-profit corporation that provides imaging services to the local community. All significant transactions among the entities have been eliminated.

Reclassification:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 1: Summary of Significant Accounting Policies (continued)

Use of Estimates:
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and disclosures. Accordingly, actual result could differ from those estimates.

Cash and Cash Equivalents:
For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consisted of demand deposit and money market accounts at June 30, 2021.

As of June 30, 2021 and 2020 the carrying amount of all the accounts, net of outstanding checks, was $5,382,523 and $8,093,044. Per the various financial institutions as of June 30, 2021 and 2020, approximately $752,329 and $510,020 was covered by federal depository insurance respectively. The following table provides a reconciliation of cash, cash equivalents, and assets limited as to use reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	2021	2020
Cash and cash equivalents	$ 5,382,523	$ 8,093,044
Assets limited as to use	1,131,258	1,446,675
Total cash and cash equivalents shown in the statement of cash flows	$ 6,513,781	$ 9,539,719

Assets Limited as to Use:
Assets limited as to use are cash and cash equivalent accounts held by fiscal agents to be used only for specific purposes under bond indenture agreements.

Inventory:
Inventory consist of pharmaceutical and general operating stores and are stated at the lower of cost or market, determined by the first-in, first-out method.

Property and Equipment:
Property and equipment is stated at cost at the date of acquisition. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the individual assets. The lives of the assets range from 5 years to 39 years. Repairs and maintenance are charged to operations and major improvements are capitalized. Expenses for assets in excess of $5,000 are capitalized. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Note 1: Summary of Significant Accounting Policies (continued)

Patient Accounts Receivable:
Accounts receivable are recorded at amounts that reflect the consideration to which the Center expects to be entitled in exchange for providing patient care. In evaluating the collectability of patient accounts receivable, the Center regularly analyzes its 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, the Center 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, the Center 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 collected after all reasonable collection efforts have been exhausted is reflected as a reduction in patient accounts receivable.

Employee 401 (k) Plans:
The Center offers its employees a defined contribution 401(k) retirement plan. The plan is intended 'to satisfy all the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code (the "Code") and similar state tax laws.

Effective January 1, 2007, the Plan elected to contribute safe harbor matching contributions, in which the Company will make matching contributions equal to 100% of participant's salary reduction contributions up to 4% of pre-tax annual compensation, after completion of one year of employment.

Subsequent Events:
The Center has evaluated subsequent events through January 7, 2022, which is the date the consolidated financial statements were available to be issued.

Vacation, Sick Leave and Employee Benefits:
Vacation and sick leave are provided to employees working more than 20 hours per week, after completion of 90 days of employment. Employees are entitled to between 8-12 paid sick days per year and 5 to 20 vacation days for employment after one, two, five, and ten years. Accrued vacation pay were recorded on the books in the amounts of $2,001,908 and $1,458,256 for the years ended June 30, 2021 and 2020, respectively. Employees who work thirty (30) hours or more a week are eligible for health insurance coverage for themselves and their dependents starting the month after their start date. The Center will pay 75% of employees' health coverage.

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition:
Net patient service revenue is reported at the amount that reflects the consideration to which the Center 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, the Center bills the patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

The Center provides medical, dental, mental health, health education and enabling 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.

The Center has agreements with various plans to provide medical services to subscribing MediCal participants. Under the agreements, the Center received monthly capitation payments based on the number of participants, regardless of the services performed by the Center. Capitation payments are recognized as capitation revenue during the period in which the Center is obligated to provide services to participants. The Center also receives interim payments from the Medi-Cal program. These payments are reconciled on an annual basis to ensure the Center ultimately receives the established Medi-Cal payment rate for all visits under these contracts.

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. 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. In absence of donor stipulations to the contrary, capital grants and contributions are recorded as revenue during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as deferred revenue.

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. Absent donor-imposed restrictions, the Center records donated services, materials, and facilities as support without donor restrictions. It is the policy of the Center to encourage contributions. Donated services and facilities are valued at prevailing market rates. Certain immaterial services and facilities contributed to the Center have not been valued or recorded.

Note 1: Significant Accounting Policies (continued)

Income Taxes:
The Center is exempt from Federal Taxes under Section 501(c)(3) of the Internal Revenue Code as amended and Section 23701 (d) of the Revenue and Taxation Code of the State of California. Accordingly, no provision for Federal and Franchise taxes has been recognized in the consolidated financial statements. The Center 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 the Center in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Center's returns are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Note 2: Fair Value of Financial Instruments

Financial Accounting Standards Board's (FASB) Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures,* requires the fair value of financial assets and liabilities to be determined using a specific fair-value hierarchy. The objective of the fair value measurement of financial instruments is to reflect the hypothetical amounts at which the Center could sell assets or transfer liabilities in an orderly transaction between market participants at the measurement date. FASB ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets;

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

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

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

		Fair Value Measurement Using		
June 30, 2021:	Fair Value	Level 1	Level 2	Level 3
Money market fund	$ 1,131,258	$ 1,131,258	$ -	$ -
June 30, 2020:	Fair Value	Level 1	Level 2	Level 3
Money market fund	$ 1,446,675	$ 1,446,675	$ -	$ -

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, contract, and other receivables, estimated third-party payor settlements, accounts payable and other accrued expenses, accrued payroll and related liabilities, deferred revenue, and long-term debt approximate fair value.

Note 3: Patient Service Revenue, Net

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

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's sliding fee policy, and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center 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, 2020, 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, the Center recognizes these write-offs as bad debt expense, which is presented on the accompanying statements of operations and changes in net assets as a component of other expenses.

The Center is approved as a Federally Qualified Health Center ("FQHC") for both Medicare and Medi-Cal reimbursement purposes. The Center has agreements with third-party payors that provide for payments to the Center 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 Prospective Payment System, using rates established by the Center’s “Base Years” - fiscal years ended December 31, 2000 and 1999 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 the Center’s scope of service. The Center 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 the Center.

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.

Note 3: Patient Service Revenue, Net (continued)

As of June 30, the following table reflects the net patient service revenue including capitation by major payor groups:

	2021	2020
Medi-Cal	$ 37,121,564	$ 33,446,743
Medicare	525,988	693,699
Other third-party payors	1,441,135	1,377,951
Private pay	329,916	615,839
Net patient service revenue	$ 39,418,603	$ 36,134,232

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

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center'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.

The Center has recorded an estimated third-party payor receivable of $4,366,834 and $3,015,914 as of June 30, 2021 and 2020, respectively, and estimated third-party payor liabilities of $2,306,956 and $1,872,986 as of June 30, 2021 and 2020, respectively. These balances comprise estimated settlements due to PPS Reconciliation Requests as well as Rate Setting Cost Reports and Change in Scope of Service Requests. Management periodically evaluates estimated third-party payor settlements based on the current information available and believes the final settlements will not materially affect the financial statements of the Center.

Note 4: Grant, Contract, and Other Receivable

Grants and contracts receivable were comprised of the following at June 30, 2021 and 2020:

	2021	2020
USCRI	$ 16,107	$ 15,238
Molina	354,360	-
Cal-fresh	45,578	27,160
Healthy Homes Program	-	50,693
HHS	1,833,183	117,523
Other	675,394	390,279
Total	$ 2,924,622	$ 600,893

Note 5: Concentration of Credit Risk

Financial instruments potentially subjecting the Center to concentrations of credit risk consist primarily of bank deposits in excess of FDIC limits. Management believes, however, that the risk of loss is minimal due to the high financial quality of the banks. Credit risk related to patient receivables arises from the granting of credit without collateral to patients, most of whom are residents of San Diego County in the State of California. The mix of receivables from patients and third-party payors is as follows:

	2021	2020
Medi-Cal	62%	51%
Medicare	7%	9%
Other third-party payers	31%	40%
	100%	100%

For the year ended June 30, 2021 and 2020, the Center received $7,244,526 and $4,944,465, respectively, in Community Health Center grants from the Department of Health and Human Services, which represents 10% and 9% of the total revenue received.

Note 6: Property and Equipment

Land, building and equipment at June 30, 2021 and 2020 was comprised of the following:

	2021	2020
Land	$ 6,694,298	$ 3,074,971
Buildings	32,885,020	29,325,199
Building and leasehold improvements	5,901,630	5,066,298
Equipment	10,967,437	10,366,598
Furniture and fixtures	542,389	542,389
Vehicles	908,144	648,638
CIP	28,353	39,936
Total	57,927,271	49,064,029
Less: Accumulated depreciation and amortization	(17,970,746)	(15,705,624)
Property and equipment, net	$ 39,956,525	$ 33,358,405

Depreciation and amortization expense for the year ended June 30, 2021 and 2020 was $2,265,122 and $2,080,498, respectively. As of June 30, 2021, the remaining commitments related to ongoing construction contracts totaled $0.

Note 7: Capital Leases

The Center leases equipment under capital leases expiring through 2024. Equipment with a book value of $1,591,207 and accumulated depreciation of $743,118 are included with property and equipment, net as of June 30, 2021. Depreciation of the equipment under the capital lease is included in depreciation expense. The future minimum payments required under the leases as of June 30, 2021 are:

2022	$ 207,877
2023	183,516
2024	120,095
2025	22,248
Subtotal	533,736
Less: current maturities	(207,877)
Obligations under capital leases - net	$ 325,859

Note 8: Long-term Debt

Long-term debt at June 30, 2021 consisted of the following:

	2021	2020
Loan with Wells Fargo at 4.69% interest per year, monthly payment of $1,615 for fifteen years, maturing September 10, 2030. This loan is secured by property located at 4185/4189 Fairmount Avenue San Diego, CA.	$ 144,557	$ 155,752
Loan with Community Health Group at 4.0% interest per year. Monthly payment of $31,827 maturing October 31, 2021.	124,164	434,632
PRI Loan with CA Endowment, unsecured, interest only payment at 2% per year from July 15, 2012. Quarterly principal and interest payment of $21,099 starts on July 15, 2017 until fully paid by March 31, 2022.	83,351	165,056
Mortgage note payable to Wells Fargo Bank, with interest at 4.8% per year, monthly payment of $2,301 due on November 10, 2014, for fifteen years. This first deed of trust is secured by property located at 4135/4137 Fairmount Avenue, San Diego, CA.	191,786	206,688
Mortgage note payable to Wells Fargo Bank, with interest at 4.8% per year, monthly payment of $2,764 due on November 10, 2014, for fifteen years. This first deed of trust is secured by property located at 4171 Fairmount Avenue, San Diego, CA.	232,238	251,785
Mortgage note payable to Bailony Family Trust, with interest at 7.15% per year, and 120 monthly interest only payments of $35,888. The note matures October 4, 2029. This first deed of trust is secured by property located at 4074 Fairmount Ave, San Diego, CA. This note was refinanced in September 2021.	5,700,000	5,700,000
The Center issued $18,500,000 2008 California Statewide Communities Development Authority Insured Revenue Bonds. The bonds bear interest at rates between 2.5% and 4.6% with interest payments made semi-annually on March 1 and September 1. The bonds mature annually from 2011 to 2038 on September 1 in amounts ranging from $200,000 to $9,260,000. The Bonds were refinanced in October 2020.	-	14,755,138
Loan from Wells Fargo Bank for $147,356 to purchase pharmacy equipment. The loan bears interest at 3.24% per year with monthly payments of $2,664 beginning October 2016. The loan matures September 2021 and is secured by the pharmacy equipment.	7,945	39,113

Note 8: Long-term Debt (continued)

The Center refinanced existing bonds on November 11, 2020 for $13,590,000 2020 California Municipal Finance Authority Insured Revenue Bonds. The bonds bear interest at rates between 2% and 3% with interest payments made semi-annually on March 1 and September 1. The bonds mature annually from 2021 to 2038 on September 1 in amounts ranging from $595,000 to $920,000. The bonds were issued at a premium of $661,667. As of June 30, 2021, unamortized bond premium was $640,024.	14,230,024	-
Note payable to CA Health Facilities Finance Agency for $650,000 with interest at 3.175% per year, monthly payment of $11,743 due on January 1, 2023 to finance renovations at 4060 Fairmount Ave, San Diego CA. The note is secured by property and equipment.	250,511	359,595
Total long-term debt	20,964,576	22,067,759
Less: current portion	(999,602)	(1,115,274)
	$ 19,964,974	$ 20,952,485

Future principal payments are as follows for the years ended June 30:

Year	Principal
2022	$ 999,602
2023	813,177
2024	715,253
2025	733,256
2026	746,353
Thereafter	16,316,911
Total	$ 20,324,552

There are certain financial covenants related to its long-term debt that the Center was required to comply with. Management believes that the Center was in compliance with these financial covenants as of and for the year ended June 30, 2021.

Note 9: Commitments and Contingencies

Federal and state contracts and other requirements:
The Center receives grants and contracts which require fulfillment of certain conditions as set forth in the terms of the grant agreement and contract, and are subject to audit and adjustment upon review by the granting agencies. Failure to comply with the conditions of the grants could result in the return of funds to the granting agencies. The amounts, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although management believes that it has complied with conditions of its grants and contracts it expects they will not have a significant effect on the Center 's financial position.

Contingencies:
In the ordinary course of business, the Center may be a party to claims and legal actions. While the outcome cannot be determined at this time, management's opinion is the liability, if any, from these actions will not have a material adverse effect on the Center's financial position.

Medical Malpractice Claims:
The U.S. Department of Health and Human Services has deemed the Center and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. Management is not aware of any pending claims that exceed the limitations provided by this coverage.

Note 10: Operating Leases

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2021, for each of the next five years are:

2022	$ 538,694
2023	$ 517,687
2024	$ 513,346
2025	$ 484,277
2026	$ 287,184

Rental expense for the year ended June 30, 2021 and 2020 was $1,452,162 and $1,531,445.

Note 11: Functional Expenses

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, 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 year ended June 30, 2021 include:

	Medical Services	Dental Services	Pharmacy	General & Administration	Total
Salaries and benefits	$ 24,683,947	$ 3,083,046	$ 1,323,875	$ 10,682,779	$ 39,773,647
Contracted services	984,804	2,396,759	516,539	816,247	4,714,349
Supplies	1,117,139	742,422	2,262,424	413,964	4,535,949
Rent and leases	356,064	457,631	6,588	631,879	1,452,162
Repairs and maintenance	224,252	72,233	25,435	379,098	701,018
Utilities	492,750	178,987	32,651	150,801	855,189
Insurance	3,606	-	-	378,628	382,234
Depreciation and amortization	665,890	313,108	30,883	1,255,241	2,265,122
Interest	146,159	29,164	8,877	942,684	1,126,884
Loss on bond redemption	-	-	-	884,031	884,031
Other	361,075	114,804	13,660	736,939	1,226,478
Total expenses	$ 29,035,686	$ 7,388,154	$ 4,220,932	$ 17,272,291	$ 57,917,063

Expenses for the year ended June 30, 2020 include:

	Medical Services	Dental Services	Pharmacy	General & Administration	Total
Salaries and benefits	$ 22,783,941	$ 4,396,927	$ 1,474,868	$ 10,620,357	$ 39,276,093
Contracted services	747,292	1,773,973	521,898	711,247	3,754,410
Supplies	1,281,601	614,190	2,667,157	339,797	4,902,745
Rent and leases	389,623	467,857	4,121	669,844	1,531,445
Repairs and maintenance	224,592	68,636	10,737	313,097	617,062
Utilities	511,836	178,101	32,036	84,058	806,031
Insurance	41,336	-	-	335,172	376,508
Depreciation and amortization	998,551	359,642	49,635	672,670	2,080,498
Interest	508,180	103,783	24,291	389,489	1,025,743
Other	382,486	124,161	19,021	693,884	1,219,552
Total expenses	$ 27,869,438	$ 8,087,270	$ 4,803,764	$ 14,829,615	$ 55,590,087

Note 12: Contribution of Accumulated Support to La Maestra Foundation

La Maestra Community Health Centers' board and staff recognized that for a patient and family to be healthy, they must have access to nutritious food, self-supporting jobs, affordable safe housing, job training and continuing education opportunities, and a wholesome community in which to live and raise a family. The Center expanded its "Circle of Care" over the years to provide these non-medical services, also essential to achieve wellness. As the non-medical services grew, a separate 501(c)3 nonprofit called La Maestra Foundation (the "Foundation") was started in 2003 to house these services and develop new support for social determinants of health programs. It was incorporated as an independent nonprofit in 2005. La Maestra Foundation was established to work alongside the Center to ensure that the Center's mission was fully carried out and the needs of the community were met.

Many of these programs and services were outside the scope of a FQHC and were operated by the Foundation for the benefit of the Center's patients and the communities it serves. Addressing the unmet needs of these patients meant providing services without always having established funding sources and both the Center and the Foundation worked to generate new sources of support to bring these critical services to life. In many cases the development and establishment of these services required significant funding by the Center to bring them to reality and to maintain them until more permanent funding sources could be obtained.

Beyond just the mission of both organizations, the supportive services provided by the Foundation are recognized at a critical component of value-based care and have played a meaningful role in the success of the Center in meeting its mission to provide for the entire well-being of its patients. Continued development and provision of these services will greatly contribute to the future success of the Center in meeting patient's needs and will also contribute to maximizing the Center's revenues as reimbursements transition to more value-based care methodologies.

In recognition of the services and support that the Foundation provides to the community, the Center has made contributions to La Maestra Foundation of $1,300,000 and $830,000 for the years ended June 30, 2021 and 2020, respectively

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Note 13 - Information Regarding Liquidity and Availability of Resources

The Center 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. The Center 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, the Center considers all expenditures related to its ongoing activities of providing healthcare-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Center strives to maintain liquid financial assets sufficient to cover 30 days of general expenditures. The following table reflects the Center's financial assets as of June 30, 2021 reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

	2021	2020
Cash and cash equivalents	$ 5,382,523	$ 8,093,044
Assets limited as to use	1,131,258	1,446,675
Patient accounts receivable	4,625,098	2,716,232
Grant receivable	2,924,622	600,893
Total financial assets	14,063,501	12,856,844
Assets limited as to use	(1,131,258)	(1,446,675)
Deferred revenue	(110,000)	(865,083)
Net assets with donor restrictions	(700,289)	(288,590)
Financial assets available to meet cash needs for general expenditures within one year	$ 12,121,954	$ 10,256,496

In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by grants or donor-restricted resources.

Note 14: Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following programs at June 30, 2021 and 2020:

	2021	2020
Gilead/AIDS Outreach	$ -	$ 52,559
Direct Relief	-	50,000
Health Net Workforce Development	-	71,114
Kaiser	100,000	-
Price Philanthropies Foundation	80,000	-
Delta Dental	106,113	-
Other	414,176	114,917
Total	$ 700,289	$ 288,590

Under the previous guidance these grants were recorded as deferred revenue. Under ASU No. 2018-08, these grants have been determined to be restricted contributions and have been recorded as net assets with donor restrictions. As net assets with donor restrictions are expended, the net assets released from restrictions are recognized as revenue without donor restrictions. As of June 30, 2021, and 2020, net assets released from donor restrictions consist of the following:

	2021	2020
Gilead/AIDS Outreach	$ 52,559	$ 52,559
Kaiser Foundation	-	80,000
Health Net Encounter Data	-	253,880
Health Net Workforce	71,114	28,886
Health Net Telehealth	21,804	101,321
Unidos Comprando Rico y Sano Program	89,833	70,833
NACHC/CVS Foundation	14,171	70,829
United Way Emergency Food & Shelter	-	58,223
Price Philanthropies	50,000	50,000
Grossmount HealthCare	22,813	105,000
United Healthcare	174,191	-
Delta Dental	38,887	42,717
Blue Shield of California	336,933	-
Other	993,399	592,035
Total	$ 1,865,704	$ 1,506,283

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLIEMENTAL INFORMATION

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

We have audited and reported separately herein on the consolidated financial statements of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center") as of and for the years ended June 30, 2021 and 2020.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Center taken as a whole. The consolidating information include in page 26 through 29 is presented for purposes of additional analysis and is not a required part of the financial statements. The consolidating 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.

CHW, LLP

Fresno, California
January 7, 2022

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Balance Sheet
For the year ended June 30, 2021

	LMFC	CHIC	Elimination	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 5,360,418	$ 22,105	$ -	$ 5,382,523
Assets limited as to use	655,631	-	-	655,631
Patient accounts receivable, net	4,480,605	144,493	-	4,625,098
Grant, contract and other receivables	2,924,622	-	-	2,924,622
Related-party receivables	6,030,321	-	(5,998,063)	32,258
Estimated third-party payor settlements	4,366,834	-	-	4,366,834
Inventory	141,234	-	-	141,234
Prepaid expenses and other assets	868,908	10,894	-	879,802
Total current assets	24,828,573	177,492	(5,998,063)	19,008,002
Assets limited as to use	475,627	-	-	475,627
PP&E, net of accumulated depreciation	39,937,665	18,860	-	39,956,525
Total assets	$ 65,241,865	$ 196,352	$ (5,998,063)	$ 59,440,154
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and other accrued expenses	$1,332,024	$10,976	-	$1,343,000
Accrued payroll and related liabilities	3,736,974	-	-	3,736,974
Affiliates payables	-	5,998,063	(5,998,063)	-
Deferred revenue	110,000	-	-	110,000
Estimated third-party payor settlements	2,306,956	-	-	2,306,956
Long-term debt, current portion	999,602	-	-	999,602
Capital lease obligation, current portion	207,877	-	-	207,877
Total current liabilities	8,693,433	6,009,039	(5,998,063)	8,704,409
Capital lease obligation	325,859	-	-	325,859
Long-term debt, principal	19,964,974	-	-	19,964,974
Unamortized debt issuance costs	(720,939)	-	-	(720,939)
Long-term debt, net unamortized debt issuance costs	19,244,035	-	-	19,244,035
Total Liabilities	28,263,327	6,009,039	(5,998,063)	28,274,303
Net assets:				
Net assets without donor restrictions	36,278,249	(5,812,687)	-	30,465,562
Net assets with donor restrictions	700,289	-	-	700,289
Total liabilities and net assets	$ 65,241,865	$ 196,352	$ (5,998,063)	$ 59,440,154

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Balance Sheet
For the year ended June 30, 2020

	LMFC	CHIC	Elimination	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 8,045,905	$ 47,139	-	$ 8,093,044
Assets limited as to use	258,870	-	-	258,870
Patient accounts receivable, net	2,651,130	65,102	-	2,716,232
Grant, contract and other receivables	600,893	-	-	600,893
Related-party receivables	5,676,110	-	(5,611,319)	64,791
Estimated third-party payor settlements	3,015,914	-	-	3,015,914
Inventory	135,143	-	-	135,143
Prepaid expenses and other assets	787,053	9,998	-	797,051
Total current assets	21,171,018	122,239	(5,611,319)	15,681,938
Assets limited as to use	1,187,805	-	-	1,187,805
PP&E, net of accumulated depreciation	33,320,704	37,701	-	33,358,405
Total assets	$55,679,527	$ 159,940	$ (5,611,319)	$ 50,228,148
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and other accrued expenses	$ 1,568,198	$ 13,469	-	$ 1,581,667
Accrued payroll and related liabilities	2,950,459	-	-	2,950,459
Affiliates payables	-	5,611,319	(5,611,319)	-
Deferred revenue	865,083	-	-	865,083
Estimated third-party payor settlements	1,872,986	-	-	1,872,986
Long-term debt, current portion	1,115,274	-	-	1,115,274
Capital lease obligation, current portion	345,426	-	-	345,426
Total current liabilities	8,717,426	5,624,788	(5,611,319)	8,730,895
Capital lease obligation	533,997	-	-	533,997
Long-term debt, principal	20,952,485	-	-	20,952,485
Unamortized debt issuance costs	(904,612)	-	-	(904,612)
Long-term debt, net unamortized debt issuance costs	20,047,873	-	-	20,047,873
Total Liabilities	29,299,296	5,624,788	(5,611,319)	29,312,765
Net assets:				
Net assets without donor restrictions	26,091,641	(5,464,848)	-	20,626,793
Net assets with donor restrictions	288,590	-	-	288,590
Total liabilities and net assets	$ 55,679,527	$ 159,940	$ (5,611,319)	$ 50,228,148

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Statement of Operations and Changes in Net Assets
For the year ended June 30, 2021

	LMFC	CHIC	Elimination	Total
Change in net assets without donor restrictions				
Patient service revenue, net	$33,609,080	$ 459,269	$ -	$ 34,068,349
Capitation revenue	5,259,736	90,518	-	5,350,254
Grant, contract, and other revenue	14,630,163	103,709	-	14,733,872
Pharmacy revenue	9,151,836	-	-	9,151,836
Contributions and other	4,071,924	58,250	(244,357)	3,885,817
Net assets released from donor restrictions	1,865,704	-	-	1,865,704
Total unrestricted revenues & other support	68,588,443	711,746	(244,357)	69,055,832
Expenses:				
Salaries and benefits	39,382,509	391,138	-	39,773,647
Contracted services	4,541,551	172,798	-	4,714,349
Supplies	4,534,758	1,191	-	4,535,949
Rent and leases	1,365,553	330,966	(244,357)	1,452,162
Repairs and maintenance	587,496	113,522	-	701,018
Utilities	847,313	7,876	-	855,189
Insurance	378,628	3,606	-	382,234
Depreciation and amortization	2,246,281	18,841	-	2,265,122
Interest	1,126,884	-	-	1,126,884
Loss on bond redemption	884,031	-	-	884,031
Other	1,206,831	19,647	-	1,226,478
Total expenses	57,101,835	1,059,585	(244,357)	57,917,063
Excess of revenues over expenses	11,486,608	(347,839)	-	11,138,769
Contribution to La Maestra Foundation	(1,300,000)	-	-	(1,300,000)
Change in net assets without donor restrictions	10,186,608	(347,839)	-	9,838,769
Change in net assets with donor restrictions				
Contributions	2,277,403	-	-	2,277,403
Net assets released from donor restrictions	(1,865,704)	-	-	(1,865,704)
Change in net assets with donor restrictions	411,699	-	-	411,699
Change in net assets	10,598,307	(347,839)	-	10,250,468
Net assets, beginning of year	26,380,231	(5,464,848)	-	20,915,383
Net assets, end of year	$36,978,538	$ (5,812,687)	$ -	$31,165,851

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Statement of Operations and Changes in Net Assets
For the year ended June 30, 2020

	LMFC	CHIC	Elimination	Total
Change in net assets without donor restrictions				
Patient service revenue, net	$30,307,121	$ 626,808	$ -	$ 30,933,929
Capitation revenue	5,110,169	90,134	-	5,200,303
Grant, contract, and other revenue	10,530,934	-	-	10,530,934
Pharmacy revenue	8,551,455	-	-	8,551,455
Contributions and other	2,248,475	562	(183,349)	2,065,688
Net assets released from donor restrictions	1,506,283	-	-	1,506,283
Total unrestricted revenues & other support	58,254,437	717,504	(183,349)	58,788,592
Expenses:				
Salaries and benefits	38,741,511	534,582	-	39,276,093
Contracted services	3,532,489	221,921	-	3,754,410
Supplies	4,893,309	9,463	-	4,902,772
Rent and leases	1,383,828	330,966	(183,349)	1,531,445
Repairs and maintenance	468,293	148,769	-	617,062
Utilities	801,120	4,911	-	806,031
Insurance	335,172	41,336	-	376,508
Depreciation and amortization	2,060,185	20,313	-	2,080,498
Interest	1,025,743	-	-	1,025,743
Other	1,189,891	29,634	-	1,219,525
Total expenses	54,431,541	1,341,895	(183,349)	55,590,087
Excess of revenues over expenses	3,822,896	(624,391)	-	3,198,505
Contribution to La Maestra Foundation	(830,000)	-	-	(830,000)
Change in net assets without donor restrictions	2,992,896	(624,391)	-	2,368,505
Change in net assets with donor restrictions				
Contributions	1,794,873	-	-	1,794,873
Net assets released from donor restrictions	(1,506,283)	-	-	(1,506,283)
Change in net assets with donor restrictions	288,590	-	-	288,590
Change in net assets	3,281,486	(624,391)	-	2,657,095
Net assets, beginning of year	23,098,745	(4,840,457)	-	18,258,288
Net assets, end of year	$26,380,231	$ (5,464,848)	$ -	$20,915,383

SINGLE AUDIT REPORTS

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Federal Grant / Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, PUBLIC HEALTH SERVICES:			
Direct Programs:			
Community Health Cluster			
Consolidated Health Center - Section 330	93.224	N/A	$ 5,740,091
COVID 19 - ARPA	93.224	N/A	1,404,435
COVID 19 - ECT	93.224	N/A	784,069
COVID 19 - CADRE	93.224	N/A	100,000
Total Community Health Cluster			8,028,595
COVID 19 – Uninsured Testing, Treatment and Vaccine Administration	93.461	N/A	75,383
HHS Provider Relief Funds	*93.498	N/A	755,083
La Maestra Certified Behavior Health Center	*93.829	N/A	1,913,678
Ryan White Part C	93.918	N/A	32,600
Postdoctoral Training in General, Pediatric and Public	*93.059	N/A	504,940
SBHCCP	93.501	N/A	58,997
SAMHSA Medication Assisted Treatment	93.243	N/A	589,543
SBIRT	93.243	N/A	985,973
Subtotal			12,944,792
Passed Through:			
U.S. Committee for Refugees and Immigrants:			
Trafficking Victim Assistance Program	93.598	90ZV0135	185,320
Health Quality Partners:			
CHIPRA	93.767	1Y1CMS331690-02	77,243
UnidosUS:			
CDC Esperanza Hope for All Vaccine Program	93.185	1 NH23IP92643-01-00	22,936
Essential Access Health:			
Title X	93.217	120000-5320-71209	371,017
California Institute for Behavioral Health Solutions:			
Youth Opioid Response	93.788	18-95471/20-10328	281,024
RADx-UP Coordination and Data Collection Center:			
COVID-19 testing	93.393	3UH3CA233314-02S1	22,429
California Department of Health Care Services:			
CRC-HUB-SPOKE	93.353	4UH3CA233314-02	6,515
Hub and Spoke Narcotic Treatment Program	93.788	7426-CA H&SS-LAMAESTRA-01	141,000
Total Health and Human Services			14,052,276

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Federal Grant / Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELPMENT:			
Passed Through:			
County of San Diego:			
ESG-CARES Act	14.231	E-20-UW-06-0501	148,683
U.S. DEPARTMENT OF AGRICULTURE:			
Passed Through:			
California Department of Social Services:			
Cal Fresh	10.561	16-SUB-00965	98,386
Total federal financial assistance			$ 14,299,345

* Denotes major program

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center"), under programs of the federal government for the year ended June 30, 2021. 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 the Center, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows for the Center.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. For CFDA 93.498, the amount included on the Schedule is based on the Period 1 PRF report. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Center elected not to use the de minimis cost rate because it has a negotiated indirect cost rate in place.

CHW LLP
Healthcare Audit, Tax & Consulting Services

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

Independent Auditor's Report

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center"), which comprise the balance sheet as of June 30, 2021 and 2020 and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Center'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 Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

CHW, LLP

Fresno, California
January 7, 2022

CHW LLP
Healthcare Audit, Tax & Consulting Services
7797 N. First Street #15, Fresno, California 93720
Phone: 559.549.5400 Email: info@chwllp.org

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

Independent Auditor's Report

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2021. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, La Maestra Community Health Centers complied, in all material respects, with the 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, 2021.

Report on Internal Control Over Compliance

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

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

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

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

CHW, LLP

Fresno California
January 7, 2022

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Findings and Questioned Costs
For the year ended June 30, 2021

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__ None Reported
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__ None Reported
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 200.516(a)?	_____ Yes	__X__ No

Major Programs	CFDA Number
HHS Provider Relief Funds	93.498
La Maestra Certified Behavior Health Center	93.829
Postdoctoral Training in General, Pediatric and Public Health Dentistry and Dental Hygiene	93.059

Dollar threshold used to distinguish Types A and B programs	$ 750,000	
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Findings and Questioned Costs
For the year ended June 30, 2021

II. Financial Statement Findings:

None Reported

III. Federal Awards Findings and Questioned Costs:

None Reported

Audited Consolidated Financial Statements

LA MAESTRA FAMILY CLINIC, INC.
dba LA MAESTRA COMMUNITY HEALTH CENTERS

For the Years Ended June 30, 2022 and 2021

La Maestra Family Clinic, Inc.
dba La Maestra Community Health Centers

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CHW LLP
Healthcare Audit, Tax & Consulting Services
7797 N. First Street #15, Fresno, California 93720
Phone: 559.549.5400 Email: info@chwllp.org

Independent Auditor's Report

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers, (the "Center"), which comprise the balance sheets as of June 30, 2022 and 2021, 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 present fairly, in all material respects, the financial position of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for 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 not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Center's internal control. Accordingly, no such opinion is expressed.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Center's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Center's internal control over financial reporting and compliance.

CHW, LLP

Fresno, California
December 28, 2022

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Balance Sheets
June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	$ 10,275,125	$ 5,382,523
Assets limited as to use	638,603	655,631
Patient accounts receivable, net	5,235,623	4,625,098
Grant, contract, and other receivables	2,727,948	2,924,622
Affiliate receivables	84,971	32,258
Estimated third-party payor settlements	4,503,827	4,366,834
Inventory	306,493	141,234
Prepaid expenses & other current assets	807,215	879,802
Total current assets	24,579,805	19,008,002
Assets limited as to use	475,909	475,627
Property and equipment, net	48,553,229	39,956,525
Total assets	$ 73,608,943	$ 59,440,154
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and other accrued expenses	$ 1,603,391	$ 1,343,000
Accrued payroll and related liabilities	4,987,149	3,736,974
Deferred revenue	110,000	110,000
Estimated third-party payor settlements	4,320,130	2,306,956
Long-term debt, current portion	812,676	999,602
Capital lease obligation, current portion	183,516	207,877
Total current liabilities	12,016,862	8,704,409
Capital lease obligation	142,345	325,859
Long-term debt, principal	27,834,372	19,964,974
Unamortized debt issuance costs	(1,821,459)	(720,939)
Long term debt, net	26,012,913	19,244,035
Total liabilities	38,172,120	28,274,303
Net assets:		
Net assets without donor restrictions	34,974,181	30,465,562
Net assets with donor restrictions	462,642	700,289
Total liabilities and net assets	$ 73,608,943	$ 59,440,154

See accompanying Consolidated Notes to the Financial Statements

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Statement of Operations and Changes in Net Assets
For the years ended June 30, 2022 and 2021

	2022	2021
Change in net assets without donor restrictions		
Revenues and other support:		
Patient service revenue, net	$ 36,540,498	$ 34,068,349
Capitation revenue	6,036,237	5,350,254
Grant and contract revenue	18,588,937	14,733,872
Pharmacy revenue	9,398,101	9,151,836
Contributions and other	3,975,954	3,885,817
Net assets released from donor restrictions	4,242,258	1,865,704
Total unrestricted revenue and other support	78,871,985	69,055,832
Expenses:		
Salaries and benefits	55,420,768	39,773,647
Contracted services	2,403,297	4,714,349
Supplies	5,471,838	4,535,949
Rent and leases	1,342,099	1,452,162
Repairs and maintenance	664,675	701,018
Utilities	1,002,985	855,189
Insurance	477,228	382,234
Depreciation and amortization	2,430,032	2,265,122
Interest	1,176,411	1,126,884
Loss on bond redemption	-	884,031
Other	2,384,033	1,226,478
Total expenses	72,773,366	57,917,063
Excess of revenues over expenses	6,008,919	11,138,769
Contribution to La Maestra Foundation	(1,500,000)	(1,300,000)
Change in net assets without donor restrictions	4,508,619	9,838,769
Change in net assets with donor restrictions		
Contributions	4,004,611	2,277,403
Net assets released from donor restrictions	(4,242,258)	(1,865,704)
Change in net assets with donor restrictions	(237,647)	411,699
Change in net assets	4,270,972	10,250,468
Net Assets		
Net assets, beginning of year	31,165,851	20,915,383
End of year	$ 35,436,823	$ 31,165,851

See accompanying Consolidated Notes to the Financial Statements

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Statement of Cash Flows
For the years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 4,270,972	$ 10,250,468
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,430,032	2,265,122
Amortization of debt issuance costs	75,485	183,673
Amortization of bond premium	(93,354)	(21,643)
Loss on bond redemption	-	884,031
Changes in operating assets and liabilities:		
Patient accounts receivable	(610,525)	(1,908,866)
Grant, contract receivable	196,674	(2,323,729)
Affiliate receivable	(52,713)	32,533
Inventory	(165,259)	(6,091)
Prepaid expenses and other assets	72,587	(82,751)
Estimated third-party payor settlements	1,876,181	(916,950)
Accounts payable and other accrued expenses	260,391	(238,667)
Accrued payroll and related liabilities	1,250,175	786,515
Deferred revenue	-	(755,083)
Net cash provided by operating activities	9,510,646	8,148,562
Cash flows from investing activities:		
Purchase of property and equipment	(11,026,736)	(8,863,242)
Net cash used in investing activities	(11,026,736)	(8,863,242)
Cash flows from financing activities:		
Proceeds from debt issuance	13,298,935	13,367,636
Principal payments on long-term debt	(6,699,114)	(15,333,207)
Payments of capital lease obligations	(207,875)	(345,687)
Net cash provided by (used in) financing activities	6,391,946	(2,311,258)
Net increase (decrease) in cash and cash equivalents	4,875,856	(3,025,938)
Cash and cash equivalents at beginning of year:	6,513,781	9,539,719
Cash and cash equivalents at end of year:	$ 11,389,637	$ 6,513,781
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,176,411	$ 1,126,884

See accompanying Consolidated Notes to the Financial Statements

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Notes to Financial Statements
For the years ended June 30, 2022 and 2021

Note 1: Summary of Significant Accounting Policies

Organization and Operations:
La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center") was incorporated on July 22, 1991 as a nonprofit public benefit corporation under the corporation laws of the state of California. The clinic's specific purpose is to provide community health care services to minorities, refugees, children and others for whom such services are generally limited or unavailable. The Center is unique in the diverse cultures it serves and in identifying the health needs of the special populations. The services, programs, and functional units of the Center have all developed and been implemented in response to demonstrated needs presented by its patient base.

To accomplish this goal, the Center developed, the "*Circle of Care*" model whereby the staff understand and practice that the health of the individual extends to the well-being of the whole family. The "Circle of Care" approach includes providing for medical, dental, mental & behavioral health, vision care, job training and placement, housing and community development, onsite food pantry, transportation, outreach and social services, pharmacy and dispensary, telemedicine program, translation, health promotions and education, school-based clinics and Mobile Health, laboratory, and digital imaging.

On March 2, 2015, the Center achieved Patient Centered Medical Home (PCMH) Level 3.

Basis of Accounting:
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 the Center 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: Contributions, including government grants and contracts, are recorded as donor restricted 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 restrictions ends or purpose restriction is accomplished, donor restricted assets are reclassified to unrestricted net assets and 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.

Basis of Consolidation
The consolidated financial statements include the accounts of the Center and Community Health Imaging Centers (CHIC). CHIC is a not-for-profit corporation that provides imaging services to the local community. All significant transactions among the entities have been eliminated.

Reclassification:
Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 1: Summary of Significant Accounting Policies (continued)

Use of Estimates:
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and disclosures. Accordingly, actual result could differ from those estimates.

Cash and Cash Equivalents:
For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consisted of demand deposit and money market accounts at June 30, 2022.

As of June 30, 2022 and 2021 the carrying amount of all the accounts, net of outstanding checks, was $10,275,125 and $5,382,523. Per the various financial institutions as of June 30, 2022 and 2021, approximately $802,321 and $752,329 was covered by federal depository insurance respectively. The following table provides a reconciliation of cash, cash equivalents, and assets limited as to use reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	2022	2021
Cash and cash equivalents	$ 10,275,125	$ 5,382,523
Assets limited as to use	1,114,512	1,131,258
Total cash and cash equivalents shown in the statement of cash flows	$ 11,389,637	$ 6,513,781

Assets Limited as to Use:
Assets limited as to use are cash and cash equivalent accounts held by fiscal agents to be used only for specific purposes under bond indenture agreements.

Inventory:
Inventory consist of pharmaceutical and general operating stores and are stated at the lower of cost or market, determined by the first-in, first-out method.

Property and Equipment:
Property and equipment is stated at cost at the date of acquisition. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the individual assets. The lives of the assets range from 5 years to 39 years. Repairs and maintenance are charged to operations and major improvements are capitalized. Expenses for assets in excess of $5,000 are capitalized. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Note 1: Summary of Significant Accounting Policies (continued)

Patient Accounts Receivable:
Accounts receivable are recorded at amounts that reflect the consideration to which the Center expects to be entitled in exchange for providing patient care. In evaluating the collectability of patient accounts receivable, the Center regularly analyzes its 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, the Center 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, the Center 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 collected after all reasonable collection efforts have been exhausted is reflected as a reduction in patient accounts receivable.

Employee 401 (k) Plans:
The Center offers its employees a defined contribution 401(k) retirement plan. The plan is intended 'to satisfy all the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code (the "Code") and similar state tax laws.

Effective January 1, 2007, the Plan elected to contribute safe harbor matching contributions, in which the Company will make matching contributions equal to 100% of participant's salary reduction contributions up to 4% of pre-tax annual compensation, after completion of one year of employment.

Subsequent Events:
The Center has evaluated subsequent events through December 28, 2022, which is the date the consolidated financial statements were available to be issued.

Vacation, Sick Leave and Employee Benefits:
Vacation and sick leave are provided to employees working more than 20 hours per week, after completion of 90 days of employment. Employees are entitled to between 8-12 paid sick days per year and 5 to 20 vacation days for employment after one, two, five, and ten years. Accrued vacation pay were recorded on the books in the amounts of $2,244,644 and $2,001,908 for the years ended June 30, 2022 and 2021, respectively. Employees who work thirty (30) hours or more a week are eligible for health insurance coverage for themselves and their dependents starting the month after their start date. The Center will pay 75% of employees' health coverage.

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition:
Net patient service revenue is reported at the amount that reflects the consideration to which the Center 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, the Center bills the patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

The Center provides medical, dental, mental health, health education and enabling 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.

The Center has agreements with various plans to provide medical services to subscribing MediCal participants. Under the agreements, the Center received monthly capitation payments based on the number of participants, regardless of the services performed by the Center. Capitation payments are recognized as capitation revenue during the period in which the Center is obligated to provide services to participants. The Center also receives interim payments from the Medi-Cal program. These payments are reconciled on an annual basis to ensure the Center ultimately receives the established Medi-Cal payment rate for all visits under these contracts.

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. 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. In absence of donor stipulations to the contrary, capital grants and contributions are recorded as revenue during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as deferred revenue.

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. Absent donor-imposed restrictions, the Center records donated services, materials, and facilities as support without donor restrictions. It is the policy of the Center to encourage contributions. Donated services and facilities are valued at prevailing market rates. Certain immaterial services and facilities contributed to the Center have not been valued or recorded.

Note 1: Significant Accounting Policies (continued)

Income Taxes:
The Center is exempt from Federal Taxes under Section 501(c)(3) of the Internal Revenue Code as amended and Section 23701 (d) of the Revenue and Taxation Code of the State of California. Accordingly, no provision for Federal and Franchise taxes has been recognized in the consolidated financial statements. The Center 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 the Center in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Center's returns are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Note 2: Fair Value of Financial Instruments

Financial Accounting Standards Board's (FASB) Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures,* requires the fair value of financial assets and liabilities to be determined using a specific fair-value hierarchy. The objective of the fair value measurement of financial instruments is to reflect the hypothetical amounts at which the Center could sell assets or transfer liabilities in an orderly transaction between market participants at the measurement date. FASB ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets;

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

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

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022:

		Fair Value Measurement Using		
June 30, 2022:	Fair Value	Level 1	Level 2	Level 3
Money market fund	$ 1,114,512	$ 1,114,512	$ -	$ -
June 30, 2021:	Fair Value	Level 1	Level 2	Level 3
Money market fund	$ 1,131,258	$ 1,131,258	$ -	$ -

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, contract, and other receivables, estimated third-party payor settlements, accounts payable and other accrued expenses, accrued payroll and related liabilities, deferred revenue, and long-term debt approximate fair value.

Note 3: Patient Service Revenue, Net

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

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's sliding fee policy, and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center 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, 2020, 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, the Center recognizes these write-offs as bad debt expense, which is presented on the accompanying statements of operations and changes in net assets as a component of other expenses.

The Center is approved as a Federally Qualified Health Center ("FQHC") for both Medicare and Medi-Cal reimbursement purposes. The Center has agreements with third-party payors that provide for payments to the Center 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 Prospective Payment System, using rates established by the Center’s “Base Years” - fiscal years ended December 31, 2000 and 1999 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 the Center’s scope of service. The Center 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 the Center.

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.

Note 3: Patient Service Revenue, Net (continued)

As of June 30, the following table reflects the net patient service revenue including capitation by major payor groups:

	2022	2021
Medi-Cal	$ 39,095,422	$ 37,121,564
Medicare	769,120	525,988
Other third-party payors	913,645	1,441,135
Private pay	1,798,548	329,916
Net patient service revenue	$ 42,576,735	$ 39,418,603

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

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center'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.

The Center has recorded an estimated third-party payor receivable of $4,503,827 and $4,366,834 as of June 30, 2022 and 2021, respectively, and estimated third-party payor liabilities of $4,320,130 and $2,306,956 as of June 30, 2022 and 2021, respectively. These balances comprise estimated settlements due to PPS Reconciliation Requests as well as Rate Setting Cost Reports and Change in Scope of Service Requests. Management periodically evaluates estimated third-party payor settlements based on the current information available and believes the final settlements will not materially affect the financial statements of the Center.

Note 4: Grant, Contract, and Other Receivable

Grants and contracts receivable were comprised of the following at June 30, 2022 and 2021:

	2022	2021
USCRI	$ -	$ 16,107
Molina	-	354,360
Afghan Placement Assistance	122,164	-
CDBG CARES	219,583	-
Cal-fresh	45,578	45,578
Cal-Aim ECM/CS Services	757,613	-
HHS	656,412	1,833,183
Other	926,598	675,394
Total	$ 2,727,948	$ 2,924,622

Note 5: Concentration of Credit Risk

Financial instruments potentially subjecting the Center to concentrations of credit risk consist primarily of bank deposits in excess of FDIC limits. Management believes, however, that the risk of loss is minimal due to the high financial quality of the banks. Credit risk related to patient receivables arises from the granting of credit without collateral to patients, most of whom are residents of San Diego County in the State of California. The mix of receivables from patients and third-party payors is as follows:

	2022	2021
Medi-Cal	65%	62%
Medicare	8%	7%
Other third-party payers	26%	31%
	100%	100%

For the year ended June 30, 2022 and 2021, the Center received $11,502,345 and $7,244,526, respectively, in Community Health Center grants from the Department of Health and Human Services, which represents 15% and 10% of the total revenue received.

Note 6: Property and Equipment

Land, building and equipment at June 30, 2022 and 2021 was comprised of the following:

	2022	2021
Land	$ 10,275,801	$ 6,694,298
Buildings	36,449,566	32,885,020
Building and leasehold improvements	6,589,834	5,901,630
Equipment	12,768,582	10,967,437
Furniture and fixtures	561,931	542,389
Vehicles	1,284,777	908,144
CIP	1,023,516	28,353
Total	68,954,007	57,927,271
Less: Accumulated depreciation and amortization	(20,400,778)	(17,970,746)
Property and equipment, net	$ 48,553,229	$ 39,956,525

Depreciation and amortization expense for the year ended June 30, 2022 and 2021 was $2,430,032 and $2,265,122, respectively. As of June 30, 2022, the remaining commitments related to ongoing construction contracts totaled $4,258,181.

Note 7: Capital Leases

The Center leases equipment under capital leases expiring through 2024. Equipment with a book value of $928,930 and accumulated depreciation of $534,650 are included with property and equipment, net as of June 30, 2022. Depreciation of the equipment under the capital lease is included in depreciation expense. The future minimum payments required under the leases as of June 30, 2022 are:

2023	$ 182,786
2024	119,951
2025	23,124
Subtotal	325,861
Less: current maturities	(183,516)
Obligations under capital leases - net	$ 142,345

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Notes to Financial Statements
For the years ended June 30, 2022 and 2021

Note 8: Long-term Debt

Long-term debt at June 30, 2022 consisted of the following:

	2022	2021
Loan with Wells Fargo at 4.69% interest per year, monthly payment of $1,615 for fifteen years, maturing September 10, 2030. This loan is secured by property located at 4185/4189 Fairmount Avenue San Diego, CA.	$ 131,770	$ 144,557
Loan with Community Health Group at 4.0% interest per year. Monthly payment of $31,827 maturing October 31, 2021.	-	124,164
PRI Loan with CA Endowment, unsecured, interest only payment at 2% per year from July 15, 2012. Quarterly principal and interest payment of $21,099 starts on July 15, 2017 until fully paid by March 31, 2022.	-	83,351
Mortgage note payable to Wells Fargo Bank, with interest at 4.8% per year, monthly payment of $2,301 due on November 10, 2014, for fifteen years. This first deed of trust is secured by property located at 4135/4137 Fairmount Avenue, San Diego, CA.	173,102	191,786
Mortgage note payable to Wells Fargo Bank, with interest at 4.8% per year, monthly payment of $2,764 due on November 10, 2014, for fifteen years. This first deed of trust is secured by property located at 4171 Fairmount Avenue, San Diego, CA.	209,883	232,238
Mortgage note payable to Bailony Family Trust, with interest at 7.15% per year, and 120 monthly interest only payments of $35,888. The note matures October 4, 2029. This first deed of trust is secured by property located at 4074 Fairmount Ave, San Diego, CA. This note was refinanced in September 2021.	-	5,700,000
The Center issued $11,415,000 and $880,000 California Municipal Finance Authority Insured Revenue Bonds on August 1, 2021. The bonds bear interest at rates between 4% and 4.6% with interest only payments made until September 1, 2038. The bonds were issued at a premium of $2,025,063. As of June 30, 2022, unamortized bond premium was $1,968,811.	14,418,689	-
Loan from Wells Fargo Bank for $147,356 to purchase pharmacy equipment. The loan bears interest at 3.24% per year with monthly payments of $2,664 beginning October 2016. The loan matures September 2021 and is secured by the pharmacy equipment.	-	7,945

Note 8: Long-term Debt (continued)

The Center refinanced existing bonds on November 11, 2020 for $13,590,000 2021 California Municipal Finance Authority Insured Revenue Bonds. The bonds bear interest at rates between 2% and 3% with interest payments made semi-annually on March 1 and September 1. The bonds mature annually from 2022 to 2038 on September 1 in amounts ranging from $595,000 to $920,000. The bonds were issued at a premium of $661,667. As of June 30, 2022, unamortized bond premium was $602,921.	13,597,921	14,230,024
Note payable to CA Health Facilities Finance Agency for $650,000 with interest at 3.175% per year, monthly payment of $11,743 with final payment to made on January 1, 2023 of all remaining amounts due, to finance renovations at 4060 Fairmount Ave, San Diego CA. The note is secured by property and equipment.	115,683	250,511
Total long-term debt	28,647,048	20,964,576
Less: current portion	(812,676)	(999,602)
	$ 27,834,372	$ 19,964,974

Future principal payments are as follows for the years ended June 30:

Year	Principal
2023	$ 812,676
2024	715,253
2025	733,256
2026	746,353
2027	769,602
Thereafter	22,142,799
Total	$ 25,919,939

There are certain financial covenants related to its long-term debt that the Center was required to comply with. Management believes that the Center was in compliance with these financial covenants as of and for the year ended June 30, 2022.

Note 9: Commitments and Contingencies

Federal and state contracts and other requirements:
The Center receives grants and contracts which require fulfillment of certain conditions as set forth in the terms of the grant agreement and contract, and are subject to audit and adjustment upon review by the granting agencies. Failure to comply with the conditions of the grants could result in the return of funds to the granting agencies. The amounts, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although management believes that it has complied with conditions of its grants and contracts it expects they will not have a significant effect on the Center 's financial position.

Contingencies:
In the ordinary course of business, the Center may be a party to claims and legal actions. While the outcome cannot be determined at this time, management's opinion is the liability, if any, from these actions will not have a material adverse effect on the Center's financial position.

Medical Malpractice Claims:
The U.S. Department of Health and Human Services has deemed the Center and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. Management is not aware of any pending claims that exceed the limitations provided by this coverage.

Note 10: Operating Leases

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2022, for each of the next five years are:

2023	$ 667,101
2024	$ 597,531
2025	$ 484,277
2026	$ 346,593
2027	$ 19,803

Rental expense for the year ended June 30, 2022 and 2021 was $1,342,098 and $1,452,162.

Note 11: Functional Expenses

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, 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 year ended June 30, 2022 include:

	Medical Services	Dental Services	Pharmacy	General & Administration	Total
Salaries and benefits	$ 34,467,976	$ 5,881,174	$ 1,472,144	$ 13,599,474	$ 55,420,768
Contracted services	917,534	169,092	461,808	854,863	2,403,297
Supplies	1,103,954	719,222	3,048,957	599,705	5,471,838
Rent and leases	228,300	404,689	6,100	703,010	1,342,099
Repairs and maintenance	205,351	152,958	(58,555)	364,921	664,675
Utilities	569,165	192,180	36,493	205,147	1,002,985
Insurance	19,369	-	-	457,859	477,228
Depreciation and amortization	527,024	303,664	24,802	1,574,542	2,430,032
Interest	135	-	43	1,176,233	1,176,411
Other	482,479	122,564	14,985	1,764,005	2,384,033
Total expenses	$ 38,521,287	$ 7,945,543	$ 5,006,777	$ 21,299,759	$ 72,773,366

Expenses for the year ended June 30, 2021 include:

	Medical Services	Dental Services	Pharmacy	General & Administration	Total
Salaries and benefits	$ 24,683,947	$ 3,083,046	$ 1,323,875	$ 10,682,779	$ 39,773,647
Contracted services	984,804	2,396,759	516,539	816,247	4,714,349
Supplies	1,117,139	742,422	2,262,424	413,964	4,535,949
Rent and leases	356,064	457,631	6,588	631,879	1,452,162
Repairs and maintenance	224,252	72,233	25,435	379,098	701,018
Utilities	492,750	178,987	32,651	150,801	855,189
Insurance	3,606	-	-	378,628	382,234
Depreciation and amortization	665,890	313,108	30,883	1,255,241	2,265,122
Interest	146,159	29,164	8,877	942,684	1,126,884
Loss on bond redemption	-	-	-	884,031	884,031
Other	361,075	114,804	13,660	736,939	1,226,478
Total expenses	$ 29,035,686	$ 7,388,154	$ 4,220,932	$ 17,272,291	$ 57,917,063

Note 12: Contribution of Accumulated Support to La Maestra Foundation

La Maestra Community Health Centers' board and staff recognized that for a patient and family to be healthy, they must have access to nutritious food, self-supporting jobs, affordable safe housing, job training and continuing education opportunities, and a wholesome community in which to live and raise a family. The Center expanded its "Circle of Care" over the years to provide these non-medical services, also essential to achieve wellness. As the non-medical services grew, a separate 501(c)3 nonprofit called La Maestra Foundation (the "Foundation") was started in 2003 to house these services and develop new support for social determinants of health programs. It was incorporated as an independent nonprofit in 2005. La Maestra Foundation was established to work alongside the Center to ensure that the Center's mission was fully carried out and the needs of the community were met.

Many of these programs and services were outside the scope of a FQHC and were operated by the Foundation for the benefit of the Center's patients and the communities it serves. Addressing the unmet needs of these patients meant providing services without always having established funding sources and both the Center and the Foundation worked to generate new sources of support to bring these critical services to life. In many cases the development and establishment of these services required significant funding by the Center to bring them to reality and to maintain them until more permanent funding sources could be obtained.

Beyond just the mission of both organizations, the supportive services provided by the Foundation are recognized at a critical component of value-based care and have played a meaningful role in the success of the Center in meeting its mission to provide for the entire well-being of its patients. Continued development and provision of these services will greatly contribute to the future success of the Center in meeting patient's needs and will also contribute to maximizing the Center's revenues as reimbursements transition to more value-based care methodologies.

In recognition of the services and support that the Foundation provides to the community, the Center has made contributions to La Maestra Foundation of $1,500,000 and $1,300,000 for the years ended June 30, 2022 and 2021, respectively

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Note 13 - Information Regarding Liquidity and Availability of Resources

The Center 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. The Center 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, the Center considers all expenditures related to its ongoing activities of providing healthcare-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Center strives to maintain liquid financial assets sufficient to cover 30 days of general expenditures. The following table reflects the Center's financial assets as of June 30, 2022 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	$ 10,275,125	$ 5,382,523
Assets limited as to use	1,114,512	1,131,258
Patient accounts receivable	5,235,623	4,625,098
Grant receivable	2,727,948	2,924,622
Total financial assets	19,353,208	14,063,501
Assets limited as to use	(1,114,512)	(1,131,258)
Deferred revenue	(110,000)	(110,000)
Net assets with donor restrictions	(462,642)	(700,289)
Financial assets available to meet cash needs for general expenditures within one year	$ 17,666,054	$ 12,121,954

In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by grants or donor-restricted resources.

Note 14: Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following programs at June 30, 2022 and 2021:

	2022	2021
CVS Health Screening	$ 50,000	$ -
JEM Project	133,665	-
No Kid Hungry	46,178	-
Kaiser	-	100,000
Price Philanthropies Foundation	-	80,000
Delta Dental	70,000	106,113
Other	162,799	414,176
Total	$ 462,642	$ 700,289

As net assets with donor restrictions are expended, the net assets released from restrictions are recognized as revenue without donor restrictions. As of June 30, 2022, and 2021, net assets released from donor restrictions consist of the following:

	2022	2021
Gilead/AIDS Outreach	$ 105,117	$ 52,559
HHS Cares	1,738,384	-
Sierra Health Foundation	200,216	-
Health Net Workforce	-	71,114
Health Net Telehealth	-	21,804
Unidos Comprando Rico y Sano Program	147,101	89,833
NACHC/CVS Foundation	14,171	14,171
Kaiser	100,000	-
Price Philanthropies	130,000	50,000
Grossmount HealthCare	12,187	22,813
United Healthcare	154,770	174,191
Delta Dental	178,000	38,887
Molina	506,015	
Blue Shield of California	-	336,933
Other	956,297	993,399
Total	$ 4,242,258	$ 1,865,704

SUPPLEMENTAL INFORMATION

CHW LLP
Healthcare Audit, Tax & Consulting Services

7797 N. First Street #15, Fresno, California 93720
Phone: 559.549.5400 Email: info@chwllp.org

INDEPENDENT AUDITORS' REPORT ON SUPPLIEMENTAL INFORMATION

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

We have audited and reported separately herein on the consolidated financial statements of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center") as of and for the years ended June 30, 2022 and 2021.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Center taken as a whole. The consolidating information include in page 25 through 28 is presented for purposes of additional analysis and is not a required part of the financial statements. The consolidating 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.

CHW, LLP

Fresno, California
December 28, 2022

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Balance Sheet
For the year ended June 30, 2022

	LMFC	CHIC	Elimination	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 10,259,326	$ 15,799	$ -	$ 10,275,125
Assets limited as to use	638,603	-	-	638,603
Patient accounts receivable, net	5,064,735	170,888	-	5,235,623
Grant, contract and other receivables	2,727,948	-	-	2,727,948
Related-party receivables	6,754,548	-	(6,669,577)	84,971
Estimated third-party payor settlements	4,503,827	-	-	4,503,827
Inventory	306,493	-	-	306,493
Prepaid expenses and other assets	785,825	21,390	-	807,215
Total current assets	31,041,305	208,077	(6,669,577)	24,579,805
Assets limited as to use	475,909	-	-	475,909
PP&E, net of accumulated depreciation	48,543,649	9,580	-	48,553,229
Total assets	$ 80,060,863	$ 217,657	$ (6,669,577)	$ 73,608,943
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and other accrued expenses	$ 1,592,358	$ 11,033	-	$ 1,603,391
Accrued payroll and related liabilities	4,987,149	-	-	4,987,149
Affiliates payables	-	6,669,577	(6,669,577)	-
Deferred revenue	110,000	-	-	110,000
Estimated third-party payor settlements	4,320,130	-	-	4,320,130
Long-term debt, current portion	812,676	-	-	812,676
Capital lease obligation, current portion	183,516	-	-	183,516
Total current liabilities	12,005,829	6,680,610	(6,669,577)	12,016,862
Capital lease obligation	142,345	-	-	142,345
Long-term debt, principal	27,834,372	-	-	27,834,372
Unamortized debt issuance costs	(1,821,459)	-	-	(1,821,459)
Long-term debt, net unamortized debt issuance costs	26,012,913	-	-	26,012,913
Total liabilities	38,161,087	6,680,610	(6,669,577)	38,172,120
Net assets:				
Net assets without donor restrictions	41,437,134	(6,462,953)	-	34,974,181
Net assets with donor restrictions	462,642	-	-	462,642
Total liabilities and net assets	$ 80,060,863	$ 217,657	$ (6,669,577)	$ 73,608,943

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Balance Sheet
For the year ended June 30, 2021

	LMFC	CHIC	Elimination	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 5,360,418	$ 22,105	$ -	$ 5,382,523
Assets limited as to use	655,631	-	-	655,631
Patient accounts receivable, net	4,480,605	144,493	-	4,625,098
Grant, contract and other receivables	2,924,622	-	-	2,924,622
Related-party receivables	6,030,321	-	(5,998,063)	32,258
Estimated third-party payor settlements	4,366,834	-	-	4,366,834
Inventory	141,234	-	-	141,234
Prepaid expenses and other assets	868,908	10,894	-	879,802
Total current assets	24,828,573	177,492	(5,998,063)	19,008,002
Assets limited as to use	475,627	-	-	475,627
PP&E, net of accumulated depreciation	39,937,665	18,860	-	39,956,525
Total assets	$ 65,241,865	$ 196,352	$ (5,998,063)	$ 59,440,154
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and other accrued expenses	$1,332,024	$10,976	-	$1,343,000
Accrued payroll and related liabilities	3,736,974	-	-	3,736,974
Affiliates payables	-	5,998,063	(5,998,063)	-
Deferred revenue	110,000	-	-	110,000
Estimated third-party payor settlements	2,306,956	-	-	2,306,956
Long-term debt, current portion	999,602	-	-	999,602
Capital lease obligation, current portion	207,877	-	-	207,877
Total current liabilities	8,693,433	6,009,039	(5,998,063)	8,704,409
Capital lease obligation	325,859	-	-	325,859
Long-term debt, principal	19,964,974	-	-	19,964,974
Unamortized debt issuance costs	(720,939)	-	-	(720,939)
Long-term debt, net unamortized debt issuance costs	19,244,035	-	-	19,244,035
Total Liabilities	28,263,327	6,009,039	(5,998,063)	28,274,303
Net assets:				
Net assets without donor restrictions	36,278,249	(5,812,687)	-	30,465,562
Net assets with donor restrictions	700,289	-	-	700,289
Total liabilities and net assets	$ 65,241,865	$ 196,352	$ (5,998,063)	$ 59,440,154

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Statement of Operations and Changes in Net Assets
For the year ended June 30, 2022

	LMFC	CHIC	Elimination	Total
Change in net assets without donor restrictions				
Patient service revenue, net	$35,919,960	$ 620,538	$ -	$ 36,540,498
Capitation revenue	5,931,856	104,381	-	6,036,237
Grant, contract, and other revenue	18,558,657	30,280	-	18,588,937
Pharmacy revenue	9,398,101	-	-	9,398,101
Contributions and other	4,282,651	2,630	(309,327)	3,975,954
Net assets released from donor restrictions	4,242,258	-	-	4,242,258
Total unrestricted revenues & other support	78,333,483	757,829	(309,327)	78,781,985
Expenses:				
Salaries and benefits	54,715,969	704,799	-	55,420,768
Contracted services	2,213,803	189,494	-	2,403,297
Supplies	5,461,609	10,229	-	5,471,838
Rent and leases	1,304,735	346,691	(309,327)	1,342,099
Repairs and maintenance	566,181	98,494	-	664,675
Utilities	997,472	5,513	-	1,002,985
Insurance	458,417	18,811	-	477,228
Depreciation and amortization	2,420,752	9,280	-	2,430,032
Interest	1,176,411	-	-	1,176,411
Other	2,359,249	24,784	-	2,384,033
Total expenses	71,674,598	1,408,095	(309,327)	72,773,366
Excess of revenues over expenses	6,658,885	(650,266)	-	6,008,619
Contribution to La Maestra Foundation	(1,500,000)	-	-	(1,500,000)
Change in net assets without donor restrictions	5,158,885	(650,266)	-	4,508,619
Change in net assets with donor restrictions				
Contributions	4,004,611	-	-	4,004,611
Net assets released from donor restrictions	(4,242,258)	-	-	(4,242,258)
Change in net assets with donor restrictions	(237,647)	-	-	(237,647)
Change in net assets	4,921,238	(650,266)	-	4,270,972
Net assets, beginning of year	36,978,538	(5,812,687)	-	31,165,851
Net assets, end of year	$41,899,776	$(6,462,953)	$ -	$35,436,823

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Statement of Operations and Changes in Net Assets
For the year ended June 30, 2021

	LMFC	CHIC	Elimination	Total
Change in net assets without donor restrictions				
Patient service revenue, net	$33,609,080	$ 459,269	$ -	$ 34,068,349
Capitation revenue	5,259,736	90,518	-	5,350,254
Grant, contract, and other revenue	14,630,163	103,709	-	14,733,872
Pharmacy revenue	9,151,836	-	-	9,151,836
Contributions and other	4,071,924	58,250	(244,357)	3,885,817
Net assets released from donor restrictions	1,865,704	-	-	1,865,704
Total unrestricted revenues & other support	68,588,443	711,746	(244,357)	69,055,832
Expenses:				
Salaries and benefits	39,382,509	391,138	-	39,773,647
Contracted services	4,541,551	172,798	-	4,714,349
Supplies	4,534,758	1,191	-	4,535,949
Rent and leases	1,365,553	330,966	(244,357)	1,452,162
Repairs and maintenance	587,496	113,522	-	701,018
Utilities	847,313	7,876	-	855,189
Insurance	378,628	3,606	-	382,234
Depreciation and amortization	2,246,281	18,841	-	2,265,122
Interest	1,126,884	-	-	1,126,884
Loss on bond redemption	884,031	-	-	884,031
Other	1,206,831	19,647	-	1,226,478
Total expenses	57,101,835	1,059,585	(244,357)	57,917,063
Excess of revenues over expenses	11,486,608	(347,839)	-	11,138,769
Contribution to La Maestra Foundation	(1,300,000)	-	-	(1,300,000)
Change in net assets without donor restrictions	10,186,608	(347,839)	-	9,838,769
Change in net assets with donor restrictions				
Contributions	2,277,403	-	-	2,277,403
Net assets released from donor restrictions	(1,865,704)	-	-	(1,865,704)
Change in net assets with donor restrictions	411,699	-	-	411,699
Change in net assets	10,598,307	(347,839)	-	10,250,468
Net assets, beginning of year	26,380,231	(5,464,848)	-	20,915,383
Net assets, end of year	$36,978,538	$ (5,812,687)	$ -	$31,165,851

SINGLE AUDIT REPORTS

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Federal Grant / Program Title	ALN	Pass-Through Identification Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, PUBLIC HEALTH SERVICES:			
Direct Programs:			
Community Health Cluster			
Consolidated Health Center - Section 330	*93.224	N/A	$ 5,257,180
COVID 19 - ARPA	*93.224	N/A	6,245,165
HIV Primary Prevention	*93.527	N/A	82,004
Total Community Health Cluster			11,584,349
COVID 19 – Uninsured Testing, Treatment and Vaccine Administration	93.461	N/A	51,073
HHS Provider Relief Funds	93.498	N/A	25,447
La Maestra Certified Behavior Health Center	93.829	N/A	2,336,327
Expanding Access to Substance Abuse Services	93.243	N/A	119,155
Postdoctoral Training in General, Pediatric and Public	93.059	N/A	450,000
Teaching Health Center Planning and Development	93.530	N/A	65,773
SAMHSA Medication Assisted Treatment	93.243	N/A	31,076
SBIRT	93.243	N/A	843,281
Subtotal			15,506,481
Passed Through:			
CDC Foundation:			
CDC Self Testing HIV Program	93.421	41128	7,770
U.S. Committee for Refugees and Immigrants:			
Trafficking Victim Assistance Program	93.598	90ZV0135	224,946
Health Quality Partners:			
CHIPRA	93.767	1Y1CMS331690-02	70,004
UnidosUS:			
CDC Esperanza Hope for All Vaccine Program	93.185	1 NH23IP92643-01-00	59,013
Essential Access Health:			
Title X	93.217	120000-5320-71209	241,230
California Institute for Behavioral Health Solutions:			
Youth Opioid Response	93.788	18-95471/20-10328	333,333
RADx-UP Coordination and Data Collection Center:			
COVID-19 testing	93.393	3UH3CA233314-02S1	27,472
California Department of Health Care Services:			
Hub and Spoke Narcotic Treatment Program	93.788	7426-CA H&SS-LAMAESTRA-01	188,004
Total Health and Human Services			16,658,253

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Federal Grant / Program Title	ALN	Pass-Through Identification Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELPMENT:			
Passed Through:			
County of San Diego:			
ESG-CARES Act	14.231	563958	504,703
City of San Diego			
CDBG Emergency Relief Project	14.218	4500114962	299,742
U.S. DEPARTMENT OF AGRICULTURE:			
SNAP Cluster			
Passed Through:			
California Department of Social Services:			
Cal Fresh	10.561	21-7024	115,776
U.S. DEPARTMENT OF STATE			
Passed Through:			
U.S. Committee for Refugees and Immigrants:			
Afghan Placement and Assistance	19.510	SPRMCO21CA3294	421,682
Afghan Placement and Assistance Supplemental	19.510	90RP0119-0101	145,338
Total federal financial assistance			$ 18,145,494

* Denotes major program

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center"), under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of 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 the Center, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows for the Center.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. For ALN 93.498, the amount included on the Schedule is based on the Period 2 and Period 3 PRF reports. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Center elected not to use the de minimis cost rate because it has a negotiated indirect cost rate in place.

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

Independent Auditor's Report

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center"), which comprise the balance sheet as of June 30, 2022 and 2021 and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Center'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 Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CHW, LLP

Fresno, California
December 28, 2022

CHW LLP
Healthcare Audit, Tax & Consulting Services

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

Independent Auditor's Report

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2022. The Center'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, the Center 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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Center'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 the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

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

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

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

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 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 have not been 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.

CHW, LLP

Fresno California
December 28, 2022

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Findings and Questioned Costs
For the year ended June 30, 2022

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__ None Reported
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__ None Reported
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 200.516(a)?	______ Yes	__X__ No

Major Programs	ALN
Consolidated Health Center - Section 330	93.224
COVID 19 - ARPA	93.224
HIV Primary Prevention	93.527

Dollar threshold used to distinguish Types A and B programs	$ 750,000	
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Findings and Questioned Costs
For the year ended June 30, 2022

II. Financial Statement Findings:

None Reported

III. Federal Awards Findings and Questioned Costs:

None Reported

Prior Year Findings and Questioned Costs:

None Reported

Audited Consolidated Financial Statements

LA MAESTRA FAMILY CLINIC, INC.
dba LA MAESTRA COMMUNITY HEALTH CENTERS

For the Years Ended June 30, 2023 and 2022

La Maestra Family Clinic, Inc.
dba La Maestra Community Health Centers

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CHW LLP
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Independent Auditor's Report

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers, (the "Center"), which comprise the balance sheets 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 present fairly, in all material respects, the financial position of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for 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 not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Center's internal control. Accordingly, no such opinion is expressed.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Center's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Center's internal control over financial reporting and compliance.

CHW, LLP

Fresno, California
March 1, 2024

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Balance Sheets
June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	$ 4,461,705	$ 10,275,125
Assets limited as to use	731,310	638,603
Patient accounts receivable, net	6,038,337	5,235,623
Grant, contract, and other receivables	3,908,089	2,727,948
Affiliate receivables	55,061	84,971
Estimated third-party payor settlements	2,328,457	4,503,827
Inventory	347,464	306,493
Prepaid expenses & other current assets	1,100,728	807,215
Total current assets	18,971,151	24,579,805
Assets limited as to use	482,794	475,909
Right of use asset	2,887,035	-
Property and equipment, net	52,067,114	48,553,229
Total assets	$ 74,408,094	$ 73,608,943
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and other accrued expenses	$ 2,773,192	$ 1,603,391
Accrued payroll and related liabilities	4,778,155	4,987,149
Deferred revenue	-	110,000
Estimated third-party payor settlements	3,175,193	4,320,130
Lease liability, current portion	849,898	-
Long-term debt, current portion	714,739	812,676
Capital lease obligation, current portion	120,095	183,516
Total current liabilities	12,411,272	12,016,862
Lease liability	2,071,252	-
Capital lease obligation	22,250	142,345
Long-term debt, principal	27,015,492	27,834,372
Unamortized debt issuance costs	(1,740,529)	(1,821,459)
Long term debt, net	25,274,963	26,012,913
Total liabilities	39,779,737	38,172,120
Net assets:		
Net assets without donor restrictions	34,567,809	34,974,181
Net assets with donor restrictions	60,548	462,642
Total liabilities and net assets	$ 74,408,094	$ 73,608,943

See accompanying Consolidated Notes to the Financial Statements

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Statement of Operations and Changes in Net Assets
For the years ended June 30, 2023 and 2022

	2023	2022
Change in net assets without donor restrictions		
Revenues and other support:		
Patient service revenue, net	$ 38,214,535	$ 36,540,498
Capitation revenue	6,245,157	6,036,237
Grant and contract revenue	14,881,191	18,588,937
Pharmacy revenue	11,143,784	9,398,101
Contributions and other	5,813,260	3,975,954
In-kind contributions	2,818,817	-
Net assets released from donor restrictions	2,398,797	4,242,258
Total unrestricted revenue and other support	81,515,541	78,781,985
Expenses:		
Salaries and benefits	59,502,441	55,420,768
Contracted services	2,503,707	2,403,297
Supplies	10,287,960	5,471,838
Rent and leases	1,496,323	1,342,099
Repairs and maintenance	843,107	664,675
Utilities	1,230,630	1,002,985
Insurance	562,405	477,228
Depreciation and amortization	2,532,861	2,430,032
Interest	573,157	1,176,411
Other	1,914,322	2,384,033
Total expenses	81,446,913	72,773,366
Excess of revenues over expenses	68,628	6,008,919
Contribution to La Maestra Foundation	(475,000)	(1,500,000)
Change in net assets without donor restrictions	(406,372)	4,508,619
Change in net assets with donor restrictions		
Contributions	1,996,703	4,004,611
Net assets released from donor restrictions	(2,398,797)	(4,242,258)
Change in net assets with donor restrictions	(402,094)	(237,647)
Change in net assets	(808,466)	4,270,972
Net Assets		
Net assets, beginning of year	35,436,823	31,165,851
End of year	$ 34,628,357	$ 35,436,823

See accompanying Consolidated Notes to the Financial Statements

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Statement of Cash Flows
For the years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (808,466)	$ 4,270,972
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,532,861	2,430,032
Amortization of debt issuance costs	80,930	75,485
Amortization of bond premium	(104,605)	(93,354)
Changes in operating assets and liabilities:		
Patient accounts receivable	(802,714)	(610,525)
Grant, contract receivable	(1,180,141)	196,674
Affiliate receivable	29,910	(52,713)
Inventory	(40,971)	(165,259)
Prepaid expenses and other assets	(293,513)	72,587
Estimated third-party payor settlements	1,030,433	1,876,181
Accounts payable and other accrued expenses	1,169,801	260,391
Accrued payroll and related liabilities	(208,994)	1,250,175
Deferred revenue	(110,000)	-
Lease liability and right of use asset	34,115	-
Net cash provided by operating activities	1,328,646	9,510,646
Cash flows from investing activities:		
Purchase of property and equipment	(6,046,746)	(11,026,736)
Net cash used in investing activities	(6,046,746)	(11,026,736)
Cash flows from financing activities:		
Proceeds from debt issuance	-	13,298,935
Principal payments on long-term debt	(812,212)	(6,699,114)
Payments of capital lease obligations	(183,516)	(207,875)
Net cash provided by (used in) financing activities	(995,728)	6,391,946
Net increase (decrease) in cash and cash equivalents	(5,713,828)	4,875,856
Cash and cash equivalents at beginning of year:	11,389,637	6,513,781
Cash and cash equivalents at end of year:	$ 5,675,809	$ 11,389,637
Supplemental disclosure of cash flow information:		
Interest paid	$ 573,157	$ 1,176,411
In-kind contributions	$ 2,818,817	$ -

See accompanying Consolidated Notes to the Financial Statements

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidated Notes to Financial Statements
For the years ended June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

Organization and Operations:
La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center") was incorporated on July 22, 1991 as a nonprofit public benefit corporation under the corporation laws of the state of California. The clinic's specific purpose is to provide community health care services to minorities, refugees, children and others for whom such services are generally limited or unavailable. The Center is unique in the diverse cultures it serves and in identifying the health needs of the special populations. The services, programs, and functional units of the Center have all developed and been implemented in response to demonstrated needs presented by its patient base.

To accomplish this goal, the Center developed, the "*Circle of Care*" model whereby the staff understand and practice that the health of the individual extends to the well-being of the whole family. The "Circle of Care" approach includes providing for medical, dental, mental & behavioral health, vision care, job training and placement, housing and community development, onsite food pantry, transportation, outreach and social services, pharmacy and dispensary, telemedicine program, translation, health promotions and education, school-based clinics and Mobile Health, laboratory, and digital imaging.

On March 2, 2015, the Center achieved Patient Centered Medical Home (PCMH) Level 3.

Basis of Accounting:
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 the Center 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: Contributions, including government grants and contracts, are recorded as donor restricted 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 restrictions ends or purpose restriction is accomplished, donor restricted assets are reclassified to unrestricted net assets and 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.

Basis of Consolidation:
The consolidated financial statements include the accounts of the Center and Community Health Imaging Centers (CHIC). CHIC is a not-for-profit corporation that provides imaging services to the local community. All significant transactions among the entities have been eliminated.

Reclassification:
Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 1: Summary of Significant Accounting Policies (continued)

Use of Estimates:
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and disclosures. Accordingly, actual result could differ from those estimates.

Cash and Cash Equivalents:
For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consisted of demand deposit and money market accounts at June 30, 2023.

As of June 30, 2023 and 2022 the carrying amount of all the accounts, net of outstanding checks, was $4,461,705 and $10,275,125. Per the various financial institutions as of June 30, 2023 and 2022, approximately $526,966 and $802,321 was covered by federal depository insurance respectively. The following table provides a reconciliation of cash, cash equivalents, and assets limited as to use reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	2023	2022
Cash and cash equivalents	$ 4,461,705	$ 10,275,125
Assets limited as to use	1,214,104	1,114,512
Total cash and cash equivalents shown in the statement of cash flows	$ 5,675,809	$ 11,389,637

Assets Limited as to Use:
Assets limited as to use are cash and cash equivalent accounts held by fiscal agents to be used only for specific purposes under bond indenture agreements.

Inventory:
Inventory consist of pharmaceutical and general operating stores and are stated at the lower of cost or market, determined by the first-in, first-out method.

Property and Equipment:
Property and equipment is stated at cost at the date of acquisition. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the individual assets. The lives of the assets range from 5 years to 39 years. Repairs and maintenance are charged to operations and major improvements are capitalized. Expenses for assets in excess of $5,000 are capitalized. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Note 1: Summary of Significant Accounting Policies (continued)

Patient Accounts Receivable:
Accounts receivable are recorded at amounts that reflect the consideration to which the Center expects to be entitled in exchange for providing patient care. In evaluating the collectability of patient accounts receivable, the Center regularly analyzes its 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, the Center 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, the Center 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 collected after all reasonable collection efforts have been exhausted is reflected as a reduction in patient accounts receivable.

Employee 401 (k) Plans:
The Center offers its employees a defined contribution 401(k) retirement plan. The plan is intended 'to satisfy all the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code (the "Code") and similar state tax laws.

Effective January 1, 2007, the Plan elected to contribute safe harbor matching contributions, in which the Company will make matching contributions equal to 100% of participant's salary reduction contributions up to 4% of pre-tax annual compensation, after completion of one year of employment.

Subsequent Events:
The Center has evaluated subsequent events through March 1, 2024, which is the date the consolidated financial statements were available to be issued.

Vacation, Sick Leave and Employee Benefits:
Vacation and sick leave are provided to employees working more than 20 hours per week, after completion of 90 days of employment. Employees are entitled to between 8-12 paid sick days per year and 5 to 20 vacation days for employment after one, two, five, and ten years. Accrued vacation pay were recorded on the books in the amounts of $2,279,337 and $2,244,644 for the years ended June 30, 2023 and 2022, respectively. Employees who work thirty (30) hours or more a week are eligible for health insurance coverage for themselves and their dependents starting the month after their start date. The Center will pay 75% of employees' health coverage.

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition:
Net patient service revenue is reported at the amount that reflects the consideration to which the Center 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, the Center bills the patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

The Center provides medical, dental, mental health, health education and enabling 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.

The Center has agreements with various plans to provide medical services to subscribing MediCal participants. Under the agreements, the Center received monthly capitation payments based on the number of participants, regardless of the services performed by the Center. Capitation payments are recognized as capitation revenue during the period in which the Center is obligated to provide services to participants. The Center also receives interim payments from the Medi-Cal program. These payments are reconciled on an annual basis to ensure the Center ultimately receives the established Medi-Cal payment rate for all visits under these contracts.

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. 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. In absence of donor stipulations to the contrary, capital grants and contributions are recorded as revenue during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as deferred revenue.

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. Absent donor-imposed restrictions, the Center records donated services, materials, and facilities as support without donor restrictions. It is the policy of the Center to encourage contributions. Donated services and facilities are valued at prevailing market rates. Certain immaterial services and facilities contributed to the Center have not been valued or recorded.

Note 1: Significant Accounting Policies (continued)

Income Taxes:
The Center is exempt from Federal Taxes under Section 501(c)(3) of the Internal Revenue Code as amended and Section 23701 (d) of the Revenue and Taxation Code of the State of California. Accordingly, no provision for Federal and Franchise taxes has been recognized in the consolidated financial statements. The Center 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 the Center in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Center's returns are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Recently Adopted Accounting Pronouncement:
In February 2016, the FASB issued Accounting Standards Update "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. The Center has adopted ASU 2016-02 for the year beginning July 1, 2022 using the modified retrospective approach. The adoption of ASU 2016-02 also included additional disclosure requirements.

Note 2: Patient Service Revenue, Net

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

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's sliding fee policy, and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center 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, 2020, 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, the Center recognizes these write-offs as bad debt expense, which is presented on the accompanying statements of operations and changes in net assets as a component of other expenses.

Note 2: Patient Service Revenue, Net (continued)

The Center is approved as a Federally Qualified Health Center ("FQHC") for both Medicare and Medi-Cal reimbursement purposes. The Center has agreements with third-party payors that provide for payments to the Center 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 Prospective Payment System, using rates established by the Center's "Base Years" - fiscal years ended December 31, 2000 and 1999 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 the Center's scope of service. The Center 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 the Center.

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, the following table reflects the net patient service revenue including capitation by major payor groups:

	2023	2022
Medi-Cal	$ 41,191,145	$ 39,095,422
Medicare	822,537	769,120
Other third-party payors	1,418,216	913,645
Private pay	1,027,794	1,798,548
Net patient service revenue	$ 44,459,692	$ 42,576,735

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

Note 2: Patient Service Revenue, Net (continued)

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center'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.

The Center has recorded an estimated third-party payor receivable of $2,328,457 and $4,503,827 as of June 30, 2023 and 2022, respectively, and estimated third-party payor liabilities of $3,175,193 and $4,320,130 as of June 30, 2023 and 2022, respectively. These balances comprise estimated settlements due to PPS Reconciliation Requests as well as Rate Setting Cost Reports and Change in Scope of Service Requests. Management periodically evaluates estimated third-party payor settlements based on the current information available and believes the final settlements will not materially affect the financial statements of the Center.

Note 3: Grant, Contract, and Other Receivable

Grants and contracts receivable were comprised of the following at June 30, 2023 and 2022:

	2023	2022
Path-CTED	$ 543,387	$ -
Health Homes	700,393	-
Afghan Placement Assistance	26,397	122,164
CDBG CARES	33,651	219,583
Cal-fresh	60,657	45,578
Cal-Aim ECM/CS Services	134,522	757,613
HHS	1,089,442	656,412
United Health BHI	264,230	-
Molina Partner Award Incentive	185,400	-
Other	870,010	926,598
Total	$ 3,908,089	$ 2,727,948

Note 4: Concentration of Credit Risk

Financial instruments potentially subjecting the Center to concentrations of credit risk consist primarily of bank deposits in excess of FDIC limits. Management believes, however, that the risk of loss is minimal due to the high financial quality of the banks. Credit risk related to patient receivables arises from the granting of credit without collateral to patients, most of whom are residents of San Diego County in the State of California. The mix of receivables from patients and third-party payors is as follows:

	2023	2022
Medi-Cal	66%	66%
Medicare	9%	8%
Other third-party payers	25%	26%
	100%	100%

For the year ended June 30, 2023 and 2022, the Center received $7,830,255 and $11,502,345, respectively, in Community Health Center grants from the Department of Health and Human Services, which represents 10% and 15% of the total revenue received.

Note 5: Property and Equipment

Land, building and equipment at June 30, 2023 and 2022 was comprised of the following:

	2023	2022
Land	$ 10,275,801	$ 10,275,801
Buildings	36,449,566	36,449,566
Building and leasehold improvements	7,277,192	6,589,834
Equipment	13,523,020	12,768,582
Furniture and fixtures	561,931	561,931
Vehicles	1,284,777	1,284,777
CIP	5,628,466	1,023,516
Total	75,000,753	68,954,007
Less: Accumulated depreciation and amortization	(22,933,639)	(20,400,778)
Property and equipment, net	$ 52,067,114	$ 48,553,229

Depreciation and amortization expense for the year ended June 30, 2023 and 2022 was $2,532,861 and $2,430,032, respectively. As of June 30, 2023, the remaining commitments related to ongoing construction contracts totaled $1,138,111.

Note 6: Capital Leases

The Center leases equipment under capital leases expiring through 2024. Equipment with a book value of $928,930 and accumulated depreciation of $566,199 are included with property and equipment, net as of June 30, 2023. Depreciation of the equipment under the capital lease is included in depreciation expense. The future minimum payments required under the leases as of June 30, 2023 are:

2024	$ 120,095
2025	22,250
Subtotal	142,345
Less: current maturities	(120,095)
Obligations under capital leases - net	$ 22,250

Note 7: Leases

The Center has operating leases for clinics, corporate offices, and certain equipment. The leases have remaining lease terms of 1 year to 7 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year. The Center elected the short-term lease practical expedient related to leases that are 12 months or less.

Leases for clinics typically include multiple optional renewal periods. Upon opening a new clinic location, the Center typically installs leasehold improvements with various useful life. Due to the specialized nature of clinic space and leasehold improvements installed, Management concludes that it is reasonably certain that a renewal option will be exercised, and thus that renewal period is included in the lease term, and the related payments are reflected in the right of use asset and lease liability.

Each operating lease includes fixed rental payments, however, it is common for the lease payments to increase at pre-determined dates based on the change in the consumer price index. The Center’s operating leases are comprised of both gross leases and net leases, in which separate payments are made to the lessor based on the lessor’s property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance associated with the property. The Center has elected the practical expedient not to separate lease and non-lease components for all building leases.

Note 7: Leases (continued)

During the years ended June 30, 2023 and 2022, total lease expense was $1,496,323 and $1,342,098, respectively. During the years ended June 30, 2023 and 2022, the following were the cash and non-cash activities associated with the Center's operating leases:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 986,267	$ -
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for lease obligations	$ 3,791,333	$ -

As of June 30, 2023, the weighted-average remaining lease term for all operating leases is 4.1 years. Because the Center generally does not have access to the rate implicit in the lease, the Center utilizes the incremental borrowing rate as the discount rate. The weighted average discount rate associated with operating leases as of June 30, 2023 is 3.85%

The future payments due under operating leases as of June 30, 2023 are as follows:

2024	$ 946,016
2025	850,618
2026	599,391
2027	289,839
2028	219,365
Thereafter	261,858
	3,167,087
Less effects of discounting	(245,937)
Operating lease liabilities recognized	$ 2,921,150

As previously disclosed in the Center's 2022 financial statements, and under ASC 840, future minimum lease payments required under noncancelable lease agreements as of June 30, 2022 are as follows:

2023	$ 667,101
2024	$ 597,531
2025	$ 484,277
2026	$ 346,593
2027	$ 19,803

Note 8: Long-term Debt

Long-term debt at June 30, 2023 consisted of the following:

	2023	2022
Loan with Wells Fargo at 4.69% interest per year, monthly payment of $1,615 for fifteen years, maturing September 10, 2030. This loan is secured by property located at 4185/4189 Fairmount Avenue San Diego, CA.	$ 118,361	$ 131,770
Mortgage note payable to Wells Fargo Bank, with interest at 4.8% per year, monthly payment of $2,301 due on November 10, 2014, for fifteen years. This first deed of trust is secured by property located at 4135/4137 Fairmount Avenue, San Diego, CA.	153,488	173,102
Mortgage note payable to Wells Fargo Bank, with interest at 4.8% per year, monthly payment of $2,764 due on November 10, 2014, for fifteen years. This first deed of trust is secured by property located at 4171 Fairmount Avenue, San Diego, CA.	186,414	209,883
The Center issued $11,415,000 and $880,000 California Municipal Finance Authority Insured Revenue Bonds on August 1, 2021. The bonds bear interest at rates between 4% and 4.6% with interest only payments made until September 1, 2038. The bonds were issued at a premium of $2,025,063. As of June 30, 2023, unamortized bond premium was $1,901,309.	14,351,149	14,418,689
The Center refinanced existing bonds on November 11, 2020 for $13,590,000 2022 California Municipal Finance Authority Insured Revenue Bonds. The bonds bear interest at rates between 2% and 3% with interest payments made semi-annually on March 1 and September 1. The bonds mature annually from 2022 to 2038 on September 1 in amounts ranging from $595,000 to $920,000. The bonds were issued at a premium of $661,667. As of June 30, 2023, unamortized bond premium was $565,819.	12,920,819	13,597,921
Note payable to CA Health Facilities Finance Agency for $650,000 with interest at 3.175% per year, monthly payment of $11,743 with final payment to made on January 1, 2023 of all remaining amounts due, to finance renovations at 4060 Fairmount Ave, San Diego CA. The note is secured by property and equipment.	-	115,683
Total long-term debt	27,730,231	28,647,048
Less: current portion	(714,739)	(812,676)
	$ 27,015,492	$ 27,834,372

Note 8: Long-term Debt (continued)

Future principal payments are as follows for the years ended June 30:

Year	Principal
2024	$ 714,739
2025	733,256
2026	746,353
2027	769,602
2028	785,402
Thereafter	21,358,911
Total	$ 25,108,263

There are certain financial covenants related to its long-term debt that the Center was required to comply with. Management believes that the Center was in compliance with these financial covenants as of and for the year ended June 30, 2023.

Note 9: Commitments and Contingencies

Federal and state contracts and other requirements:
The Center receives grants and contracts which require fulfillment of certain conditions as set forth in the terms of the grant agreement and contract, and are subject to audit and adjustment upon review by the granting agencies. Failure to comply with the conditions of the grants could result in the return of funds to the granting agencies. The amounts, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although management believes that it has complied with conditions of its grants and contracts it expects they will not have a significant effect on the Center 's financial position.

Contingencies:
In the ordinary course of business, the Center may be a party to claims and legal actions. While the outcome cannot be determined at this time, management's opinion is the liability, if any, from these actions will not have a material adverse effect on the Center's financial position.

Medical Malpractice Claims:
The U.S. Department of Health and Human Services has deemed the Center and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. Management is not aware of any pending claims that exceed the limitations provided by this coverage.

Note 10: Functional Expenses

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, 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 year ended June 30, 2023 include:

	Medical Services	Dental Services	Pharmacy	General & Administration	Total
Salaries and benefits	$ 37,546,054	$ 6,214,578	$ 1,431,696	$ 14,310,113	$ 59,502,441
Contracted services	903,170	271,939	270,250	1,058,348	2,503,707
Supplies	2,005,379	724,419	4,109,894	3,448,268	10,287,960
Rent and leases	244,087	382,019	6,101	864,116	1,496,323
Repairs and maintenance	291,470	140,489	23,653	387,495	843,107
Utilities	645,859	224,827	44,490	315,454	1,230,630
Insurance	26,882	-	-	535,523	562,405
Depreciation and amortization	410,219	340,968	20,668	1,761,006	2,532,861
Interest	-	-	-	573,157	573,157
Other	881,939	128,959	19,928	883,496	1,914,322
Total expenses	$ 42,955,059	$ 8,428,198	$ 5,926,680	$ 24,136,976	$ 81,446,913

Expenses for the year ended June 30, 2022 include:

	Medical Services	Dental Services	Pharmacy	General & Administration	Total
Salaries and benefits	$ 34,467,976	$ 5,881,174	$ 1,472,144	$ 13,599,474	$ 55,420,768
Contracted services	917,534	169,092	461,808	854,863	2,403,297
Supplies	1,103,954	719,222	3,048,957	599,705	5,471,838
Rent and leases	228,300	404,689	6,100	703,010	1,342,099
Repairs and maintenance	205,351	152,958	(58,555)	364,921	664,675
Utilities	569,165	192,180	36,493	205,147	1,002,985
Insurance	19,369	-	-	457,859	477,228
Depreciation and amortization	527,024	303,664	24,802	1,574,542	2,430,032
Interest	135	-	43	1,176,233	1,176,411
Other	482,479	122,564	14,985	1,764,005	2,384,033
Total expenses	$ 38,521,287	$ 7,945,543	$ 5,006,777	$ 21,299,759	$ 72,773,366

Note 11: Contribution of Accumulated Support to La Maestra Foundation

La Maestra Community Health Centers' board and staff recognized that for a patient and family to be healthy, they must have access to nutritious food, self-supporting jobs, affordable safe housing, job training and continuing education opportunities, and a wholesome community in which to live and raise a family. The Center expanded its "Circle of Care" over the years to provide these non-medical services, also essential to achieve wellness. As the non-medical services grew, a separate 501(c)3 nonprofit called La Maestra Foundation (the "Foundation") was started in 2003 to house these services and develop new support for social determinants of health programs. It was incorporated as an independent nonprofit in 2005. La Maestra Foundation was established to work alongside the Center to ensure that the Center's mission was fully carried out and the needs of the community were met.

Many of these programs and services were outside the scope of a FQHC and were operated by the Foundation for the benefit of the Center's patients and the communities it serves. Addressing the unmet needs of these patients meant providing services without always having established funding sources and both the Center and the Foundation worked to generate new sources of support to bring these critical services to life. In many cases the development and establishment of these services required significant funding by the Center to bring them to reality and to maintain them until more permanent funding sources could be obtained.

Beyond just the mission of both organizations, the supportive services provided by the Foundation are recognized at a critical component of value-based care and have played a meaningful role in the success of the Center in meeting its mission to provide for the entire well-being of its patients. Continued development and provision of these services will greatly contribute to the future success of the Center in meeting patient's needs and will also contribute to maximizing the Center's revenues as reimbursements transition to more value-based care methodologies.

In recognition of the services and support that the Foundation provides to the community, the Center has made contributions to La Maestra Foundation of $475,000 and $1,500,000 for the years ended June 30, 2023 and 2022, respectively

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Note 12: Information Regarding Liquidity and Availability of Resources

The Center 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. The Center 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, the Center considers all expenditures related to its ongoing activities of providing healthcare-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Center strives to maintain liquid financial assets sufficient to cover 30 days of general expenditures. The following table reflects the Center's financial assets as of June 30, 2023 reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

	2023	2022
Cash and cash equivalents	$ 4,461,705	$ 10,275,125
Assets limited as to use	1,214,104	1,114,512
Patient accounts receivable	6,038,337	5,235,623
Grant receivable	3,908,089	2,727,948
Total financial assets	15,622,235	19,353,208
Assets limited as to use	(1,214,104)	(1,114,512)
Deferred revenue	-	(110,000)
Net assets with donor restrictions	(60,548)	(462,642)
Financial assets available to meet cash needs for general expenditures within one year	$ 14,347,583	$ 17,666,054

In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by grants or donor-restricted resources.

Note 13: Contributions In-Kind

The Center receives significant in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Donated supplies are based on the fair market value at the time of donation. The Center recognizes in-kind contribution revenue and a corresponding expense at the time of the donation. Contributions in-kind consist of the following at June 30 2023 and 2022:

	2023	2022
Donated vaccines	$ 2,818,817	$ -

Donated supplies are valued based on the reported costs of the vaccines from the donor. All donated vaccines were utilized by the Center's programs and supporting services. There were no donor-imposed restrictions associated with the donated vaccines.

Note 14: Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following programs at June 30, 2023 and 2022:

	2023	2022
CVS Health Screening	$ -	$ 50,000
JEM Project	18,306	133,665
No Kid Hungry	-	46,178
Delta Dental	-	70,000
San Diego Foundation	50,000	-
Other	(7,758)	162,799
Total	$ 60,548	$ 462,642

As net assets with donor restrictions are expended, the net assets released from restrictions are recognized as revenue without donor restrictions. As of June 30, 2023, and 2022, net assets released from donor restrictions consist of the following:

	2023	2022
Gilead/AIDS Outreach	$ -	$ 105,117
HHS Cares	-	1,738,384
Sierra Health Foundation	231,217	200,216
CDPH Test to Treat	465,838	-
No Kid Hungry	46,178	-
Unidos US	117,411	147,101
CVS Screening	50,000	14,171
Kaiser	-	100,000
Price Philanthropies	10,000	130,000
Grossmount HealthCare	64,167	12,187
United Healthcare	387,535	154,770
Delta Dental	70,000	178,000
Molina	-	506,015
JEM Project	115,359	-
Jewish Family Services SD	139,500	-
Other	701,592	956,297
Total	$ 2,398,797	$ 4,242,258

SUPPLEMENTAL INFORMATION

CHW LLP
Healthcare Audit, Tax & Consulting Services
7797 N. First Street #15, Fresno, California 93720
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INDEPENDENT AUDITORS' REPORT ON SUPPLIEMENTAL INFORMATION

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

We have audited and reported separately herein on the consolidated financial statements of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center") as of and for the years ended June 30, 2023 and 2022.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Center taken as a whole. The consolidating information include in page 25 through 28 is presented for purposes of additional analysis and is not a required part of the financial statements. The consolidating 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.

CHW, LLP

Fresno, California
March 1, 2024

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Balance Sheet
For the year ended June 30, 2023

	LMFC	CHIC	Elimination	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 4,455,724	$ 5,981	$ -	$ 4,461,705
Assets limited as to use	731,310	-	-	731,310
Patient accounts receivable, net	5,865,346	172,991	-	6,038,337
Grant, contract and other receivables	3,908,089	-	-	3,908,089
Related-party receivables	7,567,224	-	(7,512,163)	55,061
Estimated third-party payor settlements	2,328,457	-	-	2,328,457
Inventory	347,464	-	-	347,464
Prepaid expenses and other assets	1,067,191	33,537	-	1,100,728
Total current assets	26,270,805	212,509	(7,512,163)	18,971,151
Assets limited as to use	482,794	-	-	482,794
Right of use assets	2,887,035	-	-	2,887,035
PP&E, net of accumulated depreciation	52,063,921	3,193	-	52,067,114
Total assets	$ 81,704,555	$ 215,702	$ (7,512,163)	$ 74,408,094
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and other accrued expenses	$ 2,771,822	$ 1,370	$ -	$ 2,773,192
Accrued payroll and related liabilities	4,778,155	-	-	4,778,155
Affiliates payables	-	7,512,163	(7,512,163)	-
Estimated third-party payor settlements	3,175,193	-	-	3,175,193
Lease liability, current portion	849,898	-	-	849,898
Long-term debt, current portion	714,739	-	-	714,739
Capital lease obligation, current portion	120,095	-	-	120,095
Total current liabilities	12,409,902	7,513,533	(7,512,163)	12,411,272
Lease liability	2,071,252	-	-	2,071,252
Capital lease obligation	22,250	-	-	22,250
Long-term debt, principal	27,015,492	-	-	27,015,492
Unamortized debt issuance costs	(1,740,529)	-	-	(1,740,529)
Long-term debt, net unamortized debt issuance costs	25,274,963	-	-	25,274,963
Total liabilities	39,778,367	7,513,533	(7,512,163)	39,779,737
Net assets:				
Net assets without donor restrictions	41,899,755	(7,297,831)	-	34,601,924
Net assets with donor restrictions	60,548	-	-	60,548
Total liabilities and net assets	$ 81,704,555	$ 215,702	$ (7,512,163)	$ 74,408,094

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Balance Sheet
For the year ended June 30, 2022

	LMFC	CHIC	Elimination	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 10,259,326	$ 15,799	$ -	$ 10,275,125
Assets limited as to use	638,603	-	-	638,603
Patient accounts receivable, net	5,064,735	170,888	-	5,235,623
Grant, contract and other receivables	2,727,948	-	-	2,727,948
Related-party receivables	6,754,548	-	(6,669,577)	84,971
Estimated third-party payor settlements	4,503,827	-	-	4,503,827
Inventory	306,493	-	-	306,493
Prepaid expenses and other assets	785,825	21,390	-	807,215
Total current assets	31,041,305	208,077	(6,669,577)	24,579,805
Assets limited as to use	475,909	-	-	475,909
PP&E, net of accumulated depreciation	48,543,649	9,580	-	48,553,229
Total assets	$ 80,060,863	$ 217,657	$ (6,669,577)	$ 73,608,943
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and other accrued expenses	$ 1,592,358	$ 11,033	-	$ 1,603,391
Accrued payroll and related liabilities	4,987,149	-	-	4,987,149
Affiliates payables	-	6,669,577	(6,669,577)	-
Deferred revenue	110,000	-	-	110,000
Estimated third-party payor settlements	4,320,130	-	-	4,320,130
Long-term debt, current portion	812,676	-	-	812,676
Capital lease obligation, current portion	183,516	-	-	183,516
Total current liabilities	12,005,829	6,680,610	(6,669,577)	12,016,862
Capital lease obligation	142,345	-	-	142,345
Long-term debt, principal	27,834,372	-	-	27,834,372
Unamortized debt issuance costs	(1,821,459)	-	-	(1,821,459)
Long-term debt, net unamortized debt issuance costs	26,012,913	-	-	26,012,913
Total liabilities	38,161,087	6,680,610	(6,669,577)	38,172,120
Net assets:				
Net assets without donor restrictions	41,437,134	(6,462,953)	-	34,974,181
Net assets with donor restrictions	462,642	-	-	462,642
Total liabilities and net assets	$ 80,060,863	$ 217,657	$ (6,669,577)	$ 73,608,943

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Statement of Operations and Changes in Net Assets
For the year ended June 30, 2023

	LMFC	CHIC	Elimination	Total
Change in net assets without donor restrictions				
Patient service revenue, net	$37,616,574	$ 597,961	$ -	$ 38,214,535
Capitation revenue	6,112,417	132,740	-	6,245,157
Grant, contract, and other revenue	14,881,191	-	-	14,881,191
Pharmacy revenue	11,143,784	-	-	11,143,784
Contributions and other	6,144,076	150	(330,966)	5,813,260
In-kind contributions	2,818,817	-	-	2,818,817
Net assets released from donor restrictions	2,398,797	-	-	2,398,797
Total unrestricted revenues & other support	81,115,656	730,851	(330,966)	81,515,541
Expenses:				
Salaries and benefits	58,667,796	834,645	-	59,502,441
Contracted services	2,291,570	212,137	-	2,503,707
Supplies	10,284,799	3,161	-	10,287,960
Rent and leases	1,478,323	348,966	(330,966)	1,496,323
Repairs and maintenance	734,691	108,416	-	843,107
Utilities	1,230,265	365	-	1,230,630
Insurance	535,523	26,882	-	562,405
Depreciation and amortization	2,526,474	6,387	-	2,532,861
Interest	573,157	-	-	573,157
Other	1,889,552	24,770	-	1,914,322
Total expenses	80,212,150	1,565,729	(330,966)	81,446,913
Excess of revenues over expenses	903,506	(834,878)	-	68,628
Contribution to La Maestra Foundation	(475,000)	-	-	(475,000)
Change in net assets without donor restrictions	428,506	(834,878)	-	(406,372)
Change in net assets with donor restrictions				
Contributions	1,996,703	-	-	1,996,703
Net assets released from donor restrictions	(2,398,797)	-	-	(2,398,797)
Change in net assets with donor restrictions	(402,094)	-	-	(402,094)
Change in net assets	26,412	(834,878)	-	(808,466)
Net assets, beginning of year	41,899,776	(6,462,953)	-	35,436,823
Net assets, end of year	$41,926,188	$(7,297,831)	$ -	$34,628,357

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Consolidating Statement of Operations and Changes in Net Assets
For the year ended June 30, 2022

	LMFC	CHIC	Elimination	Total
Change in net assets without donor restrictions				
Patient service revenue, net	$35,919,960	$ 620,538	$ -	$ 36,540,498
Capitation revenue	5,931,856	104,381	-	6,036,237
Grant, contract, and other revenue	18,558,657	30,280	-	18,588,937
Pharmacy revenue	9,398,101	-	-	9,398,101
Contributions and other	4,282,651	2,630	(309,327)	3,975,954
Net assets released from donor restrictions	4,242,258	-	-	4,242,258
Total unrestricted revenues & other support	78,333,483	757,829	(309,327)	78,781,985
Expenses:				
Salaries and benefits	54,715,969	704,799	-	55,420,768
Contracted services	2,213,803	189,494	-	2,403,297
Supplies	5,461,609	10,229	-	5,471,838
Rent and leases	1,304,735	346,691	(309,327)	1,342,099
Repairs and maintenance	566,181	98,494	-	664,675
Utilities	997,472	5,513	-	1,002,985
Insurance	458,417	18,811	-	477,228
Depreciation and amortization	2,420,752	9,280	-	2,430,032
Interest	1,176,411	-	-	1,176,411
Other	2,359,249	24,784	-	2,384,033
Total expenses	71,674,598	1,408,095	(309,327)	72,773,366
Excess of revenues over expenses	6,658,885	(650,266)	-	6,008,619
Contribution to La Maestra Foundation	(1,500,000)	-	-	(1,500,000)
Change in net assets without donor restrictions	5,158,885	(650,266)	-	4,508,619
Change in net assets with donor restrictions				
Contributions	4,004,611	-	-	4,004,611
Net assets released from donor restrictions	(4,242,258)	-	-	(4,242,258)
Change in net assets with donor restrictions	(237,647)	-	-	(237,647)
Change in net assets	4,921,238	(650,266)	-	4,270,972
Net assets, beginning of year	36,978,538	(5,812,687)	-	31,165,851
Net assets, end of year	$41,899,776	$(6,462,953)	$ -	$35,436,823

SINGLE AUDIT REPORTS

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal Grant / Program Title	ALN	Pass-Through Identification Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, PUBLIC HEALTH SERVICES:			
Direct Programs:			
Health Center Program Cluster			
Consolidated Health Center - Section 330	93.224	N/A	$ 5,166,230
COVID 19 – Expanding Vaccinations	93.527	N/A	394,362
COVID 19 - ARPA	93.224	N/A	1,658,150
HIV Primary Prevention	93.527	N/A	611,513
Total Health Center Program Cluster			7,830,255
ARPA Infrastructure Support	*93.526	N/A	808,262
Expanding Access to Substance Abuse Services	*93.243	N/A	268,962
Postdoctoral Training in General, Pediatric and Public	*93.059	N/A	450,000
Teaching Health Center Planning and Development	93.530	N/A	234,267
SAMHSA Pregnancy and Postpartum	*93.243	N/A	372,865
Congressional Spending for Construction Projects	93.493	N/A	715,707
SBIRT	*93.243	N/A	771,915
Subtotal			11,452,233
Passed Through:			
CDC Foundation:			
CDC Self Testing HIV Program	93.421	41128	85,469
U.S. Committee for Refugees and Immigrants:			
Trafficking Victim Assistance Program	93.598	90ZV0135	137,578
Ukrainian Supplemental	93.576	90RP00119-01	97,981
Afghan Placement and Assistance	93.576	90RP0119-01-03	122,615
Health Quality Partners:			
CHIPRA	93.767	1Y1CMS331690-02	70,004
UnidosUS:			
CDC Esperanza Hope for All Vaccine Program	93.185	1 NH23IP92643-01-00	63,089
Essential Access Health:			
Title X	93.217	120000-5320-71209	233,750
California Institute for Behavioral Health Solutions:			
Youth Opioid Response	93.788	18-95471/20-10328	136,858
California Department of Health Care Services:			
Hub and Spoke Narcotic Treatment Program	93.788	7426-CA H&SS-LAMAESTRA-01	96,996
Total Health and Human Services			12,496,573

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal Grant / Program Title	ALN	Pass-Through Identification Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELPMENT:			
CDBG Entitlement Cluster			
Passed Through:			
City of San Diego:			
CDBG Emergency Relief Project	14.218	4500114962	9,227
CDBG Public Service Program	14.218	B-22-MC-06-0542	197,600
U.S. DEPARTMENT OF AGRICULTURE:			
SNAP Cluster			
Passed Through:			
California Department of Social Services:			
Cal Fresh	10.561	21-7024	126,750
San Diego County:			
Community Outreach and Education	10.561	568828	125,000
U.S. DEPARTMENT OF STATE			
Passed Through:			
U.S. Committee for Refugees and Immigrants:			
Afghan Placement and Assistance	19.510	SPRMCO21CA3294	148,788
Afghan Placement and Assistance Supplemental	19.510	90RP0119-0101	33,440
Afghan Placement and Assistance Air B&B	19.510	SPRMCO21CA3294	20,000
Total federal financial assistance			$ 13,157,378

* Denotes major program

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center"), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows for the Center.

Note B: Summary of Significant Accounting Policies

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

CHW LLP
Healthcare Audit, Tax & Consulting Services
7797 N. First Street #15, Fresno, California 93720
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center"), which comprise the balance sheet as of June 30, 2023 and 2022 and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Center'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 Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CHW, LLP

Fresno, California
March 1, 2024

7797 N. First Street #15, Fresno, California 93720
Phone: 559.549.5400 Email: info@chwllp.org

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

Independent Auditor's Report

Board of Directors
La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
San Diego, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited La Maestra Family Clinic, Inc. d/b/a La Maestra Community Health Centers (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2023. The Center'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, the Center 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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Center'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 the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

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

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

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

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 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 have not been 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.

CHW, LLP

Fresno California
March 1, 2024

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
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__ None Reported
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__ None Reported
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 200.516(a)?	_____ Yes	__X__ No

Major Programs	ALN
ARPA Infrastructure Support	93.526
Expanding Access to Substance Abuse Services	93.243
Postdoctoral Training in General, Pediatric and Public Health Dentistry and Dental Hygiene	93.059
SAMHSA Pregnancy and Postpartum	93.243
SBIRT	93.243

Dollar threshold used to distinguish Types A and B programs	$ 750,000	
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No

La Maestra Family Clinic, Inc.
d/b/a La Maestra Community Health Centers
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

II. Financial Statement Findings:

None Reported

III. Federal Awards Findings and Questioned Costs:

None Reported

Prior Year Findings and Questioned Costs:

None Reported

Exhibit D

Interim Financial Statements YTD June 30, 2023

La Maestra Family Clinic, Inc.
Balance Sheet
As of March 31, 2024

	3/31/2024
Assets	
Current Assets	
Cash	8,336,075
Assets limited as to use	1,184,580
Patient receivables	8,061,931
Grant and contract receivable	2,111,997
Others	8,045,486
Third party payor settlements	2,690,880
Inventory	81,269
Prepaid and other current assets	982,978
Current Assets Total	**31,495,195**
Assets limited as to use	
Assets limited as to use	477,707
Assets limited as to use Total	**477,707**
Fixed assets	
Buildings	36,609,566
Building and Leashold Improvements	11,478,052
Constructions in Progress	4,241,611
Equipment	13,134,138
Furniture and Fixtures	581,414
Land	11,141,988
Vehicles	1,429,625
Accumulated Depreciation	(24,156,927)
Fixed assets Total	**54,459,467**
Right of Use Assets	**-**
Right of Use Assets	2,887,035
Right of Use Assets Total	**2,887,035**
Assets Total	**89,319,404**

Liabilities	
Current Liabilities	
Accounts payable	4,462,429
Accrued payroll and related, net	5,269,027
Deferred revenue	259,552
Line of credit	(0)
Estimated third party payor settlements	793,599
Long-term debt, current portion	740,558
Lease Liability	849,898
Current Liabilities Total	**12,375,063**
Long-Term Liabilities	**-**
Capital Lease Payable	29,135
Long-term debt, principal	25,927,764
Unamortized debt issuance costs	(1,679,831)
Lease Liability	2,071,252
Long-Term Liabilities Total	**26,348,321**
Liabilities Total	**38,723,383**
Net Assets	**-**
Equity	**-**
Equity	50,596,020
Equity Total	**50,596,020**
Net Assets Total	**50,596,020**
Total Liabilities and Net Assets	**89,319,404**

La Maestra Family Clinic, Inc.
Income Statement
Current Quarter and Fiscal Year-to-Date

	Current Three Months Ended 3/31/2024	Percentage of Total Revenue	Year-to-date Ended 3/31/2024	Percentage of Total Revenue
Revenue				
Net Patient Service Revenue				
Patient Service Revenue	14,249,652	61.56%	39,333,360	52.87%
Less: provision for bad debt	(1,408,812)	-6.09%	(4,452,480)	-5.99%
Net Patient Service Revenue To	**12,840,840**	**55.47%**	**34,880,881**	**46.89%**
Other Operating Revenue				
Capitation Revenue	2,088,017	9.02%	5,399,296	7.26%
Grants Revenue	2,881,422	12.45%	9,633,318	12.95%
Pharmacy revenue	3,414,765	14.75%	9,540,863	12.83%
Other Revenue	1,922,761	8.31%	14,937,045	20.08%
Other Operating Revenue Total	**10,306,965**	**44.53%**	**39,510,522**	**53.11%**
Revenue Total	**23,147,804**	**100.00%**	**74,391,402**	**100.00%**
Expenses				
Operating Expenses				
Salaries and benefits	16,829,021	72.70%	48,104,706	64.66%
Contracted services	923,113	3.99%	2,228,100	3.00%
Supplies	2,505,528	10.82%	7,251,429	9.75%
Rent and Leases	425,489	1.84%	1,182,302	1.59%
Repairs and maintenance	210,287	0.91%	663,093	0.89%
Utilities	319,367	1.38%	1,100,892	1.48%
Insurance	128,303	0.55%	379,867	0.51%
Depreciation and amortization	604,268	2.61%	1,819,396	2.45%
Interest	173,143	0.75%	523,541	0.70%
Other operating expenses	646,224	2.79%	1,668,026	2.24%
Operating Expenses Total	**22,764,742**	**98.35%**	**64,921,352**	**87.27%**
Income/(Loss) from Operation	**383,062**	**1.65%**	**9,470,050**	**12.73%**
Non-Operating Expense				
Contribution to LM Foundation	300,000	1.30%	700,000	0.94%
Loss on Sale of Fixed Assets	-	0.00%	39,668	0.05%
Non-Operating Expense Total	**300,000**	**1.30%**	**739,668**	**0.99%**
Expenses Total	**23,064,742**	**99.64%**	**65,661,020**	**88.26%**
Net Income/(Loss)	**83,062**	**0.36%**	**8,730,382**	**11.74%**

Exhibit E

Financial Feasibility Report

HENDRICKSON CONSULTING

6 Beach Road – #494 - Tiburon, California 94920 - (415) 889-5035 – Bill1Hendrickson@Gmail.com

FINAL REPORT

LA MAESTRA FAMILY CLINIC, INC.

FINANCIAL FEASIBILITY REPORT

JUNE 3, 2024

HENDRICKSON CONSULTING

6 Beach Road – #494, Tiburon, California 94920 - (415) 889-5035– Bill1Hendrickson@Gmail.com

June 3, 2024

Jeffrey Neumann
Chief Financial Officer
La Maestra Family Clinic, Inc.
4390 University Avenue
San Diego, CA 91205

Dear Mr. Neumann:

We are pleased to submit this feasibility study for La Maestra Family Clinic, Inc. (LMFC) financing. LMFC is a Federally Qualified Health Center (FQHC) which provides primary medical care, dental, and behavioral services to the residents of the southern part of San Diego County, including the Cities of San Diego, El Cajon, and National City. LMFC opened in 1991 and currently serves over 44,000 residents from 22 clinics and school and mobile sites.

The proceeds of the $14.3 million par/premium value tax-exempt 2024 Bonds and $1.6 million cash equity contribution will be used to reimburse LMFC for the 2021 purchase of an El Cajon site and to reimburse and fund related Clinic remodeling costs. More than $10 million of the total $13.4 million project costs will have been expended prior to Bond issuance. The 2024 Bonds are anticipated to be issued at the end of August at a maximum tax-exempt coupon rate of 5.0%. Interest payments to bondholders will begin on March 1, 2025. Annual principal payments will be made to bondholders beginning on September 1, 2027, and ending in 2055.

To evaluate the financial feasibility of the project we have reviewed critical information sources, including the key revenue and expense sources, and the terms and structure of the proposed bonds. We have relied on historical audits, including the 2023 Audit, as well as internal reports provided by LMFC management. The information obtained through this review has been used to forecast financial statements for the fiscal years ending June 30, 2024 to 2029. Based on our evaluation, the debt coverage ratio is expected to exceed 2.50x maximum annual debt service in all forecast years. In addition, the sources of funds will be adequate to meet operating expenses, working capital, and other capital requirements.

The forecasts contained in this report are based on several assumptions. To the extent that these assumptions are not realized the actual results may vary accordingly. Implementation of policies and procedures to attain the forecast results is the responsibility of LMFC and its management. Since forecasts of future events are subject to uncertainty, we cannot guarantee these forecasts as specific results that will be achieved. We appreciate the assistance provided by LMFC management during this study.

Sincerely,
William D. Hendrickson
Hendrickson Consulting

TABLE OF CONTENTS

SECTION A
LA MAESTRA COMMUNITY HEALTH CENTERS, INC.
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
REVENUE							
Net Patient Service	$44,460	$53,700	$58,191	$61,412	$63,254	$65,152	$67,106
Pharmacy	11,144	12,720	13,412	13,965	14,384	14,815	15,260
Grants & Contributions	17,291	21,950	14,040	14,480	14,914	15,362	15,823
Other Reveue	5,602	6,750	7,450	7,890	8,127	8,371	8,622
Investment Earnings	200	200	294	617	630	647	668
Total Revenue	**$78,697**	**$95,320**	**$93,386**	**$98,363**	**$101,308**	**$104,346**	**$107,478**
EXPENSES							
Salaries & Benefits	$59,502	$64,100	$67,188	$69,803	$71,897	$74,054	$76,276
Supplies	7,469	9,700	10,664	11,331	11,671	12,021	12,381
Other	8,551	9,600	10,658	11,375	11,716	12,067	12,429
Depreciation/Amortization	2,533	2,571	2,524	2,623	2,679	2,585	2,496
Interest	573	787	1,101	1,430	1,407	1,388	1,367
Total Expenses	**$78,628**	**$86,758**	**$92,136**	**$96,562**	**$99,370**	**$102,115**	**$104,949**
Revenues over Expenses	**$69**	**$8,562**	**$1,250**	**$1,802**	**$1,939**	**$2,231**	**$2,528**
Contribution to Foundation	(475)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Change in Net Assets - Unr	**($406)**	**$7,562**	**$250**	**$802**	**$939**	**$1,231**	**$1,528**
Net Change Donor Restricted	(402)	0	0	0	0	0	0
Change in Net Assets	**($808)**	**$7,562**	**$250**	**$802**	**$939**	**$1,231**	**$1,528**

SECTION A
LA MAESTRA COMMUNITY HEALTH CENTERS, INC.
BALANCE SHEETS
($000s)

Fiscal Year Ending June 30	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
ASSETS							
Cash & Equivalents	$4,462	$8,572	$18,268	$18,689	$19,277	$19,951	$20,715
Accounts Receivable - All	12,330	13,058	12,793	13,474	13,878	14,294	14,723
Other Current Assets	1,448	1,491	1,536	1,582	1,630	1,679	1,729
Total Current Assets	$18,240	$23,121	$32,596	$33,746	$34,785	$35,924	$37,167
Net Property, Plant, Equip.	$54,954	$57,583	$61,593	$61,092	$60,599	$60,265	$60,088
Assets Limited to Use	1,214	1,214	2,299	2,299	2,299	2,299	2,299
TOTAL ASSETS	**$74,408**	**$81,918**	**$96,488**	**$97,137**	**$97,683**	**$98,488**	**$99,554**
LIABILITIES							
Accts. Payable/Accr. Exp.	$10,727	$11,532	$12,276	$12,868	$13,245	$13,634	$14,035
Other	0	0	0	0	0	0	0
Total Current Liabilities	$10,727	$11,532	$12,276	$12,868	$13,245	$13,634	$14,035
Long-term Debt	$25,989	$25,274	$38,851	$38,105	$37,335	$36,520	$35,657
Capital Lease	142	0	0	0	0	0	0
Lease Liability	2,921	2,921	2,921	2,921	2,921	2,921	2,921
TOTAL LIABILITIES	**$39,779**	**$39,727**	**$54,048**	**$53,894**	**$53,501**	**$53,075**	**$52,613**
NET ASSETS	**$34,629**	**$42,191**	**$42,441**	**$43,243**	**$44,182**	**$45,413**	**$46,941**
TOTAL LIAB. & NET ASSETS	**$74,408**	**$81,918**	**$96,488**	**$97,137**	**$97,683**	**$98,488**	**$99,554**

SECTION A
LA MAESTRA COMMUNITY HEALTH CENTERS, INC.
STATEMENTS OF CASH FLOWS
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
OPERATING ACTIVITIES							
Change in Net Assets	($808)	$7,562	$250	$802	$939	$1,231	$1,528
Depreciation/Amortization	2,533	2,571	2,524	2,623	2,679	2,585	2,496
Changes in Assets/Liabilities	(396)	34	963	(135)	(74)	(76)	(79)
Cash From Operating Act.	**$1,329**	**$10,167**	**$3,738**	**$3,290**	**$3,544**	**$3,740**	**$3,945**
INVESTING ACTIVITIES							
Project Expenditures	($690)	($3,200)	($3,100)	$0	$0	$0	$0
Capital Expenditures	(5,357)	(2,000)	(2,060)	(2,122)	(2,185)	(2,251)	(2,319)
Cash From Investing Act.	**($6,047)**	**($5,200)**	**($5,160)**	**($2,122)**	**($2,185)**	**($2,251)**	**($2,319)**
FINANCING ACTIVITIES							
2024 Bond Proceeds	$0	$0	$14,310	$0	$0	$0	$0
Issuance Costs	0	0	(1,375)	0	0	0	0
Capital Lease Payments	(184)	(142)	0	0	0	0	0
Debt Principal Payments	(696)	(715)	(733)	(746)	(770)	(815)	(863)
Cash From Financing Act.	**($880)**	**($857)**	**$12,202**	**($746)**	**($770)**	**($815)**	**($863)**
Net Change in Cash/Inv.	**($5,598)**	**$4,110**	**$10,780**	**$422**	**$588**	**$674**	**$763**
End Of Year Cash & Equiv.	**$5,676**	**$9,786**	**$20,567**	**$20,988**	**$21,576**	**$22,250**	**$23,014**
Unrestricted	4,462	8,572	18,268	18,689	19,277	19,951	20,715
Restricted	1,214	1,214	2,299	2,299	2,299	2,299	2,299

B. BACKGROUND

La Maestra Family Clinic, Inc. (LMFC) is a tax-exempt 501(c)(3) corporation which provides primary medical, behavioral, and dental services to over 44,000 persons in southern San Diego County from its 22 clinics, schools, and mobile sites located in the cities of San Diego, National City, El Cajon, and other communities. LMFC was founded in 1991 and is the single largest primary care medical provider in its service areas. The main administrative offices are located in San Diego. LMFC focuses its services on the medically underserved.

LMFC's primary care staffing includes over 30 family practice, pediatrics, internal medicine, and OB/GYN physicians. In addition, LMFC employs over 60 physician assistants, nurse practitioners, dentists, optometrists, behavioral health clinicians, chiropractors, registered dietitians/certified diabetic education, and other staff. LMFC also has a variety of specialists that provide services on-site or through telemedicine. LMFC owns and operates three on-site pharmacies and fills more than 240,000 prescriptions per year. LMFC has over 800 employees.

LMFC is designated as a Federally Qualified Health Center (FQHC) by the Federal Health Resources and Services Administration (HRSA) and is licensed to operate its clinics by the California Department of Public Health. Medi-Cal and Medicare patient fees provide more than 60% of its annual revenue, which is estimated to exceed $90 million in fiscal year (FY) ending June 30, 2024.

LMFC formed Community Health Imaging Centers (CHIC) in 2012 as a separate non-profit corporation to provide imaging services to its patients as well as the local community. CHIC operations are consolidated with LMFC and are reflected in the forecasts and ratios in this report.

LMFC also has a separately incorporated La Maestra Foundation, which provides funding for educational and social programs. Unlike CHIC, the Foundation financial statements are not included in the consolidated LMFC financial statements. However, transfers to the Foundation are reflected in the statements, and totaled $1.5 million in FY 2023 and FY 2024.

THE FINANCING

The proceeds of the $14.3 million par/premium 2024 Bonds and the $1.6 million cash equity contribution are to be used to reimburse LMFC for the expected $10+ million expended through the estimated August 2024 closing date for the purchase and remodeling of a Main Street site and buildings in the City of El Cajon. The total project budget is $13.4 million and is expected to be completed by October 2024 with operations beginning in November. When completed, the remodeled clinic will provide medical, behavioral, dental, optometry, pharmacy, and community outreach services.

THE BOARD OF DIRECTORS

LMFC is governed by a 10-member Board of Directors, made up of persons with business, health, and governmental backgrounds. Members are elected for 3-year terms and allowed to serve unlimited consecutive terms. Current members have been on the Board for an average of 8 years. Meetings are held monthly. The Board also has several committees which meet on a regular or as-needed basis.

C. DESCRIPTION OF THE FINANCING

The proceeds of the 2024 Bonds will be used to reimburse LMFC for expenditures to date and future expenditures for the purchase of a commercial site and remodeling of existing buildings in the City of El Cajon. The sources and uses of funds are shown in **Table 1** and historic and future debt payments in **Table 2**.

THE PROJECT

LMFC purchased a 1.9-acre site with three buildings totaling 22,700 square feet (sf) in November 2021 for $6.45 million. Remodeling began in December 2023 and is scheduled to be completed by October 2024. Total remodeling expenditures, along with soft costs (architecture, permits) are estimated at $7.0 million. Approximately $9 million of the $13.44 million project budget has been spent through May 31 and is estimated to exceed $11 million by the scheduled late-August 2024 Bonds closing date. To date all expenditures have been funded from LMFC cash reserves.

LMFC currently operates a dental clinic in an on-site 3,540 sf building. Another 14,310 sf in a second building is being remodeled and converted to a full-service clinic providing a range of medical, behavioral, optometry, and pharmacy services. One 2,400 sf portion of the second building is currently occupied by a retail tobacco shop, and the 2,470 sf third building is currently occupied by a restaurant. The first tenant is expected to renew their lease through May 2030, and the second tenant has the right to extend their lease through February 2036. LMFC will eventually convert these buildings to healthcare uses.

SOURCES AND USES OF FUNDS

An estimate of sources and uses of funds is shown in **Table 1**. The financing assumptions have been provided by Wulff Hansen and Piper Sandler & Co., LMFC's financial advisor and investment banker. Sources include $13.4 million par value tax-exempt bonds at a 5.0% coupon rate. Interest payments are due semi-annually beginning on March 1, 2025, with principal payments due annually beginning on September 1, 2027. The 2024 Bond payments are being "wrapped" around the 2020 and 2021 Bond payments. As such, 2024 Bond debt payments during the forecast period will not exceed $730,000, staying under $1.0 million through FY 2052, when they jump to more than $2.2 million for the three final payments.

Table 2 shows a summary of debt payments for the 2024 Bonds and all existing debt, including the 2020 and 2021 Bonds, mortgages, and lines of credit. FY 2024 debt and capital lease payments total $1.9 million and are estimated to reach $2.2 million by FY 2029. In addition to the 2020 and 2021 Bonds, LMFC has about $400,000 in three mortgages at 4.7%-4.8% interest with 15-year terms ending in the 2030s.

TABLE 1
LA MAESTRA FAMILY CLINIC
SOURCES/USES OF FUNDS
($000s)

Fiscal Year Ending June 30	TOTAL	Thru 2023	2024	2025
SOURCES				
Bonds - Par	$13,410	$0	$0	$13,410
Premium	$900	0	0	900
Net Cash Equity	$1,590	7,140	3,200	(8,750)
TOTAL SOURCES	**$15,900**	**$7,140**	**$3,200**	**$5,560**
USES				
Purchase	$6,450	$6,450	$0	$0
Construction	$6,290	290	3,000	3,000
Soft Costs	$700	400	200	100
Subtotal - Project Costs	**$13,440**	**$7,140**	**$3,200**	**$3,100**
Debt Reserve	$1,085	$0	$0	$1,085
Cal Mortgage Fees	$940	0	0	940
Issuance Fees	$435	0	0	435
Subtotal - Other Costs	**$2,460**	**$0**	**$0**	**$2,460**
TOTAL USES	**$15,900**	**$7,140**	**$3,200**	**$5,560**
BALANCE	**$0**		**$0**	**$0**

TABLE 2
LA MAESTRA FAMILY CLINIC
DEBT SCHEDULE
($000s)

Fiscal Year Ending June 30	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
EXISTING 2020/2021 BONDS							
Interest	$549	$767	$749	$745	$726	$707	$697
Principal	640	655	670	680	700	715	725
Total Payments	**$1,421**	**$1,422**	**$1,419**	**$1,425**	**$1,426**	**$1,422**	**$1,422**
Balance	**$27,272**	**$26,617**	**$25,947**	**$25,267**	**$24,567**	**$23,852**	**$23,127**
2024 BONDS							
Interest			$335	$671	$671	$671	$668
Principal			0	0	0	30	60
Total Payments			**$335**	**$671**	**$671**	**$701**	**$728**
Balance Par/Premium			**$14,310**	**$14,310**	**$14,310**	**$14,280**	**$14,220**
OTHER DEBT							
Interest	$24	$20	$17	$14	$10	$10	$2
Principal	56	60	63	66	70	70	78
Total Payments	**$80**	**$80**	**$80**	**$80**	**$80**	**$80**	**$80**
Balance	**$458**	**$398**	**$335**	**$269**	**$199**	**$129**	**$51**
TOTAL DEBT							
Interest	$573	$787	$1,101	$1,430	$1,407	$1,388	$1,367
Principal	696	715	733	746	770	815	863
Total Payments	**$1,269**	**$1,502**	**$1,834**	**$2,176**	**$2,177**	**$2,203**	**$2,230**
Balance	**$27,730**	**$27,015**	**$40,592**	**$39,846**	**$39,076**	**$38,261**	**$37,398**

D. OPERATING ASSUMPTIONS

Tables 3-4 show key revenue historical and forecast assumptions. These reflect the FY 2023 Audit, internal financial statements through March 31, 2024, and discussions with LMFC management.

KEY REVENUE ASSUMPTIONS

LMFC's key revenue sources include:

- clinic visit reimbursement,
- capitation and incentive payments,
- 340B payments from the Federal Discount Drug Program for pharmaceuticals, and
- Federal, State, and private grants.

In FY 2024 Clinic visit reimbursement (including capitation payments) represents an estimated 60% of consolidated revenues, 340B and other pharmacy payments 15%, grants and contributions 15%, and other sources (service revenue shared risk payments, other) 10%. Reimbursement and other revenue inflation is generally estimated to increase by 3.0% per year.

Clinic Visit Reimbursement

LMFC's designation as an FQHC provides significant benefits in the form of access to higher patient Medi-Cal and Medicare reimbursement, Federal grants to support the cost of uncompensated care, and Federal loan guarantees and grants for capital projects (e.g. stimulus funds). FQHC is a designation by the federal government based on the need for medical services for low-income residents of a geographic area. A community health clinic applies for this designation, which is provided based on several factors including indigent population and the need for medical providers. LMFC participates in Medi-Cal programs, such as the Family Planning, Access, Care and Treatment (Family PACT) program and the Child Health and Disability Prevention Program.

Table 3 shows a summary of historical and forecast clinic visits, weighted average reimbursement rates, and total revenues. Medi-Cal currently accounts for approximately 78% of the visits, followed by self-pay/other (11%), Medicare (7%), and commercial insurance (3%). Visit estimates of 213,000 for FY 2024 are based on actuals through April (177,000 visits). FY 2025 visits for existing facilities are held at FY 2024 levels through the forecast period. Also shown are the net new El Cajon clinic visits. As shown, after relocation of services from existing facilities, El Cajon is expected to add approximately 28,000 visits (13% above current levels). The average reimbursement levels are estimated by management to be lower than existing levels at other LMFC clinics due in part to the service mix.

TABLE 3
LA MAESTRA FAMILY CLINIC
OPERATING REVENUE ASSUMPTIONS
($000s)

Fiscal Year Ending June 30	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Visits - Existing	184,820	213,000	213,000	213,000	213,000	213,000	213,000
Visits - New El Cajon	-	-	18,700	28,000	28,000	28,000	28,000
Total Visits	**184,820**	**213,000**	**231,700**	**241,000**	**241,000**	**241,000**	**241,000**
Rev/Visit - Existing	$241	$252	$260	$267	$275	$284	$292
Rev/Visit - El Cajon			$154	$159	$163	$168	$173
Revenue - Existing	$44,460	$53,700	$55,311	$56,970	$58,679	$60,440	$62,253
Revenue - New El Cajon	$0	$0	$2,880	$4,441	$4,575	$4,712	$4,853
Total Net Patient Revenue	**$44,460**	**$53,700**	**$58,191**	**$61,412**	**$63,254**	**$65,152**	**$67,106**
Existing	$11,144	$12,720	$13,102	$13,495	$13,899	$14,316	$14,746
El Cajon	$0	$0	$310	$470	$484	$499	$514
Pharmacy Revenue	**$11,144**	**$12,720**	**$13,412**	**$13,965**	**$14,384**	**$14,815**	**$15,260**
Existing	$17,291	$21,950	$14,000	$14,420	$14,853	$15,298	$15,757
El Cajon	$0	$0	$40	$60	$62	$64	$66
Grants/Contributions	**$17,291**	**$21,950**	**$14,040**	**$14,480**	**$14,914**	**$15,362**	**$15,823**
Existing	$5,602	$6,750	$7,000	$7,210	$7,426	$7,649	$7,879
El Cajon		$0	$450	$680	$700	$721	$743
Other Revenue	**$5,602**	**$6,750**	**$7,450**	**$7,890**	**$8,127**	**$8,371**	**$8,622**
Existing	$78,497	$95,120	$89,413	$92,095	$94,858	$97,704	$100,635
El Cajon	$0	$0	$3,680	$5,651	$5,821	$5,996	$6,175
TOTAL REVENUE	**$78,497**	**$95,120**	**$93,092**	**$97,746**	**$100,679**	**$103,699**	**$106,810**

Medi-Cal reimburses for services by the visit using an all-inclusive Prospective Payment Services (PPS) model. The PPS rate is $294 effective October 1, 2023 at LFMC's Main Site and all satellite sites, which are designated by the State as "intermittent clinics" (those open less than 40 hours per week). **Table 3** averages reflect reconciliation settlements and estimates and therefore may vary from the current PPS rate. Medi-Cal rates have increased respectively by 2.1% and 3.8% in October 2022 and 2023. Rates are partially tied to expenses. Rates after FY 2024 are expected to increase by approximately 3.0% per year.

On January 1, 2015 Medicare converted to a PPS methodology similar to Medi-Cal. Reimbursement rates have averaged approximately $195 per visit in FY 2024 through March. Commercial insurance rates are based on services provided. The most common methodology is fee for service**.** The rates in FY 2024 have averaged about $72 per visit. Dental visits account for approximately 27% of the annual visits (mental health visits represent about 6%).

Self-pay rates vary from $35 to $285 per visit for medical and dental visits based on a sliding scale.

Capitation payments are included in net patient revenues. In FY 2024 they are estimated to total approximately $7.2 million, or 13% of the net patient revenues total. Payments are projected to increase proportionately to the increase in patient visit-related revenue.

<u>340B/Other Pharmacy Revenues</u>

340B pharmacy operations provide more than $12 million in annual revenue to LMFC. Medi-Cal 340B payments account for over 50% of pharmacy revenues, with private insurance and sliding fee payments comprising the remaining 50%. The 340B Program was created in 1992. It requires drug manufacturers to provide outpatient drugs to eligible health care providers at significantly reduced prices if they want their products covered by Medicaid. Essentially LMFC and other qualified organizations purchase drugs at discounted prices and are reimbursed for drugs used by patients at higher Medi-Cal, Medicare, and private insurer rates.

The State of California adjusted State guidelines for the 340B program effective January 1, 2022, which had the effect of reducing prior financial benefits of the program. Currently LMFC estimates that the program generates a cash surplus of $5.4 million in FY 2024. Thereafter, payments are expected to increase proportionate to visit increases and at an inflation rate of 3.0% per year.

<u>Grants and Contributions</u>

LMFC has historically received an average of about $15 million per year from government agencies, foundations, and private parties for capital and operational uses. Federal grants from the DHHS make up more than 80% of the total. Federal grants are typically provided over a period of 2-3 years. The core grants are through the HRSA 330 program, which is tied to uncompensated care. Other special 330 grants are also received for capital and other special projects (e.g. Quality Improvement, Behavioral health Integration). State and local grants are provided by California's

Department of Healthcare Services for outreach, enrollment and dental purposes. Private grants are provided by local foundations. In FY 2024 LMFC received a one-time unrestricted $9.0 million gift from a benefactor. For forecasting purposes governmental and private grants are inflated by 3.0% per year after FY 2024.

Other Revenues

Other revenues include service revenue (e.g. care management, community support), rental income, CHIC, and non-healthcare services. Other revenues are increased by 3.0% per year after FY 2024. Rental income is expected to increase by 3.0% per year. The new El Cajon site will continue to receive about $115,000 in rental income from a tobacco shop and bistro.

Investment Earnings

Investment earnings, excluding unrealized gains, are estimated at 3.0% of prior year unrestricted cash and investment balances and Bonds debt reserves.

KEY EXPENSE ASSUMPTIONS

Table 4 shows a summary of historical and forecast staffing, salaries and benefits, and other expenses for existing facilities and for the El Cajon project. The El Cajon estimates are net increases after relocation of existing operations to the new clinic. For example, while the El Cajon site will employ approximately 67 full-time equivalent (FTE) employees, the net increase will be the 16 FTEs shown.

Staffing, Salaries and Benefits

Salaries and benefits account for 75%-80% of total expenses (excluding depreciation and interest payments). Salary levels have increased by an average of 3% per year in the past two years when adjusted for FTEs. Salaries are projected to increase by an average of 3.0% per year in FY 2025 and thereafter. Benefits (health insurance, vision and dental insurance, profit sharing) average approximately 15% of salaries. None of the employees have any union affiliation.

LMFC shares the same challenges as other clinics in recruiting Family Practice physicians and other medical providers, despite the advantages as an FQHC (e.g. loan repayment programs, National Health Scholarship programs). LMFC has taken several steps in order to address this situation, including increasing wages and retirement benefits, and bolstering family medicine, nurse practitioner, and dental residency programs. LMFC has a strategic partnership with a physician assistant program to help train residents at their local school and in LMFC clinics. These steps have had partial success and LMFC currently believes it will hold staffing ratios sufficient to meet patients' needs.

Supplies and Other Expenses

Non-compensation related expenses account for approximately 20%-25% of total expenses (excluding depreciation and interest). Main expense categories include contracted services (e.g. dental, chiropractic), supplies (e.g. pharmacy, lab, other medical), occupancy (e.g. rent, repairs and maintenance, utilities), and other (e.g. insurance, licenses and permits, property tax). These expenses are generally estimated to increase by 3.0% per year over the forecast period.

TABLE 4
LA MAESTRA FAMILY CLINICS
OPERATING EXPENSE ASSUMPTIONS
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
Existing	530.0	550.0	550.0	550.0	550.0	550.0	550.0
El Cajon	-	-	11.0	16.0	16.0	16.0	16.0
Total FTEs	**530.0**	**550.0**	**561.0**	**566.0**	**566.0**	**566.0**	**566.0**
Existing - Average/FTE	$112,268	$116,545	$120,042	$123,643	$127,352	$131,173	$135,108
El Cajon - Average/FTE	$0	$0	$109,200	$112,476	$115,850	$119,326	$122,906
Existing	$59,502	$64,100	$66,023	$68,004	$70,044	$72,145	$74,309
El Cajon	$0	$0	$1,165	$1,800	$1,854	$1,909	$1,966
Total Salaries/Benefits	**$59,502**	**$64,100**	**$67,188**	**$69,803**	**$71,897**	**$74,054**	**$76,276**
Existing	$7,469	$9,700	$9,991	$10,291	$10,599	$10,917	$11,245
El Cajon	$0	$0	$673	$1,040	$1,071	$1,103	$1,136
Total Supplies	**$7,469**	**$9,700**	**$10,664**	**$11,331**	**$11,671**	**$12,021**	**$12,381**
Existing	$8,551	$9,600	$9,888	$10,185	$10,490	$10,805	$11,129
El Cajon	$0	$0	$770	$1,190	$1,226	$1,262	$1,300
Total Other Expenses	**$8,551**	**$9,600**	**$10,658**	**$11,375**	**$11,716**	**$12,067**	**$12,429**
Existing	$75,522	$83,400	$85,902	$88,479	$91,133	$93,867	$96,683
El Cajon	$0	$0	$2,608	$4,030	$4,151	$4,275	$4,403
TOTAL EXPENSES	**$75,522**	**$83,400**	**$88,510**	**$92,509**	**$95,284**	**$98,142**	**$101,087**

OPERATING CASH FLOWS

Table 5 shows a summary of operating cash flows (excluding investment earnings, debt and capital payments) for LMFC. Net operating cash flows available for debt payments and capital totaled about $3 million in FY 2023 and in FY 2024 (excluding the one-time $9.0 million contribution). By FY 2026 net cash flows are expected to increase to above $5 million, due largely to the impact of the new El Cajon clinic. Thereafter operating cash flows are expected to increase with inflation.

TABLE 5
LA MAESTRA FAMILY CLINIC
CASH FLOW SUMMARY
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
REVENUES							
Net Patient Service	$44,460	$53,700	$58,191	$61,412	$63,254	$65,152	$67,106
Pharmacy	11,144	12,720	13,412	13,965	14,384	14,815	15,260
Grants/Contributions	17,291	21,950	14,040	14,480	14,914	15,362	15,823
Other	5,602	6,750	7,450	7,890	8,127	8,371	8,622
Total Operating Revenues	**$78,497**	**$95,120**	**$93,092**	**$97,746**	**$100,679**	**$103,699**	**$106,810**
EXPENSES							
Salaries & Benefits	$59,502	$64,100	$67,188	$69,803	$71,897	$74,054	$76,276
Supplies	7,469	9,700	10,664	11,331	11,671	12,021	12,381
Other	8,551	9,600	10,658	11,375	11,716	12,067	12,429
Total Operating Expenses	**$75,522**	**$83,400**	**$88,510**	**$92,509**	**$95,284**	**$98,142**	**$101,087**
Operating Cash Flow	**$2,975**	**$11,720**	**$4,582**	**$5,238**	**$5,395**	**$5,557**	**$5,723**

E. FINANCIAL STATEMENT ASSUMPTIONS

Section A (pages 1-3) shows LMFC financial statement forecasts. The following is a discussion of key financial statement assumptions.

STATEMENTS OF OPERATIONS

Depreciation is calculated using a 30-year weighted average life for existing assets and the new El Cajon clinic, and a 10-year average life for ongoing building and equipment expenditures. Loan issuance costs are amortized over 30 years. Discretionary Foundation payments are estimated at $1.0 million per year.

BALANCE SHEETS

Accounts receivable are forecast at 50 days of revenues. Other receivables, current assets, and other assets increase by 3.0% per year. Accounts payable are estimated at 50 days of expenses less depreciation.

STATEMENT OF CASH FLOWS

Capital expenses for buildings and equipment aside from those expended on the El Cajon project are estimated at approximately $2.0 million in FY 2025 and inflated by 3.0% per year.

F. KEY FINANCIAL RATIOS

Table 6 shows a summary of key ratios for LMFC. As shown, maximum annual debt service (MADS) coverage ratios remain above 2.50x during the forecast period. Days cash on hand stabilizes at 70+ days.

TABLE 6
LA MAESTRA COMMUNITY HEALTH CENTERS, INC.
DEBT COVERAGE AND OTHER KEY RATIOS
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
CASH AVAILABLE FOR DEBT SERVICE							
Change in Unrestr. Net Assets	($406)	$7,562	$250	$802	$939	$1,231	$1,528
Foundation Transfers	475	1,000	1,000	1,000	1,000	1,000	1,000
Depreciation/Amortization	2,533	2,571	2,524	2,623	2,679	2,585	2,496
Interest	573	787	1,101	1,430	1,407	1,388	1,367
Net Cash for Debt Service	**$3,175**	**$11,920**	**$4,876**	**$5,855**	**$6,024**	**$6,204**	**$6,391**
DEBT SERVICE							
Interest	$573	$787	$1,101	$1,430	$1,407	$1,388	$1,367
Principal	696	715	733	746	770	815	863
Total Debt Service	**$1,269**	**$1,502**	**$1,834**	**$2,176**	**$2,177**	**$2,203**	**$2,230**
Unrestricted Cash/Investments	$4,462	$8,572	$18,268	$18,689	$19,277	$19,951	$20,715
Operating Expenses	76,095	84,187	89,611	93,939	96,691	99,530	102,454
Maximum Annual Debt Service	1,490	1,502	2,250	2,250	2,250	2,250	2,250
KEY RATIOS							
Debt Service Coverage	2.50	7.94	2.66	2.69	2.77	2.82	2.87
Debt Service Coverage - MADS	2.13	7.94	2.17	2.60	2.68	2.76	2.84
Days Cash/Inv on Hand	21	37	74	73	73	73	74

G. SENSITIVITY ANALYSIS

Table 7 shows key ratios forecasts for LMFC under three sensitivity scenarios.

In **Scenario 1** salaries and benefits are increased by an average of 4.0% per year (versus 3.0% in the base case) while all revenues are held at base case levels. In fact, reimbursement rates would likely increase with sustained expense inflation.

In **Scenario 2** reimbursement rates are cut by 5.0% in FY 2026 without any offsetting reduction in expenses or visits.

In **Scenario 3** interest rates are increased by 1.0% over current estimates, increasing the annual debt by approximately $150,000 per year.

TABLE 7
LA MAESTRA COMMUNITY HEALTH CENTERS, INC.
SENSITIVITY DEBT COVERAGE AND DAYS CASH RATIOS
($000s)

Fiscal Year Ending June 30	2025	2026	2027	2028	2029
Scenario 1 - High Salary Inflation					
Debt Coverage Ratio - MADS	1.89	2.00	1.72	1.42	1.10
Days Cash on Hand	72	65	57	47	35
Scenario 2 - Reimbursement Rate Reduction					
Debt Coverage Ratio - MADS	2.17	1.23	1.24	1.23	1.23
Days Cash on Hand	74	62	51	39	28
Scenario 3 - Higher Interest Rates					
Debt Coverage Ratio - MADS	2.03	2.44	2.51	2.58	2.66
Days Cash on Hand	74	72	71	71	71

Agenda Item 7a – Cal-Mortgage Reports: Project Monitoring

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

As of June 27, 2024

Summary of Monitoring
Financial Statements Received
Project Filing Status

Survey Date:	Mar 1, 2023	Apr 27, 2023	Jun 29, 2023	Sep 29, 2023	Feb 29, 2024	Jun 27, 2024
Current	50	42	50	42	43	43
Behind 1 quarter	6	13	2	11	11	14
Behind 2 quarters	2	0	2	2	1	1
Behind 3 quarters	2	2	3	3	3	1
Total:	**60**	**57**	**57**	**58**	**58**	**59**

Summary of Monitoring
Debt Service Coverage Ratio
Number of Projects that Exceed Required Ratio

Survey Date:	Mar 1, 2023	Apr 27, 2023	Jun 29, 2023	Sep 29, 2023	Feb 29, 2024	Jun 27, 2024
DSCR at or greater than required:	40	41	46	42	43	47
DSCR less than required:	19	16	11	14	13	11
Problem Project:	1	0	0	1	1	1
Total:	**60**	**57**	**57**	**58**	**58**	**59**

Summary of Monitoring
Site Visits
Number of Projects that are Current

Survey Date:	Mar 1, 2023	Apr 27, 2023	Jun 29, 2023	Sep 29, 2023	Feb 29, 2024	Jun 27, 2024
Current:	4	11	8	13	25	21
Past Due:	56	46	49	45	33	38
Total:	**60**	**57**	**57**	**58**	**58**	**59**

Agenda Item 7b – Cal-Mortgage Reports: Pending Projects

Department of Health Care Access and Information (HCAI)
Cal-Mortgage Loan Insurance Program
As of July 1, 2024

Projects Insured - Fiscal 2023-2024

Project Name	Location	Facility Type	Loan Amount	Loan Type	Rating
Ararat Home of Los Angeles	Mission Hills	Multi- CCRC	$10,915,000	New	--
Odd Fellows Home of California	Napa	Multi- CCRC	$67,065,000	Refinance Plus	BBB
			$77,980,000		

Projects Insured - Fiscal 2022-2023

Project Name	Location	Facility Type	Loan Amount	Loan Type	Rating
St. Rose Hospital	Hayward	Hosp	$24,500,000	Refinance	--
Carmel Valley Manor	Carmel	Multi-Others	$36,035,000	New	BB+
O'Connor Woods	Stockton	Multi-Others	$35,595,000	Refinance	BB+
Bethany Home Society of San Joaquin County	Ripon	Multi-Others	$49,560,000	New	--
Community Medical Centers, Inc.	Lodi	Clinic- PC	$26,040,000	New	BB-
Aldersly	San Rafael	Multi- CCRC	$61,030,000	New	--
			$232,760,000		

Projects with Letters of Commitment

Project Name	Location	Facility Type	Amount	Loan Type	Rating
No Letters of Commitment Outstanding					

Applications Before Advisory Loan Insurance Committee

Project Name	Location	Facility Type	Amount	Loan Type	Rating
La Maestra Community Health Centers	San Diego	Clinic-PC	$13,410,000	New	

Pending Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Alexander Valley Healthcare	Cloverdale	Clinic-PC	$38,000,000	New	
Moldaw Residences	Palo Alto	Multi-CCRC	$65,000,000	New	
			$103,000,000		

Pre - Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating
No Applicants in Pre-Application Phase					

Discussions

Project Name	Location	Facility Type	Amount	Loan Type	Rating
SAC Health	San Bernardino	Clinic-PC	$45,000,000	New	
OLE Health	Fairfield	Clinic-PC	$15,000,000	New	
			$60,000,000		

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 7c – Cal-Mortgage Reports:

Problem Projects Report

Department of Health Care Access and Information

Cal-Mortgage Loan Insurance Division

Problem Projects Report

June 2024

Distribution: Elizabeth A. Landsberg, Director
Scott Christman, Chief Deputy Director
J. P. Marion, Deputy Director, Cal-Mortgage
Advisory Loan Insurance Committee Members

Problem Projects Report - Update for June 2024

Facility Name	Location	Type	Risk Rating as of 6/1/24	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										
None										
III. Financial Performance Problems										
San Benito Health Care District	Hollister	Hosp - District	C	$ 8.3	100% (6-Month)	Current	Liquidity, Ratio Default	Low - March '25	Mar. YTD (9 mo.) profit of $10,347,594 and 47 DCOH. The District filed for Chapter 9 on May 23, 2023. Judge dismissed case on March 21, 2024 and the District filed an appeal. District evaluating 2 letters of intent. District voted to continue negotiations with Insight.	1
Hill Country Community Clinic	Round Mountain /Redding	FQHC	C	$ 3.1	76%	Not Current	Liquidity, Ratio Default	Moderate - May '24	The clinic sold its Redding clinic, Center of Hope, on April 22, 2024. After partially settling the outstanding debts and professional fee, the clinic has approx. $3 million cash on hand. The clinic will resume monthly bond payment in July 2024.	3
St. Rose Hospital	Hayward	Hospital	B	$19.3M - note $10M - LOC	N/A	Current	Liquidity, Ratio Default	Moderate	The payments for the insured term loan with CNB is current. LOC is fully drawn; Corporation is making the required interest-only payments on LOC. A non-binding affiliation agreement with Alameda Health System (AHS) has been signed, and AHS continuing with due diligence process & asking St. Rose for additional data.	5
IV. Defaulted Projects: Pending Asset Sales										
None										
V. Resolved Defaulted Projects										
Verdugo Mental Health	Glendale	Clinic-MH							Last payment received on June 4, 2024. Current balance is $3,800,990.43.	8
Lake Merrit - Cal-Nevada/Pacifica	Oakland	CCRC							Last payment received on June 6, 2024. Current balance is $14,159,874.98	9

[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.

III. Financial Performance Problems

Project: San Benito Health Care District **Number:** 1076

Description:
San Benito Health Care District (District) operates the 25-bed Hazel Hawkins Memorial Hospital, four rural health clinics, two community health clinics, a distinct part skilled nursing facility, four satellite lab/draw stations, a home health agency in Hollister, and a rural health clinic in San Juan Bautista, California. In March 2013, HCAI insured a $24.9M bond issue for the refunding of $16M in outstanding bond debt, reimbursing the District $10M for construction costs for a Women's Center, and $2.4M toward the cost of issuance (2013 Bonds). The District refinanced the 2013 Bonds on February 11, 2021 (2021 Bonds) and achieved a net present value (NPV) savings of 10.42 percent, or $1.7M. The refinance provided annual cash flow savings of approximately $380,000. In addition, the refinance allowed the outstanding balance to decline from $16.48M to $12.57M. The 2021 Bonds have a current outstanding balance of $8.33M with a final maturity on March 1, 2029.

Background:
Between 2014 and 2020, the District's financial condition struggled due to a decline in census and ever-increasing expenses. In 2018, the District began the application process to convert to a Critical Access Hospital (CAH) and the Centers for Medicare and Medicaid Services (CMS) approved its application effective March 26, 2020. As part of the reclassification to a CAH, the District decreased its licensed beds from 62 to 25. Between April 2020 and June 2022, the District's financial condition improved due to the increased Medicare rates as part of the CAH reclassification, improved census related to COVID, and supplemental COVID funding.

In the third quarter of calendar year 2022, the District began experiencing liquidity issues due to two factors. First, CMS indicated that the District was overpaid during the FYE 2022 by $5.2M. A one-year repayment plan was established in the amount of $441,036 per month. In addition, CMS indicated that an additional $5.2M was to be reduced from future payments in FYE 2023, thus the District's inpatient rates were reduced by 20 percent and outpatient rates were reduced by 13 percent. The District was able to negotiate the one-year CMS repayment plan to a five-year repayment plan.

Second, the District ended its commercial provider agreement with Anthem Blue Cross (Anthem) on August 10, 2022. Anthem deactivated payments to the District on the commercial provider agreement, and inadvertently deactivated payments to the District on its Medi-Cal provider agreement. Anthem identified that it may take 45 days to correct the accidental deactivation of the payments for the Medi-Cal provider agreement. The District identified that approximately $4M in claims were delayed due to this payment processing issue with Anthem. The District eventually reached a new commercial provider agreement with Anthem covering the 2023 calendar year. The outstanding Anthem Medi-Cal receivables were subsequently processed and paid.

The District initiated an aggressive cost savings plan to address its immediate cash-flow needs, while the District explored sources to provide temporary liquidity and collected on its receivables. The San Benito County Board of Supervisors agreed to advance the District its annual property tax revenue normally paid in April; the District received $2.2M of property tax revenue in December 2022. In January 2023, the District obtained a $3.09M loan from the California Health Facilities Financing Authority's Nondesignated Public Hospital Bridge Loan Program II to provide additional liquidity. The District receives over $13M in supplemental funding annually; however, the majority of the funding is normally not received until months later and sometimes in the following fiscal year. The District worked with various agencies to receive its supplemental payments in advance, thus improving its liquidity.

Current Situation: (As of June 21, 2024) **Risk Rating: C**

On May 22, 2023, the District's Board of Directors authorized the filing of a Chapter 9 bankruptcy petition and adopting a pendency plan outlining a strategy to proceed forward. The District officially filed for Chapter 9 on May 23, 2023. In December the District defended itself in a trial due to Unions' claiming that the District did not meet the criteria to file for bankruptcy protection, which lead to wage and benefit cost cutting measures. On March 21, 2024, the Judge dismissed the District's bankruptcy case citing that the District is not insolvent and therefore not eligible for Chapter 9 relief. The District filed an appeal and anticipates a 9 to 12 month appeal process.

The District engaged B Riley Advisory Services to search for a strategic partner to help ensure the long-term viability of the District. The District received interest from several potential partners or buyers. On August 3, 2023, the District received a letter of intent (LOI) from American Advanced Management, Inc. proposing a lease-to-own transaction structure; this LOI was withdrawn in May 2024. On October 26, 2023, the District received a second LOI from the County of San Benito and Salinas Valley Health proposing a Joint Powers Authority (JPA) with Salinas Valley Health managing the operations of the District; this LOI has since been revised to remove Salinas Valley Health. On January 2, 2024, the District received a third LOI from Insight Foundation of America (Insight) proposing a purchase of the District's assets for between $59M and $65M. The District received a fourth LOI from San Benito Health Alliance, which is a local physician's group, proposing that Ovation Healthcare will manage the District's operations with no changes to the District's ownership structure; this LOI was withdrawn on April 22, 2024. At a June 5, 2024 Board meeting, the District's Board voted to continue negotiations with Insight. The proposal with Insight was modified from an outright purchase to a five-year lease-to-own option. The Insight proposal will need to be included on a November 5, 2024, ballot measure for voters to make a final decision.

The District received a $10 million loan award from the Distressed Hospital Loan Program. Management and their counsel are reviewing the transaction documents and going through the process of accepting that loan award.

The following table shows historical results for a number of key financial statistics:

Statement Date (6/30 FYE)	3/31/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Months Covered	9	12	12	12	12
Audit Method	Internal	Unqualified	Unqualified	Unqualified	Unqualified
Cash & Investments	$17,598,568	$13,413,099	$14,442,002	$18,508,626	$21,900,654
Net Worth	$33,818,128	$23,542,007	$23,197,870	$20,527,771	$20,233,144
Net Revenue	$115,441,899	$161,907,260	$149,021,950	$140,543,291	$119,478,898
EBITDA	$13,731,530	$4,625,783	$6,928,468	$4,988,398	$301,838
Net Income	$10,347,594	$344,137	$2,670,099	$294,627	($4,652,596)
Debt Service Coverage Ratio	8.01	5.34	3.09	2.11	(0.27)
Current Ratio	2.14	1.56	1.50	1.75	2.02
Days Cash on Hand	47	32	37	49	65

For the 9-month period ended March 31, 2024, the District had a net income of $10,347,594 compared to a budgeted net income of $2,869,429. This resulted in a debt service coverage ratio of positive 8.01. The District had $17.6M in cash, equal to 47 days cash on hand.

Assessment:

Profitability:	3/31/2024 (9 mo.): $10,347,594
Liquidity:	Days Cash on Hand: 47
Debt Service Reserve Fund:	100% funded: $936,400
Debt Service Payments:	Current
HFCLIF:	3/1/2025 (P&I): low probability
CEO:	Mary Casillas
CFO:	Mark Robinson
Account Manager: Lauren Hadley	**Supervisor:** Dean O'Brien

III. Financial Performance Problems

Project: Hill Country Community Clinic **Number:** 1034

Description:
Hill Country Community Clinic (Corporation) is a California nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code. The Corporation owns and operates a healthcare facility in Round Mountain, Shasta County, to provide primary care and health education services to the Northeast portion of the County. In addition, the Corporation also operates a clinic and homeless shelter for transitional youth in Redding, Shasta County, namely Center of Hope (COH), to provide primary care, mental health, and chiropractic service. In December 2004, the Corporation earned a Section 330 Federally Qualified Health Center (FQHC) designation.

In October 2007, the Department insured a bond series in the amount of $5,250,000 for the Corporation (2007 Bonds). The 2007 Bonds were used to finance an expansion project that added a 12,500-square-foot space onto the Corporation's existing Round Mountain facility for housing six new medical exam rooms, three dental operatories, a mental health suite, a teen activity center, a new helicopter landing pad, and storage facilities.

The 2007 Bonds were refinanced in November 2016 in an amount of $4,420,000 (2016 Bonds) with the Department. The outstanding balance of the 2016 Bonds is $3,070,000.

On November 6, 2019, the Department consented to an additional $10 million indebtedness acquired by the Corporation from Nonprofit Finance Fund and Dignity Health Partners to structure a New Market Tax Credit (NMTC) transaction that would finance the construction of COH, which was open in July 2021. Commencing December 15, 2021, quarterly principal and interest payments of $194,325 are payable on the 15th day of March, June, September, and December with all unpaid principal and interest due in December 2026.

Background:
The Corporation's operating income started dropping since the COVID-19 pandemic in 2020. In 2022 and 2023, the Corporation's financial performance got worse and recorded net loss of $1.5 million and $3.7 million respectively. The Corporation's cash depleted quickly from $1.7 million in 2021 to less than $500k in 2022 as a result of poor operating results and construction of the COH. Based on the past 24-month financial performance ended December 31, 2022, the auditor, FORVIS LLC, opined in the audit report for Fiscal Year 2020 that due to decreased working capital, coupled with the additional debt service payments required to be made in relation to the COH project, and the impact of the COVID-19 pandemic raises substantial doubt about the Corporation's ability to continue as a going concern.

Cal-Mortgage staff made a site visit at the Corporation on August 18 and took a tour of the COH, which opened in July 2021 as the Corporation's flagship clinic site located in Redding. During the meeting with the CEO and CFO at the COH, the CFO expressed that the Corporation is facing serious liquidity problem due to changes of reimbursement requirements from the County, broken revenue cycle; physician and medical staff turnover; and dropping utilization. The CEO also admitted the COH was overbuilt for current demand for services and has caused a huge financial burden, which coincided with the COVID-19 pandemic that brought adverse impact to the Corporation's operation.

Current Situation: (As of June 18, 2024) **Risk Rating: C**
The Corporation and Shasta Community Health Center (SCHC) entered into an Asset Purchase Agreement on April 22, 2024, by which the Corporation transferred the ownership of COH and the respective NMTC loan to SCHC. In return, the Corporation received $5.6 million cash from the

transaction. After partial payment of overdue unsecured debts and settling the outstanding professional fee such as the legal fee for the transaction, business consultant fee, and service fee for fiscal audit, the Corporation maintained $3 million cash for operations in May. The Corporation was notified in June that there will be a two-week check-write hold at the end of June until the start of the 2024-2025 fiscal year state budget, therefore the Corporation is expecting a dip of patient revenue in late June and early July. Nonetheless, the Corporation expects to maintain an approximate $3 million cash balance. The Corporation is transitioning their operations in Redding to a new site that is approximately one mile away from COH. The new clinic site is one of the current clinics of SCHC. The Corporation plans to take over the lease from SCHC to continue their services to Redding community. Meanwhile, the operation at Round Mountain remains unchanged.

The Corporation will resume bond payments in July 2024, and targets to make payments every three weeks in order to meet the upcoming debt service requirement in November. The total balance due in November 2024 is $258,518.04 (Principal: $170,000, Interest: $54,206.25, DSRF Replenishment: $34,311.79.

The Corporation provided draft internal financial statements for FY 2023, which showed a $3.6 million operating loss during the year. The Corporation settled the outstanding auditor's service fee and re-engaged FORVIS as their auditor. Target filing dates of financial audit of FY 2021, 2022, and 2023 are June 30, August 15, and September 30, of 2024, respectively.

The following table shows key financial statistics of the Corporation.

Dollars in Thousands	**Audited (Fiscal Year Ending December 31)**			**Internal**		
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
Cash & Equivalents	2,180	1,398	1,864	1,765	486	1,385
Total Assets	11,550	45,091	51,592	49,514	48,370	49,060
Total Liabilities	6,937	38,409	44,139	39,643	42,483	46,051
Net Worth	4,613	6,682	7,453	9,871	5,887	3,008
Net Income	1,895	2,069	1,186	820	(1,509)	(3,656)
Debt Service Coverage Ratio	2.53	1.28	2.66	1.90	0.88	(11.27)
Days Cash on Hand	64.34	37.31	41.91	34.66	8.47	24.07
Current Ratio	1.92	1.08	0.86	1.37	0.91	0.84

<u>Assessment</u>:

Profitability:	12/31/2023 (12 mo.): -$3,655,806
Liquidity:	Days Cash on Hand: 24.07
Debt Service Reserve Fund:	76% funded: $108,289.15
Debt Service Payments:	Not Current
CEO:	Jo Campbell
CFO:	Christi Hines

Account Manager: Dennis Lo **Supervisor:** Dean O'Brien

II. Financial Performance Problems

Project: St. Rose Hospital **Numbers:** 1084, 0932

Description:
Hayward Sisters Hospital dba St. Rose Hospital (Corporation) is a general acute care 171 bed facility in Hayward, CA which offers emergency, obstetrics, and coronary care and both inpatient and outpatient services that was founded in 1962. It is the sole corporate member of St. Rose Medical Office Building and the St. Rose Hospital Foundation. Since 2013 the Corporation has been run via a management agreement with Alecto Healthcare LLC.

Background:
In May 2009 the Department insured a total of $42.1M of fixed rate bonds for the Corporation with Series 2009A tax-exempt bonds of $31.15M and Series 2009B taxable bonds of $10.95M (collectively "2009 Bonds"). The 2009 Bonds were used for the expansion of the fifth floor to accommodate 30 private rooms; replacement and repairs to the existing structure; and to complete seismic requirements to meet SB 1953 compliance by 2030.

In December 2010, the Corporation was having financial issues and drew on a $7M Alameda County emergency reserve fund to pay $4M for Hospital Provider Fees and $3M to pay down an outstanding balance on a Department insured line of credit (LOC). As a result of this and other performance issues, the Department eventually took actions towards the end of FYE 2012 to avert bankruptcy and enforced the replacement of all board members with five new board members. After restructuring the Board of Directors and various management roles, the Corporation ultimately entered into a management agreement with Alecto Healthcare LLC (Alecto), a for-profit organization. As Alecto was a for-profit organization with the option to buy the Corporation, the Corporation needed to refinance out of the 2009A tax-exempt bonds to avert a possible tax liability that could have inadvertently been triggered had Alecto exercised the buy option. Therefore, in 2016, the 2009A bonds were refinanced into a $38M Department insured bank loan with City National Bank (2016 CNB). In August 2022, the 2016 CNB loan was refinanced again with CNB in the amount of $24.36M (2022 CNB). Concurrent with the 2009 Bonds, the Department also insured a $10M line of credit (LOC) with CNB to ensure adequate operating liquidity for the Corporation. Current outstanding balances on the Department insured loan and LOC are approximately $19.3M and $10M respectively.

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The following table shows key financial statistics of the Corporation:

Dollars in Thousands	Internal 3/31/2024	Audit	Audit	Audit	Audit
	(6 months)	2023	2022	2021	2020
Cash & Equivalents	$7,502	$8,768	$11,652	$26,175	$36,831
Net Accounts Receivable	$12,172	$11,226	$8,867	$9,269	$6,782
Total Assets	$83,154	$68,449	$68,242	$81,597	$94,642
Total Current Liabilities	$66,364	$35,940	$21,930	$26,647	$26,791
Total Liabilities	$84,156	$59,298	$49,238	$59,567	$67,678
Net Assets	($1,002)	$9,151	$19,004	$22,030	$26,964
Revenue	$64,617	$119,316	$122,295	120,745	$125,420
Operating Loss	($9,618)	($10,470	($4,773)	($4,683)	($2,776)
Net Income	($10,469)	($9,853)	($5,712)	($5,641)	($4,637)
DSCR	(1.01)	(1.25)	0.30	0.61	1.03
Days Cash on Hand	18.71	25.20	24.97	79.85	110.76
Current Ratio	0.69	0.88	1.47	1.76	2.05

Fiscal year-end is September 30.

Current Situation: (as of May 30, 2024) **Risk Rating: B**

For the six months ended March 31, 2024, the Corporation continues to operate at a net loss as net patient service revenue was under budget by $700K while operating expenses were materially on budget. Cash & equivalents was reduced by $1.9M from the previous month due to operating loss, capital expenditures, and the monthly debt payment. Conversely, supplemental receivables increased by $1.8M. These factors have caused cash & equivalents to continue to decrease each month. Current liabilities showed a relatively small increase of $800K which was a factor as current ratio fell to 0.69 and continues its downward trend. The Corporation did not meet its DSCR, CR, and DCOH ratio covenants requirements for FYE 2023. The Corporation requested a waiver on March 25, 2024, and subsequently the Department granted a waiver on May 6, 2024.

Through a Request for Proposal (RFP) process, the Corporation's management signed an exclusive 90-day non-disclosure affiliation agreement with Alameda Health System (AHS) on April 14, 2024. AHS is still in the due diligence process and will hold a board meeting on June 12, 2024, to decide on whether to move forward with the partnership. The Corporation is also in discussion with City National Bank (CNB) about renewing the LOC which expires in July 2024. CNB and Corporation have indicated that discussions have been positive and expect to send out financing documents by the week of July 1st. The Department has initiated tri-weekly meetings with the Corporation's management for the purpose of receiving updates regarding the progress of the affiliation.

In April 2024, the Department learned of a potential Assembly Bill 2271 (Bill) to forgive the Corporation's note with CNB, LOC, and DHLP loan. In addition, the Bill would allow for an extension of the 2030 seismic retrofit deadline. The Department responded to the Bill with its concerns. In short, the Bill has been redrafted and the language on forgiveness of Corporation note with CNB, LOC and seismic extension have been removed. The Bill is continuing forward with only the DHLP loan forgiveness portion.

Assessment:

Profitability:	3/31/2024 (6 mo.): ($10,469,000)
Liquidity:	Days Cash on Hand: 10 days
Line of Credit:	$10M, fully drawn
Debt Service Reserve Fund:	Not required per terms of note
Debt Service Payments:	Current
HFCLIF:	Moderate Probability
Alecto CEO:	Lex Reddy
Alecto CFO:	Matt Williams
Board Secretary/Counsel:	Michael Sarrao, Esq.

Account Manager: Arne Bracchi **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 June 4, 2024) **Risk Rating: None**
The June 2024 amortized payment of $21,080.20 was made on June 4, 2024. The current outstanding balance is $3,800,990.43. The 2023 audited financial statements were received on March 27, 2024.

Assessment:

Profitability: (DiDi Hirsch)	$8,927,521 (6/30/23 Audit)
Liquidity: (DiDi Hirsch)	$21,409,961 cash (6/30/23 Audit)
DSCR: (DiDi Hirsch)	8.45 (6/30/23 Audit)
Loan Balance:	$3,800,990.43
Payments:	Current (6/4/2024)
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:** Dean O'Brien

V. Financial Performance Problems

Project: California Nevada Methodist Homes **Numbers:** 1018, 1053

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 the Chapter 11 case with the Bankruptcy Court. The final decree was approved by the Court on October 4, 2023.

Current Situation: (as of June17, 2024) **Risk Rating: N/A**
There are some unresolved disputes over administrative expense claims still to be resolved, but it is anticipated that expenses will be less than the $750,000 being held in the reserve account. Any money left after all expenses have been paid will be returned to the Department.

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 percent, and a $3 million loan forgiveness will be issued upon payoff. Pacifica has made the monthly payment of $83,189.64 from January 2023 to June 2024. The current outstanding balance is $14,159,874.98

Assessment:

Pacifica CEO: Deepak Israni

Pacifica Counsel: Thomas P. Sayer

Health Facility Construction Financing Officer: Consuelo Hernandez