COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Financial Statements

June 30, 2022

(with Independent Auditors' Report Thereon)

GRUBER and LOPEZ, INC.
CERTIFIED PUBLIC ACCOUNTANTS

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Financial Statements

June 30, 2022

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BASIC FINANCIAL STATEMENTS

GRUBER and LOPEZ, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Coalition of Orange County Community Clinics
Santa Ana, California

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of **Coalition of Orange County Community Clinics** (a nonprofit organization), which comprise the statement of financial position as of **June 30, 2022**, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coalition of Orange County Community Clinics as of **June 30, 2022**, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Coalition of Orange County Community Clinics**' internal control. Accordingly, no such opinion is expressed.

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- 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 **Coalition of Orange County Community Clinics**' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited Coalition of Orange County Community Clinic's 2021 financial statements, and our report dated November 17, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2021, is consistent, in all material respects, the audited financial statements from which it has been derived.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 on our consideration of **Coalition of Orange County Community Clinics'** 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 Coalition of Orange County Community Clinics' internal control over financial reporting and compliance.

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, California
January 17, 2023

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Statement of Financial Position

June 30, 2022

(With comparative totals from June 30, 2021)

	Totals	
Assets	**2022**	**2021**
Cash and cash equivalents	$ 12,953,796	2,640,969
Contributions receivable - grant contracts, net (Note 2)	42,631,482	2,527,201
Accrued interest	-	616
Investments	2,076,317	1,035,064
Deposits and other assets	8,503	8,503
Furniture and equipment, net (Note 3)	23,513	47,358
Intangible asset, net (Note 4)	32,332	82,701
Prepaid expenses	94,910	164,345
Total assets	$ 57,820,853	6,506,757
Liabilities and Net Assets		
Accounts payable	$ 358,079	113,011
Accrued liabilities	315,990	261,418
Unearned revenue and dues - current (Note 8)	55,336,710	4,338,247
Deferred rent - long-term (Note 6)	13,273	15,971
Total liabilities	56,024,052	4,728,647
Net assets:		
Without donor restrictions	1,698,037	1,676,168
With donor restrictions (Note 5)	98,764	101,942
Total net assets	1,796,801	1,778,110
Total liabilities and net assets	$ 57,820,853	6,506,757

See accompanying notes to finanancial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Activities
Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
Operating Activities:				
Unrestricted revenue and support:				
Contributions - grant contracts	$ 4,902,759	-	4,902,759	2,921,885
Contributions - forgiveness of debt	-	-	-	228,137
Contributions - other	8,010	-	8,010	1,005
Member dues (Note 14)	442,166	-	442,166	339,998
Consulting fees (Note 14)	3,750	-	3,750	31,480
Donated services	121,321	-	121,321	116,870
Interest income	1,703	-	1,703	3,496
Miscellaneous income	24,011	-	24,011	23,418
Subtotal	5,503,720	-	5,503,720	3,666,289
Net assets released from restrictions (Note 5)	-	-	-	-
Total unrestricted support and revenue	5,503,720	-	5,503,720	3,666,289
Expenses:				
Program services	4,916,939	-	4,916,939	2,876,402
Supporting services:				
General and administrative	544,469	-	544,469	671,766
Fundraising	11,694	-	11,694	11,694
Subtotal supporting services	556,163	-	556,163	683,460
Total expenses	5,473,102	-	5,473,102	3,559,862
Change in net assets from operations	30,618	-	30,618	106,427
Non-operating activities:				
Investment income	(8,749)	(3,178)	(11,927)	15,645
Total non-operating activities	(8,749)	(3,178)	(11,927)	15,645
Change in net assets	21,869	(3,178)	18,691	122,072
Net assets beginning of year	1,676,168	101,942	1,778,110	1,656,038
Net assets at end of year	$ 1,698,037	98,764	1,796,801	1,778,110

See accompanying notes to financial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Functional Expenses
Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)

		Supporting Services			**Totals**	
	Program Services	General and Administrative	Fundraising	Subtotal	**2022**	**2021**
Salaries and related expenses:						
Salaries	$1,052,900	326,452	11,694	338,146	1,391,046	1,488,821
Employee benefits	120,755	29,068	-	29,068	149,823	193,677
Payroll taxes	82,678	19,902	-	19,902	102,580	111,380
Total salaries and related expenses	1,256,333	375,422	11,694	387,116	1,643,449	1,793,878
Other expenses:						
Clinic grant support	426,698	-	-	-	426,698	477,390
Consultants	309,683	69,009	-	69,009	378,692	536,854
Donated services	44,095	77,226	-	77,226	121,321	116,870
Dues and subscriptions	19,526	572	-	572	20,098	23,737
Office equipment rental (Note 6)	3,605	238	-	238	3,843	3,963
Insurance	22,979	-	-	-	22,979	18,630
Conferences and meetings	12,252	-	-	-	12,252	17,917
Postage and delivery	163	16	-	16	179	5,804
Communication and printing	3,345	-	-	-	3,345	18,821
Rent-Occupancy (Note 6)	135,287	-	-	-	135,287	135,288
Professional fees	2,670	19,361	-	19,361	22,031	11,905
Repairs and maintenance	71,579	2,625	-	2,625	74,204	49,763
Telephone	14,952	-	-	-	14,952	17,847
Travel	1,641	-	-	-	1,641	1,035
Office supplies	36,081	-	-	-	36,081	24,984
Investment fees and expenses	-	-	-	-	-	19,126
Fund Project expense	2,481,324	-	-	-	2,481,324	188,076
Donations	512	-	-	-	512	-
Bad debt expense (recovery)	-	-	-	-	-	-
Total other expenses	3,586,392	169,047	-	169,047	3,755,439	1,668,010
Total expenses before depreciation	4,842,725	544,469	11,694	556,163	5,398,888	3,461,888
Depreciation and amortization (Notes 3 & 4)	74,214	-	-	-	74,214	97,974
Total expenses	$4,916,939	544,469	11,694	556,163	5,473,102	3,559,862

See accompanying notes to financial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Cash Flows
Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)

	Totals 2022	Totals 2021
Cash flows from operating activities:		
Change in net assets	$ 18,691	122,072
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	74,214	97,974
Contributions - forgiveness of debt	-	(228,137)
Unrealized (gain) loss on investments	11,927	(15,645)
Decrease (increase) in contracts receivable	(40,104,281)	(2,399,680)
Decrease (increase) in accrued interest	616	12,709
Decrease (increase) in deposits and other assets	-	-
Decrease (increase) in prepaid expenses	69,435	(88,306)
(Decrease) increase in account payable	299,640	53,383
(Decrease) increase in deferred revenue	50,998,463	1,606,179
Net cash provided by (used for) operating activities	11,368,705	(839,451)
Cash flows from investing activities:		
Purchases of land, buildings, furniture and equipment	-	-
Purchases of intangible assets	-	(52,521)
Proceeds from sale / maturity of investments	-	963,049
Purchase of investments	(1,053,180)	-
Net cash provided by (used for) investing activities	(1,053,180)	910,528
Cash flows from financing activities:		
Proceeds from payroll protection plan loan	-	-
Deferred rent	(2,698)	326
Net cash provided by (used for) financing activities	(2,698)	326
Increase (decrease) in cash and cash equivalents	10,312,827	71,403
Cash and cash equivalents at beginning of year	2,640,969	2,569,566
Cash and cash equivalents at end of year	$ 12,953,796	2,640,969

Supplemental disclosures of noncash investing and capital related financing activities:
There were no noncash investing and capital related financing activities during the period ended June 30, 2022.

Supplemental disclosure of cash flow information:		
Cash paid for interest expense	$ -	-

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The significant accounting policies of Coalition of Orange County Community Clinics (the Organization) are presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

(a) Organization and Sources of Revenues

The Coalition of Orange County Community Clinics (the "Coalition") was established in 1974 under the laws of the State of California as a not-for-profit corporation and is qualified under Section 501 (c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Coalition is a membership organization representing a network of licensed, private, not-for-profit community and free clinics that are committed to ensuring access to health care for medically underserved individuals and families in Orange County. The Coalition is a vital component to the Orange County health care safety net through the provision of the following for its member clinics: identification, solicitation and management of funding opportunities and programs, management services including technical support, active participation in health care planning and policy in all relevant governmental, private and community based forums.

(b) Basis of Accounting and Revenue Recognition

The Organization uses the accrual basis of accounting. Under this method of accounting, revenues are recognized when performance obligations are satisfied and expenses are recognized when incurred.

(c) Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Update* (ASU) *2016-14 Not for Profit Entities [Topic 958] – Presentation of Financial Statements of Not for Profit Entities*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

(1) Summary of Significant Accounting Policies, (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of deposits held with several different financial institutions that at times exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains cash deposits with various financial institutions to limit its credit risk exposure to any one financial institution. The Organization also actively evaluates the credit worthiness of the institutions with which it invests.

(e) Furniture and Equipment

It is the Organization’s policy to capitalize long-lived assets over $5,000 and a useful life of three years or longer. Lesser amounts are expensed. Furniture and equipment are capitalized at cost. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Buildings, furniture and equipment are depreciated on the straight-line method, using estimated useful lives of ten to thirty years for the buildings, seven years for the furniture, five year for the equipment, and three years for computers.

(f) Impairment of Long-Lived Assets

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash-flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

(1) Summary of Significant Accounting Policies, (Continued)

(g) Fair Value of Financial Instruments

The Organization follows guidance issued by the ASC 820 *Fair Value Measurements*, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. This guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

The Organization's financial instruments, including cash and cash equivalents, contributions receivable, certificates of deposit, and accounts payable and other accrued expenses are carried at cost, which approximates fair value because of the short-term nature of these instruments. The Organization records inventory at fair value on the date of donation based on values provided by the donors.

Investments at June 30, 2022 consisted of:

	Level 1
Endowment - investment pool	$ 98,763*
Marketable/ Brokered- certificates of deposit	1,977,554
Total	2,076,317

* - See Note 5 for endowment disclosures.

(h) Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

(1) Summary of Significant Accounting Policies, (Continued)

(i) Recent Accounting Pronouncement

The Organization follows FASB ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Contributions Received and Made* which clarifies and improves the scope and accounting guidance for contributions received and made. Before adoption, the Organization classified the majority of its grant revenue received from government agencies as exchange transactions, however, under the recent guidance of ASU 2018-08 classify grant revenue received from government agencies as contributions with conditions.

(j) Contributions

In accordance with *ASC 958-605*, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional contributions are recognized when the conditions on which they depend are substantially met. Unconditional contributions are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

In accordance with ASU 2014-09 Revenue from Contracts with Customers (ASC 606), service fees revenues are classified as exchange transactions and are recognized as performance obligations are satisfied based on the amount of the transaction price that is allocated to those performance obligations (i.e. based on progress billings on completed portions of services which are primarily less than a year). The Organization determined that the transaction price with its clients include fixed consideration as it relates to clinical services provided.

(k) Consulting Fees

Consulting fees represent fees received from numerous consultants for services rendered.

(1) Summary of Significant Accounting Policies, (Continued)

(l) Functional Expense Allocations

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates made by management. The allocations between program and supporting services benefited are determined by management on an equitable basis. All allocations for program and supporting services are based on time and effort.

(m) Prepaid Expenses

Prepaid expenses include deposits and advance payments for insurance, events and program activities.

(n) Accrued Vacation

The Organization's policy is to record accumulated vacation when earned. As of June 30, 2022, the accrued vacation liability was $82,115 and was recorded in accrued liabilities in the statement of net assets.

(o) Income Taxes

The Organization is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and files all federal and state information returns required by law. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending in years 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(q) Comparative Totals and Reclassifications

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021 from which the summarized information was derived.

(1) Summary of Significant Accounting Policies, (Continued)

(r) Donated Services and Supplies

Donations of services are recognized in the financial statements if the services received: (1) create or enhance nonfinancial assets or require specialized skills; (2) are provided by individuals possessing those skills; and (3) would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis for deriving their value. There were $121,321 of donated attorney services that were required to be recognized during the fiscal year ended June 30, 2022.

(2) Contributions Receivable

At June 30, 2022, grant contract receivables in the amount of $42,631,482 consist of both federal and non-federal receivables. Of that amount, $40,000,000 is receivable from CalOptima which was offset by $40,000,000 of unearned revenue of which $2,500,000 is owed to the Organization and $37,500,000 is owed to various other clinics when conditions are met over the next 4 years through fiscal year 2027. The majority of the other receivables were collected subsequent to that date.

(3) Furniture and Equipment

Furniture and equipment consist of the following at June 30, 2022:

Furniture and equipment	$134,399
Computer equipment	88,968
Accumulated depreciation	(199,854)
	$ 23,513

Total depreciation expenses for the year ended June 30, 2022 was $23,846.

(4) Intangible Assets

Under ASC 350 *Intangibles-Goodwill and Others*, intangible assets with indefinite lives are not subject to periodic amortization, but rather reviewed on a periodic basis for impairment. There were no impairments of intangible assets for the year ended June 30, 2022. As of June 30, 2022, the Organization's intangible assets consisted of software which were deemed to have a useful live of approximately 3 years.

Intangible assets consist of the following at June 30, 2022:

Software	$259,793
Accumulated amortization	(227,461)
	$32,332

Total amortization expenses for the year ended June 30, 2022 was $50,368.

(5) Investments – Quasi-Endowment Fund

The Endowment Fund of the Organization was established with the Orange County Community Foundation and consists of investments established for the purpose of promoting the Organization's philanthropies. The investments consists of funds designated by the Donor to function as restricted endowments along with intent to have future donor restricted endowment fund contributions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (1) the original value of gifts donated to the restricted endowment, (2) the original value of subsequent gifts to the restricted endowment, and (3) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as donor restricted net assets is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected

(5) Investments – Quasi-Endowment Fund (continued)

total return from income and the appreciation of investments, (6) other resources of the Organization, (7) tax consequences, and (8) the Organization's investment policies.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk while trying to obtain a total return (yield plus capital appreciation) necessary to preserve and ideally enhance the principal of such funds, while at the same time, providing a dependable source of income at the highest possible yield, while avoiding speculation.

Spending Policy

The Organization requires a spending policy to be established by the Endowment Committee in accordance with UPMIFA subject to Board approval with an appropriate withdrawal rate based upon market conditions for that year and expenses of the Fund.

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through current income and long-term growth of capital and income. The Organization targets a diversified asset allocation by investing in a balanced money market fund with objectives for the conservation of capital and growth opportunities of publicly traded stocks, bonds, mutual funds, and alternative investments. The composition of endowment net assets for this fund, and the changes in endowment net assets as of June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ -	101,942	101,942
Interest income	-	-	-
Net change (un-realized and realized)	-	(3,178)	(3,178)
Subtotal	-	98,764	98,764
Contributions	-	-	-
Appropriations of endowment	-	-	-
Net assets, end of year	$ -	98,764	98,764

(6) Lease Obligations

Deferred Rent and Operating leases

The Organization leases office space and various equipment. The office space lease has an effective date of December 15, 2015 and expires on February 12, 2024. The initial monthly rent of approximately $11,500 with a scheduled 3% increase, inclusive of a “two months free” period. The rent free period was recorded as deferred rent in the amount of $13,273 on the statement of net position. The equipment leases expire from July 2023 through October 2024 and have monthly rent ranging from $13 to $290. Minimum rental commitments on the office space and equipment are as follows:

Year ending June 30:	
2024	$ 146,540
2025	100,365
2026	-
2027	-
Total future minimum lease payments	$246,905

Total office rent and equipment rent expense for the year ended June 30, 2022 was $135,287 and $3,843, respectively.

(7) Other Commitments and Contingencies

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provisions have been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Organization is also subject to legal proceedings, claims, and assessments which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions, should they occur, will not materially affect the Organization’s financial statements.

(8) Unearned revenue

Unearned revenue of $55,336,710 at June 30, 2022 was comprised of various grant amounts received from funding organizations with donor-imposed conditions (a barrier and a right of return/ right of release must exist) in relation to specific purpose or specific period of time. Revenue will be recognized when the condition(s) are met.

(9) Concentrations and Grant Funding

In recent years, the Organization has received significant funding from the Department of Health and Human Services, the State of California, and County of Orange. Due to potential reductions in federal funding to these agencies, future grants to the Organization are uncertain. Although management is reviewing alternatives for continuing operations, if grants are reduced significantly, it may impact the future operations of the Organization in subsequent years. It should be noted that the Organization was awarded two significant grants from CalOptima. One for $50,000,000 through June 30, 2027 of which $37,500,000 is owed to member clinics after certain conditions are met, and the other from October 1, 2019 through June 30, 2023 ($2 million each year for a total of $6 million); The Organization also was awarded approximately $540,000 from HRSA, as well as, numerous other grant contracts from several other agencies for funding through June 30, 2023. Additionally, it is the intent of the Organization to bid for funding from these agencies through June 30, 2024. Actual funding amounts from HRSA are dependent upon amounts allocated by various federal and state awarding agencies. Approximately 38% of the Organization 's revenues were provided by the California Department of Health Care Services.

(10) Compliance with Laws and Regulations

By accepting subrecipient funds from the various federal grantor agencies, the Organization is required to comply with certain laws and regulations provided for under the *OMB Uniform Guidance,* and the respective grant agreements. Management believes that it has complied with such laws and regulations.

(11) Retirement Plan

The Organization sponsors a 401(K) Safe Harbor Basic Match qualified retirement plan for all employees that have been employed for at least three (3) months, which are then eligible to participate in the plan. Employees can defer a portion of their salary into the plan, not to exceed annual Federal and State limitations. For the year ended June 30, 2022, the Organization’s Safe Harbor contribution amounted to $52,994.

On November 13, 2017 the Organization executed the adoption of its Safe Harbor Basic Math Option with matching contributions in an amount equal to the sum of 100% of the portion of the employee’s contribution not exceeding 3% of the employee’s compensation, plus 50% of the portion of employee’s contributions that exceed 3% but not exceed 5%. For purposes of applying the Safe Harbor contributions, compensation is based on the per-paid-period compensation.

(12) Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2022:

Financial assets at year end:	
Cash and cash equivalents	$12,953,796
Contributions receivable	42,631,482
Investments	2,076,317
Total financial assets	57,661,595
Less amounts not available to be used within 1 year:	
Unearned multi-year grant	(50,000,000)
Quasi-endowment established by the Board	(98,764)
Subtotal	(98,764)
Financial assets available to meet general expenses over the next 12 months:	$ 7,562,831

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $1.4M). As part of its liquidity plan, the Organization invests excess cash in short-term marketable/ brokered certificates of deposit, and money market savings.

(13) Related Party – SNF of Orange County

On November 19, 2019, the Organization as its initial member agent, along with seven (7) Orange County community member clinics (also member clinics of the Coalition), filed articles of incorporation for the SNF of Orange County (the "SNFOC"), a newly created nonprofit public benefit California corporation. The main purpose of SNFOC is to provide an entity for collective contracting that will support the sustainability of the safety net. During the fiscal year ended June 30, 2022, there were $350 of third-party accounting and tax expenses incurred by the Organization in the support of SNFOC.

(14) Revenues from Contracts with Customers

The Organization's revenues from contracts with customers are generated from consulting service fee income, as well as, member dues all of which do not create an asset with an alternative use for the Organization.

Revenue derived from service fees consists of providing consulting services to clients. Payment is made after the service is provided. As a result, revenue is recognized at a point in time, after the service is provided and when payment is received.

Membership dues revenue are recognized over the membership and registration periods, which are generally one year. The performance obligation consists of dues from members that receive funding from the Organization for clinical services provided by the member clinics and is recognized ratably as services are simultaneously received and consumed by the members.

In summary, revenue is disaggregated by timing of satisfaction of performance obligations. For the year ended June 30, 2022, performance obligations were satisfied as follows:

At a point in time:	
Consulting fees	$ 3,750
Overtime:	
Member dues	442,166
Total revenues from contracts	$ 445,916

(15) Subsequent Events

Management has evaluated subsequent events through January 17, 2023, the date the financial statements were available to be issued.

The Organization's operations may be affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, a reduction in the Organization's grant contracts and other revenues which could have an impact on the Organization's financial position and operating results. There is uncertainty as to the severity and longevity of the outbreak and management is in the process of evaluating the impact on its operations and its financial statements. However, management believes the pandemic will not have a material effect on its operations due to recent receipt of additional funding from granting agencies, as well as, from its members. Hence, no corresponding adjustment has been made to these financial statements.

SINGLE AUDIT REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2022

Board of Directors
Coalition of Orange County Community Clinics
Santa Ana, California

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*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Coalition of Orange County Community Clinics (the Organization), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 17, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, California
January 17, 2023

Board of Directors
Coalition of Orange County Community Clinics
Santa Ana, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

We have audited Coalition of Orange County Community Clinics' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Coalition of Orange County Community Clinics' major federal programs for the year ended June 30, 2022. Coalition of Orange County Community Clinics' 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, Coalition of Orange County Community Clinics 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Coalition of Orange County Community Clinics 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 Coalition of Orange County Community Clinics' 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 Coalition of Orange County Community Clinics' federal programs.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Coalition of Orange County Community Clinics' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Coalition of Orange County Community Clinics' 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 Coalition of Orange County Community Clinics' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, California
January 17, 2023

Coalition of Orange County Community Clinics
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2022

Federal Grantor/Pass-through Grantor Program Title	Program Identification Number	Federal Domestic Assistance Number	Federal Award Expenditures
U.S. Department of Health and Human Services			
Direct Funding:			
Health Center Cluster - Grants for New And Expanded Services Under the Health Center Network- Health Center Controlled Network Grant "HCCN"	16H2QCS30256AC	93.527	* $ 727,092
Total Direct Funding			**727,092**
Passed Through Funding:			
Passed through the Regents of the University of California on behalf of its San Francisco campus:			
Area Health Education Center Point of Service Maintenance Grant "AHEC"	U77HP23071	93.107	96,862
Passed through the City of Santa Ana			
Community Programs to Improve Minority Health Grant	CPIMP211286	93.137	207,956
Passed through California Primary Care Association			
Technical and Non-Financial Assistance to Health Centers - California Primary Care Association (CPCA} - HRSA Sub Award	2 U58CS06830-15-00 6 U58CS06830-15-01	93.129	49,596
Passed through Department of Health Care Services			
Passed through County of Orange			
Refugee and Entrant Assistance- State Administered Programs	21-30-90899-00	93.566	41,149
Total Department of Health and Human Services			1,122,655
Total Federal Financial Assistance Expenditures			**$ 1,122,655**

* Denotes major federal program.

See notes to the schedule of expenditures of federal awards.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2022

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Coalition of Orange County Community Clinics (the Organization) that are reimbursable under federal programs of federal agencies providing financial assistance. For purposes of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency and expended, as well as federal funds received indirectly by the Organization from a non-federal agency and expended. Only the portion of program expenditures that are reimbursable with such federal funds are reported in the accompanying schedule. Program expenses in excess of the maximum federal reimbursement authorized or the portion of program expenses that were funded with state, local or other non-federal funds are excluded from the accompanying schedule. CFDA#93.778 Medicaid in the amount of $2,105,548 expended for the year ended June 30, 2022 have not been included in the accompanying schedule of expenditures of federal awards per guidance given in 2 CFR 200.502(i), that these amounts are not considered federal awards.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Expenditures reported include any property or equipment acquisitions incurred under the Federal program. The accompanying schedule of expenditures of federal awards 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* (Office of Management and Budget Uniform Grant Guidance).

(c) Subrecipients

There were no payments of federal funds to subrecipients for the year ended June 30, 2022.

(d) De Minimus Indirect Cost Rate

The entity did not elect to use the 10% de minimus indirect cost rate for the year ended June 30, 2022.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Summary of Auditors' Results

A) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

1. An unmodified report was issued by the auditors on the financial statements of the auditee.

2. There were no material weaknesses in internal control nor were there any significant deficiencies.

3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.

(B) Findings and Questioned Costs for Federal Awards as Defined in 2 CFR 200.515(d)

4. There were no material weaknesses or significant deficiencies in internal control over federal major programs of the auditee.

5. An unmodified report was issued by the auditors on compliance for federal major programs.

6. The audit disclose no audit findings of federal awards required by the auditors to be reported under 2 CFR 200.515(d)

7. The major federal program of the auditee was derived from the U.S. Department of Health and Human Services, CFDA#93.527 – Health Center Program Cluster.

8. The dollar threshold used to distinguish Type A and Type B programs was $750,000 under 2 CFR 200.518 (b) (1).

9. The auditee was considered a low risk auditee as defined by 2 CFR 200.518 for the year ended June 30, 2022 for purposes of determining major programs.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Summary Schedule of Prior Year Audit Findings

Year ended June 30, 2022

There were no prior year findings from the year ended June 30, 2021 that required follow up.