

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Financial Statements

June 30, 2024

(with Independent Auditors' Report Thereon)



COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Financial Statements

June 30, 2024

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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, 2024**, 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, 2024**, 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.

To the Board of Directors of
Coalition of Orange County Community Clinics
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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.

Report on Summarized Comparative Information

We have previously audited Coalition of Orange County Community Clinic's 2023 financial statements, and our report dated October 31, 2023, 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, 2023, 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 October 07, 2024 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
October 07, 2024

COALITION OF ORANGE COUNTY COMMUNITY CLINICS**Statement of Financial Position**

June 30, 2024

(With comparative totals from June 30, 2023)

<u>Assets</u>	Totals	
	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 6,468,655	1,747,205
Contributions receivable - grant contracts, net (Note 2)	30,512,531	41,891,826
Investments	5,315,076	5,882,220
Deposits and other assets	35,128	35,128
Property, furniture and equipment, net (Note 3)	1,540,848	107,951
Software, net (Note 4)	-	6,965
Prepaid expenses	212,973	189,214
Total assets	<u>\$ 44,085,211</u>	<u>49,860,509</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 33,071	66,561
Accrued liabilities	1,423,747	216,923
Lease payable - current (Note 5)	96,156	91,158
Unearned revenue and dues - current (Note 6)	38,572,296	47,102,891
Lease payable - long-term (Note 5)	1,285,120	-
Total liabilities	<u>41,410,390</u>	<u>47,477,533</u>
Net assets (Note 7):		
Without donor restrictions		
Designated for reserves	786,550	675,700
Undesignated	1,888,271	1,707,276
With donor restrictions	-	-
Total net assets	<u>2,674,821</u>	<u>2,382,976</u>
Total liabilities and net assets	<u>\$ 44,085,211</u>	<u>49,860,509</u>

See accompanying notes to financial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Activities
Year Ended June 30, 2024
(With comparative totals for the year ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Totals 2024	2023
Operating Activities:				
Unrestricted revenue and support:				
Contributions - grant contracts	\$ 12,804,126	-	12,804,126	10,908,538
Contributions - other	20,969	-	20,969	5,000
Member dues (Note 14)	579,972	-	579,972	506,511
Consulting fees (Note 14)	123,782	-	123,782	-
Donated services	19,661	-	19,661	107,493
Interest income	5,150	-	5,150	2
Miscellaneous income	-	-	-	-
	<u>13,553,660</u>	<u>-</u>	<u>13,553,660</u>	<u>11,527,544</u>
Subtotal	<u>13,553,660</u>	<u>-</u>	<u>13,553,660</u>	<u>11,527,544</u>
Net assets released from restrictions (Note 7)	<u>-</u>		<u>-</u>	<u>-</u>
Total unrestricted support and revenue	<u>13,553,660</u>	<u>-</u>	<u>13,553,660</u>	<u>11,527,544</u>
Expenses:				
Program services	<u>13,029,815</u>	<u>-</u>	<u>13,029,815</u>	<u>10,557,983</u>
Supporting services:				
General and administrative	774,057	-	774,057	664,003
Fundraising	16,011	-	16,011	12,296
Subtotal supporting services	<u>790,068</u>	<u>-</u>	<u>790,068</u>	<u>676,299</u>
Total expenses	<u>13,819,883</u>	<u>-</u>	<u>13,819,883</u>	<u>11,234,282</u>
Change in net assets from operations	(266,223)	-	(266,223)	293,262
Non-operating activities:				
Investment income	<u>558,068</u>	<u>-</u>	<u>558,068</u>	<u>292,913</u>
Total non-operating activities	<u>558,068</u>	<u>-</u>	<u>558,068</u>	<u>292,913</u>
Change in net assets	291,845	-	291,845	586,175
Net assets beginning of year	<u>2,382,976</u>	<u>-</u>	<u>2,382,976</u>	<u>1,796,801</u>
Net assets at end of year	<u>\$ 2,674,821</u>	<u>-</u>	<u>2,674,821</u>	<u>2,382,976</u>

See accompanying notes to financial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Functional Expenses
Year Ended June 30, 2024
(With comparative totals for the year ended June 30, 2023)

	Program Services	Supporting Services			Totals	
		General and Administrative	Fundraising	Subtotal	2024	2023
Salaries and related expenses:						
Salaries	\$ 1,617,427	367,921	16,011	383,932	2,001,359	1,555,030
Employee benefits	183,441	47,955	-	47,955	231,396	170,841
Payroll taxes	117,869	29,467	-	29,467	147,336	113,172
Total salaries and related expenses	1,918,737	445,343	16,011	461,354	2,380,091	1,839,043
Other expenses:						
Clinic grant support	88,128	-	-	-	88,128	85,000
Consultants	1,147,748	219,813	-	219,813	1,367,561	360,603
Donated services	-	19,661	-	19,661	19,661	107,993
Dues and subscriptions	25,345	-	-	-	25,345	15,623
Office equipment rental	4,046	-	-	-	4,046	4,198
Insurance	30,672	-	-	-	30,672	24,077
Conferences and meetings	68,125	5,660	-	5,660	73,785	38,332
Postage and delivery	726	-	-	-	726	20
Communication and printing	24,479	-	-	-	24,479	10,101
Rent-Occupancy (Note 5)	82,940	21,122	-	21,122	104,062	126,118
Professional fees	-	-	-	-	-	-
Repairs and maintenance	35,693	40,981	-	40,981	76,674	78,654
Telephone	31,236	-	-	-	31,236	30,116
Travel	58,598	-	-	-	58,598	36,189
Office supplies	91,343	3,089	-	3,089	94,432	48,569
Investment fees and other fees	22,625	23	-	23	22,648	34,944
Fund Project expense	174,207	2,500	-	2,500	176,707	176,442
Donations	-	8,900	-	8,900	8,900	-
Clinic member recipients	9,212,062	-	-	-	9,212,062	8,183,439
Total other expenses	11,097,973	321,749	-	321,749	11,419,722	9,360,418
Total expenses before depreciation	13,016,710	767,092	16,011	783,103	13,799,813	11,199,461
Depreciation and amortization (Notes 3 & 4)	13,105	6,965	-	6,965	20,070	34,821
Total expenses	\$13,029,815	774,057	16,011	790,068	13,819,883	11,234,282

See accompanying notes to financial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Cash Flows
Year Ended June 30, 2024
(With comparative totals for the year ended June 30, 2023)

	Totals	
	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 291,845	586,175
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	20,070	34,821
Right-to-use lease asset	-	93,893
Unrealized (gain) loss on investments	(119,398)	(59,322)
Decrease (increase) in contracts receivable	11,379,295	739,656
Decrease (increase) in accrued interest	-	-
Decrease (increase) in deposits and other assets	-	(26,625)
Decrease (increase) in prepaid expenses	(23,759)	(94,304)
(Decrease) increase in account payable	1,173,333	(390,584)
(Decrease) increase in deferred revenue	(8,530,595)	(8,233,819)
Net cash provided by (used for) operating activities	<u>4,190,791</u>	<u>(7,350,109)</u>
Cash flows from investing activities:		
Purchases of property, furniture and equipment	(158,618)	-
Proceeds from sale / maturity of investments	780,435	233,592
Purchase of investments	<u>-</u>	<u>(3,980,173)</u>
Net cash provided by (used for) investing activities	<u>621,817</u>	<u>(3,746,581)</u>
Cash flows from financing activities:		
Principal payments on lease payable	(91,158)	(96,628)
Deferred rent	<u>-</u>	<u>(13,273)</u>
Net cash provided by (used for) financing activities	<u>(91,158)</u>	<u>(109,901)</u>
Increase (decrease) in cash and cash equivalents	4,721,450	(11,206,591)
Cash and cash equivalents at beginning of year	<u>1,747,205</u>	<u>12,953,796</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,468,655</u></u>	<u><u>1,747,205</u></u>

Supplemental disclosures of noncash investing and capital related financing activities:

During the year ended June 30, 2024, the Organization entered into an operating lease in the amount of \$1,709,900.

Supplemental disclosure of cash flow information:

Cash paid for interest expense	<u>\$ -</u>	<u>-</u>
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See accompanying notes to financial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

June 30, 2024

(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:

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.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

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

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.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

(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, 2024 consisted of:

	<u>Level 1</u>
Money market	\$ 750,000
Government and agency securities	<u>4,565,076</u>
Total	<u>5,315,076</u>

(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.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

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

(i) Contributions

In accordance with ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions 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.

(j) Consulting Fees

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

(k) 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.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

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

(l) Prepaid Expenses

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

(m) Accrued Vacation

The Organization's policy is to record accumulated vacation when earned. As of June 30, 2024, the accrued vacation liability was \$132,048 and was recorded in accrued liabilities in the statement of net assets.

(n) 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 2023, 2022, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

(o) 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.

(p) 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, 2023 from which the summarized information was derived.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

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

(q) 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 \$19,661 of donated attorney services that were required to be recognized during the fiscal year ended June 30, 2024.

(r) Leases Payable

The Organization is a lessee for a noncancellable lease of office space which was classified as an operating lease. The Organization recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements in accordance with ASU 2016-02 - *Leases*. The Organization recognizes lease liabilities with an initial, individual value of \$10,000 or more. At the adoption date of the lease and in accordance with the modified retrospective approach under ASU 2018-11, the Organization initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease adoption date, plus certain initial direct costs. Subsequently, lease expense is calculated as the sum of the lease payments plus initial direct costs and is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Organization determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Organization uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Organization generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments. The Organization monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other fixed assets, and lease liabilities are reported with long-term debt on the Statement of Financial Position.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

(2) Contributions Receivable

At June 30, 2024, grant contract receivables in the amount of \$30,512,531 consist of both federal and non-federal receivables. Of that amount, \$30,380,581 is receivable from CalOptima which was offset by \$37,639,675 of unearned revenue (including \$7,259,094 from previous years) the majority of which 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, 2024:

Furniture and equipment	\$152,884
Computer equipment	125,196
Leasehold improvements	104,006
Right-to-use lease asset	<u>1,381,276</u>
	1,763,262
Accumulated depreciation	<u>(222,414)</u>
	<u>\$1,540,848</u>

Total depreciation expenses for the year ended June 30, 2024 was \$13,105.

(4) Software

Under ASC 350 *Intangibles-Goodwill and Others*, intangible assets with indefinite lives are not subject to periodic amortization (unless deemed with an estimated useful life), but rather reviewed on a periodic basis for impairment. There were no impairments of intangible assets for the year ended June 30, 2024. As of June 30, 2024, the Organization's intangible assets consisted of software which were deemed to have a useful life of approximately 3 years.

Intangible assets consist of the following at June 30, 2024:

Software	\$259,793
Accumulated amortization	<u>(259,793)</u>
	<u>\$ -</u>

Total amortization expenses for the year ended June 30, 2024 was \$6,965.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

(5) Lease Payable

The Organization is leasing their office facilities through an agreement that expires in December 2030 with monthly lease payments of average approximately \$265,000 with an interest rate of 6%. The initial lease liability was recorded in the amount of \$1,381,276 during the current fiscal year. As of June 30, 2024, the value of the lease liability was \$1,381,276 as lease payments commenced in October 2024. The total rent expense for the year ended June 30, 2024 was \$104,062. The initial value of the right-to-use asset was \$1,381,276 and has an estimated useful life of 6 years. As of June 30, 2024, the value of the asset was \$1,381,276. The expected future minimum lease payments over the terms of the aforementioned lease is as follows:

Year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	115,873	82,877	198,750
2026	189,076	75,924	265,000
2027	200,420	64,580	265,000
2028	212,446	52,554	265,000
2029	225,192	39,808	265,000
2030	238,704	26,296	265,000
2031	199,565	11,974	211,539
Total	<u>1,381,276</u>	<u>354,013</u>	<u>1,735,289</u>

(6) Unearned Revenue

Unearned revenue of \$38,572,296 at June 30, 2024 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.

(7) Net Assets

During the year ended June 30, 2024, there were no net assets that were released from donor restrictions.

As of June 30, 2024, \$2,524,821 of net assets were classified as without donor restrictions of which \$786,550 was designated by the Board for reserves.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

(8) Commitments and Contingencies

The Organization leases several equipment all of which were deemed immaterial and under the Organizations threshold for capitalization under ASU 2016-02.

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.

(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, 2024 (\$2 million each year for a total of \$6 million); The Organization also was awarded approximately \$490,000 from HRSA, as well as, numerous other grant contracts from several other agencies for funding through June 30, 2024. Additionally, it is the intent of the Organization to bid for funding from these agencies through June 30, 2025. Actual funding amounts from HRSA are dependent upon amounts allocated by various federal and state awarding agencies. Approximately 69% of the Organization 's revenues were provided by one grantor for fiscal year ended June 30, 2024. Approximately 99% of grants receivable was provided by one grantor as of June 30, 2024.

(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.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

(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, 2024, the Organization's Safe Harbor contribution amounted to \$73,227.

On November 13, 2017 the Organization executed the adoption of its Safe Harbor Basic Match 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, 2024:

Financial assets at year end:

Cash and cash equivalents	\$ 6,468,655
Contributions receivable	30,512,531
Investments	<u>5,315,076</u>

Total financial assets	<u>42,296,262</u>
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Less amounts not available
to be used within 1 year:

Unearned -owed to clinics	(26,204,249)
Reserve established by the Board	<u>(786,550)</u>

Subtotal	<u>(26,990,799)</u>
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Financial assets available to meet
general expenses over the next
12 months:

<u>\$ 15,305,463</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$3.4M). As part of its liquidity plan, the Organization invests excess cash in short-term marketable/ brokered certificates of deposit, and money market savings.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

(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, 2024, there were no 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, 2024, performance obligations were satisfied as follows:

At a point in time:	
Consulting fees	\$ 123,782
Overtime:	
Member dues	<u>579,972</u>
Total revenues from contracts	<u>\$ 703,754</u>

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Financial Statements

(Continued)

(15) Subsequent Events

Management has evaluated subsequent events through October 07, 2024, the date the financial statements were available to be issued.

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, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 07, 2024.

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.

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
October 07, 2024