
INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
(A California Nonprofit Organization)

**INDEPENDENT AUDITOR'S REPORT
AND
AUDITED FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

 **Patel &**
Associates, LLP
Certified Public Accountants

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Indian Health Center of Santa Clara Valley
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of Indian Health Center of Santa Clara Valley (a Non-Profit Organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indian Health Center of Santa Clara Valley as of June 30, 2015, 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.

Other Matters

Other 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 Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

The financial statements for the year ended June 30, 2014 were audited by us and we expressed an unmodified opinion on them in our report dated September 24, 2014. However, we have not performed any auditing procedures with respect to the June 30, 2014 financial statements since that date.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of Indian Health Center of Santa Clara Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indian Health Center of Santa Clara Valley's internal control over financial reporting and compliance.



Oakland, California
September 30, 2015

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(Summarized totals for 2014)

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents (Note 3)	\$ 5,226,141	\$ 4,303,501
Investments (Note 4)	3,775,084	2,264,726
Accounts receivable, net (Note 5)	1,906,443	1,880,741
Grants receivable, net (Note 6)	1,465,715	1,670,732
Deposits and prepaid expenses	<u>218,249</u>	<u>132,229</u>
Total current assets	<u>12,591,632</u>	<u>10,251,929</u>
Property and equipment (Note 7)		
Property and equipment, net of accumulated depreciation	<u>6,638,705</u>	<u>6,969,575</u>
Total assets	<u>\$ 19,230,337</u>	<u>\$ 17,221,504</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 296,536	\$ 200,426
Accrued salaries and fringe benefits	464,721	378,983
Accrued personal time off (Note 8)	616,579	536,791
Unearned income	<u>8,340</u>	<u></u>
Total current liabilities	<u>1,386,176</u>	<u>1,116,200</u>
Total liabilities	<u>1,386,176</u>	<u>1,116,200</u>
Net assets:		
Unrestricted	<u>17,844,161</u>	<u>16,105,304</u>
Total net assets	<u>17,844,161</u>	<u>16,105,304</u>
Total liabilities and net assets	<u>\$ 19,230,337</u>	<u>\$ 17,221,504</u>

The accompanying notes are an integral part of these financial statements.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(Summarized totals for 2014)

	Unrestricted	Temporarily restricted	Total	
			2015	2014
Revenues, gains and support:				
Patient service fee (net of contractual allowances and discounts) (Note 15)	\$ 12,832,283	\$	\$ 12,832,283	\$ 11,132,228
Provision for bad debts	<u>(229,689)</u>		<u>(229,689)</u>	<u>(666,592)</u>
Net patient service revenue less provision for bad debts	12,602,594		12,602,594	10,465,636
Capitation payments	775,155		775,155	442,076
Risk pool incentives	<u>806,473</u>		<u>806,473</u>	<u>387,506</u>
Total patient service revenue	14,184,222		14,184,222	11,295,218
Grant revenues	5,403,236	177,221	5,580,457	6,002,029
Donations and contributions	102,206	494,465	596,671	234,973
In-kind contributions		535,691	535,691	241,373
Other revenue (Note 16)	246,541		246,541	70,603
Fund raising revenue	51,453		51,453	56,084
Releases from temporarily restricted net assets (Note 17)	<u>1,207,377</u>	<u>(1,207,377)</u>		
Total revenues, gains and support	<u>21,195,035</u>		<u>21,195,035</u>	<u>17,900,280</u>
Expenses:				
Medical services	11,460,296		11,460,296	8,380,378
Dental services	2,335,116		2,335,116	1,336,186
Nutrition services	924,783		924,783	970,918
Counseling services	2,378,893		2,378,893	2,228,532
Community wellness services	1,269,885		1,269,885	1,195,604
Management and general	1,087,205		1,087,205	882,850
Building and equipment				<u>20,796</u>
Total expenses (Note 19)	<u>19,456,178</u>		<u>19,456,178</u>	<u>15,015,264</u>
Change in net assets	1,738,857		1,738,857	2,885,016
Net assets at beginning of year	<u>16,105,304</u>		<u>16,105,304</u>	<u>13,220,288</u>
Net assets at end of year	<u>\$ 17,844,161</u>	<u>\$</u>	<u>\$ 17,844,161</u>	<u>\$ 16,105,304</u>

The accompanying notes are an integral part of these financial statements.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(Summarized totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,738,857	\$ 2,885,016
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	449,695	437,932
Provision for doubtful accounts	229,689	666,592
Changes in operating assets and liabilities:		
(Increase)/Decrease in:		
Accounts receivable	(255,391)	(1,462,070)
Grants receivable	205,017	(579,801)
Deposits and prepaid expenses	(86,020)	14,567
Increase/(Decrease) in:		
Accounts payable and accrued expenses	96,110	(6,711)
Accrued salaries and fringe benefits	85,738	36,675
Accrued personal time off	79,788	53,801
Unearned revenue	8,340	(11,519)
Net cash provided by operating activities	<u>2,551,823</u>	<u>2,034,482</u>
Cash flows from investing activities:		
Purchase of property and equipment	(118,825)	(727,743)
Purchase of investments	<u>(1,510,358)</u>	<u>(24,243)</u>
Net cash used by investing activities	<u>(1,629,183)</u>	<u>(751,986)</u>
Net increase in cash and cash equivalents	922,640	1,282,496
Cash and cash equivalents at beginning of year	<u>4,303,501</u>	<u>3,021,005</u>
Cash and cash equivalents at end of year	<u>\$ 5,226,141</u>	<u>\$ 4,303,501</u>

The accompanying notes are an integral part of these financial statements.

**INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1: ORGANIZATION

Indian Health Center of Santa Clara Valley (“IHSCSV”) is a California nonprofit community-based organization that helps ensure the survival of American Indian Families and local community by providing quality health care, by supporting the healing process, by encouraging, educating, and empowering their clients in seeking and maintaining wellness and enhancing their quality of life, and by facilitating the equity and accessibility of comprehensive health care for the American Indian community. The services IHSCSV provides include medical, dental, counseling, community health services, and women, infant and children (WIC) nutrition programs. The majority of IHSCSV's funding is from Federal, California and County of Santa Clara grants and programs.

IHSCSV provides the following comprehensive, culturally competent services:

Medical Services: A full range of primary health services for low-income children, families and adults including general medical care, immunization, comprehensive prenatal and postnatal care, cancer prevention and screening, chronic disease management, and geriatric health services.

Dental Services: A full range of restorative, preventive, and general dentistry services.

Nutrition –WIC (Women-Infant-Children): Food vouchers, nutrition counseling, and breastfeeding support for low-income women and their children.

Counseling Services: Individual and group mental health counseling, psychiatric care, a state-certified outpatient substance abuse program, and traditional American Indian ceremonies and gatherings.

Community Wellness: Health education, an award-winning and evidence-based diabetes prevention program, fitness in a state-of-the-art facility, nutrition counseling, case management, community outreach, and integrated wellness and medical services.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

IHSCSV prepares its financial statements on the accrual basis of accounting recognizing revenues when earned and expenses when incurred.

B. Financial Statement Presentation

The accompanying financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of IHSCSV and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of IHSCSV and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets at June 30, 2015 and 2014.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by IHSCSV. Generally, the donors of these assets permit IHSCSV to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2015 and 2014.

Recent Accounting Guidance

IHSCSV follows the FASB guidance for Health Care Entities Presentation and Disclosure of Patient Service Revenue, Provision for Bad debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The amendments in this update require certain healthcare entities to change the presentation to their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those healthcare entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts), as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require the use of management estimates and assumptions that affect certain reported amounts of assets and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates and disclosures in these financial statements. The most significant estimates relate to depreciation and allowance for doubtful accounts on accounts receivable and grants receivable.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

D. Concentration of Credit Risk

Financial instruments that potentially subject IHSCSV to concentrations of credit risk is primarily cash and cash equivalents, investments, accounts and grants receivable.

IHSCSV deposits its cash accounts with several financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to legal limits. IHSCSV places its cash deposits with high-credit, quality financial institutions and has certificate of deposit placement programs with two financial institutions which, by policy, limit its credit exposure. IHSCSV has not experienced any losses in such amounts and believes it is not exposed to significant credit risk.

E. Fund Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources by the grantors, the accounts are maintained internally in accordance with the principles of fund accounting.

F. Cash and cash equivalents

IHSCSV considers all highly liquid instruments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

G. Investments

Investments consist of certificates of time deposit with maturities of more than three months at the date of acquisition.

H. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. IHSCSV provides for losses on accounts receivable using the allowance method. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms.

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, IHSCSV analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, IHSCSV analyzes contractually due amounts and provides an allowance for doubtful accounts

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), IHSCCV records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

I. Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained at a level believed adequate by management to absorb probable losses in the accounts receivable and grants receivable. Management's determination of the adequacy of the allowance is based on periodic evaluations of its receivables, its composition, past loss experience, current economic conditions, and other relevant factors and circumstances, which may affect the ability of patients to meet their obligations. At June 30, 2015 and 2014, management determined that allowances for doubtful accounts are adequate to reduce receivables at its net realizable value.

J. Property and Equipment

Property and equipment are stated at cost at the date of acquisition less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Leasehold improvements are amortized over the shorter of the term of the lease or useful life of the improvement usually over 7 years. Repairs and maintenance are expenses as incurred while major improvements that extend the useful life of an asset are capitalized.

Upon sale or retirement of property and equipment, the costs and related accumulated depreciation and amortization from the accounts. Any resulting gains and losses are included in the determination of changes in net assets. Items received by donation, gift or bequest are stated at fair market value at the date of donation.

IHSCCV capitalizes items with costs greater than or equal to \$5,000. Assets purchased with government grants are expended in accordance with government program guidelines.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

K. Accrued Personal Time Off

Unpaid vacation benefits are recognized as liabilities of IHCSCV in the unrestricted general program.

L. Revenues and Support

Government Grant revenue is funded primarily by Federal, State, and County grants which generally restrict the use of such funds to cover the operating expenses directly related to providing primary care services under contracts and grants. IHCSCV recognizes revenues from grant and contracts to the extent of expenditures incurred but not exceeding the actual grant and contract awards. These grants are recognized as revenues over the periods specified in the related grant award agreements or as earned.

Service revenues are recorded during the period in which services are rendered.

IHCSCV receives revenues from third-party payors and patients. IHCSCV has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Since the net realizable amounts are estimates, the ultimate settlement may be more or less than the amount included in the financial statements. The methods of establishing the estimates are continually analyzed, updated and reviewed and the difference between the estimated net realizable amounts and the related actual settlements are recognized in the period the revenues are settled.

While actual revenues could differ from those estimates, management does not expect the variances, if any, to have a material effect, on the financial statements.

IHCSCV's FQHC is reimbursed on interim basis for the difference between its tentative PPS rate and its Medi-Cal Managed Care reimbursement. The estimated amount reimbursed may differ from the actual amount when the final settlement determined by California Department of Health Service after submission of annual cost reports by IHCSCV. Annual reconciliation is required for the total interim reimbursements against the calculated amount of the actual number of encounter visits furnished by IHCSCV multiplied by the adjusted PPS rate. IHCSCV does not recognize the resulted adjustments as they cannot be reliably estimated or assured to be collected. Instead, IHCSCV recognizes the actual settlement payments/refunds when received or paid.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

IHCSCV participates in the Medicare program as a Federally Qualified Health Center (FQHC), which provides for cost reimbursement as an all-inclusive provider. This program provides reimbursement at a single rate for all types of services provided by IHCSCV on an encounter-reporting basis. IHCSCV also provides discounted medical services to self-pay patients on a sliding fee scale based on the patient's gross income. Sliding fee discounts are included in net service revenues in the accompanying statements of activities.

Donations and contributions that have been received for a specified purpose but have not yet been spent are recognized as temporarily restricted net assets. When the services are rendered, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. In-kind contributions are recognized as revenues at the amount that IHCSCV would have to pay for similar items, which approximates its fair market value. For the years 2015 and 2014, IHCSCV received in-kind donation in the form of vaccines amounting to approximately \$241,373 and \$185,500, respectively, from the State of California which was included in donations and contributions in the statements of activities.

IHCSCV received contributed services from unpaid volunteers performing a variety of tasks that assist IHCSCV with specific assistance programs and various committee assignments. The value of the contributed time is not reflected in the financial statements since it does not meet the criteria for recognition.

M. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

N. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities by program. Accordingly, certain costs and expenses have been allocated based on direct expenditures incurred among the programs and supporting services benefited.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

O. Advertising Costs

Advertising costs are reported in operating expenses and include costs of advertising and other marketing activities. IHCSCV accounts for advertising costs as non-direct response advertising. Accordingly, advertising costs are expensed as incurred.

P. Tax Exempt Status

IHCSCV is exempt from Federal income taxes under Section 501C (3) of the Internal Revenue Code and from California franchise taxes under Section 23701 (d) of the Revenue and Taxation Code. It is only required to submit annual federal and state information returns and no provision for Federal and State income taxes is required.

IHCSCV has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions and believes that all of the positions taken by IHCSCV in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. IHCSCV' returns are subject to examination by federal and state taxing authorities generally for three years and four years after they are filed.

Q. Reclassifications

Certain reclassifications of prior years amounts have been made to conform to the current year presentation.

R. Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class to facilitate financial analysis. 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 IHCSCV's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

NOTE 3: CASH AND CASH EQUIVALENTS

Bank balance before reconciling items at June 30, 2015 and June 30, 2014 amounted to \$5,454,936 and \$3,027,238 respectively, of which \$4,725,104 and \$2,298,638 respectively, is not covered by FDIC. It is the opinion of the management that the solvency of the financial institutions is not of a particular concern at this time.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 4: INVESTMENTS

Investments represent money market and certificate of deposit (CD) accounts at local US banks either with management's intent to invest the assets or their maturities of more than three months at the date of their origination. The maturity distribution of investments is as follows:

	<u>2015</u>	<u>2014</u>
Less than twelve months	\$ <u>3,775,084</u>	\$ <u>2,264,726</u>

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2015</u>	<u>2014</u>
Medical	\$ 1,306,888	\$ 1,236,081
Medicare	97,178	397,877
Child Health and Disability Prevention (CHDP)	212,515	231,930
Santa Clara Family Health Plan (SCFHP)	462,331	350,298
Third Party and Other Health Plans	253,548	145,103
Sliding Scale	<u>90,445</u>	<u>55,157</u>
Total accounts receivable	2,422,905	2,416,446
Less: Allowance for doubtful accounts	<u>(516,462)</u>	<u>(535,705)</u>
Accounts receivable, net	\$ <u>1,906,443</u>	\$ <u>1,880,741</u>

Changes in the allowance for doubtful accounts were as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 535,705	\$ 354,991
Allowance charged for the year	229,689	666,592
Write-offs	<u>(248,932)</u>	<u>(485,878)</u>
Balance, end of year	\$ <u>516,462</u>	\$ <u>535,705</u>

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IHCSCV's allowance for doubtful accounts at June 30, 2015 are 86% and 14% for third party insurance payors and self-pay patients respectively (at June 30, 2014: 94% and 6% respectively). IHCSCV's allowance for doubtful accounts for third party insurance payors decreased from 22% of total third party insurance payor accounts receivable at June 30, 2014 to 19% of third party insurance payor accounts receivable at June 30, 2015. In addition, IHCSCV's self-pay write-offs decreased \$192,977 from \$485,878 for fiscal year 2014 to \$342,901 for fiscal year 2015. This decrease was the result of positive trends experienced in the collection of amounts from self-pay patients in fiscal year 2015. IHCSCV has not changed its charity care or uninsured discount policies during fiscal years 2015 or 2014. IHCSCV does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

NOTE 6: GRANTS RECEIVABLE

IHCSCV's grants receivable are as follows:

	<u>2015</u>	<u>2014</u>
County of Santa Clara	\$ 401,634	\$ 605,862
Federal - Indian Health Services	551,294	381,798
Federal – Section 330 Grant	228,342	333,711
Federal – Women, Infants and Children Program	216,260	225,524
Others	<u>106,256</u>	<u>138,276</u>
Total grants receivable	1,503,786	1,685,171
Less: Allowance for Doubtful accounts	<u>(38,071)</u>	<u>(14,439)</u>
Grants receivable, net	<u>\$ 1,465,715</u>	<u>\$ 1,670,732</u>

Changes in the allowance for doubtful accounts were as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 14,439	\$ 167,750
Write-offs and adjustments	(176,568)	(153,311)
Allowance charged for the year	<u>200,200</u>	<u> </u>
Balance, end of year	<u>\$ 38,071</u>	<u>\$ 14,439</u>

**INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 2,254,126	\$ 2,254,126
Buildings and improvements	5,427,917	5,427,917
Furniture and equipment	158,708	117,777
Vehicles	54,434	54,434
Leasehold improvements	1,816,186	1,758,689
Work in progress	<u>20,398</u>	
Total	9,731,769	9,612,943
Accumulated depreciation and amortization	<u>(3,093,064)</u>	<u>(2,643,368)</u>
Net Book Value	<u>\$ 6,638,705</u>	<u>\$ 6,969,575</u>

Depreciation expense for the years ended June 30, 2015 and 2014 amounted to \$449,695 and \$437,932, respectively.

NOTE 8: COMPENSATED ABSENCES

Accumulated unpaid personal time off are recognized as liabilities of IHCSCV. The liability is recognized in the program to which the liability relates. The total liability for personal time off as of June 30, 2015 and 2014 amounted to \$616,579 and \$536,791 respectively.

IHCSCV operates a Personal Time off (PTO) System where the employee gained hours for unused vacation and sick leave is accounted. The accrued personal time are paid out at separation or severance of employment of the employee from IHCSCV. Vacation and sick leave charged to salaries during the years ended June 30, 2015 and 2014 amounted to \$79,788 and \$53,801, respectively.

NOTE 9: LEASE COMMITMENTS

IHCSCV leases its four satellite program sites in Santa Clara County, California under operating leases expiring in various years through 2017. These leases provide for annual escalation charges and renewal options.

**INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Aggregate future minimum lease commitments for the non-cancelable facility leases having remaining terms in excess of one year as of June 30, 2015, for each of the next four years and in the aggregate are:

Year ended June 30,		
2016	\$	876,524
2017		759,499
2018		369,562
2019		<u>282,080</u>
Total minimum future rental payments	\$	<u>2,287,664</u>

IHCSCV has other month-to-month operating leases and equipment rentals. Total rent expense for the years ended June 30, 2015 and 2014 amounted to \$760,050 and \$699,363 respectively.

NOTE 10: PENSION PLAN

IHCSCV maintains a 401(k) pension plan covering all employees who are eligible to participate in the plan. An employee is eligible for the 401(K) plan upon the first day of the month following the date of hire. An eligible employee may contribute up to a maximum of 100% of compensation subject to the maximum dollar limit determined by Internal Revenue Service each year. Upon attainment of age 21 and completion of a year of service, the 401(K) plan provides for a Center match of up to 2.5% of the participants' compensation. IHCSCV contributed \$101,260 and \$83,432 during the years ended June 30, 2015 and 2014, respectively, accounted for in employee benefits. The match has a 4-year graduated vesting provision.

NOTE 11: INSURANCE COVERAGE

At June 30, 2015, IHCSCV carried the following insurance coverage: (a) professional liability insurance and health care general liability insurance of \$2 million per occurrence and \$4 million aggregate, valid through April 1, 2016; (b) employee benefits program insurance of \$1 million per employee, per accident and in aggregate, valid through April 1, 2016; (c) Physicians Administrative Defense Coverage of \$100,000 per each administrative proceeding and \$500,000 aggregate limit, valid April 1, 2016; (d) directors' and officers' liability insurance of \$2 million, valid through March 22, 2016; (e) workers compensation and employer's liability insurance of \$1 million per employee, per accident and in aggregate, valid through April 1, 2016; and (f) automobile insurance coverage of \$1 million and property insurance coverage of \$6,136,328, valid through July 1, 2016.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 12: MALPRACTICE INSURANCE

IHCSCV as an eligible Federally Qualified Health Center (FQHC) is covered under the Federal Tort Claims Act (FTCA) through submission of an annual renewal deeming application to the U.S. Department of Health and Human Services, Health Resources and Services Administration, Bureau of Primary Health Care. The health center, their employees, and eligible contractors are considered federal employees for medical malpractice claims while acting within the scope of their employment. In addition to coverage under the FTCA, IHCSCV insures privately for professional liability coverage for any claims that may not be covered under FTCA. Under the policy, insurance premiums cover those claims asserted within policy limits. Management does not believe there are any material uninsured malpractice costs at June 30, 2015 and 2014.

NOTE 13: CONTINGENCIES

Future funding for IHCSCV's program is contingent upon the availability of funds from Federal, State, County and other sources, as well as the operating performance of the programs.

IHCSCV has received Federal, State and County funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, the management does not anticipate any material questioned costs for the contracts and grants administered during the period.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While IHCSCV is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have a material adverse effect on IHCSCV's financial position.

INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 14: CONTINGENT GRANT EXPENDITURE ADJUSTMENTS

Grants and contracts require the fulfillment of conditions, as set forth in the terms of the grant or contract agreements, and are subject to audit by the grantor. Failure to comply with these conditions could result in the return of funds to the grantor. Although this is a possibility, IHSCCV believes that it has complied with the conditions of the grants and no significant liabilities are expected to result from an audit.

NOTE 15: PATIENT SERVICE REVENUES

IHCSCCV has agreements with third-party payors that provide payments to IHSCCV at amounts different from its established rates. A summary of the payment arrangements with third-party payors follows:

Medicare: Medical services rendered to Medicare program beneficiaries are paid the lower of cost-based reimbursement or the FQHC cap per visit. IHSCCV is reimbursed at a tentative (“interim”) rate, with final settlement determined after submission of annual cost report by IHSCCV and audit thereof by the fiscal intermediary. In the opinion of management, any final settlement of the associated cost reports will not materially affect the financial statements of IHSCCV.

Medi-Cal: Medical, dental and behavioral health services rendered to Medi-Cal beneficiaries are paid under a Prospective Payment System, using rates established by IHSCCV’s “Base Years” cost reports filed under the previous cost-based reimbursement system. These rates are adjusted annually according to changes in the Medicare Economic Index and any approved changes in IHSCCV’s scope of service. IHSCCV is required to file a payment reconciliation report with the state.

**INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Patient service revenues by payor source for the years ended June 30, 2015 and 2014 are as follows:

	2015		
	<u>Patient Fees</u>	<u>Contractual Adjustments</u>	<u>Net</u>
Medi-Cal	\$ 10,332,664	\$ (51,830)	\$ 10,280,834
Medicare	513,552	105,868	619,420
Santa Clara Family Health Plan (SCFHP)	3,467,716	(2,306,553)	1,161,163
Child Health and Disability Prevention (CHDP)	439,429	(146,398)	293,031
Third Party and Other Health Plans	1,024,288	(965,369)	58,919
Self Pay	783,251	(357,591)	425,660
FQHC PPS Settlement*		(6,744)	(6,744)
	<u>\$ 16,560,900</u>	<u>\$ (3,728,617)</u>	<u>\$ 12,832,283</u>

* In the year ended June 30, 2015, IHCSCV received a settlement of \$37,245 for the fiscal year 2012 and paid back \$43,989 for the fiscal year 2010. FQHC PPS annual reconciliations were audited by State Department up to the end of the year 2012.

	2014		
	<u>Patient Fees</u>	<u>Contractual Adjustments</u>	<u>Net</u>
Medi-Cal	\$ 7,946,783	\$ (119,721)	\$ 7,827,062
Medicare	466,678	222,630	689,308
Santa Clara Family Health Plan (SCFHP)	2,067,768	(1,295,551)	772,217
Child Health and Disability Prevention (CHDP)	715,906	(154,121)	561,785
Third Party and Other Health Plans	1,491,843	(1,026,919)	464,924
Self Pay	678,387	(256,127)	422,260
FQHC PPS Settlement	394,672		394,672
	<u>\$ 13,762,037</u>	<u>\$ (2,629,809)</u>	<u>\$ 11,132,228</u>

**INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 16: OTHER REVENUE

Other revenue includes meaningful use and quality improvements incentive of \$227,094 and \$43,892 for the fiscal years ended June 30, 2015 and 2014 respectively.

NOTE 17: TEMPORARILY RESTRICTED NET ASSETS

Details of additions and releases to temporarily restricted net assets are as follows:

Community Health Partnership (CHP)	\$	327,239
Blue Shield of California Foundation		90,000
Council on Aging		27,976
Palo Alto Medical Foundation		49,250
First 5 Santa Clara County		177,221
In-kind contributions		<u>535,691</u>
Total funds received during the year		1,207,377
Amounts released from restrictions		<u>(1,207,377)</u>
	\$	<u><u>-0-</u></u>

NOTE 18: EVALUATION OF SUBSEQUENT EVENT

Management has evaluated subsequent events through September 30, 2015 the date at which the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

NOTE 19: TOTAL EXPENSES

The total expenses incurred for the year are detailed as follows:

	Program Services						Support Service	Total		
	Medical Services	Dental Services	Nutrition Services	Counseling Services	Community Wellness Services	Total Program Services	Management and General	Total Support Services	2015	2014
EXPENSES										
Salaries	\$ 4,934,674	\$ 1,256,406	\$ 479,743	\$ 1,226,485	\$ 518,801	\$ 8,416,109	\$ 1,753,288	\$ 1,753,288	\$ 10,169,397	\$ 8,122,897
Employee benefits	797,701	144,782	93,026	222,953	78,148	1,336,610	356,495	356,495	1,693,105	1,076,615
Contractual services	1,186,326	1,397	522	9,261	207,022	1,404,528	70,628	70,628	1,475,156	1,534,507
Supplies	1,048,999	154,492	13,929	25,265	14,652	1,257,337	83,004	83,004	1,340,341	870,392
Rent and leases	525,755	8,890	90,396	92,439	1,989	719,469	119,809	119,809	839,278	699,363
Payroll taxes	347,277	99,171	37,916	87,386	44,252	616,002	134,047	134,047	750,049	610,651
Communications	156,676	36,024	30,450	40,898	19,455	283,503	305,516	305,516	589,019	217,033
Depreciation and amortization	254,041	45,716	50	65,862	64,230	429,899	19,796	19,796	449,695	437,932
Repairs and maintenance	201,138	124,526	1,580	13,842	9,670	350,756	20,918	20,918	371,674	184,367
Professional fees	79,360	28,047	1,090	34,156	34,988	177,641	128,551	128,551	306,192	319,111
Dues and subscriptions	118,020	29,753	1,598	42,321	27,865	219,557	48,395	48,395	267,952	234,303
Occupancy	135,232	31,210	15,232	32,034	14,039	227,747	17,700	17,700	245,447	188,935
Miscellaneous	37,636		1,899	34,964	16,642	91,141	37,566	37,566	128,707	79,416
Dental and laboratory fees	67,860	51,895				119,755			119,755	77,428
Recruitment and training	62,044	10,556	3,427	8,465	2,729	87,221	26,087	26,087	113,308	113,622
Insurance	37,228	4,894	3,874	6,320	5,308	57,624	42,203	42,203	99,827	65,531
Legal	300				37,633	37,933	46,168	46,168	84,101	16,164
Travel	6,285	883	5,052	32,966	5,907	51,093	28,525	28,525	79,618	42,770
Food	6,939	1,857	758	6,246	2,376	18,176	24,466	24,466	42,642	35,324
Taxes, licenses and permits	17,060	5,066	250	7,333	970	30,679			30,679	16,361
Printing	20,589	343	124	805	3,288	25,149	3,663	3,663	28,812	30,993
Postage	6,610	49	74	52		6,785	16,164	16,164	22,949	24,662
Advertising							5,340	5,340	5,340	2,332
Small equipment purchase		760	2,175			2,935			2,935	14,555
Bad debts	121,446	40,259		38,495		200,200			200,200	
Allocated overhead	1,291,100	258,140	141,618	350,345	159,921	2,201,124	(2,201,124)	(2,201,124)		
Total expenses	\$ 11,460,296	\$ 2,335,116	\$ 924,783	\$ 2,378,893	\$ 1,269,885	\$ 18,368,973	\$ 1,087,205	\$ 1,087,205	\$ 19,456,178	\$ 15,015,264

SUPPLEMENTARY INFORMATION

**INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES :</u>			
<u>Direct Programs:</u>			
Health Center Cluster	93.224		\$ 799,770
Health Center Cluster	93.527		<u>292,420</u>
			<u>1,092,190</u>
Urban Indian Health 4-in-1 Program	93.193		811,850
Special Diabetes Programs for Indians	93.237		328,010
Special Diabetes Programs for Indian Competitive Grant	93.442		364,153
Substance Abuse and Mental Health Services "Future Generations"	93.243		<u>197,851</u>
Total Department of Health and Human Services			<u>2,794,054</u>
<u>DEPARTMENT OF AGRICULTURE</u>			
<u>Pass-through from the State Department of Health and Human Services:</u>			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557		<u>787,224</u>
Total Department of Agriculture			<u>787,224</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,581,278</u>

Note 1: Basis of Presentation

The above schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Indian Health Center of Santa Clara Valley (IHSCCV) under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of IHSCCV, it is not intended to and does not present the financial position, changes in net assets or cash flows of IHSCCV.

Note 2: Summary of Significant Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting. Pass-through entity identifying numbers are presented where available.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Indian Health Center of Santa Clara Valley
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Indian Health Center of Santa Clara Valley (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indian Health Center of Santa Clara Valley's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Indian Health Center of Santa Clara Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of Indian Health Center of Santa Clara Valley'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 Indian Health Center of Santa Clara Valley'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Palmieri & Associates, LLP

Oakland, California
September 30, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

The Board of Directors
Indian Health Center of Santa Clara Valley
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Indian Health Center of Santa Clara Valley's compliance with the types of compliance requirements described in the *OMB Circular A-133 compliance Supplement* that could have a direct and material effect on each of Indian Health Center of Santa Clara Valley's major federal programs for the year ended June 30, 2015. Indian Health Center of Santa Clara Valley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Indian Health Center of Santa Clara Valley's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Indian Health Center of Santa Clara Valley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Indian Health Center of Santa Clara Valley 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, 2015.

Report on Internal Control Over Compliance

Management of Indian Health Center of Santa Clara Valley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Indian Health Center of Santa Clara Valley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Indian Health Center of Santa Clara Valley's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Palm & Associates, LLP

Oakland, California
September 30, 2015

**INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.193	Urban Indian Health 4-in-1 Program
93.237	Special Diabetes Programs for Indians
93.243	Substance Abuse and Mental Health Services "Future Generations"

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**INDIAN HEALTH CENTER OF SANTA CLARA VALLEY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings reported in the prior year.