

**Indian Health Center of Santa Clara Valley**

Financial Statements  
and Single Audit Reports and Schedules

June 30, 2019  
(With Comparative Totals for 2018)



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Indian Health Center of Santa Clara Valley (a California nonprofit corporation) ("IHCSCV"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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 of America. 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, 2019, 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.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, IHCSCV has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

### **Other Matter**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019, on our consideration of IHCSCV'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 the effectiveness of IHCSCV's 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 IHCSCV's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited Indian Health Center of Santa Clara Valley's 2018 financial statements, and our report dated October 15, 2018 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino<sup>LLP</sup>  
San Jose, California

October 11, 2019

Indian Health Center of Santa Clara Valley  
Statement of Financial Position  
June 30, 2019  
(With Comparative Totals for 2018)

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 9,275,150	\$ 10,409,660
Investments	168,691	167,766
Patient accounts receivable, net	2,945,878	2,267,978
Grants and contributions receivable, net	2,362,082	1,968,142
Other receivables	457,890	451,482
Deposits and prepaid expenses	423,199	369,605
Total current assets	15,632,890	15,634,633
Property and equipment, net	12,269,414	11,564,737
Total assets	\$ 27,902,304	\$ 27,199,370
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 583,258	\$ 331,436
Accrued expenses	911,018	772,818
Accrued personal time off	946,237	864,436
Deferred revenue	31,247	-
Due to MediCal - PPS settlements	2,255,519	2,605,975
Other current liabilities	190,482	1,639,752
Note payable, current portion	52,803	50,918
Total current liabilities	4,970,564	6,265,335
Note payable, net of current portion	1,705,785	1,758,589
Total liabilities	6,676,349	8,023,924
Net assets		
Without donor restrictions	21,144,709	19,115,446
With donor restrictions	81,246	60,000
Total net assets	21,225,955	19,175,446
Total liabilities and net assets	\$ 27,902,304	\$ 27,199,370

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, 2019  
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues and support				
Patient service fees (net of contractual allowances and discounts)	\$ 19,401,186	\$ -	\$ 19,401,186	\$ 16,376,696
Recovery of bad debts	253,295	-	253,295	253,363
Risk pool, quality incentive and other revenues	1,207,857	-	1,207,857	1,929,965
Capitation revenues	1,592,380	-	1,592,380	1,647,733
Grants	8,806,585	-	8,806,585	6,729,596
Contributions	87,923	399,000	486,923	611,128
In-kind contributions	-	1,092,715	1,092,715	1,126,866
Net assets released from restriction	<u>1,470,469</u>	<u>(1,470,469)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>32,819,695</u>	<u>21,246</u>	<u>32,840,941</u>	<u>28,675,347</u>
Functional expenses				
Program services				
Medical services	18,470,457	-	18,470,457	17,249,077
Dental services	3,425,872	-	3,425,872	3,250,151
Nutrition services	920,314	-	920,314	888,199
Counseling services	2,866,519	-	2,866,519	2,451,209
Community wellness services	<u>910,946</u>	<u>-</u>	<u>910,946</u>	<u>888,344</u>
Total program services	26,594,108	-	26,594,108	24,726,980
Management and general	<u>4,196,324</u>	<u>-</u>	<u>4,196,324</u>	<u>3,912,161</u>
Total functional expenses	<u>30,790,432</u>	<u>-</u>	<u>30,790,432</u>	<u>28,639,141</u>
Change in net assets	2,029,263	21,246	2,050,509	36,206
Net assets, beginning of year	<u>19,115,446</u>	<u>60,000</u>	<u>19,175,446</u>	<u>19,139,240</u>
Net assets, end of year	<u>\$ 21,144,709</u>	<u>\$ 81,246</u>	<u>\$ 21,225,955</u>	<u>\$ 19,175,446</u>

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

Indian Health Center of Santa Clara Valley  
Statement of Functional Expenses  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)

	Program Services					Total Program Services	Management and General	2019 Total	2018 Total
	Medical Services	Dental Services	Nutrition Services	Counseling Services	Community Wellness Services				
Personnel expenses									
Salaries and wages	\$ 8,329,172	\$ 2,050,237	\$ 499,535	\$ 1,463,103	\$ 529,059	\$ 12,871,106	\$ 2,286,691	\$ 15,157,797	\$ 14,445,604
Employee benefits	1,899,356	469,677	134,719	314,354	83,710	2,901,816	391,589	3,293,405	2,920,695
Payroll taxes	593,371	148,360	37,472	108,350	39,827	927,380	148,165	1,075,545	1,101,382
Total personnel expenses	<u>10,821,899</u>	<u>2,668,274</u>	<u>671,726</u>	<u>1,885,807</u>	<u>652,596</u>	<u>16,700,302</u>	<u>2,826,445</u>	<u>19,526,747</u>	<u>18,467,681</u>
Contractual services	2,503,362	34,649	2,750	281,484	14,203	2,836,448	223,708	3,060,156	2,907,171
Supplies	1,876,310	184,243	17,276	48,625	19,258	2,145,712	81,863	2,227,575	2,157,502
Rent and leases	682,380	19,032	127,024	153,739	13,111	995,286	182,187	1,177,473	1,113,804
Depreciation and amortization	611,450	134,469	2,990	71,073	68,487	888,469	5,738	894,207	705,107
Occupancy	491,921	69,249	38,143	55,208	34,592	689,113	48,991	738,104	616,552
Professional services	375,128	62,789	4,772	83,749	35,405	561,843	86,216	648,059	589,141
Miscellaneous	158,781	13,486	420	84,202	6,509	263,398	220,727	484,125	373,735
Dues and subscriptions	246,769	43,573	7,255	33,819	9,248	340,664	76,393	417,057	361,023
Communications	150,501	31,123	12,353	25,442	14,003	233,422	40,894	274,316	302,831
Recruitment and training	57,661	9,075	5,607	21,028	6,228	99,599	128,577	228,176	179,755
Building renovation	138,206	43,944	1,800	17,291	8,529	209,770	17,476	227,246	161,153
Legal services	24,322	6,936	132	495	3,135	35,020	112,659	147,679	74,782
Insurance	80,088	18,356	4,032	10,113	4,899	117,488	12,176	129,664	119,455
Dental and laboratory fees	68,739	59,608	-	-	-	128,347	-	128,347	114,505
Travel	9,112	1,445	5,614	47,145	9,595	72,911	50,640	123,551	108,096
Equipment rental	55,805	1,616	15,867	8,210	2,310	83,808	16,573	100,381	49,687
Food	17,261	1,896	1,079	30,258	3,032	53,526	36,349	89,875	83,136
Interest	56,524	15,026	-	-	-	71,550	-	71,550	73,540
Taxes, licenses and permits	22,689	6,280	100	4,483	2,397	35,949	1,281	37,230	36,491
Postage	9,424	253	37	114	5	9,833	14,485	24,318	17,371
Printing	12,065	386	113	2,005	3,404	17,973	2,630	20,603	13,130
Advertising	60	164	1,224	2,229	-	3,677	10,316	13,993	13,493
	<u>\$ 18,470,457</u>	<u>\$ 3,425,872</u>	<u>\$ 920,314</u>	<u>\$ 2,866,519</u>	<u>\$ 910,946</u>	<u>\$ 26,594,108</u>	<u>\$ 4,196,324</u>	<u>\$ 30,790,432</u>	<u>\$ 28,639,141</u>
Percentage of total	<u>60 %</u>	<u>11 %</u>	<u>3 %</u>	<u>9 %</u>	<u>3 %</u>	<u>86 %</u>	<u>14 %</u>	<u>100 %</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, 2019  
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 2,050,509	\$ 36,206
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	894,207	705,107
Changes in operating assets and liabilities		
Patient accounts receivable, net	(677,900)	688,871
Grants and contributions receivable, net	(393,940)	(641,005)
Other receivables	(6,408)	(451,482)
Deposits and prepaid expenses	(53,594)	14,500
Accounts payable	251,822	(230,722)
Accrued expenses	138,200	49,280
Accrued personal time off	81,801	(62,733)
Deferred revenue	31,247	-
Due to MediCal - PPS settlements	(350,456)	2,605,975
Other current liabilities	(1,449,271)	1,326,561
Net cash provided by operating activities	516,217	4,040,558
Cash flows from investing activities		
Purchase of property and equipment	(1,598,884)	(178,034)
Proceeds from maturity of certificate of deposits	-	85,062
Purchase of investments - reinvestment of interest earned	(925)	-
Net cash used in investing activities	(1,599,809)	(92,972)
Cash flows from financing activities		
Loan payments made	(50,918)	(48,928)
Net cash used in financing activities	(50,918)	(48,928)
Net increase (decrease) in cash and cash equivalents	(1,134,510)	3,898,658
Cash and cash equivalents, beginning of year	10,409,660	6,511,002
Cash and cash equivalents, end of year	\$ 9,275,150	\$ 10,409,660
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 71,550	\$ 73,540

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

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

1. NATURE OF OPERATIONS

Indian Health Center of Santa Clara Valley ("IHSCCV") is a California nonprofit community-based organization that helps ensure the survival of American Indian Families and the local community by providing quality health care and wellness services by supporting the healing process, by encouraging, educating, and empowering its 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 IHSCCV provides include medical, dental, counseling, community health services, and women, infant, and children (WIC) nutrition programs. The majority of IHSCCV's funding is from Federal, California and County of Santa Clara grants and programs.

IHSCCV 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 Services - WIC (Woman-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 Services: 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Financial statement presentation

The accompanying financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions.

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

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

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of IHCSCV and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. There were net assets with donor restrictions of \$81,246 at June 30, 2019 and \$60,000 at June 30, 2018. Net assets subject to donor-imposed restrictions include net assets held in perpetuity by IHCSCV. Generally, the donors of these assets permit IHCSCV to use all or part of the income earned on any related investments for general or specific purposes. There were no net assets held in perpetuity at June 30, 2019 and 2018.

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, support 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 amortization and allowance for doubtful accounts on patient accounts receivable and grants and contributions receivable.

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, 2018, from which the summarized information was derived.

Cash and cash equivalents

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

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist of certificate of deposits with maturities of more than three months at the date of acquisition.

Patient accounts receivable

IHCSCV's patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. IHCSCV manages the receivables by regularly reviewing its accounts and contracts and by providing appropriate reserves for contractual allowances and uncollectible amounts, based upon historical and expected net collections from each major payor source. Significant concentrations of net patient accounts receivables reside in receivables from MediCal as of June 30, 2019 and 2018. Management believes there is minimal credit risk associated with receivables from government programs.

Patient accounts receivable are reported in the financial statements at their expected realizable amounts and adjusted for an allowance for doubtful accounts. Bad debts are provided for using the reserve method and are calculated based on historical payment trends and specific account information. 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, IHCSCV analyzes contractually due amounts and provides an allowance for doubtful accounts 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). Accounts are written off to the bad debt allowance from receivables when confirmation is received that an account has been determined to be uncollectible. At June 30, 2019 and 2018, IHCSCV estimates that a reserve for doubtful accounts of \$411,965 and \$665,260 is necessary for its outstanding patient receivables.

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), IHCSCV 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.

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful accounts

The allowance for doubtful accounts is maintained at a level believed adequate by management to absorb probable losses in the patient accounts receivable and grants and contributions 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, 2019 and 2018, management has determined that allowances for doubtful accounts are adequate to reduce receivables to their expected net realizable value.

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 expensed 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 are removed. 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 value at the date of donation.

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

Concentration of credit risk

Financial instruments that potentially subject IHCSCV to concentrations of credit risk are primarily cash and cash equivalents, investments, patient accounts receivable and grants and contributions receivable.

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

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and support

Government grant revenue is funded primarily by Federal, State, and County grants which generally limit the use of such funds to cover the operating expenses directly related to providing primary care services under contracts and grants. IHSCCV recognizes revenues from grants 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.

IHSCCV receives revenues from third-party payors and patients. IHSCCV 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.

IHSCCV provides medical and dental services to MediCal beneficiaries that are reimbursed under a prospective payment system ("PPS") using prospective per-visit rates established by previous cost reports filed with MediCal. IHSCCV is reimbursed on an interim basis for the difference between its PPS rate and its MediCal Managed Care reimbursement. The final determination of revenues earned from MediCal for each fiscal year is based upon a reconciliation of actual payments and visits that is filed annually with the Health and Human Services Agency, Department of Health Care Services (DHCS). The estimated reimbursement may differ from the actual payments received as determined by the reconciliation reports and can result in a receivable from or a liability due to DHCS. These reconciliation settlement amounts are subject to future audit and final settlement by DHCS, with any audit adjustments recognized by IHSCCV upon final or tentative settlement by DHCS.

During the year June 30, 2019, IHSCCV revised the estimated PPS reconciliation settlement amounts for the years June 30, 2015 through 2018 based upon further analysis of the MediCal visit and payment data for these years. IHSCCV also recorded the estimated PPS reconciliation settlement amount for the year ended June 30, 2019. The estimated liability due to DHCS for all years is \$2,255,519 and is reflected in the statement of financial position as Due to MediCal - PPS settlements at June 30, 2019. The impact on current year patient service fees related to recognizing this liability was \$(371,993), which is comprised of \$328,007 for the settlement years June 30, 2015 through June 30, 2018, and \$700,000 for the settlement year June 30, 2019.

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and support (continued)

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 statement of activities.

Donations and contributions that have been received for a specified purpose but have not yet been spent are classified as net assets with restrictions. When the services are rendered, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restriction. In-kind contributions are recognized as revenues at the amount that IHCSCV would have to pay for similar items, which approximates its fair value. For the years ended June 30, 2019 and 2018, IHCSCV received in-kind donations in the form of vaccines amounting to \$1,092,715 and \$1,126,866, respectively, from the State of California which is reported as in-kind contributions in the statement 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 this contributed time is not reflected in the financial statements since it does not meet the criteria for recognition.

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 function. Accordingly, certain costs and expenses have been allocated based on direct expenditures incurred among the programs and support services benefited. In addition, occupancy, rent and leases, and depreciation and amortization of expenses is allocated based on the square footage.

Income tax status

IHCSCV is exempt from Federal income taxes under Section 501(c)(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's returns are subject to examination by federal and state taxing authorities generally for three years (federal) and four years (state) after they are filed.

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. IHSCCV determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- *Level 1* - quoted market prices are available in active market for identical assets or liabilities as of the reporting date. Certificate of deposits held by IHSCCV are considered to be level 1 investments.
- *Level 2* - pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- *Level 3* - pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Subsequent events

Management has evaluated subsequent events through October 11, 2019, the date on which the financial statements were available to be issued.

There were no subsequent events, that would have a material impact on the financial statements of IHSCCV as of June 30, 2019.

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

2. Enhancing disclosures about:

- a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
- b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
- c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
- d. Methods used to allocate costs among program and support functions.

IHCSCV adopted the provisions of ASU 2016-14 in 2019, and has applied the amendments on a retrospective basis in 2018, with the option to omit the disclosures about liquidity and availability of resources for the prior-year comparative period.

3. PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable consist of the following:

	2019	2018
MediCal	\$ 1,795,274	\$ 1,727,933
Medicare	412,481	258,569
Child Health and Disability Prevention (CHDP)	993	25,585
Santa Clara Family Health Plan (SCFHP)	581,317	213,275
Third party and other health plans	450,792	593,021
Sliding scale	116,986	114,855
	3,357,843	2,933,238
Allowance for doubtful accounts	(411,965)	(665,260)
	\$ 2,945,878	\$ 2,267,978

4. PATIENT SERVICE FEES

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

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

4. PATIENT SERVICE FEES (continued)

- 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 an 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.
- MediCal: Medical, dental and behavioral health services rendered to MediCal 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 annually.

Patient service fees for the year ended June 30, 2019 consist of the following:

	<u>Patient Fees</u>	<u>Contractual Adjustments</u>	<u>Total</u>
MediCal	\$ 13,972,984	\$ 1,036,728	\$ 15,009,712
MediCal PPS rate settlements	(371,993)	-	(371,993)
Medicare	2,580,812	(1,202,471)	1,378,341
Medicare Cost Report settlements	1,070,813	-	1,070,813
Santa Clara Family Health Plan (SCFHP)	4,794,128	(3,430,319)	1,363,809
Child Health and Disability Prevention (CHDP)	395,668	(177,663)	218,005
Third party and other health plans	677,150	(200,089)	477,061
Self-pay	<u>864,565</u>	<u>(609,127)</u>	<u>255,438</u>
	<u>\$ 23,984,127</u>	<u>\$ (4,582,941)</u>	<u>\$ 19,401,186</u>

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

4. PATIENT SERVICE FEES (continued)

Patient service fees for the year ended June 30, 2018 consist of the following:

	<u>Patient Fees</u>	<u>Contractual Adjustments</u>	<u>Total</u>
MediCal	\$ 13,760,446	\$ 783,174	\$ 14,543,620
MediCal PPS rate settlements	(1,647,241)	-	(1,647,241)
Medicare	2,509,936	(1,107,406)	1,402,530
Medicare Cost Report settlements	297,779	-	297,779
Santa Clara Family Health Plan (SCFHP)	3,983,346	(3,237,123)	746,223
Child Health and Disability Prevention (CHDP)	852,439	(575,988)	276,451
Third party and other health plans	624,284	(182,123)	442,161
Self-pay	<u>823,216</u>	<u>(508,043)</u>	<u>315,173</u>
	<u>\$ 21,204,205</u>	<u>\$ (4,827,509)</u>	<u>\$ 16,376,696</u>

5. DUE TO MEDICAL - PPS SETTLEMENTS

As discussed in Note 2, IHCSCV has determined their estimated PPS rate reconciliation settlements based upon PPS reconciliation reports prepared for MediCal services provided for the years ended June 30, 2015 through June 30, 2019, resulting in an estimated net liability to DHCS of \$2,255,519.

6. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consist of the following:

	<u>2019</u>	<u>2018</u>
County of Santa Clara	\$ 1,606,883	\$ 1,546,555
Federal - Indian Health Services	34,502	64,761
Federal - HRSA Section 330 grant	185,251	99,539
Federal - Women, Infants, and Children Program	295,563	214,176
Others	<u>327,954</u>	<u>131,182</u>
	2,450,153	2,056,213
Allowance for doubtful accounts	<u>(88,071)</u>	<u>(88,071)</u>
	<u>\$ 2,362,082</u>	<u>\$ 1,968,142</u>

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2019	2018
Land	\$ 3,985,126	\$ 3,985,126
Buildings and improvements	4,985,390	4,985,390
Leasehold improvements	7,603,439	7,330,254
Furniture and equipment	411,092	341,291
Computer equipment	207,469	207,469
Vehicles	77,173	77,173
Work in progress	1,348,711	92,813
	18,618,400	17,019,516
Accumulated depreciation and amortization	(6,348,986)	(5,454,779)
	\$ 12,269,414	\$ 11,564,737

Depreciation and amortization expense for the years ended June 30, 2019 and 2018, amounted to \$894,207 and \$705,107, respectively.

8. NOTES PAYABLE

Notes payable are detailed as follows:

	2019	2018
<u>First Republic Bank Promissory Note</u> - A fixed term / adjustable rate loan payable in monthly installments with a maturity date of November 1, 2025. Fixed rate interest (3.95%) period is until September 1, 2020. Following September 1, 2020 until the maturity date, lender shall increase or decrease the Note Rate in accordance with the loan's terms and conditions. The new Note Rate which becomes effective on each Interest Change Date shall be equal to the Current Index applicable to the Interest Change Date plus 2.80% per annum rounded upward to the next highest 0.125%, unless the result of such addition is equal to a number which is a multiple of 0.125%. The note is collateralized by real property at 2039 Forest Avenue, Unit 105, 204 and B2, San Jose, California 95128.	\$ 1,758,588	\$ 1,809,507
Current portion	(52,803)	(50,918)
	\$ 1,705,785	\$ 1,758,589

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

8. NOTES PAYABLE (continued)

The future maturities of the note payable are as follows:

<u>Year ending June 30,</u>	
2020	\$ 52,803
2021	55,194
2022	57,590
2023	59,000
2024	61,000
Thereafter	<u>1,473,001</u>
	1,758,588
Current portion	<u>(52,803)</u>
	<u><u>\$ 1,705,785</u></u>

9. LEASE COMMITMENTS

IHCSCV leases several office facilities under non-cancelable operating leases that expire at various times through 2024. These leases provide for annual escalation charges and renewal options.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2020	\$ 595,710
2021	420,437
2022	394,161
2023	268,502
2024	178,356
Thereafter	<u>44,916</u>
	<u><u>\$ 1,902,082</u></u>

IHCSCV has other month-to-month operating leases and equipment rentals. Total rent expense for the years ended June 30, 2019 and 2018 amounted to \$1,007,382 and \$956,244, respectively.

Subsequent to June 30, 2019, IHCSCV renewed several of its facility leases and the future commitments under those leases are not reflected in the table above.

Indian Health Center of Santa Clara Valley  
Notes to Financial Statements  
June 30, 2019  
(With Comparative Totals for 2018)

10. PENSION PLAN

IHCSCV maintains a 401(k) pension plan ("Plan") covering all employees who are eligible to participate in the plan. All regular employees who have completed 60 days of service are eligible to enroll in the Plan on the first day of the month following eligibility. 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. The Plan provides for a match of \$1 for \$1 on the first 3% of compensation, and \$.50 for \$1 on the next 2% of compensation. The match is fully vested immediately. IHCSCV contributed \$356,659 and \$376,946 during the years ended June 30, 2019 and 2018, respectively, accounted for in employee benefits.

11. 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 requiring application to the U.S. Department of Health and Human Services, Health Resources and Services Administration, Bureau of Primary Health Care. IHCSCV, 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, 2019 and 2018.

12. 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, 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  
June 30, 2019  
(With Comparative Totals for 2018)

13. 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, IHCSCV believes that it has complied with the conditions of the grants and no significant liabilities are expected to result from an audit.

14. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of IHCSCV's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Patient accounts receivable, grants and contributions receivable and other receivables consist of amounts expected to be received within one year from June 30, 2019. These receivables will be available to support general operations of IHCSCV.

The following is a quantitative disclosure which describes financial assets available as of June 30, 2019 to fund general expenditures and other obligations for one year:

Financial assets

Cash and cash equivalents	\$ 9,275,150
Investments	168,691
Patient accounts receivable, net	2,945,878
Grants and contributions receivable, net	2,362,082
Other receivables	<u>457,890</u>
	15,209,691
Less: amounts unavailable to meet cash needs for general expenditures within one year	
Net assets with purpose restrictions	<u>(81,246)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,128,445</u>

SINGLE AUDIT REPORTS AND SCHEDULES



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

To the Board of Directors  
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 California nonprofit corporation) ("IHSCCV"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered IHSCCV'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 IHSCCV's internal control. Accordingly, we do not express an opinion on the effectiveness of IHSCCV'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 IHSCCV'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 IHSCCV's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IHSCCV's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
San Jose, California

October 11, 2019



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

To 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 (a California nonprofit corporation) ("IHCSCV")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of IHCSCV's major federal programs for the year ended June 30, 2019. IHCSCV'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

**Opinion on Each Major Federal Program**

In our opinion, IHCSCV 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, 2019.

## Report on Internal Control Over Compliance

Management of IHCSCV 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 IHCSCV's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IHCSCV'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 weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Armanino<sup>LLP</sup>  
San Jose, California

October 11, 2019

Indian Health Center of Santa Clara Valley  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Health and Human Services			
Direct awards			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Primary Care)	93.224		\$ 2,438,738
Urban Indian Health Services	93.193		948,860
Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	93.237		255,896
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		359,350
Grants for Capital Development in Health Centers	93.526		933,918
Demonstration Projects for Indian Health	93.933		373,277
Pass-through program from:			
Native American Health Center			
Substance Abuse and Mental Health Services Projects of Regional and National Significance - Red Vision	93.243		148,119
Substance Abuse and Mental Health Services Projects of Regional and National Significance - Native Youth Wellness Initiative	93.243		52,205
A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health	93.762		<u>117,671</u>
Total U.S. Department of Health and Human Services			<u>5,628,034</u>
U.S. Department of Agriculture			
Pass-through program from:			
California State Department of Health and Human Services WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		<u>871,561</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,499,595</u></u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.

Indian Health Center of Santa Clara Valley  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Indian Health Center of Santa Clara Valley ("IHCSCV") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of IHCSCV, it is not intended to and does not present the financial position, changes in net assets, or cash flows of IHCSCV.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Expenditures reported on the Schedule are reported on the accrual basis of accounting.
- Expenditures of federal awards are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

Indian Health Center of Santa Clara Valley has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Indian Health Center of Santa Clara Valley  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Grants for Capital Development in Health Centers	93.526
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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, 2019

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Indian Health Center of Santa Clara Valley  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2019

There were no prior year findings.