



INDEPENDENT AUDITOR'S
REPORT AND FINANCIAL
STATEMENTS



El Centro Family Health

FOR THE YEAR ENDED MAY 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

**EL CENTRO FAMILY HEALTH
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**EL CENTRO FAMILY HEALTH
OFFICIAL ROSTER
AS OF MAY 31, 2022**

BOARD OF DIRECTORS

| | |
|------------------------|-----------------|
| Jackie Feeler | Chair |
| Evaristo Maestas | Vice-Chair |
| Janette Archuleta | Secretary |
| Sinforosa Lovato | Treasurer |
| Sylvia A. Vigil | Member At Large |
| Richard Frey | Member |
| Juliet Garcia-Gonzales | Member |
| Paul A. (Tony) Guiles | Member |
| Nesha Morse | Member |
| Jeffrey Less | Member |
| Mateo Fernandez | Member |

ADMINISTRATION

| | |
|-----------------|--------------------------|
| Lore Pease, CPA | Chief Executive Officer |
| Francine Kain | Chief Financial Officer |
| Jerome Williams | Chief Operations Officer |
| Mark Bjorklund | Chief Clinical Officer |



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
El Centro Family Health
Española, New Mexico

Report on Financial Statements

Opinion

We have audited the accompanying financial statements of El Centro Family Health, which comprise the statement of financial position as May 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of El Centro Family Health as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about El Centro Family Health's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of El Centro Family Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluate the overall presentation of financial statements.
- Conclude whether in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about El Centro Family Health's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited El Centro Family Health's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

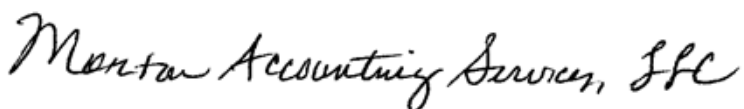
Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022 on our consideration of El Centro Family Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of El Centro Family Health'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 El Centro Family Health's internal control over financial reporting and compliance.

MORTON ACCOUNTING SERVICES, LLC



Santa Fe, New Mexico
August 31, 2022

**EL CENTRO FAMILY HEALTH
STATEMENT OF FINANCIAL POSITION
MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

| ASSETS | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 9,864,187 | \$ 8,974,375 |
| Certificates of deposit | 210,151 | 208,928 |
| Membership purchase | - | - |
| Patient receivables, net of allowance for doubtful accounts and adjustments of \$506,050 and \$488,250 | 1,082,081 | 1,331,506 |
| Contract and grants receivable | 507,797 | 584,774 |
| Inventory | 182,292 | 174,346 |
| Prepaid expenses | 13,630 | 15,399 |
| | <u>11,860,138</u> | <u>11,289,328</u> |
| NONCURRENT ASSETS | | |
| Property, equipment and leased assets, net of accumulated depreciation and amortization of \$9,651,763 and \$8,945,047 | 5,737,872 | 4,829,487 |
| Certificates of deposit, collateralized | 672,998 | 669,274 |
| Refundable deposits | 4,800 | 4,800 |
| | <u>6,415,670</u> | <u>5,503,561</u> |
| TOTAL ASSETS | <u><u>\$ 18,275,808</u></u> | <u><u>\$ 16,792,889</u></u> |

See auditor's report and accompanying notes to financial statements

**EL CENTRO FAMILY HEALTH
STATEMENT OF FINANCIAL POSITION
MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

LIABILITIES AND NET ASSETS

| | 2022 | 2021 |
|---|---------------|---------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 367,652 | \$ 173,126 |
| Accrued expenses | 1,312,874 | 1,342,410 |
| Paycheck Protection Program forgivable loan | - | 2,455,790 |
| Paycheck Protection Program, imputed interest | - | 28,650 |
| Long term debt - current portion | 361,633 | 65,115 |
| Lease liability - current portion | 132,826 | - |
| | 2,174,985 | 4,065,091 |
| TOTAL CURRENT LIABILITIES | | |
| NONCURRENT LIABILITIES | | |
| Long-term debt | - | 361,633 |
| Long-term lease liability | 454,035 | - |
| | 454,035 | 361,633 |
| TOTAL NONCURRENT LIABILITIES | | |
| | 2,629,020 | 4,426,724 |
| TOTAL LIABILITIES | | |
| NET ASSETS | | |
| Without donor restrictions | 15,554,733 | 12,253,059 |
| With donor restrictions | 92,055 | 113,106 |
| | 15,646,788 | 12,366,165 |
| TOTAL NET ASSETS | | |
| TOTAL LIABILITIES AND NET ASSETS | \$ 18,275,808 | \$ 16,792,889 |

See auditor's report and accompanying notes to financial statements

**EL CENTRO FAMILY HEALTH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

| | Without Donor Restrictions | With Donor Restrictions | 2022 Total | 2021 Total |
|--|-------------------------------|----------------------------|----------------------|----------------------|
| Operating activities | | | | |
| REVENUES, GAINS AND OTHER SUPPORT | | | | |
| Support from the public: | | | | |
| Federal grants | \$ 7,815,338 | \$ - | \$ 7,815,338 | \$ 7,774,097 |
| State of New Mexico grants | 872,612 | - | 872,612 | 872,612 |
| Other contracts and grants | 1,036,410 | - | 1,036,410 | 896,342 |
| Donations | 15,202 | 28,000 | 43,202 | 53,653 |
| In-kind service revenue | 106,000 | - | 106,000 | 106,000 |
| Revenue released from restriction | 49,051 | (49,051) | - | - |
| Total public support | <u>9,894,613</u> | <u>(21,051)</u> | <u>9,873,562</u> | <u>9,702,704</u> |
| Revenue: | | | | |
| Net patient service revenue | 13,274,976 | - | 13,274,976 | 13,404,007 |
| Other revenue | 184,087 | - | 184,087 | 15,949 |
| Total revenue | <u>13,459,063</u> | <u>-</u> | <u>13,459,063</u> | <u>13,419,956</u> |
| Total support and revenue | <u>23,353,676</u> | <u>(21,051)</u> | <u>23,332,625</u> | <u>23,122,660</u> |
| EXPENSES | | | | |
| Healthcare services | <u>19,032,147</u> | <u>-</u> | <u>19,032,147</u> | <u>18,089,412</u> |
| Supporting services: | | | | |
| Management and general | 3,432,209 | - | 3,432,209 | 3,055,800 |
| Fundraising | 85,239 | - | 85,239 | 73,372 |
| Total support services | <u>3,517,448</u> | <u>-</u> | <u>3,517,448</u> | <u>3,129,172</u> |
| Total expenses | <u>22,549,595</u> | <u>-</u> | <u>22,549,595</u> | <u>21,218,584</u> |
| Change in net assets from operations | <u>804,081</u> | <u>(21,051)</u> | <u>783,030</u> | <u>1,904,076</u> |
| Nonoperating activities | | | | |
| Interest revenue | <u>13,153</u> | <u>-</u> | <u>13,153</u> | <u>13,619</u> |
| Total nonoperating activities | <u>13,153</u> | <u>-</u> | <u>13,153</u> | <u>13,619</u> |
| Change in net assets | 817,234 | (21,051) | 796,183 | 1,917,695 |
| Extraordinary Gain | 2,484,440 | - | 2,484,440 | - |
| NET ASSETS, beginning of year | <u>12,253,059</u> | <u>113,106</u> | <u>12,366,165</u> | <u>10,448,470</u> |
| NET ASSETS, end of year | <u>\$ 15,554,733</u> | <u>\$ 92,055</u> | <u>\$ 15,646,788</u> | <u>\$ 12,366,165</u> |

See auditor's report and accompanying notes to financial statements

EL CENTRO FAMILY HEALTH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

| | 2022 | | | 2021 | |
|-------------------------------------|------------------------|---------------------------|------------------|----------------------|----------------------|
| | Healthcare Services | Management and General | Fundraising | Total | Total |
| Salaries | \$ 12,013,713 | \$ 1,984,918 | \$ 70,345 | \$ 14,068,976 | \$ 13,804,632 |
| Payroll taxes | 898,463 | 137,725 | 5,207 | 1,041,395 | 869,701 |
| Employee benefits | 1,676,846 | 250,855 | 9,687 | 1,937,388 | 1,783,416 |
| Total salaries and related expenses | <u>14,589,022</u> | <u>2,373,498</u> | <u>85,239</u> | <u>17,047,759</u> | <u>16,457,749</u> |
| Contractual services | 979,546 | 775,530 | - | 1,755,076 | 1,290,723 |
| Supplies | 1,063,870 | 67,068 | - | 1,130,938 | 910,920 |
| Telecommunications | 322,091 | 42,193 | - | 364,284 | 423,273 |
| Rental and lease | 215,317 | 6,394 | - | 221,711 | 291,419 |
| Provision for bad debt | 165,654 | - | - | 165,654 | 234,019 |
| Equipment purchases | 186,776 | - | - | 186,776 | 218,359 |
| Utilities | 175,756 | 28,926 | - | 204,682 | 184,740 |
| Janitorial services | 169,184 | - | - | 169,184 | 169,653 |
| Maintenance and repair | 73,030 | 29,802 | - | 102,832 | 117,284 |
| Insurance | 115,402 | 19,614 | - | 135,016 | 114,797 |
| Conferences, meetings and travel | 68,541 | 16,533 | - | 85,074 | 74,607 |
| Staff development | 92,644 | 15,469 | - | 108,113 | 72,611 |
| Interest | 33,280 | 16 | - | 33,296 | 44,967 |
| Advertising | 45,476 | 9,845 | - | 55,321 | 29,341 |
| Dues, subscriptions and licenses | 20,345 | 9,850 | - | 30,195 | 23,790 |
| Printing, publishing, and Postage | 19,762 | 6,029 | - | 25,791 | 18,139 |
| Other | 6,208 | 7,799 | - | 14,007 | 13,573 |
| Board relations | 5,086 | 259 | - | 5,345 | 705 |
| Professional fees | - | - | - | - | 254 |
| | <u>3,757,968</u> | <u>1,035,327</u> | <u>-</u> | <u>4,793,295</u> | <u>4,233,174</u> |
| Total expenses before depreciation | 18,346,990 | 3,408,825 | 85,239 | 21,841,054 | 20,690,923 |
| Depreciation and amortization | <u>685,157</u> | <u>23,384</u> | <u>-</u> | <u>708,541</u> | <u>527,661</u> |
| Total expenses | <u>\$ 19,032,147</u> | <u>\$ 3,432,209</u> | <u>\$ 85,239</u> | <u>\$ 22,549,595</u> | <u>\$ 21,218,584</u> |

See auditor's report and accompanying notes to financial statements

**EL CENTRO FAMILY HEALTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

| | 2022 | 2021 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash from grants and contracts | \$ 23,160,084 | \$ 22,484,413 |
| Cash from other sources | 227,289 | 69,602 |
| Interest income | 13,153 | 13,619 |
| Cash paid to employees and suppliers | (21,376,976) | (20,295,945) |
| Interest paid | (33,296) | (16,317) |
| | 1,990,254 | 2,255,372 |
| CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property & equipment | (975,049) | (750,587) |
| Proceeds from sale of Property & equipment | 16,335 | - |
| Proceeds from sale of Investments | - | 200,000 |
| Purchase of investments | (4,947) | (6,181) |
| | (963,661) | (556,768) |
| CASH USED FOR INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term debt | - | - |
| Lease payments on Lease Asset | (71,666) | - |
| Payments on long-term debt | (65,115) | (101,998) |
| | (136,781) | (101,998) |
| CASH USED FOR (PROVIDED BY) FINANCING ACTIVITIES | | |
| NET INCREASE IN CASH | 889,812 | 1,596,606 |
| CASH AT BEGINNING OF YEAR | 8,974,375 | 7,377,769 |
| CASH AT END OF YEAR | \$ 9,864,187 | \$ 8,974,375 |
| NONCASH ITEMS: | | |
| Right of use assets added to property and equipment | \$ 658,527 | - |
| Extraordinary gain recognized on forgiveness of debt - Paycheck Protection Program | \$ 2,484,440 | - |

See auditor's report and accompanying notes to financial statements

**EL CENTRO FAMILY HEALTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

| | 2022 | 2021 |
|--|---------------------|---------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 796,183 | \$ 1,917,695 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 708,541 | 527,661 |
| Provision for bad debt | 165,654 | 234,019 |
| Imputed interest, PPP Loan | - | 28,650 |
| Changes in assets and liabilities: | | |
| Patient receivable, net | 83,771 | (617,286) |
| Other receivables | 76,977 | (21,682) |
| Inventory | (7,946) | (39,992) |
| Prepaid expenses | 1,769 | (13,628) |
| Accounts payable | 194,526 | (9,100) |
| Accrued expenses | (29,536) | 249,035 |
| Loss (Gain) on sale of fixed assets | 315 | - |
| Total adjustments | 1,194,071 | 337,677 |
| CASH PROVIDED BY OPERATING ACTIVITIES | \$ 1,990,254 | \$ 2,255,372 |

See auditor's report and accompanying notes to financial statements

EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

NOTE A - NATURE OF ACTIVITIES

El Centro Family Health (ECFH) is a non-profit New Mexico corporation that provides healthcare services primarily to people living in rural areas of northern New Mexico. ECFH operates primary care medical clinics in the communities of Taos, Coyote, Embudo, Española, La Loma, Las Vegas, Peñasco, Roy, San Miguel, Springer, Truchas, and Wagon Mound, as well as the Student Health Center at New Mexico Highlands University. ECFH also operates school based clinics in Española, Peñasco, Springer, West Las Vegas, Robertson High School, Sierra Vista Middle School and Taos Middle and High Schools. ECFH also operates dental clinics in Española, Peñasco and Las Vegas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting. The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than when received and expenses are recognized when the related liability is incurred rather than when paid.

Accounting method. ECFH prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections (formerly Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations [958-205]). Under 958-205, ECFH is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets. Net assets without donor restrictions — Represents Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of ECFH'S management and the board of directors. Net assets with donor restrictions — subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ECFH or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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

EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to ECFH's ongoing healthcare and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and cash equivalents. For purposes of the statements of cash flows, ECFH considers all highly liquid debt instruments with a maturity date of three months or less at the time of purchase to be a cash equivalent. Cash and cash equivalents consist of checking accounts, savings accounts and cash on hand. ECFH maintains its cash accounts at various local financial institutions. The balances in these institutions exceed federally insured limits.

Inventory. Inventories consist of medical and pharmaceutical supplies stated at the lower of cost or net realizable value, with cost being determined by the first-in, first-out method.

Account and other receivables. Receivables are recorded net of the allowance for doubtful accounts. ECFH records an allowance based on the history of past collections. Accounts are written off as a charge to the valuation allowance in the year they are determined to be uncollectible. No allowance has been made for contract and other receivables.

Significant estimates - patient receivables. A significant estimate is made by management related to the collectability of patient service receivables. Management makes these estimates based on the individual funding sources and aging of the receivables based on historical experience. It is reasonable that management's estimates could change significantly if new information is provided to the organization. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect our collection of accounts receivable. The process of estimating the allowance for doubtful accounts requires us to estimate the collectability of self-pay and other third-party payor accounts receivable, which is primarily based on our collection history, adjusted for expected recoveries and, if available, anticipated changes in collection trends.

Prepaid expenses. Prepaid expenses primarily represent insurance premiums paid during the year for coverage which extends through part of the following year.

EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment. Property and equipment acquisitions in excess of \$2,500 are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is recorded over the estimated useful life of each class of depreciable asset, which range from 5 to 20 years, and is computed using the straight-line method. Repairs and maintenance are charged to expense as incurred.

Impairment of long-lived assets. ECFH accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections, Accounting for the Impairment of Long-Lived Assets. ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of May 31, 2022.

Advertising costs. ECFH expenses all advertising costs in the period in which they are incurred.

Net patient service revenue. ECFH has agreements with third-party payors that provide for payments to ECFH at amounts different from its established rates. Payment arrangements include reimbursed costs, capitation 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, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Contractual adjustments represent the difference between ECFH's billings at established rates for services and amounts reimbursed by third-party payors. Services rendered to Medicare and certain Medicaid program beneficiaries are paid at predetermined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. A summary of the payment arrangements with major third-party payors is as follows:

Medicare. Services provided to Medicare beneficiaries are paid based on a cost reimbursement methodology. ECFH is paid for cost reimbursable items on an interim rate per encounter with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

**EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net patient service revenue (continued)

Medicaid. The State of New Mexico administers its Medicaid program through contracts with several Managed Care Organizations (MCO). Medicaid beneficiaries are required to enroll with one of the MCOs. The State pays each MCO per member, per month rate based on their current enrollment. As a result, beyond the "withhold" amounts discussed below, the MCOs assume the financial risk of providing healthcare to their members. This arrangement, called Centennial Care, has been implemented for ECFH's clinics. ECFH contracted with each of the MCOs through the New Mexico Health Care Coalition, a Physician Hospital Organization (PHO). Two of the MCOs fund the PHO based on a percentage per member, per month rate paid by the State of New Mexico (the other reimburses providers based strictly on a fee schedule). These funding amounts are allocated to separate pools for the hospital, physicians, and ancillary providers. During the contract year, ECFH is paid on a fee schedule basis, less a 15 percent withhold. Reinsurance provides coverage for patients with excess hospital and primary care costs. This arrangement limits exposure of financial risk to PHO providers. At the end of the plan year, payments made to providers will be compared to the amounts provided in each pool. If a net surplus exists, the providers would receive some or all of their withholdings. Any surplus above the amount of the withholdings would be distributed based on a predetermined risk formula. If a net deficit exists, some or all of their withholdings would be retained.

Any deficit above the withholdings would be offset by reducing the reimbursement amounts during the following period.

Beginning January 1, 2014, the State of New Mexico still utilized MCO's, however the MCO pays the Organization based on an established fee per all-inclusive encounter. The Organization bills the MCO and receives payment based on the flat fee regardless of actual charges/costs.

Sliding fee scale. ECFH provides care to patients who meet federal poverty guidelines under a sliding fee scale policy at amounts less than its established rates. Revenues are recorded at gross charges with a deduction of fee revenue by recording a contractual allowance according to each sliding scale. They utilize the direct write off method when recording the contractual allowances; see Note M for the breakout of the contractual allowance relating to patient income.

Private insurance. ECFH has agreements with multiple private insurance groups.

Federal and State Grant Revenue. Revenue for grants is recognized when funds are spent in accordance with contractual provisions. Contracts and other receivables represent amounts due for expenditures incurred by year-end, but not yet reimbursed.

EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated services. Donated services are recognized as contributions in accordance with FASB ASC 958-605, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets, (b) require specialized skills and are performed by people with those skills, and (c) would otherwise be purchased by ECFH. Donated goods are recorded at the estimated fair market value at the time of donation.

Distinguishing bad debt from charity care policy. ECFH distinguishes bad debt from charity care. Bad debt is an expense that is no longer collectible and may be written off. Charity care is healthcare provided for free or at a reduced price to low income patients that experiencing financial hardship.

Income taxes. ECFH files their Federal Form 990 tax return in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. The Organization is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2019. The organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

ECFH recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses, when applicable. No provision for the effects of uncertain tax positions has been recorded for the years ended May 31, 2022 or 2021.

**EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among healthcare services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

| Expense | Method of Allocation |
|-----------------------------------|----------------------|
| Salaries and benefits | Time and effort |
| Contractual services | Full time equivalent |
| Supplies | Full time equivalent |
| Rental and Lease | Square footage |
| Telecommunications | Square footage |
| Utilities | Square footage |
| Maintenance and repair | Square footage |
| Provision for bad debt | Actual costs |
| Conferences, meeting, travel | Full time equivalent |
| Janitorial services | Square footage |
| Staff development | Full time equivalent |
| Insurance | Full time equivalent |
| Dues, subscriptions, and licenses | Full time equivalent |
| Printing, publishing, and Postage | Full time equivalent |
| Equipment purchases | Actual costs |
| Board relations | Full time equivalent |
| Interest | Actual costs |
| Advertising | Full time equivalent |
| Other | Actual costs |

Estimates. The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior year comparative totals. The financial statements include certain prior-year summarized comparative information in total but not in each net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ECFH's financial statements for the year ended May 31, 2021.

Reclassifications. Certain prior year amounts have been reclassified to conform to the current year presentation.

**EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant and indirect cost rate finalization. The grants and contracts operated by ECFH are subject to a closing audit process by federal granting agencies subsequent to the end of a grant period. At this time, no reasonable estimate can be made as to adjustments, if any, in amounts due to or from grantors that may result from the closing process. Actual general and administrative costs reported in the accompanying statements of activities, and for prior years since inception of ongoing grants, exceeded billed costs, and management believes no material reimbursements to granting agencies are due.

Compensated absences. Regular part-time and full-time employees accrue Paid Time Off (PTO) based on length of service. ECFH employees may accrue and carry-over up to 120 hours (15 days) of PTO.

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents ECFH's financial assets at May 31:

| Financial assets at year end: | 2022 | 2021 |
|---|---------------|---------------|
| Cash and cash equivalents | \$ 9,864,187 | \$ 8,974,375 |
| Certificates of deposit | 210,151 | 208,928 |
| Receivables | 1,589,878 | 1,916,280 |
| | 11,664,216 | 11,099,583 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | 92,055 | 113,106 |
| Less net assets with purpose restrictions to be met in less than a year | - | - |
| | 92,055 | 113,106 |
| Financial assets available for expenditures over next 12 months | \$ 11,572,161 | \$ 10,986,477 |

ECFH's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$5.1 million). As part of its liquidity plan, excess cash is invested in certificates of deposit.

EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

NOTE D - CASH AND CASH EQUIVALENTS

At May 31, cash and cash equivalents were the following:

| | 2022 | 2021 |
|--|--------------|--------------|
| Southwest Capital Bank - Savings | \$ 6,576,588 | \$ 5,854,055 |
| Southwest Capital Bank - Payroll | 722,708 | 750,383 |
| Community 1st Bank | 164,157 | 257,271 |
| Various banking institutions | 1,640,409 | 1,407,092 |
| Southwest Capital Bank - Operating Account | 757,550 | 702,874 |
| Petty Cash | 2,775 | 2,700 |
| Total cash and cash equivalents | \$ 9,864,187 | \$ 8,974,375 |

NOTE E - CERTIFICATES OF DEPOSIT

ECFH has the following certificates of deposit:

| Current: | 2022 | 2021 |
|--|------------|------------|
| Del Norte Credit Union, .8% interest, matures 12/2022 | \$ 210,151 | \$ 208,928 |
| Total current | 210,151 | 208,928 |
| Noncurrent, collateralized: | | |
| Community 1st Bank, .5% interest, matures 3/2023 restricted by depositor as collateral for debt agreements held by Southwest Capital Bank | 500,000 | 500,000 |
| Southwest Capital Bank, 2.20% interest, matures 11/2023 restricted by depositor as collateral for debt agreements held by Southwest Capital Bank | 172,998 | 169,274 |
| Total noncurrent | 672,998 | 669,274 |
| Total investments | \$ 883,149 | \$ 878,202 |

EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

NOTE F - PATIENT RECEIVABLES, CONCENTRATIONS OF CREDIT RISK

ECFH grants credit without collateral to its patients, most of whom are residents of ECFH's service area. Accounts receivable related to patient services revenue as of May 31 is as follows:

| | <u>2022</u> | <u>2022</u> | <u>2021</u> | <u>2021</u> |
|-------------------------|---------------------|-------------|---------------------|-------------|
| | Amount | Percentage | Amount | Percentage |
| Self-pay | \$ 239,652 | 15% | \$ 158,633 | 9% |
| Medicaid | 257,134 | 16% | 388,313 | 21% |
| Private insurance | 494,483 | 31% | 555,093 | 31% |
| Medicare | 545,931 | 34% | 703,233 | 39% |
| Other contracts | 50,931 | 0% * | 14,484 | 1% |
| | <u>1,588,131</u> | | <u>1,819,756</u> | |
| Less Allowance | <u>(506,050)</u> | | <u>(488,250)</u> | |
| Net patient receivables | <u>\$ 1,082,081</u> | | <u>\$ 1,331,506</u> | |

* constitutes less than 1% of the total

NOTE G - CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable as of May 31 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| State of New Mexico Department of Health | | |
| NM Rural Primary Health Care Act | \$ 176,115 | \$ 58,705 |
| NM High Risk Pregnancy | 2,537 | 1,268 |
| School-Based | 312,667 | 284,500 |
| U.S. Department of Health and Human Services | - | 214,823 |
| Rio Arriba County Mill Levy | 10,000 | 20,000 |
| Presbyterian | 5,250 | 4,500 |
| Other | 1,228 | 978 |
| | <u>\$ 507,797</u> | <u>\$ 584,774</u> |

All contract and grant receivables are expected to be collected in full, and therefore, management has not established an allowance for uncollectible amounts.

EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment at May 31 include:

| | 2021 | Additions | Deletions | 2022 |
|--|---------------------|-------------------|--------------------|---------------------|
| Land | \$ 75,457 | \$ - | \$ - | \$ 75,457 |
| Buildings | 7,333,167 | 287,049 | (16,221) | 7,603,995 |
| Equipment and fixtures | 3,736,796 | 607,200 | (2,255) | 4,341,741 |
| Leasehold improvements | 2,372,328 | 50,729 | - | 2,423,057 |
| Right of Use Assets | - | 658,527 | - | 658,527 |
| Vehicles | 256,786 | 30,071 | - | 286,857 |
| | <u>13,774,534</u> | <u>1,633,576</u> | <u>(18,476)</u> | <u>15,389,634</u> |
| Less Accumulated Depreciation and Amortization | <u>(8,945,047)</u> | <u>(708,541)</u> | <u>1,826</u> | <u>(9,651,762)</u> |
| Property and Equipment, net | <u>\$ 4,829,487</u> | <u>\$ 925,035</u> | <u>\$ (16,650)</u> | <u>\$ 5,737,872</u> |

Depreciation and amortization expense for the years ended May 31, 2022 and 2021 was \$708,541 and \$527,661, respectively.

NOTE I - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at May 31:

| | 2022 | 2021 |
|---------------------------|---------------------|---------------------|
| Accrued salaries | \$ 625,370 | \$ 590,064 |
| Accrued vacation | 622,866 | 723,251 |
| FICA and FSA liabilities | 60,638 | 26,695 |
| Other accrued liabilities | 4,000 | 2,400 |
| Total accrued liabilities | <u>\$ 1,312,874</u> | <u>\$ 1,342,410</u> |

EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

NOTE J - PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

The United States Congress created the Paycheck Protection Program (PPP) as part of the \$2 trillion Coronavirus Aid Relief and Economic Security (CARES) Act., P.L. 116-136. The legislation authorized the United States Treasury to use the SBA's 7(a) small business lending program to fund forgivable loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent and utilities.

Congress designed the loans to support organizations facing economic hardships created by the coronavirus pandemic and assist them in continuing to pay employee salaries. PPP loan recipients can have their loans forgiven in full if the funds were used for eligible expenses and other criteria are met. The amount of the loan forgiveness may be reduced based on the percentage of eligible costs attributed to nonpayroll costs, any decrease in employee headcount, and decreases in salaries or wages per employee.

ECFH applied for and received a PPP loan in the amount of \$2,455,790. The loan was funded on April 9, 2020. As of May 31, 2021, ECFH has used the entirety of \$2,455,790 of the loan proceeds toward qualifying PPP expenses. ECFH applied for loan forgiveness. ECFH was granted forgiveness on June 14, 2021. An extraordinary gain on extinguishment of debt for the full loan amount of \$2,484,440, which includes imputed annual interest of 1% for the term of the loan of \$28,650, was recognized in fiscal year 2022.

NOTE K - LONG-TERM DEBT

Long-term debt consisted of the following at May 31:

| | 2021 | Additions | Deletions | 2022 |
|--|------------|-----------|-------------|------------|
| Notes and mortgages payable | \$ 426,748 | \$ - | \$ (65,115) | \$ 361,633 |
| | \$ 426,748 | \$ - | \$ (65,115) | \$ 361,633 |
| | | | 2022 | 2021 |
| 3.25% fixed mortgage loan, payable to Community 1st Bank, in monthly installments of \$6,500, including interest, due February 2023; secured by real estate. | | | 361,633 | 426,748 |
| | | | 361,633 | 426,748 |
| Less current portion | | | (361,633) | (65,115) |
| Long-term debt less current portion above | | | \$ - | \$ 361,633 |

EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

NOTE K - LONG-TERM DEBT (continued)

Long-term debt matures as follows for the years ending May 31,

| | | | |
|--|---------------|----|---------|
| | 2023 | \$ | 370,749 |
| | Thereafter | | - |
| | | | 370,749 |
| | Less interest | | (9,116) |
| | Total | \$ | 361,633 |

NOTE L - LEASES

ECFH leases facilities and equipment under leases that expire in various months and years between June 2018 and May 2029. Monthly lease payments range from \$250 to \$5,078, and lease terms range from 6 months to 240 months.

In accordance with Accounting Standards Update (ASU) No. 2016-02, *Leases*, ECFH has identified leases that meet the criteria of right-of-use assets under the standard. The present value of the remaining lease payments at the time of implementation has been captured as a right-of-use lease asset using a rate of 3%, in the amount of \$658,527 (see Note H). The lease asset is amortized on a straight-line basis over the life of the lease. Amortization expense is \$114,872 for fiscal year ending May 31, 2022.

The corresponding liability of \$658,527 was also recorded. The balance as of May 31, 2022 is as follows:

| | 7/1/2021 | Additions | Deletions | 6/30/2022 |
|-----------------|------------|-----------|-------------|------------|
| Lease Liability | \$ 658,527 | \$ - | \$ (71,666) | \$ 586,861 |
| | \$ 658,527 | \$ - | \$ (71,666) | \$ 586,861 |

Minimum future lease payments as of May 31, 2022, are as follows:

| Year | Principal | Interest | Total Payment |
|------------|------------|-----------|---------------|
| 2023 | \$ 132,826 | \$ 17,606 | \$ 150,432 |
| 2024 | 136,811 | 13,621 | 150,432 |
| 2025 | 110,447 | 9,517 | 119,964 |
| 2026 | 83,293 | 6,203 | 89,496 |
| 2027 | 74,059 | 3,705 | 77,764 |
| Thereafter | 49,425 | 1,627 | 51,052 |
| TOTAL | \$ 586,861 | \$ 52,279 | \$ 639,140 |

**EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

NOTE L - LEASES (continued)

Certain facility leases have short right of termination provisions and, therefore, the scheduled future minimum lease payments are not included in the above schedule. Total rent expense for the years ended May 31, 2022 and 2021 were \$221,711 and \$291,419, respectively.

One of the facility leases (Peñasco) that ECFH currently has in place is for a lease in which ECFH previously owned the facility. In an effort to comply with certain New Mexico state laws, ECFH deeded the facility to the lessor in order for the lessor to utilize certain state funds to improve the facility. Once the improvements to the facility have been completed, and subject to approval of the county board, the facility is expected to be deeded back to ECFH. The facility consists of modular property, which was fully depreciated on ECFH's records. As of the date of these financial statements, the facility has not been deeded back to ECFH.

Each respective lease has a provision that ECFH will perform services in lieu of paying any rent under the lease. The San Miguel lease calls for an amount not to exceed \$15,000 per year over the ten year period of the lease. Accordingly, ECFH has recorded in-kind revenue and expense for the \$15,000. The Peñasco lease called for an amount up to \$100,000. This lease has been in effect since June, 1996 and does not have an expiration date or a period of time for which the \$100,000 of services are to be rendered. Management indicated that \$100,000 of services was rendered during the early inception of the lease; therefore, no further amounts have been recorded under this lease for 2022 or 2021.

Beginning on August 30, 2012, ECFH entered into a lease agreement with the County of Rio Arriba, to rent a building in Rio Arriba owned by the County. The term of the lease is for 5 consecutive years, with five additional 5 consecutive year options of extending. ECFH is required to pay \$40,000 in cash each year to the County, and also provide at least \$91,000 in in-kind services per year, to the citizens at or below the federal poverty level in Rio Arriba County.

The in-kind services to be provided include:

- ◆ Primary healthcare services
- ◆ All standard medical procedures
- ◆ Annual physicals
- ◆ Well-child
- ◆ Immunizations
- ◆ Diabetes care, treatment and education
- ◆ Reproductive health and education
- ◆ Pre-natal care
- ◆ Sliding fee scale

**EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

NOTE L - LEASES (continued)

- ◆ Breast and cervical cancer prevention program
- ◆ Coumadin clinic
- ◆ Certification assistance for Medicaid
- ◆ Patient assistance program
- ◆ Discount on medications and lab work

ECFH is required to provide quarterly reports to the County Manager and Health and Human Services Director. The report details the number of clients served, services received, and in-kind value of services provided for the each period. Twelve month notice is required to terminate the lease.

NOTE M - NET ASSETS

ECFH has the following net assets with donor restrictions at May 31:

| Purpose Restriction | 2021 | Additions | Releases | 2022 |
|-------------------------------|----------|-----------|----------|--------|
| <u>Donations</u> | | | | |
| 5k Run Fundraiser | \$ 5,429 | \$ - | \$ 5,429 | \$ - |
| D'Amore Int. Foundation | 3,000 | - | - | 3,000 |
| Semillas Scholarships | 34,747 | - | 5,000 | 29,747 |
| Truchas Clinic | 1,728 | - | 1,728 | - |
| Board - Penasco Clinic | 50 | - | 50 | - |
| Board - Roy Clinic | 50 | - | - | 50 |
| EE - Diabetes Wellness | 25 | - | - | 25 |
| ES - Color Run | 896 | - | 896 | - |
| SUD | 200 | - | - | 200 |
| Luna CC Suicide Summit | 2,782 | - | - | 2,782 |
| 2020 WS Color Run R4L | 3,756 | - | - | 3,756 |
| Rosie the Respirator | 2,605 | - | - | 2,605 |
| Covid-19 | 10,040 | - | 10,040 | - |
| Dental Clinic - Penasco | - | 1,000 | - | 1,000 |
| Dental Clinic - Espanola | - | 1,000 | - | 1,000 |
| Dental Clinic - Las Vegas | - | 1,000 | - | 1,000 |
| Wildfire Relief | - | 5,000 | 5,000 | - |
| San Miguel Residents | - | 20,000 | 20,000 | - |
| <u>Grants</u> | | | | |
| Family Counseling | 2,925 | - | - | 2,925 |
| Las Vegas dental Equipment | 563 | - | 563 | - |

**EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

NOTE M - NET ASSETS (continued)

Grants (continued)

| | | | | |
|---|-------------------|------------------|------------------|------------------|
| NM Alliance for SBHC | 8,000 | - | - | 8,000 |
| Community Health Worker Patient Education | 4,716 | - | 171 | 4,545 |
| Nirvana Manana Espanola Valley High Schools | 6,394 | - | 100 | 6,294 |
| School-Based Peer Education Program | 4,213 | - | 74 | 4,139 |
| School-Based Espanola Valley High School Semillas Student Health Education | 6,254 | - | - | 6,254 |
| Fresh Fruits and Vegetables Purchasing and Education Program | 9,733 | - | - | 9,733 |
| Semillas de Salud | 5,000 | - | - | 5,000 |
| Total Temporarily Restricted | <u>\$ 113,106</u> | <u>\$ 28,000</u> | <u>\$ 49,051</u> | <u>\$ 92,055</u> |

Net assets without donor restrictions for the years ended May 31, 2022 and 2021 were \$15,574,086 and \$12,253,059.

Net assets released from net assets with donor restrictions are as follows:

| Satisfaction of Purpose Restrictions | 2021 | 2020 |
|--------------------------------------|-----------|----------|
| Healthcare Services | \$ 49,051 | \$ 7,693 |

NOTE N - NET PATIENT SERVICE REVENUE

Net Patient service revenue consists of the following at May 31:

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Patient service charges at established rates | \$ 18,986,716 | \$ 15,485,813 |
| Less: Contractual adjustments | (4,826,022) | (1,513,784) |
| Less: Discounted fees | (885,718) | (568,022) |
| | <u>\$ 13,274,976</u> | <u>\$ 13,404,007</u> |

**EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

NOTE O - ECONOMIC DEPENDENCY

ECFH receives a significant portion of its revenue in the form of grants and awards from governmental entities, private foundations and other contributions, and patient revenues. ECFH expects these grants and awards, and patient revenues to continue into the foreseeable future. If, however, a significant portion of these funds are not continued, ECFH's ability to continue all programs would be diminished. The following is a summary of concentrations from contributions and grants as of May 31:

| Concentrations: | 2022 | 2021 |
|------------------------------|-------------------|-------------------|
| Federal grants | \$ 7,815,338 | \$ 7,774,097 |
| Grants and contracts | 1,909,022 | 1,768,954 |
| Patient revenues, net | 13,274,976 | 13,404,007 |
| | 22,999,336 | 22,947,058 |
| Total revenue | \$ 23,345,778 | \$ 23,136,279 |
| Concentration percentage | 98.5% | 99.2% |

NOTE P - CONCENTRATION OF CREDIT RISK - UNINSURED CASH BALANCES

At May 31, 2022, the FDIC insured balances up to \$250,000, per institution. ECFH's total uninsured cash balances were \$9,523,560 as of May 31, 2022.

NOTE Q - CONTINGENCIES

Medical Malpractice Claims. ECFH medical malpractice insurance is covered by the Federal Torts Claim Act (FTCA). ECFH also purchases supplemental professional and general liability insurance. In the ordinary course of business, claims alleging malpractice and other matters may be filed against ECFH. It is not possible to estimate the likelihood and amount of such claims. Accordingly, no accrual has been made for them in these financial statements.

Grants. Amounts received, or receivables from grantor agencies, are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of ECFH. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although ECFH expects such amount, if any, to be immaterial.

**EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

NOTE Q - CONTINGENCIES (continued)

Contingent Liabilities. ECFH is involved in litigation, including malpractice, personnel and regulatory investigations arising in the ordinary course of business. While the ultimate outcome of these matters is not completely determinable, it is the opinion of management and of legal counsel that the resolution of outstanding claims will be reduced significantly or will be completely eliminated. Either way, the contingent liability is not believed to have a material adverse effect on the financial statements of ECFH.

NOTE R - RETIREMENT PLAN

ECFH has a defined contribution pension plan in which employees may elect to participate. Contributions are made to the plan in an amount equal to 4% of each eligible participant's annual salary (i.e. the "safe harbor" contribution). Each eligible participant becomes vested in the employer "safe harbor" contribution immediately. Any additional employer contributions vest at a rate of 20% per year over a five-year period. ECFH contributed \$577,672 and \$500,022 to the pension plan for the years ended May 31, 2022 and 2021, respectively.

NOTE S - IN-KIND REVENUE

ECFH had the following in-kind service revenues at May 31:

| | 2022 | 2021 |
|-------------------------------|------------|------------|
| Rent (in return for services) | \$ 106,000 | \$ 106,000 |

NOTE T - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. ECFH recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. ECFH's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. ECFH has evaluated subsequent events through **DATE**, which is the date the financial statements were available to be issued.

Construction on Penasco dental clinic is anticipated to commence in fiscal year 2023.

**EL CENTRO FAMILY HEALTH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

NOTE T - SUBSEQUENT EVENTS (continued)

The COVID-19 Pandemic (pandemic) continues to have an impact on the health-care industry. ECFH experienced lower in-person and higher tele-health visits at the onset of the pandemic, and dental services were initially decreased. ECFH expects in-person and dental services to continue to be offered during fiscal year 2022 as ECFH continues to build and maintain its supply of personal protective equipment. ECFH anticipates a need for increased Behavioral Healthcare Services in the communities it serves, as higher rates of depression and suicide are identified due to the COVID-19 environment (quarantine, work-at-home scenarios, joblessness, etc.). ECFH also anticipates the pandemic will continue to stifle its ability to attract and hire healthcare staff. ECFH continues to offer remote working schedules to its staff during this unprecedented pandemic environment.

**EL CENTRO FAMILY HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2022**

| Program Title | Federal Catalog of Domestic Assistance No. | Pass-Through / Grantor No. | Amount Expended |
|--|---|---|----------------------------|
| U.S. Department of Health and Human Services Health Resources and Services | | | |
| Direct: | | | |
| <i>Health Center Cluster</i> | | | |
| Community Health Centers | 93.224 | 20H80CS00605 | \$ 1,461,794 |
| American Rescue Plan Act for Health Center: | 93.498 | H8FCS41034 | 1,680,424 |
| Affordable Care Act Grants for New Expanded Services under Health Center Program | 93.527 | 20H80CS00605 | <u>3,699,949</u> |
| | | | 6,842,167 |
| <i>Rural Health Care Services Outreach</i> | | | |
| | 93.912 | G26RH40077 | 127,353 |
| | | GA1RH33499 | 376,363 |
| | | D78RH39349 | <u>260,988</u> |
| | | | 764,704 |
| <i>Substance Abuse and Mental Health Services</i> | 93.243 | H79TI084521 | <u>208,467</u> |
| <i>Total U.S. Department of Health and Human Services and Federal Expenditures</i> | | | <u><u>\$ 7,815,338</u></u> |
| Reconciliation of federal expenditures to federal revenues: | | | |
| Federal revenue per Statement of Activities | | | \$ 7,815,338 |
| Federal awards expended per Schedule of Expenditures of Federal Awards | | | <u>7,815,338</u> |
| Difference | | | <u><u>\$ -</u></u> |

See auditor's report and accompanying notes to financial statements

EL CENTRO FAMILY HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2022

NOTE 1

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ECFH and is presented on the accrual basis of accounting. 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).

NOTE 2

ECFH did not provide any federal funds to subrecipients.

NOTE 3

There were no federal awards expended in the form of non-cash assistance or loan guarantees outstanding at year-end. ECFH benefited from deemed malpractice liability coverage in accordance with Section 224(g) of the Public Health Service Act, 42, U.S.c. Sec 233(g), as amended by P.L., 104-73. The value of the insurance coverage cannot be determined, and therefore it is not included in the SEFA.

NOTE 4

ECFH did not use the 10 percent de minimis indirect cost rate.



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**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***

Board of Directors
El Centro Family Health
Española, New Mexico

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of El Centro Family Health, which comprise the statement of financial position as of May 31, 2022, 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 August 31, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Centro Family Health'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 El Centro Family Health's internal control. Accordingly, we do not express an opinion on the effectiveness of El Centro Family Health's internal control. Accordingly, we do not express an opinion on the effectiveness of El Centro Family Health'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.

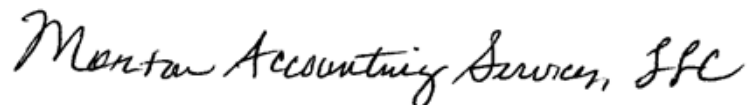
Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Centro Family Health'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.

MORTON ACCOUNTING SERVICES, LLC

A handwritten signature in cursive script that reads "Morton Accounting Services, LLC".

Santa Fe, New Mexico

August 31, 2022



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE**

Board of Directors
El Centro Family Health
Española, New Mexico

Report on Compliance for Each Major Federal Program

We have audited El Centro Family Health's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of El Centro Family Health's major federal programs for the year ended May 31, 2022. El Centro Family Health'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 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 El Centro Family Health'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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about El Centro Family Health'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 El Centro Family Health's compliance.

Opinion on Each Major Federal Program

In our opinion, El Centro Family Health 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 May 31, 2022.

Report on Internal Control over Compliance

Management of El Centro Family Health 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 El Centro Family Health'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 El Centro Family Health's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies. 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.

MORTON ACCOUNTING SERVICES, LLC

Morton Accounting Services, LLC

Santa Fe, New Mexico

August 31, 2022

**EL CENTRO FAMILY HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued **Unmodified**

Internal control over financial reporting:

- | | |
|---|----|
| 1. Material weaknesses identified | No |
| 2. Significant deficiencies identified | No |
| 3. Noncompliance material to financial statements noted | No |

Federal Awards

Type of auditor's report issued on compliance for major programs **Unmodified**

Internal control over major programs:

- | | |
|--|----|
| 1. Material weaknesses identified | No |
| 2. Significant deficiencies identified | No |

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major program:

| <u>CFDA No.</u> | <u>Name of Federal Program</u> | <u>Funding Source</u> |
|-----------------|-------------------------------------|--|
| 93.224/93.527 | Health Center Cluster | U.S. Department of Health and Human Services |
| 93.912 | Rural Health care Services Outreach | U.S. Department of Health and Human Services |

Dollar threshold used to distinguish between:

Type A and Type B Programs \$750,000

Auditee qualified as a Low-Risk Auditee Yes

SECTION II AND III - SUMMARY OF FINDINGS AND QUESTIONED COSTS

Financial and Federal Findings

| | |
|-----------------------|------|
| Prior year findings | None |
| Current year findings | None |