

**Audited Financial Statements
and Other Information**



June 30, 2023

Quigley & Miron

School Health Clinics of Santa Clara County
Audited Financial Statements and Supplementary Information
Table of Contents
June 30, 2023

	<u>Page Number</u>
Independent Auditor’s Report	1
Audited Financial Statements	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7
Supplementary Information	
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	21
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 <i>Government Auditing Standards</i>	22
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance.....	24
Schedule of Findings and Questioned Costs.....	26
Summary Schedule of Prior Audit Findings	27
Corrective Action Plan.....	28

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 869-6108
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
School Health Clinics of Santa Clara County
San Jose, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of School Health Clinics of Santa Clara County (Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAGAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 and GAGAS 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 and GAGAS, 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 the Organization’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’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.

Other Matters

Required Supplementary Information


Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 GAGAS

In accordance with GAGAS, we have also issued report dated March 21, 2024, on our consideration of the Organization's internal control over financial reporting, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAGAS in considering the Organization’s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited School Health Clinics of Santa Clara County's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



School Health Clinics of Santa Clara County
Statement of Financial Position
June 30, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,256,612	\$ 3,073,924
Investments—Note 4	1,850,062	1,350,062
Pledges receivable, current portion	240,000	
Government grants receivable	4,211,390	2,240,709
Accounts receivable, net—Note 5	272,197	527,441
Prepaid expenses	72,501	38,370
	<u>8,902,762</u>	<u>7,230,506</u>
Total Current Assets	8,902,762	7,230,506
Non-Current Assets		
Pledges receivable, non-current portion	90,000	
Property and equipment, net—Note 6	496,397	451,184
Operating lease right-of-use asset—Note 8	277,719	
	<u>864,116</u>	<u>451,184</u>
Total Non-Current Assets	864,116	451,184
	<u>\$ 9,766,878</u>	<u>\$ 7,681,690</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,175,791	\$ 1,111,413
Accrued payroll and related liabilities—Note 7	1,184,468	1,008,638
Other accrued expenses	763,126	52,137
Operating lease liability—Note 8	180,131	
	<u>3,303,516</u>	<u>2,172,188</u>
Total Current Liabilities	3,303,516	2,172,188
Non-Current Liabilities		
Operating lease liability—Note 8	108,921	
	<u>108,921</u>	
Total Non-Current Liabilities	108,921	
	<u>3,412,437</u>	<u>2,172,188</u>
Net Assets		
Without donor restrictions—Note 9		
Undesignated	5,595,504	4,993,160
Board-designated endowment fund	204,594	204,594
	<u>5,800,098</u>	<u>5,197,754</u>
Total Net Assets Without Donor Restrictions	5,800,098	5,197,754
With donor restrictions		
Purpose-restricted—Note 9	178,875	266,280
Time-restricted—Note 9	330,000	
Perpetual in nature—Note 10	45,468	45,468
	<u>554,343</u>	<u>311,748</u>
Total Net Assets With Donor Restrictions	554,343	311,748
	<u>6,354,441</u>	<u>5,509,502</u>
Total Liabilities and Net Assets	<u>\$ 9,766,878</u>	<u>\$ 7,681,690</u>

See notes to financial statements.

School Health Clinics of Santa Clara County
Statement of Activities
Year Ended June 30, 2023
(with comparative totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Operating Activities				
Revenue and Support				
Contributions	\$ 108,129	\$ 513,998	\$ 622,127	\$ 320,121
In-kind contributions—Note 11	1,315,848		1,315,848	829,760
Government grant income—Note 12	5,292,042		5,292,042	4,667,371
PPP grant income—Note 13				387,577
Program services fees, net of discounts of \$2,165,500 and \$2,664,320 for the years ended June 30, 2023 and 2022, respectively	2,405,383		2,405,383	2,940,453
Other income	6,987		6,987	22,452
Interest income	4,732	23	4,755	2,970
Total Revenue and Support	9,133,121	514,021	9,647,142	9,170,704
Net assets released from restrictions	271,426	(271,426)		
Total Revenue and Support, and Releases from Restrictions	9,404,547	242,595	9,647,142	9,170,704
Expenses				
Health care services	7,320,410		7,320,410	6,615,523
Support services				
Management and general	1,305,995		1,305,995	1,291,419
Fundraising	164,465		164,465	151,825
Total Support Services	1,470,460		1,470,460	1,443,244
Total Expenses	8,790,870		8,790,870	8,058,767
Change in Net Assets	613,677	242,595	856,272	1,111,937
Net Assets at Beginning of Year, as Previously Reported	5,197,754	311,748	5,509,502	4,397,565
Cumulative Effect of Adoption of ASU 2016-02, Leases (Topic 842)	(11,333)		(11,333)	
Net Assets at Beginning of Year, as Restated	5,186,421	311,748	5,498,169	4,397,565
Net Assets at End of Year	\$ 5,800,098	\$ 554,343	\$ 6,354,441	\$ 5,509,502

See notes to financial statements.

School Health Clinics of Santa Clara County
Statement of Functional Expenses
Year Ended June 30, 2023
(with comparative totals for 2022)

	Health Care Services	Support Services		2023 Total	2022 Total
		Management and General	Fundraising		
Salaries and wages	\$ 3,707,456	\$ 215,661	\$ 143,181	\$ 4,066,298	\$ 3,440,062
Payroll taxes	295,901	13,318	9,196	318,415	282,379
Employee benefits	494,507	35,430	12,088	542,025	616,662
Total Personnel Expenses	4,497,864	264,409	164,465	4,926,738	4,339,103
Building and equipment rental	52,693	100,032		152,725	145,549
Depreciation	55,902	7,601		63,503	43,047
Occupancy	200,000			200,000	200,000
Insurance	28,247	29,657		57,904	48,450
Medical supplies	1,232,676	12,502		1,245,178	795,415
Office supplies	68,656	81,476		150,132	157,225
Other expenses	22,333	46,026		68,359	48,969
Professional fees	733,498	555,952		1,289,450	1,521,875
Provision for doubtful accounts		38,298		38,298	320,133
Write-offs of government grants receivable					8,594
Purchased services	339,677	95,113		434,790	270,311
Travel	3,540	15,710		19,250	9,957
Utilities	85,324	59,219		144,543	150,139
Total Expenses	\$ 7,320,410	\$ 1,305,995	\$ 164,465	\$ 8,790,870	\$ 8,058,767

See notes to financial statements.

School Health Clinics of Santa Clara County
Statement of Cash Flows
Year Ended June 30, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 856,272	\$ 1,111,937
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	63,503	43,047
Non cash lease expense	(289,052)	
Provision for doubtful accounts	38,298	328,727
Changes in operating assets and liabilities:		
Pledges receivable	(330,000)	75,000
Grants receivable	(1,970,681)	(275,878)
Accounts receivable, net	216,946	(616,876)
Prepaid expenses	(34,131)	(2,509)
Accounts payable	64,378	431,166
Accrued payroll and related liabilities	175,830	315,885
Other accrued expenses	710,989	(733,734)
PPP advance		(387,577)
Operating lease liability	289,052	
Net Cash Provided by (Used in)	(208,596)	289,188
Cash Flows From Investing Activities		
Purchases of investments	(500,000)	
Purchases of property and equipment	(108,716)	(279,014)
Net Cash Used in Investing Activities	(608,716)	(279,014)
Increase (Decrease) in Cash and Cash Equivalents	(817,312)	10,174
Cash and Cash Equivalents at Beginning of Year	3,073,924	3,063,750
Cash and Cash Equivalents at End of Year	\$ 2,256,612	\$ 3,073,924
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

School Health Clinics of Santa Clara County
Notes to Financial Statements
June 30, 2023

Note 1—Organization

School Health Clinics of Santa Clara County (Organization), is a nonprofit organization that operates school-based health clinics, providing high quality, easily accessible primary medical care and preventive health services to low-income children and adolescents.

The Organization is governed by a consumer majority board. Under their guidance, the Organization provides the following services: preventative care (including physical examinations and immunizations), urgent care, chronic disease management, treatment of illness and injuries, comprehensive adolescent services, mental health support, dental screenings, and referrals to specialty care.

During the year ended June 30, 2023, School Health Clinics of Santa Clara County (SHC) received significant amounts of funding through federal, state, and private sources, which enabled School Health Clinics to continue providing services and to be in a position to adequately post-pandemic

The organization continued working to improve service delivery by implementing integrated behavioral health care with primary care. SHC added 5.0 FTE behavioral health staff to provide services to patients at all five sites adequately.

The County of Santa Clara agreed to fund the conversion of SHC's electronic health records (EHR) system from NextGen to EPIC. EPIC is an EHR system widely used by the major health systems in the Bay Area. A conversion promotes interoperability between healthcare organizations such as Santa Clara Valley Medical Center, Kaiser Permanente Hospitals and Clinics, Stanford Medical Center, and others. The system was implemented fully in September 2022.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

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

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions:

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization's health care services; and interest earned on investments. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature; the Organization did not engage in any reportable nonoperating activities during the years ended June 30, 2023 and 2022.

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Income Taxes—The Organization is a nonprofit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code), and from California income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered *'more likely than not'* to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2023 or 2022. Generally, the Organization's information returns remain open for a period of examination three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments—Investments are valued at fair market value and investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases in the appropriate net asset category.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Certificates of Deposit: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Pledges Receivable—Pledges receivable consists primarily of pledges due from various donors, and are stated at the amount that management expects to collect from outstanding balances. Management believes that pledges receivable as of June 30, 2023 and 2022 are fully collectible, and the Organization has therefore not recorded an allowance for doubtful accounts. Pledges receivable are written off when they are determined to be uncollectible.

Accounts Receivable—Accounts receivable consists primarily of miscellaneous amounts due from customers and are stated at the amount that management expects to collect from outstanding balances. The Organization has recorded an allowance for doubtful accounts of \$415,927 and \$377,629 at June 30, 2023 and 2022, respectively to cover any potential uncollectable amounts in the receivable balances.

Government grants receivable—Revenues from government grants and contracts are reported as increases in net assets without donor restrictions, when allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as government grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue. Management believes that government grants receivable as of June 30, 2023 and 2022 are fully collectible, and the Organization has therefore not recorded an allowance for doubtful accounts. Government grants receivable are written off when they are determined to be uncollectible.

Property and Equipment—Property and equipment are capitalized at cost. It is the Organization's policy to capitalize expenditures for those items in excess of \$2,500. Lesser amounts are expensed. Depreciation is provided over the estimated useful life of the asset ranging from three to ten years and is computed on the straight-line method.

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Long-Lived Assets—Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and receivables. The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash balances may exceed FDIC insurance limits during the normal course of business. Cash held in investment accounts is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. At times, such balances may exceed SIPC insurance limits during the normal course of business. While the Organization is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, the Organization's management has assessed the credit risk associated with its cash deposits and investments at June 30, 2023 and 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 15), the potential related impact cannot be reasonably estimated at this time.

Pledges receivable at June 30, 2023 and 2022 consist of a pledge from a foundation. The Organization has determined that no allowance for potential losses due to uncollectible pledges was necessary at June 30, 2023 and 2022. Pledges receivable totaled \$330,001 and \$0 at June 30, 2023 and 2022, respectfully. Grants receivable consist of amounts due from government agencies. The Organization has determined that no allowance for potential losses due to uncollectible receivables was necessary at June 30, 2023 or 2022. Accounts receivable primarily consist of balances due from various health insurance plans. Management utilizes the reserve method of accounting for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year.

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 statement of activities as net assets released from restrictions.

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Recently Adopted Accounting Principle—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. This standard is applicable to leases with terms exceeding 12 months and requires lessees to recognize the assets and related liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. The Organization adopted ASU 2016-02 and its related amendments using a modified retrospective approach as of July 1, 2022, which resulted in the recognition of an operating right-of-use asset totaling \$381,541, and an operating lease liability totaling \$392,958. The Organization elected to adopt the transition relief provisions from ASU 2018-11 for the year ended June 30, 2023, without restating any prior year amounts or disclosures.

In-kind Contributions—The Organization records the value of donated vaccines, rent, goods, and supplies at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Interest income—Interest income is recognized when earned and is reported under revenues and support in the statement of activities.

Program Service Fees—The Organization is considered to be a "Federal Qualified Health Center" and therefore receives a higher reimbursement rate. The Organization's revenue consists primarily of program service fees for primary medical care and preventive health services to low-income families. The Organization has determined that an allowance for doubtful accounts was necessary and it is calculated based on the historical write-off percentages at the end of each year.

Functional Expenses—The cost of providing various program and supporting services are reported on a functional basis. Directly identifiable expenses are charged to the related program or service benefitted. Expenses that benefit both program and supporting services are allocated as follows: Personnel expenses are allocated by each person's classification after considering the functional roles and the time spent in those roles. Equipment rental and office supplies are allocated based on management's estimate of usage.

Estimates—The preparation of financial statements in conformity with 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.

Reclassifications—Certain amounts in 2022 have been reclassified to conform with the 2023 financial statement presentation.

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 3—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,200,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

The following represents the availability and liquidity of the Organization's financial assets at June 30, 2023 or 2022 to cover operating expenses for the next fiscal year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,077,737	\$ 2,807,644
Investments	1,600,000	1,100,000
Pledges receivable, current portion	240,000	
Grants receivable	4,211,390	2,240,709
Accounts receivable, net	<u>272,197</u>	<u>527,441</u>
Current Availability of Financial Assets	<u>\$ 8,401,324</u>	<u>\$ 6,675,794</u>

Note 4—Investments and Fair Value Measurements

In determining the fair value of investments, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

The Organization may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Organization had no assets or liabilities classified at NAV as a practical expedient during the years ended June 30, 2023 and 2022.

Investments are recorded at fair market value and consist of certificates of deposit totaling \$1,850,062 and \$1,350,062 at June 30, 2023 and 2022, respectively, which are considered to have Level 2 inputs.

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 5—Accounts Receivable, Net

Net accounts receivable at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 688,124	\$ 905,070
Less allowance for doubtful accounts	(415,927)	(377,629)
Accounts Receivable, Net	<u>\$ 272,197</u>	<u>\$ 527,441</u>

Activity in the allowance for doubtful accounts for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Allowance Balance at Beginning of Year	\$ 377,629	\$ 227,477
Provision for doubtful accounts	38,298	320,133
Write-offs		(169,981)
Allowance Balance at End of Year	<u>\$ 415,927</u>	<u>\$ 377,629</u>

Note 6—Property and Equipment, Net

Net property and equipment at of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 575,203	\$ 575,203
Office equipment	238,710	189,261
Computer equipment	770,780	711,513
Total Property and Equipment	<u>1,584,693</u>	<u>1,475,977</u>
Less accumulated depreciation	(1,088,296)	(1,024,793)
Property and Equipment, Net	<u>\$ 496,397</u>	<u>\$ 451,184</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$63,503 and \$43,047, respectively.

Note 7—Compensated Balances

The Organization has a combined vacation and sick pay compensation policy. Vacation and sick time are accumulated on the basis of length of service. Benefits may be accrued to a total of one and a half times the annual allowance, at which time no further time is accrued. At June 30, 2023 and 2022, an accrual for this obligation is included in accrued payroll and related liabilities in the amount of \$105,677 and \$126,793, respectively.

Note 8—Lease Obligations

The Organization leases an office located in San Jose, California. The lease was extended on April 1, 2021 for five years through March 31, 2026. With the adoption of ASU 2016-02, an operating lease right-of-use asset of \$316,667 and an operating lease liability of \$328,084 were recorded at July 1, 2022 in relation to this lease, using a discount rate of 0.9% per year. The cumulative effect of the adoption reduced beginning net assets by \$11,333. The total expense under this lease agreements for the year ended June 30, 2023 is \$83,482.

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 8—Lease Obligations—Continued

The Organization also has a five-year copier lease expiring on August 31, 2025. With the adoption of ASU 2016-02, an operating lease right-of-use asset and an offsetting operating lease liability were recorded in relation to this lease, using a discount rate of 0.28% per year, amounting to an \$64,874 at July 1, 2022. The total expense under this lease agreements for the year ended June 30, 2023 is \$20,580.

Future minimum payments under this lease are as follows:

<u>Year Ending June 30,</u>		
2024	\$	108,921
2025		111,948
2026		74,257
		<u>295,127</u>
	Gross Rental Payments	295,127
Less effect of discounting		(6,075)
		<u>(6,075)</u>
	Operating Lease Liability	<u>\$ 289,052</u>

Expenses related to this lease for the years ended June 30, 2023 and 2022 amounted to \$103,907 and \$96,042, respectively.

Note 9—Net Assets

Net assets with donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Subject to purpose restrictions:		
Staff support	\$ 90,000	\$ 90,000
Incentive Payment Program	38,100	
Improved Access to Behavioral Health Care	25,000	
COVID-19 patient health needs support	24,775	24,665
Blood pressure monitors	1,000	1,000
Enhanced Behavioral Health Care		124,107
Patient Navigator Access to Better Health Care		25,000
Resilient Beginnings Network		1,285
Telehealth		223
	<u>178,875</u>	<u>266,280</u>
Total Subject to Purpose Restrictions	178,875	266,280
Subject to time restrictions:		
Pledges receivable	330,000	
Perpetual in nature:		
General operating purposes	45,468	45,468
	<u>45,468</u>	<u>45,468</u>
Total Net Assets with Donor Restrictions	<u>\$ 554,343</u>	<u>\$ 311,748</u>

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 9—Net Assets—Continued

Net assets released from donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
ACE Certification	\$ 124,106	\$ 1,000
Incentive Payment Program	45,000	
Resilient Beginnings Network	41,286	51,462
Patient Navigator Access to Better Health Care	25,000	25,000
School Health Implementation	18,000	
Telehealth	10,223	103,009
COVID-19 patient health needs support	7,788	2,721
Vaccine Support		129,406
STI/HIV screening		70,770
Improved Access to Trauma Informed Care		43,741
ATSH Learning Network		8,258
Butterfly ultrasounds and medical equipment		1,683
Enhanced Behavioral Health Care		893
HH 1st Half Start Up Funding		71,425
Satisfaction of time restrictions:		
Pledges receivable		75,000
Satisfaction of endowment spending policy and appropriation:		
General operating purposes	23	14
Total Net Assets Released from Donor Restrictions	<u>\$ 271,426</u>	<u>\$ 584,382</u>

Note 10—Endowment Net Assets

The Board of Directors established a designated functional endowment fund for the purpose of providing a perpetual source of funds of which the income is to be used for the Organization's programs and to provide funds for unforeseen, extraordinary circumstances.

The income from the restricted endowment, mentioned in Note 9, is to be used for general operation.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The Board is aware that there is an implicit understanding that the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurred, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the fund to an amount at or above the amount of the original gift.

As a result of this interpretation, the Organization classifies net assets that are perpetual in nature as the following: the corpus of the endowment; the original gift donated to the permanent endowment; the original value of subsequent gifts to the permanent endowment; and the accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund not classified as net assets that are perpetual in nature is classified as purpose-restricted net assets, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 10—Endowment Net Assets—Continued

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Return objectives and risk parameters—It is the purpose of the Organization's endowment fund to secure the future of the Organization and to support its programs and operations as designated by the Board.

The primary long-term financial objective is to preserve and enhance the real (i.e., inflation-adjusted) purchasing power of the endowment through a prudent long-term investment strategy. This objective should be achieved over rolling three- and five-year periods on a total return basis. An additional objective is to provide a relatively predictable, stable, and (in real terms) constant stream of current income for the Organization's annual operating needs.

The primary investment objective of the endowment is to earn an absolute return of 5% over a three-to-five-year market cycle. Actual returns in any given year may vary from this amount. The Organization considers itself a risk-averse investor. That is, among various investment alternatives with comparable expected returns, the preference is for those having the lowest risk. Management is currently re-evaluating the composition of its investment portfolio. Funds are currently invested in certificates of deposit until this process is complete.

Strategies employed for achieving objectives—The Organization manages its endowment on a total rate of return basis consisting of dividends, interest, and any net increase / decrease in market value of securities for the fiscal year, not favoring returns from one source over another.

The Organization has determined that marketable debt and equity securities traded in the United States are appropriate investments consistent with its return objectives and risk parameters. Cash invested in money market accounts is also an acceptable investment within these guidelines. The investment portfolio is to be sufficiently balanced so that no single security or class of securities will have a disproportionate impact on the risk of the total portfolio.

Spending policy and how the investment objectives relate to spending policy—The Organization has a policy governing the amount of endowment earnings that can be released annually for spending, consistent with the restrictions, if any, placed on the endowment by donors. The spending policy authorizes an annual distribution equal to 5% of the average market value of the portfolios as of the twelve preceding quarters, subject to the requirement that the portfolios increase by an inflation factor annually.

Summary of endowment fund balances and activity—Net assets that are perpetual in nature and board-designated endowment funds consist of certificates of deposit totaling \$250,062 at both June 30, 2023 and 2022.

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 10—Endowment Net Assets—Continued

The composition of the endowment net assets at June 30, 2023 is as follows:

	Board- Designated	With Donor Restriction		Total
		Subject to Appropriation	Perpetual In Nature	
Donor-restricted endowment funds	\$	\$	\$ 45,468	\$ 45,468
Board-designated endowment funds	204,594			204,594
Endowment Net Assets at June 30, 2023	\$ 204,594	\$	\$ 45,468	\$ 250,062

The composition of the endowment net assets at June 30, 2022 is as follows:

	Board- Designated	With Donor Restriction		Total
		Subject to Appropriation	Perpetual In Nature	
Donor-restricted endowment funds	\$	\$	\$ 45,468	\$ 45,468
Board-designated endowment funds	204,594			204,594
Endowment Net Assets at June 30, 2022	\$ 204,594	\$	\$ 45,468	\$ 250,062

Changes in endowment net assets at June 30, 2023 and 2022 are as follows:

	Board- Designated	With Donor Restriction		Total
		Subject to Appropriation	Perpetual In Nature	
Endowment Net Assets at June 30, 2021	\$ 204,594	\$	\$ 45,468	\$ 250,062
Investment income	61	14		75
Total Endowment Return	61	14		75
Appropriation of expenditure	(61)	(14)		(75)
Endowment Net Assets at June 30, 2022	204,594		45,468	250,062
Investment income	102	23		125
Total Endowment Return	102	23		125
Appropriation of expenditure	(102)	(23)		(125)
Endowment Net Assets at June 30, 2023	\$ 204,594	\$	\$ 45,468	\$ 250,062

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 11—In-Kind Contributions

At June 30, 2023 and 2022, in-kind contributions consist of donated use of facilities and medical supplies used in operations of programs and other activities. For the years ended June 30, 2023 and 2022, in-kind contributions are reported in the statement of activities under public support and revenue, and in the statement of functional expenses under the following expense captions:

	<u>2023</u>	<u>2022</u>
Medical supplies	\$ 1,115,848	\$ 629,760
Occupancy	200,000	200,000
Totals	<u>\$ 1,315,848</u>	<u>\$ 829,760</u>

The Organization receives the use of clinic space at six locations within the Santa Clara County in return for providing medical services. The value of in-kind occupancy is determined by the respective clinics' estimated fair market value based off the square footage used. The various clinics range in size and value starting at 600 square feet to 3,835 square feet and \$9 per square feet to \$56 per square feet. The agreements are renewed annually, and each party may terminate their respective contract within 90 days written notice. Medical supplies, such as vaccines, are valued at estimated fair market price from the medical supplier at the date of donation, ranging from \$19 to \$269, depending on the type of vaccine. Additionally, 1,463 COVID-19 vaccines were donated and are valued at no amount as the government provided vaccines to individuals at no cost. The in-kind contributions were received without donor restrictions.

Note 12—Government Grant Income

Government grant income consists of the following for the years ended June 30, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Federal awards	\$ 2,650,917	\$ 4,210,388
State/ County/other awards	2,641,125	456,983
Totals	<u>\$ 5,292,042</u>	<u>\$ 4,667,371</u>

Note 13—PPP Advance

On April 7, 2021, the Organization received a loan in the amount of \$387,577 from the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP). The Organization recognized a total of \$387,577 in PPP grant revenue during the year ended June 30, 2022 based on qualifying expenditures incurred, with no outstanding balance at year-end. PPP grant revenue is reported in the statement of activities under PPP grant income. On May 17, 2022, the Organization received official notice of forgiveness from the SBA for the full advance amount.

Note 14—Retirement Plans

The Organization sponsors defined contribution plans under Internal Revenue Code Sections 401(a) and 403(b). The plans cover all employees who meet the eligibility requirements. Contributions to the 401(a) plan are discretionary. For the year ended June 30, 2022, contributions to the 401(a) plan totaled \$52,629. There were no contributions to the 401(a) plan during the year ended June 30, 2023.

School Health Clinics of Santa Clara County
Notes to Financial Statements—Continued

Note 14—Retirement Plans—Continued

Under the 403(b) plan, eligible employees may contribute a percentage of their compensation as defined in the plan agreements. The Organization matches 50% of an employee's contribution up to 6% of an employee's salary. For the years ended June 30, 2023 and 2022, combined contributions to the 403(b) plan were \$59,277 and \$44,006, respectively.

Note 15—Risks and Uncertainties

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 2, at times, the Organization maintains cash and cash equivalents and investment balances in excess of federally-insured limits. Given the uncertainty of the situation, the potential related financial impact cannot be reasonably estimated at this time.

Note 16—Subsequent Events

Management evaluated all activities of the Organization through March 21, 2024, which is the date the financial statements were available to be issued, and concluded that, no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.

School Health Clinics of Santa Clara County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Program Title	Federal Assistance Listing Number	Grantor's Number	Grant Amount	Grant Period	Expenditures	Subrecipient
Department of Health and Human Services						
<u>Health Center Program Cluster</u>						
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)						
Direct award	93.224	H80CS00885	\$ 349,696	3/1/22-2/28/23	\$ 206,988	\$
	93.224	H80CS00885	349,696	3/1/23-2/28/24	91,985	
	93.224	H8FCS40993	1,660,625	4/1/21-3/31/23	452,912	
Total Assistance Listing No. 93.224					751,885	
Grants for New and Expanded Services Under the Health Center Program						
Direct award	93.527	H80CS00885	1,049,090	3/1/22-2/28/23	620,966	
	93.527	H80CS00885	1,049,090	3/1/23-2/28/24	275,956	
	93.527	H80C500885	83,500	3/1/22-2/28/23	64,340	
	93.527	H80CS00885	92,520	1/1/21-12/31/23	62,583	
	93.527	H8GCS47969	114,021	12/1/22-12/11/23	95,691	
	93.527	H2ECS45617	200,000	5/1/22-4/30/23	13,397	
Total Assistance Listing No. 93.527					1,132,933	
Total Health Center Program Cluster Assistance Listing Nos. 93.224 and 93.527					1,884,818	
<u>Medicaid Cluster</u>						
Medical Assistance Program						
Direct award	93.778	NA	3,681,115	1/1/21-12/31/22	711,682	614,939
Total Medicaid Cluster Assistance Listing Nos. 93.775, 93.777, and 93.778					711,682	614,939

School Health Clinics of Santa Clara County
Schedule of Expenditures of Federal Awards—*Continued*
Year Ended June 30, 2023

Federal Grantor/Pass-Through Program Title	Federal Assistance Listing Number	Grantor's Number	Grant Amount	Grant Period	Expenditures	Subrecipient
Department of Health and Human Services—<i>cont'd</i>						
Section 223 Demonstration Programs to Improve Community Mental Health Services Passed through: Uplift Family Services	93.829	6H79SM083044-01M001	\$ 515,900	5/1/20-8/31/22	\$ 44,417	\$
Total Assistance Listing No. 93.829					44,417	
Opioid STR Passed through: Sierra Health Foundation	93.788	H79T1083285	100,000	12/1/20-7/31/22	10,000	
Total Assistance Listing No. 93.788					10,000	
Total Department of Health and Human Services					2,650,917	614,939
Total Federal Awards					\$ 2,650,917	\$ 614,939

See accompanying notes to schedule of expenditures of federal awards.

School Health Clinics of Santa Clara County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note A—Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of School Health Clinics of Santa Clara County under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of School Health Clinics of Santa Clara County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of School Health Clinics of Santa Clara County.

Note B—Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures 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. Any negative amounts shown on the schedule represent adjustments or credits made in the normal course of operations to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note C—Indirect Cost Rate

School Health Clinics of Santa Clara County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 869-6108
Facsimile: (213) 639-3555

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
School Health Clinics of Santa Clara County
San Jose, California

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 (GAGAS), the financial statements of School Health Clinics of Santa Clara County (Organization), which comprise the statement of financial position as of June 30, 2023, 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 March 21, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

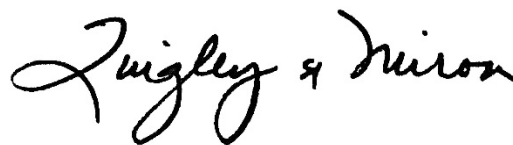
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 GAGAS.

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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with GAGAS in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Los Angeles, California
March 21, 2024

A handwritten signature in black ink that reads "Quigley & Diron". The signature is written in a cursive, flowing style.

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 869-6108
Facsimile: (213) 639-3555

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
School Health Clinics of Santa Clara County
San Jose, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited School Health Clinics of Santa Clara County's (Organization) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAGAS); 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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, GAGAS, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material

noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, GAGAS, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

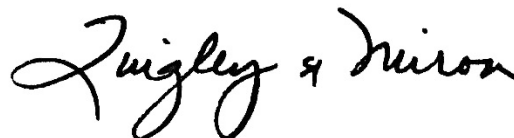
Report on Internal Control over Compliance

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

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

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

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



**School Health Clinics of Santa Clara County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of School Health Clinics of Santa Clara County were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses or significant deficiencies relating to internal control over financial reporting were identified during the audit.
3. No instances of noncompliance material to the financial statements of School Health Clinics of Santa Clara County were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to internal control over major programs were identified during the audit.
5. The auditor's report on compliance for the major federal award programs of School Health Clinics of Santa Clara County expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* section 200.516(a).
7. The programs tested as major programs were the Department of Health and Human Services, the Health Center Program Cluster, Assistance Listing Nos. 93.224 and 93.527.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. School Health Clinics of Santa Clara County was determined to be a low-risk auditee.

B. Findings—Financial Statements Audit

None

C. Findings and Questioned Costs—Major Federal Award Program

None

**School Health Clinics of Santa Clara County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023**

There were no prior year audit findings.

School Health Clinics of Santa Clara County
Corrective Active Plan
June 30, 2023

As there were no audit findings or questioned costs for the year ended June 30, 2023, a corrective action plan is not required.