



Reports of Independent Auditors and  
Financial Statements with Supplementary Information

**Mission Area Health Associates  
dba Mission Neighborhood Health Center**

December 31, 2023 and 2022

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## Report of Independent Auditors

The Board of Directors  
Mission Area Health Associates  
dba Mission Neighborhood Health Center

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Mission Area Health Associates, dba Mission Neighborhood Health Center (“MNHC”), a California nonprofit corporation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, 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 Mission Area Health Associates, dba Mission Neighborhood Health Center as of December 31, 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 (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 MNHC 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.

#### *Other Matter*

##### *Prior Period Financial Statements*

The financial statements of Mission Area Health Associates, dba Mission Neighborhood Health Center as of and for the year ended December 31, 2022, were audited by other auditors whose report thereon dated June 27, 2023, expressed an unmodified opinion on those financial statements.

#### *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 MNHC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MNHC'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 MNHC'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 June 11, 2024, on our consideration of MNHC'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 MNHC'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 MNHC's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Moss Adams LLP". The signature is written in black ink and is positioned above the typed name and date.

San Francisco, California  
June 11, 2024

## **Financial Statements**

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**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Statements of Financial Position  
December 31, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 13,003,067	\$ 8,033,023
Cash - board designated for capital acquisition	2,500,000	-
Patient accounts receivable, net	1,735,021	1,088,672
Grants and contributions receivable	3,534,911	4,336,421
Other accounts receivable	96,490	61,731
Inventory	50,358	32,303
Prepaid expenses and other assets	362,313	340,549
Total current assets	21,282,160	13,892,699
<b>NONCURRENT ASSETS</b>		
Cash - board designated for capital acquisition, net of current portion	3,676,752	9,044,844
Property and equipment, net	2,912,063	3,013,395
Operating lease right-of-use assets, net	1,055,489	1,536,242
Total assets	\$ 28,926,464	\$ 27,487,180
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,088,457	\$ 996,165
Accrued expenses	1,173,585	1,087,812
Due from/to MediCal - PPS settlements	2,061,986	929,019
Operating lease liabilities, current portion	521,445	486,796
Other current liabilities	43,890	18,780
Total current liabilities	4,889,363	3,518,572
<b>LONG-TERM LIABILITIES</b>		
Operating lease liabilities, net of current portion	534,044	1,097,984
Total liabilities	5,423,407	4,616,556
<b>NET ASSETS</b>		
Without donor restrictions	23,503,057	22,870,624
Total net assets	23,503,057	22,870,624
Total liabilities and net assets	\$ 28,926,464	\$ 27,487,180

See accompanying notes.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2023 and 2022**

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	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, gains, and other support:		
Net patient service revenue	\$ 11,078,078	\$ 8,539,139
Grant and contribution revenue	11,708,177	17,013,339
In-kind contributions	791,014	300,999
Pharmacy revenue	3,978,112	3,607,350
Incentives and other revenues	1,636,042	1,266,390
Interest revenue	431,692	69,212
	<u>29,623,115</u>	<u>30,796,429</u>
Functional expenses:		
Program services	25,969,828	24,640,266
Management and general	3,020,854	2,916,132
Fundraising	-	16,236
	<u>28,990,682</u>	<u>27,572,634</u>
CHANGES IN NET ASSETS	632,433	3,223,795
NET ASSETS, beginning of year	<u>22,870,624</u>	<u>19,646,829</u>
NET ASSETS, end of year	<u>\$ 23,503,057</u>	<u>\$ 22,870,624</u>

See accompanying notes.



**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Statements of Functional Expenses  
Year Ended December 31, 2023**

	Program Services						
	Program A - Community Programs	Program B - Primary Care Programs Services	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries and wages	\$ 1,790,685	\$ 11,200,039	\$ 12,990,724	\$ 1,176,628	\$ -	\$ 1,176,628	\$ 14,167,352
Employee benefits	537,205	2,639,049	3,176,254	385,664	-	385,664	3,561,918
Contracted services	109,346	2,703,568	2,812,914	388,314	-	388,314	3,201,228
Pharmaceutical supplies	2,086,149	533,433	2,619,582	-	-	-	2,619,582
Telephone	141,761	558,628	700,389	538,597	-	538,597	1,238,986
Rent	266,826	442,113	708,939	67,784	-	67,784	776,723
Miscellaneous	246,630	354,192	600,822	142,604	-	142,604	743,426
Supplies	163,303	438,544	601,847	121,897	-	121,897	723,744
Depreciation and amortization	4,488	459,294	463,782	44,217	-	44,217	507,999
Repairs and maintenance	115,120	338,122	453,242	48,368	-	48,368	501,610
Equipment rental	56,345	152,564	208,909	40,375	-	40,375	249,284
Insurance	39,339	105,753	145,092	9,557	-	9,557	154,649
Utilities	33,262	113,824	147,086	6,702	-	6,702	153,788
Travel	20,898	66,235	87,133	24,312	-	24,312	111,445
Professional services	69,739	24,896	94,635	6,026	-	6,026	100,661
Dues and subscriptions	2,225	67,779	70,004	7,695	-	7,695	77,699
Storage	23,403	44,125	67,528	8,704	-	8,704	76,232
Postage	828	20,118	20,946	3,410	-	3,410	24,356
<b>Total</b>	<b>\$ 5,707,552</b>	<b>\$ 20,262,276</b>	<b>\$ 25,969,828</b>	<b>\$ 3,020,854</b>	<b>\$ -</b>	<b>\$ 3,020,854</b>	<b>\$ 28,990,682</b>

See accompanying notes.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Statements of Functional Expenses  
Year Ended December 31, 2022**

	Program Services			Management and General	Fundraising	Total Support Services	Total
	Program A - Community Programs	Program B - Primary Care Programs Services	Total Program Services				
Salaries and wages	\$ 3,160,777	\$ 8,613,716	\$ 11,774,493	\$ 1,188,704	\$ 12,041	\$ 1,200,745	\$ 12,975,238
Employee benefits	783,922	2,468,819	3,252,741	353,540	3,612	357,152	3,609,893
Contracted services	118,168	2,485,344	2,603,512	739,377	-	739,377	3,342,889
Pharmaceutical supplies	1,792,935	342,892	2,135,827	535	-	535	2,136,362
Telephone	183,394	865,499	1,048,893	226,666	-	226,666	1,275,559
Rent	277,597	459,961	737,558	70,520	-	70,520	808,078
Miscellaneous	87,659	125,887	213,546	50,685	-	50,685	264,231
Supplies	178,851	369,330	548,181	64,687	583	65,270	613,451
Depreciation and amortization	4,106	420,269	424,375	40,460	-	40,460	464,835
Repairs and maintenance	135,346	397,530	532,876	56,866	-	56,866	589,742
Equipment rental	27,309	73,945	101,254	19,569	-	19,569	120,823
Insurance	35,270	94,814	130,084	8,568	-	8,568	138,652
Utilities	64,650	221,233	285,883	13,027	-	13,027	298,910
Travel	16,554	70,074	86,628	25,301	-	25,301	111,929
Professional services	456,497	162,961	619,458	39,448	-	39,448	658,906
Dues and subscriptions	2,346	71,460	73,806	8,113	-	8,113	81,919
Storage	17,100	32,241	49,341	6,360	-	6,360	55,701
Postage	691	21,119	21,810	3,706	-	3,706	25,516
<b>Total</b>	<b><u>\$ 7,343,172</u></b>	<b><u>\$ 17,297,094</u></b>	<b><u>\$ 24,640,266</u></b>	<b><u>\$ 2,916,132</u></b>	<b><u>\$ 16,236</u></b>	<b><u>\$ 2,932,368</u></b>	<b><u>\$ 27,572,634</u></b>

See accompanying notes.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Statements of Cash Flows  
Years Ended December 31, 2023 and 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 632,433	\$ 3,223,795
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	507,999	464,835
Amortization of right-of-use assets	480,753	449,776
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(646,349)	39,428
Grants and contributions receivable	801,510	(2,355,083)
Other accounts receivable	(34,759)	613,989
Inventory	(18,055)	88,107
Prepaid expenses and other assets	(21,764)	17,523
Accounts payable	92,292	120,699
Accrued expenses	85,773	(1,233)
Due from/to MediCal - PPS settlements	1,132,967	915,437
Operating lease liabilities	(529,291)	(401,238)
Other current liabilities	25,110	(4,084)
Deferred revenue	-	(47,446)
	2,508,619	3,124,505
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	(406,667)	(389,297)
	(406,667)	(389,297)
Net cash used in investing activity		
CHANGES IN CASH AND CASH EQUIVALENTS	2,101,952	2,735,208
CASH AND CASH EQUIVALENTS, beginning of year	17,077,867	14,342,659
CASH AND CASH EQUIVALENTS, end of year	\$ 19,179,819	\$ 17,077,867

See accompanying notes.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Statements of Cash Flows (Continued)  
Years Ended December 31, 2023 and 2022**

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	2023	2022
RECONCILIATION TO CASH AS REPORTED ON THE STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	\$ 13,003,067	\$ 8,033,023
Cash - board designated for capital acquisition	6,176,752	9,044,844
	\$ 19,179,819	\$ 17,077,867
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Right-of-use asset obtained in exchange for lease liability	\$ -	\$ 1,986,018
In-kind contributions	\$ 791,014	\$ 300,999

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See accompanying notes.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Notes to Financial Statements**

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**Note 1 – Description of Organization and Nature of Operations**

**Organization** – Mission Area Health Associates, dba Mission Neighborhood Health Center ("MNHC") was established in the State of California as a community-based 501(c)(3) non-profit corporation in 1967 and received federally qualified health center ("FQHC") status in October 1987. MNHC's primary objective is to provide high quality, affordable and comprehensive health services to the residents of San Francisco, Northern San Mateo, and West Contra Costa Counties in California that live below 200% of the federal poverty level.

MNHC receives an annual federal grant (Section 330 - Health Center Program) to support operations from the Department of Health and Human Services ("DHHS") through Health Resources and Service Administration ("HRSA") - Bureau of Primary Health Care, and is a recipient of other program grants from the City and County of San Francisco to support MNHC's primary medical care and community support services (San Francisco Department of Public Health, Department of Homelessness and Supportive Housing, Department of Children, Youth and Their Families, Mayor's Office of Housing and Community Development, etc.).

MNHC operates six clinical sites (Shotwell, Excelsior, Mission Bernal Adult, Mission Bernal Pediatrics, Mission Bernal Pediatrics After-Hours, and a Homeless Resource Center) where the health center provides medical, ancillary, integrated health services (behavioral health, nutritional counseling) and enabling services (health education, case management, referrals, program eligibility, and outreach and enrollment). MNHC also provides several support programs for community members who are not MNHC patients (youth leadership development, HIV prevention, and support groups for at-risk individuals) and support programs for homeless individuals.

In April 2021, MNHC opened two new clinics that were acquired from Sutter Bay Hospitals ("SBH") (see Note 10). The new clinic sites are in the Mission Bernal neighborhood of San Francisco, California, and provide adult and pediatric primary care.

MNHC also generates patient service revenues from patients and third-party payors, of which the primary payor is the State of California Medi-Cal program.

MNHC's main programs of service are described below:

*Program A – Community Programs:* Program A primarily includes expenses incurred for grant funded community programs such as the youth development program (City College of San Francisco("CCSF")- Department of Children, Youth, & Families), homeless support services at the Resource Center (CCSF-Department of Homelessness & Supportive Housing and CCSF-Mayor's Office of Housing & Community Development), and HIV prevention programs (CCSF-Department of Public Health). Program A also includes Other Private Foundation grants and contributions that support MNHC's Community Programs.

**Mission Area Health Associates**  
**dba Mission Neighborhood Health Center**  
**Notes to Financial Statements**

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*Program B – Primary Care Programs:* Program B includes expenses incurred for grant-funded primary care programs such as Section 330 Health Center Program (HHS-HRSA-Bureau of Primary Health Care), Health Care for the Homeless-HCH (San Francisco Community Clinic Consortium-SFCCC), HIV Medical & Health Services (CCSF/DPH-Ryan White Part A/Minority AIDS Initiative, SFCCC-Ryan White Part C), and Medical Assistance Program-MAP (CCSF/DPH-General Fund). Program B also includes reimbursements from third party payors (Medi-Cal, Medicare, Anthem-Blue Cross, Child Health & Disability Program-CHDP, Family PACT, Breast Cancer Detection & Prevention Program) and patient revenues (Sliding Fee Scale).

**Note 2 – Summary of Significant Accounting Policies**

**Basis of presentation** – The financial statements have been prepared on the accrual basis of accounting. Net assets, support and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

*Without donor restrictions* – Represent net assets that are not subject to donor imposed restrictions, and includes Board designated funds of approximately \$9.0 million as of December 31, 2023 and 2022.

*With donor restrictions* – Represent net assets that are subject to donor-imposed stipulations. These stipulations may expire by the passage of time or may be satisfied by the actions of MNHC according to the intentions of the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Any net assets where the donor requires that the funds be held in perpetuity would also be classified as net asset with donor restrictions. MNHC has no net assets with donor restrictions as of December 31, 2023 and 2022.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue, support, and expenses. Accordingly, actual results could differ from those estimates.

**Cash and cash equivalents** – MNHC places its cash and cash equivalents with high credit quality institutions. Periodically, such investments may be in excess of federally insured limits. MNHC considers all highly liquid investments with original maturities of three months or less to be cash equivalents unless otherwise restricted or designated.

Financial instruments potentially subjecting MNHC to concentrations of credit risk primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits. Management believes, however, that the risk of loss is minimal due to the high financial quality of the banks.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Notes to Financial Statements**

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MNHC's cash balances are maintained in various bank deposit accounts that, from time to time, exceed the federally insured limits. MNHC's cash balances are maintained in various bank deposit accounts that, from time to time, exceed the federally insured limits. Financial instruments potentially subjecting MNHC to concentrations of risk consist primarily of bank demand deposits in excess of FDIC insurance thresholds. MNHC maintains its cash in bank deposit accounts, which, at times, may exceed FDIC insurance thresholds. If any of the financial institutions with whom MNHC does business were to be placed into receivership with the FDIC, MNHC may be unable to access the cash it has on deposit with such institutions. If MNHC was unable to access its cash and cash equivalents as needed, MNHC's financial position and ability to operate its business could be adversely affected. MNHC has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on these cash and cash equivalents.

**Patient accounts receivable, net** – MNHC's patient accounts receivable consist of amounts owed by various governmental agencies, health insurance plans and patients. Patient accounts receivable, net are recorded at amounts that reflect the consideration to which MNHC expects to be entitled in exchange for providing patient care. In evaluating the collectability of accounts receivable, MNHC regularly analyzes its past history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in accounts receivable. For receivables associated with services provided to patients who have third-party coverage, MNHC analyzes contractually due amounts and provides additional implicit and explicit price concessions, if necessary, based upon historical collection data for deductibles and copayments on accounts for which the third-party payor had not been paid, or for remaining payor balances. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in accounts receivable.

At each statements of financial position date, MNHC also recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of MNHC's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by MNHC. MNHC believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as MNHC's payer mix has remained constant since MNHC's inception.

The following table provides information about MNHC's receivables pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-11 as of December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Patient accounts receivable, net	\$ 1,735,021	\$ 1,088,672	\$ 1,128,100

**Mission Area Health Associates**  
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**Notes to Financial Statements**

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**Charity care** – MNHC provides care to patients, without charge or at an amount less than the cost to provide the services, who meet certain criteria under its sliding fee discount policy. The policy is based on the federal poverty guidelines for its uninsured patients that takes into account income and family size. Individuals that are at or below 200% of the federal poverty guidelines qualify for charity care/sliding fee discounts. The total accounts receivable adjustments associated with sliding fee discounted services provided for the years ended December 31, 2023 and 2022, were \$1,178,699 and \$1,330,617, respectively.

**Inventory** – MNHC inventory consists of drugs and supplies located at the pharmacy and is stated at the lower of cost or net realizable value determined using the first-in first-out method.

**Property and equipment, net** – Items received by donation, gift, or bequest are stated at fair value at the date of donation. Gifts of long-lived assets with explicit restrictions that specify how the long-lived assets are to be used, and gifts of cash and other assets that must be used to acquire the long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Building	30 years
Buildings and improvements	6–15 years
Furniture and fixtures	3–10 years

MNHC periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset. During the years ended December 31, 2023 and 2022, no loss on asset impairment was recognized.

**Due from/to MediCal - prospective payment system ("PPS") settlements** – Reimbursement for medical services provided to Medi-Cal beneficiaries is determined under a PPS using prospective per-visit rates established by previous cost reports filed with Medi-Cal. The final determination of revenues earned from Medi-Cal for each year is based upon a reconciliation of payments and visits that is filed annually with the California Department of Health Care Services ("DHCS"). Estimated receivables and liabilities resulting from these reconciliations are accrued in the period that the services are provided based upon the available payment and visit data, and are subject to final audit and settlement by DHCS. Any adjustments will be recognized during the period in which final settlements are determined. In the opinion of management, final settlement of the associated cost reports will not materially affect the financial statements of MNHC.



**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Notes to Financial Statements**

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**Grants and contribution receivables** – Grants and contribution receivables consists primarily of grant reimbursements due to MNHC. Grants and contributions receivable as of December 31, 2023 and 2022, are expected to be collected within the following year. Three grantor receivables represent approximately 50% of the total grants and contributions receivable balance as of December 31, 2023. Three grantor receivables represent approximately 56% of the total grants and contributions receivable balance as of December 31, 2022. An allowance for uncollectible grants and contributions receivable is established based upon management’s judgment including such factors as prior collection history, aging statistics of contributions, and the current status of the grantor or donor. MNHC has not established an allowance for uncollectible grants and contributions as of December 31, 2023 and 2022.

**Net patient services revenue** – Patient service revenues are reported at amounts that reflect the consideration to which MNHC expects to be entitled in exchange for providing patient services. Revenues recognized are from third-party payers, including managed care payors and government programs such as Medicare and Medi-Cal and from self-pay patients.

MNHC determines the transaction price for fee for service revenues based on established fee schedules for services provided, reduced by contractual adjustments provided to third-party payers, and implicit price concessions provided primarily to uninsured patients. Generally, patients who are covered by third-party payers may be responsible for related co-pays, coinsurance and deductibles, which vary in amount. MNHC also provides services to uninsured patients and offers these patients a discount from standard charges under a charity care policy. The estimated transaction price for patients with copays, co-insurance and deductibles, and for those who are uninsured, are based on historical collection experience and current market conditions. Generally, MNHC bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied. Cash received in excess of revenue recognized is recorded as deferred revenue. Because all of its performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in FASB ASC Topic 606-10-50-14a and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Effective with the adoption of FASB ASC Topic 606 on January 1, 2021, for changes in credit issues not assessed at the date of service, such as a payor files for bankruptcy or a patient defaults on a payment plan, MNHC recognizes these write-offs as bad debt expense, which is presented on the accompanying statements of activities and changes in net assets.

MNHC is approved as a federally qualified health center (FQHC) for both Medicare and Medi-Cal reimbursement purposes. MNHC has agreements with third-party payors that provide for payments to MNHC at amounts different from its established rates. These payment arrangements include:

*Medicare* – Covered FQHC services rendered to Medicare program beneficiaries are paid on a prospective payment system (PPS). Medicare payment under the FQHC PPS will be 80% of the lesser of MNHC’s actual charge or the applicable PPS rate (patient coinsurance will be 20% of the lesser of MNHC’s actual charge or the applicable PPS rate). Accordingly, to the extent MNHC’s charge is below the applicable PPS rate, Medicare FQHC reimbursement will be limited.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Notes to Financial Statements**

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*Medi-Cal* – Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. MNHC is reimbursed a prospectively determined encounter rate for covered services provided.

*Insurance* – MNHC has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to MNHC under these agreements includes prospectively determined rates and discounts from established charges.

Gross revenues from Medi-Cal and Medicare programs accounted for approximately 73% and 77% of MNHC's gross patient service revenues for the years ended December 31, 2023 and 2022, respectively. Patient service revenues also include current settlement estimates with DHCS, and retroactive adjustments determined by DHCS during the current year under the Medi-Cal PPS.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. MNHC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future governmental review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion for the Medi-Cal and Medicare programs.

**Capitation revenue** – MNHC contracts with several managed care plans to provide health care services to managed care enrollees. Under the various contracts, MNHC receives a monthly fixed capitated payment per enrollee covering all primary care physician services required. Capitation payments are recognized as revenue during the period in which MNHC is obligated to provide services to the managed care enrollees. MNHC recognized \$3,539,197 and \$3,300,231 in capitation revenue for the years ended December 31, 2023 and 2022, respectively, which is reported within patient service revenues on the statements of activities and changes in net assets.

**Grants and contributions** – Grant and contribution revenues are primarily from Federal, City, and County grants which generally restrict the use of such funds to cover the operating expenses directly related to providing primary care services and related health and social services. This funding is subject to contractual restrictions, which must be met by incurring qualifying expenses for particular programs. Accordingly, such grants are considered conditional contributions and are recorded as income without donor restriction to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. MNHC has received cost-reimbursable grants of approximately \$814,395 and \$804,557 that have not been recognized at December 31, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

**Mission Area Health Associates  
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Notes to Financial Statements**

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Certain of the grants that MNHC receives are from the United States government and are subject to audit under the provisions of the Uniform Guidance and may also be subject to audit by the government funding agency. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the government funding agency. Until such costs have been approved by the government funding agency, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability would result from the review or potential audit of the costs by the government funding agencies. MNHC is vulnerable to the inherent risk associated with revenue that is substantially dependent on government funding, public support, and contributions.

Unconditional promises to give cash and other assets to MNHC are reported at fair value at the date the promise is received. Under ASC 958, *Not-for-Profit Entities*, a contribution must have the following two criteria to be considered conditional; a barrier that must be overcome before the donor is entitled to the assets promised, and a right of return of the assets to the donor, or a right of release of the donor of its obligation. Conditional promises to give are recognized at fair value when the conditions are met. Contributions are reported as donor restricted if the donor limits the use of the donated assets. When a donor restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions. MNHC has elected to report all donor restricted contributions for which the restriction has been met in the same year, as without donor restriction.

**In-kind contributions** – Contributed assets are recorded at fair value on the date they are received and recognized as expense when utilized. Contributed services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are reported as contributions. For the years ended December 31, 2023 and 2022, MNHC recorded in-kind contributions of \$791,014 and \$300,999, respectively, for COVID testing supplies and facility rent received in the accompanying statements of activities and changes in net assets. It is the policy of MNHC to record the estimated fair value, based on wholesale prices of comparable testing supplies available in the market for domestic distribution.

**340B revenue** – MNHC participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). MNHC earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. MNHC has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with MNHC.

This program is overseen by the HRSA Office of Pharmacy Affairs. HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change.

**Mission Area Health Associates  
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Contract pharmacy receipts, net of contract pharmacy administrative and filing fees, are included in 340B pharmacy revenue on the statements of activities and changes in net assets. The net 340B revenue from this program is used in furtherance of MNHC's mission. Net pharmacy revenue breakout are as follows for the years ended December 31:

	2023	2022
Contract pharmacy receipts	\$ 1,417,542	\$ 1,949,208
Less: contract pharmacy drug replenishment costs	(447,509)	(1,071,159)
Less: contract pharmacy administrative and filing fees	(172,462)	(194,169)
Contract pharmacy net revenue	\$ 797,571	\$ 683,880

**Functional expense allocation** – The costs of providing MNHC's programs and other activities have been accumulated into separate groupings of both direct and indirect costs. Indirect costs are allocated to the programs and support services by a method that measures the relative degree of benefit, primarily by effort spent on each activity and by employee headcount.

**Income tax status** – MNHC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 23701(d) of the Revenue and Taxation Code of the State of California.

MNHC has evaluated its current tax positions and has concluded that as of December 31, 2023 and 2022, it does not have any uncertain tax positions for which a reserve would be necessary. MNHC files both U.S. federal and state information returns.

**Leases** – MNHC leases its facilities, office space, and equipment under operating leases. MNHC determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

ROU assets represent the MNHC's right to use an underlying asset for the lease term and lease liabilities represent MNHC's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Certain options renewal periods were not included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended. MNHC has agreements with lease and nonlease components, such as common area maintenance, and has elected to account for the lease and nonlease components not as separate components. MNHC has elected not to recognize ROU assets and lease liabilities for leases of terms less than 12 months. MNHC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
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**Performance indicator** – “Changes in net assets” as reflected in the statements of activities and changes in net assets are the performance indicators. Amounts excluded from the performance indicator, consistent with industry practice, may include permanent transfers to and from affiliates for other than goods and services, and contributions and grants of long-lived assets (including assets acquired using contributions and grants which by donor or granting agency restrictions were to be used for the purpose of acquiring such assets).

**Reclassifications** – Certain financial statement reclassifications have been made to prior year balances for comparability purposes and had no impact on changes in net position or net position as previously reported.

**New accounting pronouncements** –In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement of all expected credit losses for financial assets held based on historical experience, current conditions, and reasonable and supportable forecasts. Management adopted this standard on January 1, 2023. The impact of adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

**Note 3 – Patient Accounts Receivable, net and Patient Services Revenue**

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The mix of accounts receivable at December 31, from patients and third-party payors was as follows:

<u>Payor Class</u>	<u>2023</u>	<u>2022</u>
Medi-Cal	66%	36%
Medicare	5%	16%
Other third party-payors	16%	28%
Patient self-pay	13%	20%
	<u>100%</u>	<u>100%</u>

Gross patient service revenue by major payor groups are as follows for the years ended December 31:

<u>Payor Class</u>	<u>2023</u>	<u>2022</u>
Medi-Cal	\$ 8,946,784	\$ 7,537,536
Medicare	932,378	948,214
Other third party-payors	1,653,822	1,355,006
Patient self-pay	1,949,527	1,514,108
	<u>\$ 13,482,511</u>	<u>\$ 11,354,864</u>

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Notes to Financial Statements**

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**Note 4 – Due from/to Medical – PPS Settlements**

MNHC has recorded receivables due from DHCS, and liabilities due to DHCS, based upon the PPS reconciliation reports that are filed annually for each clinic location, and any subsequent Medi-Cal settlement or rate information provided by DHCS.

At December 31, 2023, MNHC has a receivable from DHCS in the amount of \$320,218 and \$1,163,944 based upon the December 31, 2023 and 2022, PPS Medi-Cal reconciliation reports filed with DHCS for the Shotwell clinic site.

Medi-Cal PPS settlement amounts due to DHCS totaling \$2,382,204 and \$2,092,963 are related to PPS reconciliation reports filed, and expected to be filed, for the years ended December 31, 2023 and 2022, for the Shotwell, Excelsior, and Resource Center clinic sites.

The estimated net liability due to DHCS is \$2,061,986 and \$929,019 at December 31, 2023 and 2022, respectively.

**Note 5 – Property and Equipment, net**

Property and equipment, net consisted of the following:

	2023	2022
Land	\$ 158,000	\$ 158,000
Buildings and improvements	6,663,844	6,383,689
Furniture and fixtures	2,116,391	1,989,880
	8,938,235	8,531,569
Less: accumulated depreciation	(6,026,172)	(5,518,174)
Property and equipment, net	\$ 2,912,063	\$ 3,013,395

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was \$507,999 and \$464,835, respectively.

**Note 6 – Leases**

MNHC has entered into non-cancelable lease agreements for certain clinic sites with lease terms ending through October 2026.

There were no variable lease payments for the years ended December 31, 2023 and 2022.

**Mission Area Health Associates  
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Future minimum lease payments on noncancelable operating lease commitments for the years ended December 31 are as follows:

Years Ending December 31,

2024	\$ 544,796
2025	489,320
2026	118,253
Thereafter	<u>2,952</u>
Total lease payments	1,155,321
Less: present value discount	<u>(99,832)</u>
Operating lease liabilities	<u>\$ 1,055,489</u>

Lease costs for all operating leases for the years ended December 31, 2023 and 2022, are \$776,723 and \$808,078, respectively.

The weighted-average lease terms and discount rates are as follows:

Weighted-average remaining lease term (years)	2.22 years
Weighted-average discount rate	3.63%

**Note 7 – Retirement Plan**

MNHC provides a 401(k) profit sharing retirement plan for eligible employees with employer contributions of up to 4% for both union and non-union participants, based upon eligible compensation. Total employer profit sharing contributions for the years ended December 31, 2023 and 2022, were \$314,519 and \$309,664, respectively.

**Note 8 – Commitments and Contingencies**

**Litigation** – MNHC may become involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management will establish accruals for any material estimated losses deemed probable of occurring. At December 31, 2023, management believes that there are no matters to be resolved that would have a material adverse effect on MNHC's future financial position or results of operations.

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

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

**Mission Area Health Associates  
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The health care industry is subject to numerous laws and regulations of Federal, State, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received.

Management believes that MNHC is in compliance with the fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**Medical malpractice coverage** – MNHC and the health center personnel employed by MNHC are covered under the Federal Tort Claims Act ("FTCA"). FTCA coverage is for professional liability actions, claims, or proceedings arising out of any and all negligent or intentional acts or omissions committed in the course of providing health services to MNHC's patients served at MNHC's facilities. MNHC also carries gap and tail professional liability insurance through another carrier with limits of \$2 million per occurrence and a general aggregate of \$8 million.

The Patient Protection and Affordable Care Act (PPACA) allowed for the expansion of Medicaid members in the State of California. Any further federal or state funding changes could have an impact on MNHC. With the changes in the executive branch, the future of PPACA and impact of future changes in Medicaid to MNHC is uncertain at this time.

MNHC participates in the 340B Drug Pricing Program enabling MNHC to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by HRSA OPA. HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Drug Pricing Program are complex and subject to interpretation and change.

**Note 9 – Excelsior Clinic**

On June 1, 2021, MNHC entered into a joint development agreement with 4840 Mission Housing Associates LP ("MHA") whereby MHA intends to develop, own, and operate an affordable housing development in the Residential Parcel of the Bridge Housing complex at 4840 Mission Street, San Francisco, California consisting of approximately 137 residential units, a ground floor management office, ground floor commercial space of approximately 4,200 square feet, and community space within the Residential Parcel. Under this agreement, MHA will construct the clinic cold shell improvements, as defined in the agreement, and will convey them to MNHC so that MNHC can complete clinic interior improvements on the ground floor of the complex.



**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
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Subject to the terms of a Purchase and Sale Agreement dated June 1, 2021, upon completion of the clinic cold shell improvements, MHA will transfer the leasehold interest in the clinic parcel along with the clinic cold shell improvements to MNHC upon receipt of the purchase price which is a maximum of \$3,000,000. In accordance with the agreement, MNHC has deposited \$3,000,000 into an account with a bank to purchase the clinic cold shell improvements upon completion.

As of December 31, 2023 and 2022, an additional \$0 and \$6,000,000, respectively, has been reserved in a CD account for other construction costs. Project construction started during the second quarter of 2021 and is expected to be completed by the end of 2024, followed by 10 months of tenant improvements. The clinic is expected to be operational in 2025.

**Note 10 – Asset Transfer Agreement**

On November 23, 2020, MNHC entered into an asset transfer agreement with Sutter Bay Hospitals ("SBH") whereby SBH will transfer their adult medicine and pediatric healthcare clinics located in the Mission Bernal neighborhood of San Francisco, California. MNHC, as a community-based health care provider, is experienced in specifically serving patients at-risk and lacking access to healthcare services, and is uniquely positioned to maintain and expand clinical services in the Mission Bernal community.

In connection with the asset transfer agreement, SBH has provided MNHC with a grant for a total amount of \$5,537,694 to be paid over a period of five years, and to be used for general operating expenses at the new clinics. In December 2020, MNHC received the first grant payment of \$825,348, which was recorded as deferred revenue at December 31, 2020, as the transfer of the assets from SBH, and the operation of the clinics, was effective on April 2, 2021. Through December 31, 2022, MNHC received additional payments under the terms of the grant totaling \$2,850,821. During 2023, MNHC received \$1,047,130 in additional payments under the terms of the grant. The balance of the grant award of \$814,395 as of December 31, 2023, will be recognized as the conditions of the grant are met, primarily by incurring qualifying expenditures in 2024.

**Note 11 – Related-Party Transactions**

MNHC is a founding member of San Francisco Community Clinic Consortium ("SFCCC") and a sub-recipient of several grants awarded to SFCCC. For the years ended December 31, 2023 and 2022, MNHC received grants awarded to SFCCC in the amount of \$828,453 and \$940,953, respectively. MNHC provides services which are integral to the grant programs that SFCCC administers. Annually MNHC's Executive Director is elected as a member of SFCCC's Board of Directors.

**Note 12 – Liquidity and Funds Available**

As part of the MNHC liquidity management, it has structured its financial assets to be readily available for meeting operational expenses, liabilities, and other obligations as they become due.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Notes to Financial Statements**

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As of December 31, 2023 and 2022, MNHC holds cash and short-term investments which are available to fund approximately six months of operating expenses. These are current assets that can readily be liquidated to meet operating needs.

MNHC expects its third party accounts receivables to be substantially collected and available within 120 days after year end, grants receivables are generally expected to be collected within 90 days after year end. The Due from Medi-Cal receivable and other receivables are expected to be collected during 2024.

MNHC's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 13,003,067	\$ 8,033,023
Cash - board designated for capital acquisition	2,500,000	-
Patient accounts receivable, net	1,735,021	1,088,672
Grants and contributions receivable	3,534,911	4,336,421
Other accounts receivable	96,490	61,731
	<u>\$ 20,869,489</u>	<u>\$ 13,519,847</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statements of financial position date.

**Note 13 – Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are available to be issued. MNHC 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. MNHC'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.

MNHC has evaluated subsequent events through June 11, 2024, which is the date the financial statements were available to be issued.

## **Supplementary Information**

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**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023**

Federal Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
<i>Direct awards:</i>			
Grants for Capital Development in Health Centers	93.526	C8ECS44352C6	\$ 124,534
Health Center Program Cluster:			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS00590	3,947,819
Grants for New and Expanded Services	93.527	H8GCS48389	133,226
American Rescue Plan Act Funding for Health Centers	93.224	H8FCS41103C6	1,156,525
<i>Pass-through programs from:</i>			
San Francisco Community Clinic Consortium			
Health Care for the Homeless	93.224	H80CS00049	550,812
Subtotal - Health Center Program cluster			<u>5,788,382</u>
<i>Pass-through programs from:</i>			
San Francisco Community Clinic Consortium			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Program Part C)			
	93.918	H76HA00163	97,766
City & County of San Francisco - Department of Public Health			
HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)			
Center of Excellence: Ryan White Part A-Minority AIDS Initiative	93.914	H89HA00006	691,046
Mission Center of Excellence IFR - HIV Emergency Relief Project	93.914	H89HA00006	198,547
Ryan White Part A - Integrated Case Management	93.914	HCPD13/17	163,142
Ryan White HIV Treatment Outreach & Linkage Program	93.914	HCPD13/17	309,158
Subtotal - HIV Emergency Relief Project Grants			<u>1,361,893</u>
Total Pass-Through Programs			<u>1,459,659</u>
Total U.S. Department of Health and Human Services			<u>7,372,575</u>
U.S. Department of Education			
<i>Pass-through program from:</i>			
Mission Economic Development Agency (MEDA)			
Promise Neighborhoods - Outreach Program	84.215	U215N120046	70,000
Total U.S. Department of Education			<u>70,000</u>
U.S. Department of Housing and Urban Development			
<i>Pass-through program from:</i>			
San Francisco Mayor's Office Housing and Community Development			
Emergency Solutions Grant Program	14.231	E16MC060016	27,135
Total U.S. Department of Housing and Urban Development			<u>27,135</u>
Total Expenditures of Federal Awards			<u>\$ 7,469,710</u>

See accompanying notes to the schedule of expenditures of federal awards.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023**

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Mission Area Health Associates (a California corporation), dba Mission Neighborhood Health Center ("MNHC") under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MNHC, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of MNHC.

**Note 2 – 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 limited as to reimbursement. Passthrough entity identifying numbers are presented where available and applicable.

**Note 3 – Indirect Cost Rate**

MNHC has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4 – Subrecipients**

MNHC did not provide federal awards to subrecipients during the year ended December 31, 2023.

## **Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Mission Area Health Associates  
dba Mission Neighborhood Health Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mission Area Health Associates, dba Mission Neighborhood Health Center (“MNHC”), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, 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 June 11, 2024.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MNHC’s internal control over financial reporting (internal control) as a basis for designing 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 MNHC’s internal control. Accordingly, we do not express an opinion on the effectiveness of MNHC’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 MNHC’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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MNHC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MNHC'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 MNHC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California  
June 11, 2024

## **Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance**

The Board of Directors  
Mission Area Health Associates  
dba Mission Neighborhood Health Center

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited Mission Area Health Associates, dba Mission Neighborhood Health Center's ("MNHC") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on MNHC's major federal program for the year ended December 31, 2023. MNHC'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, MNHC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

#### ***Basis for Opinion on the 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 (*Government Auditing Standards*); 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 MNHC 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 the major federal program. Our audit does not provide a legal determination of MNHC'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 MNHC'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 MNHC'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, *Government Auditing Standards*, 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 MNHC's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, 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 MNHC'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 MNHC'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 MNHC'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 a 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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
June 11, 2024

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2023**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

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

***Identification of Major Federal Program and Type of Auditor’s Report Issued on Compliance for Major Federal Program***

<i>Federal Assistance Listing Number</i>	<i>Name of Major Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Program</i>
93.224/93.527	Health Center Program Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Award Findings and Questioned Costs**

None noted.

**Mission Area Health Associates  
dba Mission Neighborhood Health Center  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2023**

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There were no prior year findings reported.

