



# **APLA Health & Wellness**

## **Independent Auditor's Reports and Financial Statements**

June 30, 2024

**APLA Health & Wellness**  
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**June 30, 2024**

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## **Independent Auditor's Report**

Board of Directors  
APLA Health & Wellness  
Los Angeles, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of APLA Health & Wellness (the "Organization"), which comprise the balance sheet as of June 30, 2024, and the related statements of operations, 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 the Organization as of June 30, 2024, and the results of operations, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

#### ***Emphasis of Matter***

As described in *Note 2* to the financial statements, in 2024, the Organization changed its method of financial statement presentation. Our opinion is not modified with respect to this matter.

#### ***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 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 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.

### ***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 as required by Title 2 U.S. *Code of Federal Regulations* 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2025, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

**Forvis Mazars, LLP**

**Springfield, Missouri  
August 15, 2025**

**APLA Health & Wellness**  
**Balance Sheet**  
**June 30, 2024**

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 8,296,390
Investments	6,935,601
Patient accounts receivable	8,967,095
Medi-Cal waiver receivable	755,491
Estimated amounts due from third-party payers - current	318,307
Grants and other receivables	10,220,256
Contributions receivable	100,000
Prepaid expenses and other assets	878,376
Inventories	209,881

<b>Total Current Assets</b>	<u>36,681,397</u>
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<b>Estimated Amounts Due From Third-Party Payers</b>	851,278
Less current portion	<u>318,307</u>
	<u>532,971</u>

**Property and Equipment, at Cost**

Leasehold improvements	16,205,570
Equipment	1,324,686
Furniture and fixtures	774,776
Construction in progress	6,103,334
	<u>24,408,366</u>

<b>Less Accumulated Depreciation</b>	<u>6,835,917</u>
	<u>17,572,449</u>

**Other Assets**

Deposits	255,977
Assets limited as to use - donor restricted	3,061,321
Split-interest agreements	20,736
Right-of-use assets - operating leases	16,783,378
	<u>20,121,412</u>

<b>Total Assets</b>	<u><u>\$ 74,908,229</u></u>
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**LIABILITIES AND NET ASSETS****Current Liabilities**

Accounts payable	\$ 4,410,470
Accrued expenses	2,879,879
Estimated amounts due to third-party payers	371,562
Deferred revenue	195,000
Current maturities of long-term debt	30,000
Current portion of operating lease liabilities	2,571,572

<b>Total Current Liabilities</b>	<u>10,458,483</u>
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**Other Liabilities**

Long-term debt	349,490
Operating lease liabilities	14,534,926
	<u>14,884,416</u>

<b>Total Liabilities</b>	<u>25,342,899</u>
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**Net Assets**

Without donor restrictions	
Undesignated	32,926,611
Board designated	12,977,446
Total net assets without donor restrictions	<u>45,904,057</u>

With donor restrictions	<u>3,661,273</u>
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<b>Total Net Assets</b>	<u>49,565,330</u>
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<b>Total Liabilities and Net Assets</b>	<u>\$ 74,908,229</u>
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**APLA Health & Wellness**  
**Statement of Operations**  
**Year Ended June 30, 2024**

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<b>Revenues, Gains, and Other Support Without Donor Restrictions</b>	
Patient service revenue	\$ 66,464,428
Medi-Cal waiver revenue	2,422,746
Grant revenue	30,463,825
Contributions of cash and other financial assets	1,009,234
Contributions of nonfinancial assets	1,878,728
Event revenue, net	1,230,032
Other revenue	754,926
Net assets released from restrictions	1,023,304
<b>Total Revenues, Gains, and Other Support Without Donor Restrictions</b>	<u>105,247,223</u>
<b>Expenses and Losses</b>	
Program Services	
Client support	22,568,480
Education	2,928,325
Clinical services	68,214,038
Government affairs	805,233
<b>Total Program Services</b>	<u>94,516,076</u>
Support Services	
General and administrative	7,332,724
Fundraising	2,037,127
<b>Total Support Services</b>	<u>9,369,851</u>
<b>Total Expenses and Losses</b>	<u>103,885,927</u>
<b>Operating Income</b>	<u>1,361,296</u>
<b>Other Income (Expense)</b>	
Investment return, net	556,327
Gain on lease termination	66,357
Loss on deconsolidation	(650,842)
	<u>(28,158)</u>
<b>Excess of Revenues Over Expenses</b>	1,333,138
Grants for acquisition of property and equipment	853,063
<b>Increase in Net Assets Without Donor Restrictions</b>	<u><u>\$ 2,186,201</u></u>



**APLA Health & Wellness**  
**Statement of Changes in Net Assets**  
**Year Ended June 30, 2024**

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**Net Assets Without Donor Restrictions**

Excess of revenues over expenses	\$ 1,333,138
Grants for acquisition of property and equipment	<u>853,063</u>

<b>Increase in Net Assets Without Donor Restrictions</b>	<u>2,186,201</u>
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**Net Assets With Donor Restrictions**

Contributions of cash and other financial assets	561,521
Investment return, net	313,007
Net assets released from restriction	<u>(1,023,304)</u>

<b>Decrease in Net Assets with Donor Restrictions</b>	<u>(148,776)</u>
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<b>Change in Net Assets</b>	<u>2,037,425</u>
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<b>Net Assets, Beginning of Year</b>	<u>47,527,905</u>
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<b>Net Assets, End of Year</b>	<u><u>\$ 49,565,330</u></u>
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**APLA Health & Wellness  
Statement of Functional Expenses  
Year Ended June 30, 2024**

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total
	Client Support	Education	Clinical Services	Government Affairs		General and Adminstrative	Fundraising		
<b>Salaries and Related</b>									
Salaries and wages	\$ 6,243,594	\$ 1,408,018	\$ 17,966,944	\$ 479,442	\$ 26,097,998	\$ 2,916,097	\$ 951,086	\$ 3,867,183	\$ 29,965,181
Employee benefits	1,595,285	358,823	3,878,726	91,015	5,923,849	536,674	168,279	704,953	6,628,802
Total personnel expenses	7,838,879	1,766,841	21,845,670	570,457	32,021,847	3,452,771	1,119,365	4,572,136	36,593,983
Purchased services and professional fees	4,452,078	230,387	1,859,768	147,640	6,689,873	745,419	654,388	1,399,807	8,089,680
Occupancy	1,173,485	402,729	2,905,543	32,237	4,513,994	315,260	70,527	385,787	4,899,781
Attendant care	-	-	1,894,724	-	1,894,724	-	-	-	1,894,724
Client rental assistance	1,764,845	-	-	-	1,764,845	-	-	-	1,764,845
Emergency/direct financial assistance	3,198,545	-	-	-	3,198,545	-	-	-	3,198,545
Temporary help	72,860	15,993	235,281	-	324,134	570,871	-	570,871	895,005
Food supplies	2,698,118	-	-	-	2,698,118	-	-	-	2,698,118
Printing and duplication	37,024	18,296	58,249	3,198	116,767	12,333	19,122	31,455	148,222
Staff training, development, and travel	84,833	15,505	158,966	27,977	287,281	281,671	7,804	289,475	576,756
Depreciation	253,987	55,474	541,040	8,874	859,375	116,569	23,035	139,604	998,979
Support to other organizations	10,735	7,379	23,199	380	41,693	160,779	988	161,767	203,460
Promotion and outreach	196,148	302,023	230,509	6,177	734,857	313,625	70,732	384,357	1,119,214
Postage and delivery	2,790	988	5,484	13	9,275	4,733	1,340	6,073	15,348
Supplies, equipment rental, and maintenance	612,656	78,574	38,081,660	3,147	38,776,037	420,470	58,648	479,118	39,255,155
Accounting and legal	25,861	-	-	-	25,861	658,190	-	658,190	684,051
Insurance	8,281	1,210	11,798	193	21,482	234,515	502	235,017	256,499
Communications	128,092	30,778	341,201	4,596	504,667	41,005	9,784	50,789	555,456
Loss on disposal of property and equipment	9,263	2,148	20,946	344	32,701	4,513	892	5,405	38,106
Total expenses	<u>\$ 22,568,480</u>	<u>\$ 2,928,325</u>	<u>\$ 68,214,038</u>	<u>\$ 805,233</u>	<u>\$ 94,516,076</u>	<u>\$ 7,332,724</u>	<u>\$ 2,037,127</u>	<u>\$ 9,369,851</u>	<u>\$ 103,885,927</u>

**APLA Health & Wellness**  
**Statement of Cash Flows**  
**Year Ended June 30, 2024**

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**Operating Activities**

Change in net assets	\$ 2,037,425
Items not requiring (providing) cash	
Loss on disposal of property and equipment	38,106
Gain on lease termination	(66,357)
Depreciation	998,979
Net realized and unrealized gains on investments	(228,373)
Change in value of split-interest agreements	2,479
Loss on deconsolidation	650,842
Noncash operating lease expense	344,967
Grants for the acquisition of property and equipment	(853,063)
Changes in	
Accounts receivable	(1,459,302)
Medi-Cal waiver receivable	37,916
Grants receivable	(1,207,476)
Contributions receivable	(41,500)
Estimated amounts due to and from third-party payers	53,255
Prepaid expenses and other assets	(291,939)
Inventories	23,675
Accounts payable and accrued expenses	886,412
Deferred revenue	(41,181)
Net cash provided by operating activities	<u>884,865</u>

**Investing Activities**

Purchase of investments	(1,787,930)
Proceeds from sale of investments	14,251
Cash outflow from deconsolidation of subsidiary	(537,857)
Purchase of property and equipment	(5,139,314)
Net cash used in investing activities	<u>(7,450,850)</u>

**Financing Activities**

Proceeds from grant for acquisition of property and equipment	853,063
Net cash provided by (used in) financing activities	<u>853,063</u>

**Increase (Decrease) in Cash and Cash Equivalents** (5,712,922)

**Cash and Cash Equivalents, Beginning of Year** 14,086,123

**Cash and Cash Equivalents, End of Year** \$ 8,373,201

**APLA Health & Wellness**  
**Statement of Cash Flows**  
**Year Ended June 30, 2024**

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**Reconciliation of Cash and Cash Equivalents, Restricted Cash  
and Restricted Cash Equivalents to the Balance Sheet**

Cash and cash equivalents	\$ 8,296,390
Cash and cash equivalents in assets limited as to use - donor restricted	<u>76,811</u>
	<u><u>\$ 8,373,201</u></u>

**Supplemental Cash Flows Information**

Accounts payable incurred for property and equipment	\$ 741,628
ROU assets obtained in exchange for new operating lease liabilities	\$ 6,130,083

## **Note 1. Nature of Operations**

### ***Mission Statement***

APLA Health & Wellness (“APLA Health” or the “Organization”) restores dignity and trust within underserved communities by providing world-class LGBTQ+ empowering healthcare, HIV specialty care, food, housing, and other essential support services.

### ***History***

The Organization was informally founded in 1982 by four friends who were alarmed by the sudden deaths in their communities and enraged at an unresponsive government. AIDS Project Los Angeles (the agency’s predecessor organization) officially opened its doors in early 1983 and grew from a single telephone hotline to a provider of health and HIV support services, HIV testing and prevention education and government advocacy. APLA Dental Services was founded in 2004 to separately house the Organization’s dental program for individuals living with HIV. In 2012, APLA Dental Services changed its name to APLA Health & Wellness and in 2014 became a Federally Qualified Health Center (FQHC) and began offering primary medical and HIV care and behavioral health services, in addition to dental services. On June 30, 2018, AIDS Project Los Angeles merged into APLA Health.

### ***Services for the Low-Income LGBT Community and People Living with HIV***

APLA Health serves more than 22,000 patients and clients annually from 19 locations in Los Angeles County, and focuses on providing free or low-cost medical, dental, and behavioral health care to the LGBTQ+ community, as well as medical and support services for those who are living with HIV. APLA Health’s patient population is primarily people of color living at or below the federal poverty level who are facing multiple challenges in regard to their physical and mental health. As an FQHC, APLA Health provides medical, dental, and behavioral healthcare to the community at large, but with an expertise and focus on the unique needs of LGBTQ+ individuals, regardless of their HIV status.

APLA Health operates three full-service health centers, offering LGBTQ+ primary medical care, HIV specialty care, oral health, and behavioral health services: the Gleicher/Chen Health Center, Baldwin Hills in South Los Angeles, the APLA Health Center, CDU/MLK Medical Campus in South Los Angeles, the APLA Health Center, Long Beach, in downtown Long Beach, all communities with diverse LGBTQ+ residents that have also been hit hard by the HIV/AIDS epidemic.

The APLA Health Center, Mid-Wilshire in the Fairfax-Carthay Circle neighborhood of Los Angeles and the Michael Gottlieb Health Center in West Hollywood, offer LGBTQ+ primary medical care, HIV specialty care and behavioral health services. The Organization offers comprehensive oral health services from its dedicated dental facility, the twelve chair APLA Health Dental Clinic, Downtown Los Angeles and behavioral healthcare and HIV support services at the David Geffen Health Center, Koreatown.

APLA Health’s HIV specialty care services provide specialized medical care for patients living with HIV from five locations. The goal of these services is for every patient to achieve an undetectable viral load. Maintaining an undetectable viral load helps the patient achieve the best health status possible as well as making the patient unable to transmit HIV to sexual partners. This strategy, Undetectable Equals Untransmittable (U=U), promises to significantly reduce the number of new HIV infections, bringing us one step closer to ending the HIV/AIDS epidemic.

APLA Health also provides a comprehensive array of social support services for people living with HIV from multiple locations throughout Los Angeles County. These services include housing support, home health care, benefits counseling, case management, a client telephone information line, and groceries and nutrition counseling through its Vance North Necessities of Life Program (NOLP) food pantry program. NOLP is the largest network of food pantries for people living with HIV in the country and to date has provided over 20 million meals in its 38 years of operation.

***HIV Prevention and Education, HIV Testing, STD Screening and Treatment, and PrEP and PEP Counseling, and Management***

Since the beginning of the HIV/AIDS epidemic, APLA Health has delivered innovative HIV prevention programs that reduce infection rates through individual, group, and community-level activities. The Organization's prevention programs seek to prevent infections among HIV negative people and reduce the risk of HIV transmission from people who are already living with the disease. These efforts target those at greatest risk of HIV infection, including gay and bisexual men, people of color, youth, transgender individuals, and those who experiencing addiction and mental health challenges.

In the spring of 2022, in part to address the rapidly rising rates of sexually transmitted infections in Los Angeles County, APLA Health opened Out Here Sexual Health Center, Baldwin Hills. Out Here offers fast, convenient, and free or low-cost sexual health services including HIV testing, STD screening and treatment, and PrEP and PEP services by and for the LGBTQ+ community. The goal of Out Here is to empower our patients to take control of their sexual health. The Organization intends to expand the availability of Out Here sexual health services over the next several years by embedding Out Here services in existing and future APLA Health center locations. Out Here sexual health services are also currently offered at our APLA Health Center, CDU/MLK Medical Campus location, the first example of service integration within an APLA Health Center.

The Organization provides free HIV testing, STD screening and treatment, and PrEP and PEP services at six health center locations across the county including Gleicher/Chen Health Center, Baldwin Hills, APLA Health Center, Long Beach, APLA Health Center, CDU/MLK Medical Campus, APLA Health Center, Mid-Wilshire, Michael Gottlieb Health Center, West Hollywood, and Out Here Sexual Health Center, Baldwin Hills.

APLA Health is a leader in the implementation of comprehensive biomedical HIV prevention programs that educate patients about pre-exposure prophylaxis (PrEP) and post-exposure prophylaxis (PEP) and provides both. PrEP is a biomedical intervention in which a person takes a medication daily or a series of monthly or every other month injections to help prevent HIV infection. If taken correctly, PrEP is up to 99% effective in preventing HIV transmission. PEP is used in emergency situations and must be taken within 72 hours of possible exposure to HIV. Both PrEP and PEP are offered at six APLA Health locations in Los Angeles County.

***Government Affairs***

APLA Health's Government Affairs team works to advance LGBTQ+ health initiatives, such as reducing health care disparities and also advocates for optimal HIV/AIDS and health care policy, programs, funding, and legislation. Government Affairs also advocates for strengthening and expanding the nation's network of federally qualified health centers and increasing access to comprehensive health services for low-income, uninsured, and underserved individuals.

The Government Affairs staff works at all levels of government—local, county, state, and federal—meeting and speaking with elected officials, administrators, and other decision makers to ensure that people affected by HIV, LGBTQ+ individuals, and other underserved communities have access to the services they need for optimal health and well-being. Government Affairs also advocates for structural approaches to address social determinants of health including stigma, racism, homophobia, transphobia, poverty, and homelessness.

Government Affairs operates unilaterally and within a broad range of coalitions such as the California Alliance of HIV Advocates and AIDS United in Washington, D.C. APLA Health also works in conjunction with national, state, and regional primary care associations – including the National Association of Community Health Centers, the California Primary Care Association, and the Community Clinic Association of Los Angeles County – as well as other public and private sector organizations to expand health care access to all in need. It supports initiatives such as the Ryan White Program, prevention programs at the Centers for Disease Control and Prevention, Housing Opportunities for Persons with AIDS, the AIDS Drug Assistance Program and California PrEP Assistance Program, Medicaid, Medicare, the Health Center Program at the Health Resources and Services Administration, the 340B Drug Discount Program, and health care reform.

### ***The Alliance for Housing and Healing***

In July of 2021, the Alliance for Housing and Healing (Alliance) became a subsidiary of APLA Health. On June 30, 2023, Alliance was fully merged into APLA Health. All assets and liabilities of Alliance were transferred to APLA Health. APLA Health continues to operate our comprehensive housing programs under the Alliance name.

APLA Health operating as the Alliance is a national leader in the “housing first” model of healthcare and is the largest provider of housing and housing support services for people living with HIV in Los Angeles County.

Alliance's target population are people living with HIV who are living in poverty, disconnected from care, homeless, and at risk for homelessness. Many of its clients are also multi-diagnosed with an array of serious co-morbidities such as mental illness, chemical dependency, or other physical disabilities. Over 2,200 people with HIV and their families are served by the Alliance on an annual basis.

To mitigate these conditions, Alliance offers a variety of programs that include:

Transitional Housing: For persons with HIV who are unable to continue normal activity or to do active work, Alliance operates a state-licensed Residential Care Facility for the Chronically Ill (RCFCI) in Long Beach that provides 24-hour assisted living, hospice care (if needed), and HIV-specific meals.

In addition to the group home, the Alliance has up to 40 beds for emergency or transitional shelter at its disposal throughout Los Angeles County.

Permanent Supportive Housing: Alliance operates 96 rental units of permanent supportive housing for low-income homeless, multi-diagnosed people living with HIV and their families in its Community Housing Options at Independent Supported Sites (CHOISS) Program. Through regular, in-home visits with Alliance staff, clients are linked to a range of services that facilitate entry into care, access to treatment, care retention, medication adherence, and treatment success. In addition, clients are helped to build life skills for household management, financial literacy, nutrition, parenting, and interpersonal development.

Housing Support Services: Alliance operates regional offices in West Hollywood, Koreatown, Baldwin Hills, and Long Beach. As the regional lead for HIV housing support services in these areas, Alliance is responsible for overseeing operations, connecting with community organizations, monitoring subcontractors, and ensuring compliance with program goals set forth by the Housing Department of the City of Los Angeles.

Housing support services encompasses psycho-social assessments, case management, housing placement, linkage to specialized resources, budgetary counseling, monitoring of client goals toward improving health, discharge planning and short-term financial assistance for food, housing, utilities, and nonprescription wellness items (paid to third-party providers, not directly to clients).

### ***The Global Forum on MSM & HIV (doing business as MPact Global Action for Gay Men's health and Rights “MPact”)***

MPact was founded in 2006 to address inequities in access to HIV prevention, care, and treatment programs among gay and bisexual men, and other men who have sex with men, while promoting their health and human rights worldwide.

Effective July 1, 2023, APLA Health no longer designates the majority of directors for the MPact Board. As a result, the financial statement activity for MPact is not consolidated on the APLA Health & Wellness 2024 financial statements. As a result of this deconsolidation, a loss of \$650,842 is recorded on the statement of operations which is equal to the carrying amount of MPact's net assets at July 1, 2023. No consideration was received by APLA Health in connection with the deconsolidation.

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

***Accounting Method***

APLA Health & Wellness (“the Organization”) maintains its accounting records on an accrual method in conformity with accounting principles generally accepted in the United States of America.

***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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Organization considers all liquid investments with initial maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, are not considered to be cash and cash equivalents. Uninvested cash and cash equivalents included in donor restricted assets limited as to use are considered to be cash and cash equivalents. At June 30, 2024, cash equivalents consisted primarily of brokered certificates of deposit.

At June 30, 2024, the Organization's cash accounts exceeded federally insured limits by approximately \$3,500,000.

***Assets Limited as to Use***

Assets limited as to use include assets restricted by donors.

***Equity Investments***

The Organization measures securities, other than investments that qualify for the equity method of accounting, at fair value.

The Organization measures equity securities and equity investments without a readily determinable fair value at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment.

For equity securities and equity investments measured under the practicability exception, the Organization performs a qualitative assessment for equity investments without readily determinable fair values considering impairment indicators to evaluate whether an impairment exists. If any impairment exists, the Organization will recognize a loss based on the difference between carrying value and fair value.

***Debt Investments***

Debt securities held by the Organization generally are classified and recorded in the financial statements as follows:

<b>Classified as</b>	<b>Description</b>	<b>Recorded at</b>
Trading	Securities that are bought and held principally for the purpose of selling in the near term and, therefore, held for only a short period of time	Fair value, with changes in fair value included in excess of revenues over expenses



Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

### ***Net Investment Return***

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

### ***Patient Accounts Receivable and Medi-Cal Waiver Receivable***

Patient accounts receivable and the Medi-Cal waiver receivable, reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for copays, coinsurance, and deductibles is determined. Patient account and the Medi-Cal waiver receivables are due in full when billed.

No material credit loss expense has been recognized for the year ended June 30, 2024.

### ***Inventories***

The Organization values food supplies inventory at the lower of cost, determined using the first-in, first-out method, or net realizable value. Donated food inventory is valued at the wholesale price.

### ***Property and Equipment***

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	1–15 years
Equipment	1–7 years
Furniture and fixtures	1–10 years

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless the donor restricts use of the assets. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service. Donor restricted contributions for property and equipment whose restrictions are met within the same period as received are reported as contributions without donor restrictions.

Certain property and equipment have been purchased with grant funds received from governmental agencies. Such items may be reclaimed if not used to further the grant's objective.

### ***Long-Lived Asset Impairment***

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2024.

### ***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### ***Patient Service Revenue***

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies, and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies, and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and reconciliations by third-party payors.

### ***Pharmacy Revenue***

The Organization participates in the 340B Drug Discount Program which enables qualifying covered entities 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. The Organization benefits under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangements with the Organization. Reported 340B revenue consists of the gross pharmacy reimbursements. Pharmaceutical costs, contract pharmacy fees, and third -party administrator fees are included in expenses. The contract pharmacy revenue is included in patient service revenue on the statement of operations and recognized as the Organization satisfies performance under its contracts with patients. The pharmaceutical expenses are included in clinical services supplies, equipment rental, and maintenance on the Statement of Functional Expenses.

### ***Contributed Nonfinancial Assets***

In addition to receiving cash contributions, the Organization receives in-kind contributions of food supplies as well as contributed services. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

For the year ended June 30, 2024, contributed nonfinancial assets recognized within the statement of activities included:

Food supplies	\$ 1,540,689
Legal services	<u>338,039</u>
	<u>\$ 1,878,728</u>

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed food supplies were distributed through the food pantry operated by the Organization's Necessities of Life Program (NOLP) and were valued based on estimates of wholesale values. Contributed services recognized comprise attorney services which were valued based on hourly rates for similar purchased services.

### ***Contributions***

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions from donor-restricted conditional grants having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

### ***Government Grants***

Support funded by grants is generally considered a conditional contribution and recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

### ***Fundraising Expenses***

Fundraising expenses are recognized as they are incurred.

### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the program, management and general, and fundraising services categories based on various methods. The statement of functional expenses present, by natural classification, the expenses of each program and support service.

### ***Income Taxes***

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and the corresponding provisions of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization is subject, however, to Federal and California income taxes on unrelated business income as stipulated in the Internal Revenue Code and the California Revenue and Taxation Code.

The Organization recognizes the impact of tax positions in the financial statements if the position is more likely than not of being sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions as income tax expense. During the year ended June 30, 2024, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

### ***Change in Basis of Presentation***

In 2024, the Organization changed its method of financial statement presentation from reporting as a voluntary health and welfare organization to reporting as a health care organization. The Organization has determined that reporting as a health care organization better reflects the nature of its operations and activities. As a result of the change, the financial statements consist of a balance sheet, a statement of operations, a statement of changes in net assets, a statement of functional expenses, and a statement of cash flows instead of the statements of financial position, activities, functional expenses, and cash flows presented in prior years. This change had no effect on the previously reported net assets at June 30, 2023, and also had no effect on the change in net assets for the year ended June 30, 2024.

### ***Change in Accounting Principle***

Effective July 1, 2023, the Organization adopted *ASU 2016-13, Financial Instrument – Credit Losses* (Topic 326), related to the impairment of financial instruments. This guidance, commonly referred to as current expected credit losses (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including patient accounts receivable and other receivables.

Upon adoption of the guidance on July 1, 2023, the Organization recognized no impact on the financial statements or on net assets.

### **Note 3. Patient Service and Medi-Cal Waiver Revenue**

Patient service and Medi-Cal waiver revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

#### ***Performance Obligations***

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the Organization's clinics. The Organization measures the performance obligation from commencement of a service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the patient. The Organization had no performance obligations considered unsatisfied or partially unsatisfied as of June 30, 2024.

#### ***Transaction Price***

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's sliding fee discount program policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

The Organization determines its estimate of implicit price concessions based on its historical collection experience.

### ***Third-Party Payors***

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medi-Cal reimbursement purposes. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

*Medicare.* Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

*Medi-Cal.* Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed at a negotiated encounter rate, for each clinic site, for all services provided. Services not covered under the FQHC benefit are paid based on established fee schedules.

The Organization is required to submit an annual Medi-Cal Reconciliation Request Form, per site to the California Department of Health Care Services for purposes of determining whether it was paid appropriately for certain Medi-Cal visits. These annual reconciliations result in the determination of any underpayment or overpayment by the Medi-Cal program for the covered visits.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change in the near term.

The Organization is a partner in the *My Health LA (MHLA)* program with the County of Los Angeles and has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges as well as capitation payments.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations.

### ***Patient and Uninsured Payors***

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges.

The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

For the year ended June 30, 2024, additional revenue of approximately \$224,000 was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit loss expense.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

### ***Refund Liabilities***

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. For the year ended June 30, 2024, the Organization had no significant liabilities for refunds to third-party payors and patients recorded.

### ***Revenue Composition***

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medi-Cal, managed care, or other insurance, patient) have different reimbursement and payment methodologies
- Method of reimbursement (fee for service, capitation, or incentive)

For the year ended June 30, 2024, the Organization recognized revenue of \$22,205,096 from services that transfer to the customer over time and \$48,682,078 from goods and services that transfer to the customer at a point in time.

### ***Contract Balances***

The following table provides information about the Organization's receivables from contracts with customers:

Accounts receivable, beginning of year	\$ 8,833,811
Accounts receivable, end of year	9,722,586

### ***Financing Component***

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time the patient pays for that service will be one year or less.

### ***Contract Costs***

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

#### **Note 4. Concentration of Credit Risk**

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements and contract pharmacies. The mix of receivables from patients and third-party payors at June 30, 2024, was:

Medi-Cal	20%
Medicare	1%
Third-party payors (including contract pharmacies and MHLA)	78%
Patients	1%
	<u>100%</u>

#### **Note 5. Investments and Investment Return**

##### ***Investments***

Investments, including assets limited as to use – donor restricted, at June 30, 2024, consisted of the following:

Cash and cash equivalents	\$ 76,811
Brokered certificates of deposit	6,935,602
Mutual funds	403,473
Equity securities	2,197,090
U.S. Treasury securities	241,422
Corporate debt securities	<u>142,524</u>
Total	<u>\$ 9,996,922</u>

Investments are reported in the Organization's financial statements at June 30, 2024, as follows:

Investments	\$ 6,935,601
Assets limited as to use - donor restricted	<u>3,061,321</u>
	<u>\$ 9,996,922</u>

##### ***Investment Return***

Total investment return for the year ended June 30, 2024, comprised of the following:

Interest and dividend income	\$ 663,891
Unrealized gains on securities	159,379
Realized losses on securities	68,994
Investment expenses	<u>(22,930)</u>
	<u>\$ 869,334</u>



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Total investment return is reflected on the statements of operations and changes in net assets as follows:

Net assets without donor restrictions	
Other nonoperating income	\$ 556,327
Net assets with donor restrictions	<u>313,007</u>
	<u>\$ 869,334</u>

**Note 6. Contributions Receivable**

Contributions receivable consisted of the following:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Due within one year	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>

**Note 7. Conditional Gifts**

The Organization has received the following conditional promises to give at June 30, 2024, that are not recognized in the financial statements:

Conditional promise to give upon incurring allowable expenditures under the agreement	<u>\$ 20,507,823</u>
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These conditional promises received generally represent awards from federal, state, and other agencies with periods of performance extending through June 2027.

**Note 8. Split-Interest Agreement**

The California Community Foundation, on behalf of the Organization, has received donations of assets in exchange for distributions of a fixed amount for a specific period of time to the donor or other beneficiaries. At June 30, 2024, the Organization has recorded a receivable of \$20,736, which reflects the fair value of the donated assets, net of the annuitant liability, which is adjusted annually to reflect changes in life expectancies.

The Organization's interest in the agreement above is included in the Organization's financial statements as net assets with donor restrictions.

## **Note 9. Medical Malpractice Claims**

Effective January 27, 2022, the U.S. Department of Health and Human Services deemed the Organization and its participating physicians and other licensed or certified health care practitioners covered under the Federal Torts Claim Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, dental, behavioral health, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

The Organization also purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claim experience, no accrual has been made for the Organization's medical malpractice costs for the year ended June 30, 2024. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

## **Note 10. Long-Term Debt**

Note payable (A)	\$ 99,490
Note payable (B)	<u>280,000</u>
	379,490
Less current maturities	<u>30,000</u>
	<u><u>\$ 349,490</u></u>

(A) Note payable with the City of Los Angeles due in annual installments of \$10,000, maturing in April 2031. The note bears no interest. The note is a service repayment loan that is forgiven annually subject to the property being used to provide low-income housing to people living with HIV/AIDS and audit by the City of Los Angeles which is pending. No principal or interest is due prior to maturity as long as the property continues to be used for the intended purpose. The loan is secured by the property.

(B) Note payable with the State of California Department of Housing and Community Development, due June 2025, with interest-only payments and any unpaid principal and interest due at maturity. Note bears interest at 3.00% and is secured by the property.

Aggregate annual maturities of long-term debt at June 30, 2024, are:

2025	\$ 30,000
2026	290,000
2027	10,000
2028	10,000
2029	10,000
Thereafter	<u>29,490</u>
	<u><u>\$ 379,490</u></u>

## **Note 11. Net Assets with Donor Restrictions**

### ***Net Assets With Donor Restrictions***

Net assets with donor restrictions at June 30, 2024, are available for the following purposes:

Health education programs	\$ 21,209
Donor restricted assets to support NOLP	3,209,663
Split-interest agreements	20,735
Client/patient support programs	<u>409,666</u>
	<u><u>\$ 3,661,273</u></u>

### ***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Purpose restrictions accomplished	
Health education programs	\$ 51,036
Donor restricted assets to support NOLP	822
Client/patient support programs	<u>971,446</u>
	<u><u>\$ 1,023,304</u></u>
Total restrictions released	

## **Note 12. Assets Limited as to Use – Donor Restricted**

In 2017, the Organization was the recipient of funds distributed from a trust in which the Organization was named as a beneficiary. Per the terms of the trust agreement, the total funds distributed of \$2,331,000 are to be held for a twenty-year period as net assets with donor restrictions. Investment return generated by the restricted assets are to be used to support the Vance North Necessities of Life Program (NOLP). At the conclusion of the twenty-year period, the funds shall be considered net assets without donor restrictions of the Organization and used for general charitable purposes.

During the year ended June 30, 2024, the restricted assets generated an investment return totaling approximately \$313,000, which is included in net assets with donor restrictions at June 30, 2024.

### **Note 13. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024, comprise the following:

Financial assets at year-end	
Cash and cash equivalents	\$ 8,296,390
Investments	6,935,601
Assets limited as to use - donor restricted	3,061,321
Patient accounts receivable	8,967,095
Medi-Cal waiver receivable	755,491
Estimated amounts due from third-party payers	851,278
Grants receivable	10,220,256
Contributions receivable	<u>100,000</u>
Total financial assets	<u>39,187,432</u>
Less amounts not available to be used within one year	
Assets limited as to use - donor restricted	3,061,321
Estimated amounts due from third-party payers	<u>532,971</u>
Financial assets not available to be used within one year	<u>3,594,292</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 35,593,140</u></u>

As described in *Note 12*, income from assets limited as to use – donor restricted is not available for general expenditure if restricted for specific purposes.

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

### **Note 14. Leases**

#### ***Accounting Policies***

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization accounts for the lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U. S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

### ***Nature of Leases***

The Organization has entered into the following lease arrangements:

#### ***Finance Leases***

The Organization has a finance lease for a clinic facility that was entered into in a previous year and expires in 2047. Under the terms of the lease, lease payments totaling \$8,168,178 were paid in full as of January 1, 2022, the commencement of the lease term. The related capitalized asset is recorded in property and equipment and will be amortized over the remaining lease term. This asset had a value of \$7,377,510 at June 30, 2024.

#### ***Operating Leases***

The Organization leases office space for primary care and other client services that expire on various dates through 2034. These leases generally contain renewal options for periods ranging from 1 to 5 years and require the Organization to pay all executory costs (property taxes, maintenance, and insurance). Some lease payments have an escalating fee schedule, which range from a 3% to 3.25% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. Lease cost as noted in the qualitative disclosures below is a component of the occupancy cost noted in the schedule of functional expenses.

#### ***Short-Term Leases***

The Organization provides rental assistance to clients under grant funded programs. Lease terms in connection with this rental assistance are less than 12 months. Total client rental assistance for the year ended June 30, 2024, was \$1,764,845 as noted on the statement of functional expenses and is excluded from the Organization's lease cost in the qualitative disclosures below.

#### ***All Leases***

The Organization has no material related party leases. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

***Quantitative Disclosures***

Total lease cost and other requirement information for the year ended June 30, 2024, is as follows:

Lease cost	
Operating lease cost	\$ 3,146,546
Variable lease cost	<u>503,051</u>
Total lease cost	<u><u>\$ 3,649,597</u></u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 344,967
Right-of-use assets obtained in exchange for new operating lease liabilities	6,130,083
Weighted average remaining lease term	
Operating leases	6.95 years
Weighted average discount rate	
Operating leases	3.3%

Future minimum lease payments and reconciliation to the balance sheet at June 30, 2024, are as follows:

	<b>Operating Leases</b>
2025	\$ 3,123,552
2026	3,097,062
2027	2,854,338
2028	2,728,882
2029	1,781,336
Thereafter	<u>5,788,784</u>
Total future undiscounted lease payments	19,373,954
Less interest	<u>2,267,456</u>
Lease liabilities	<u><u>\$ 17,106,498</u></u>

### **Note 15. Retirement Plan**

The Organization has a 403(b) defined contribution plan covering substantially all employees. The Organization provides a discretionary employer matching contribution, currently up to 6% of the employee's contribution. Matching contributions of \$1,119,339 were recognized during the year ended June 30, 2024.

### **Note 16. Support to Other Organizations**

It is the policy of the Board of Directors to support other service organizations whose goals are compatible with and whose services complement those of the Organization. In this regard, during the year ended June 30, 2024, the Organization contributed \$203,460 to other organizations.

### **Note 17. Allocation of Joint Costs**

Through certain fundraising events, the Organization incurred joint costs of \$556,874 to expand outreach focused on achieving health care equity and promoting well-being for the LGBT and other underserved communities, including people living with and affected by HIV/AIDS and to raise funds. Of those costs, \$389,199 was allocated to fundraising expenses and \$167,675 was allocated to program services.

### **Note 18. Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1**      Quoted prices in active markets for identical assets or liabilities
- Level 2**      Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3**      Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

### ***Recurring Measurements***

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024:

		<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
	<b>Total Fair Value</b>			
Mutual funds	\$ 403,473	\$ 403,473	\$ -	\$ -
Certificates of deposit	6,935,602	-	6,935,602	-
Equity securities				
Communication services	107,422	107,422	-	-
Consumer goods	445,517	445,517	-	-
Energy	66,759	66,759	-	-
Financial services	355,752	355,752	-	-
Health care	310,624	310,624	-	-
Industrial, materials, and manufacturing	354,645	354,645	-	-
Technology	435,504	435,504	-	-
Utilities	41,201	41,201	-	-
Other	79,666	79,666	-	-
U.S. Treasury securities	241,422	241,422	-	-
Corporate debt securities	142,524	142,524	-	-
Money market account with broker	76,811	76,811	-	-
Split-interest agreements	20,736	-	-	20,736
	<u>\$ 10,017,658</u>	<u>\$ 3,061,320</u>	<u>\$ 6,935,602</u>	<u>\$ 20,736</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

### ***Investments and Cash Equivalents***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and would be classified as Level 2. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no securities classified as Level 3.

### ***Split-Interest Agreements***

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.



## **Note 19. Construction in Progress**

As of June 30, 2024, the Organization had construction in progress related to clinic construction and renovation. The Long Beach clinic expansion project is expected to be completed in 2025, at a total cost of approximately \$5,000,000. The West Hollywood clinic construction was completed in July 2024, at a total cost of approximately \$4,000,000. The projects will be funded through grant funds and general agency funds.

## **Note 20. Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerability due to certain concentrations. Those matters include the following:

### ***Investments***

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

### ***Variable Consideration***

Estimates of variable consideration in determining transaction price for patient service revenue are described in *Notes 2 and 3*.

### ***Medical Malpractice Claims***

Estimates related to the accrual for medical malpractice claims are described in *Note 9*.

### ***340B Drug Pricing Program***

The Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA) is currently conducting routine audits of 340B 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.

As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur in the near term.

## **Note 21. Subsequent Events**

### ***One Big Beautiful Bill Act (OBBA)***

On July 3, 2025, the U.S. Congress enacted the One Big Beautiful Bill Act (OBBA), a comprehensive budget reconciliation law that introduces significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to health care tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. According to the Congressional Budget Office and the American Hospital Association, these provisions are expected to reduce federal Medicaid spending by nearly \$1 trillion over ten years and may result in over 11.8 million individuals losing Medicaid or marketplace coverage.

Key provisions impacting healthcare providers include:

- New Medicaid work requirements and cost-sharing obligations for certain adult beneficiaries.
- Restrictions on Medicaid and Medicare eligibility for certain non-citizen populations.
- Elimination or modification of several tax credits and deductions related to clean energy and nonprofit institutions.

The organization is currently assessing the potential financial and operational impacts of the OBBBA. These changes may materially affect the organization's Medi-Cal reimbursement levels, patient coverage mix, and compliance obligations. Management is monitoring regulatory guidance and implementation timelines to evaluate the implications for revenue recognition, operating margins, and long-term strategic planning.

No adjustments have been made to the accompanying financial statements as of the reporting date, as the full financial impact of the legislation cannot yet be reasonably estimated. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated implicit price concessions related to uninsured and other patient accounts.

Subsequent events have been evaluated through August 15, 2025, which is the date the financial statements were available to be issued.

## ***Supplementary Information***

**APLA Health & Wellness**  
**Schedule of Expenditures of Federal and Nonfederal Awards**  
**Year Ended June 30, 2024**

Federal Grantor/Federal Program or Cluster Title Pass-Through Grantor / Grant Name	Federal Assistance Listing Number	Pass-Through Identifying Number	Program Expenditures		Federal Funds Passed Through to Subrecipients
			Federal	Nonfederal	
MAJOR PROGRAMS					
U.S. Department of Health and Human Services					
Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care/Health Center Program Cluster	93.224	N/A	\$ 1,225,291	\$ -	\$ -
Grants for New and Expanded Services under the Health Center Program/Health Center Program Cluster	93.527	N/A	1,311,298	-	-
COVID-19 – American Rescue Plan Funding for Health Centers/Health Center Program Cluster	93.527	N/A	245,333	-	-
COVID-19 - Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care/Health Center Program Cluster	93.224	N/A	14,778	-	-
COVID-19 - Grants for New and Expanded Services under the Health Center Program/Health Center Program Cluster	93.527	N/A	18,569	-	-
Total Health Center Program Cluster			2,815,269	-	-
U.S. Department of Health and Human Services/					
HIV Emergency Relief Project Grants					
Pass-through the County of Los Angeles Division of HIV & STD Programs					
CARE AIDS & HIV Necessities of Life Program	93.914	H-700241	2,897,565	-	198,085
CARE HIV/AIDS Case Management, Home Based Services	93.914	H-204620	1,127,680	-	-
CARE HIV/AIDS Oral Health (Dental) Services	93.914	PH-003801	956,877	-	-
CARE HIV/AIDS Specialty Dental Services	93.914	PH-003801	287,496	-	-
HIV/AIDS DHSP Transportation Program	93.914	PH-004204	125,008	-	-
HIV/AIDS Medical Care Coordination	93.914	PH-003742	1,298,756	-	-
HIV/AIDS Ambulatory Outpatient Medical	93.914	PH-003741	174,514	-	-
HIV/AIDS Benefits Specialty Services	93.914	PH-002673	213,383	-	-
DSHP - Emergency Financial Assistance	93.914	PH-001646	3,305,776	-	-
DSHP - Group Home - Mental Health	93.914	PH-001646	46,813	-	-
			10,433,868	-	198,085
U.S. Department of Health and Human Services/					
HIV Prevention Activities Non-Governmental Organization Based					
HIV Prevention Activities – Healthy Him	93.939	N/A	332,814	-	-
HIV Prevention Activities – Trans Connection	93.939	N/A	108,811	-	-
HIV Prevention Activities – El Saludable	93.939	N/A	389,059	-	-
Pass-through the City of Los Angeles					
HERO	93.939	C-138734	28,602	-	-
			859,286	-	-
U.S. Department of Health and Human Services/					
HIV Prevention Activities Health Department Based					
Pass-through the County of Los Angeles					
Division of HIV & STD Programs/					
HIV and STD Testing and Treatment Services - City of Long Beach	93.940	PH-003779	181,106	-	-
STD Screening, Diagnosis and Treatment Services	93.940	PH-004127	568,624	-	-
Health Education Risk Reduction - OPTIONS	93.940	PH-001026	119,460	-	-
			869,190	-	-
Total major programs and total forward			14,977,613	-	198,085

**APLA Health & Wellness**  
**Schedule of Expenditures of Federal and Nonfederal Awards**  
**Year Ended June 30, 2024**

Federal Grantor/Federal Program or Cluster Title Pass-Through Grantor / Grant Name	Federal Assistance Listing Number	Pass-Through Identifying Number	Program Expenditures		Federal Funds Passed Through to Subrecipients
			Federal	Nonfederal	
Total forward			\$ 14,977,613	\$ -	\$ 198,085
<b>NONMAJOR PROGRAMS</b>					
U.S. Department of Health and Human Services/ HIV Care Formula Grants Pass-through the County of Los Angeles DSHP - Group Home	93.917	PH-001646	798,190		
U.S. Department of Housing and Urban Development/ Continuum of Care Program Pass-through the Los Angeles Homeless Services Authority (LAHSA)				-	-
CHOISS - SPA 2	14.267	CA0356L9D002315	432,989		
CHOISS - SPA 8	14.267	CA0356L9D002315	155,298	-	-
CHOISS - SPA 3	14.267	0353L9D002215	129,271		
CHOISS - Countywide 5 & 7	14.267	0353L9D002215	987,599	-	-
			1,705,157	-	-
U.S. Department of Health and Human Services/ Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Program Parts A and B Pass-through the County of Los Angeles	93.686 93.686	PH-005306 PH-004881	104,485 29,045		
			133,530	-	-
U.S. Department of Health and Human Services/ Grants for Capital Development in Health Centers	93.526	N/A	511,595	-	-
U.S. Department of Health and Human Services/Minority Health and Health Disparities Research Pass-through Rand Corporation	93.307	SCON-00000338	344,171	-	-
Total Research and Development Cluster			344,171	-	-
U.S. Department of Housing and Urban Development/ Housing Opportunities for Persons With AIDS (HOPWA) Program Pass-through the City of Los Angeles/ Regional Office SPA 6 Housing Specialist Services Residential Services Coordinator Scattered Site Master Leasing South Bay Regional Office Metro West Regional Office COVID-19 CARES ACT Central Coordinating Agency	14.241 14.241 14.241 14.241 14.241 14.241 14.241	C-133921 C-139393 C-138872 C-138932 C-138979 C-138232 C-133988	\$ 1,733,840 1,294,451 989,392 1,260,846 1,862,908 410,876 1,306,168	\$ - - - - - - -	\$ 872,474 935,454 - 159,055 1,006,899 - -
			8,858,481	-	2,973,882
U.S. Department of Health and Human Services/ HIV Care Formula Grants Pass-through the County of Los Angeles HERR - Crystal Meth Program	93.959	PH-001026	230,751	-	-
Total forward			27,559,488	-	3,171,967

**APLA Health & Wellness  
Schedule of Expenditures of Federal and Nonfederal Awards  
Year Ended June 30, 2024**

Federal Grantor/Federal Program or Cluster Title Pass-Through Grantor / Grant Name	Federal Assistance Listing Number	Pass-Through Identifying Number	Program Expenditures		Federal Funds Passed Through to Subrecipients
			Federal	Nonfederal	
Total forward			\$ 27,559,488	\$ -	\$ 3,171,967
U.S. Department of Homeland Security/ Emergency Food and Shelter National Board Program Pass-through Local Services Board of Federal Emergency Management Agency/Emergency Food and Shelter National Board Program	97.024	069500-001	18,750	-	-
U.S. Department of Health and Human Services/ Congressional Directives	93.493	N/A	341,468	-	-
County of Los Angeles, Division of HIV & STD Programs/ Biomedical HIV Prevention Services	N/A	PH-003079	-	192,971	-
Social & Sexual Networks	N/A	PH-004113	-	407,479	-
STD Clinic SHeX	N/A	PH-004156		836,294	
University of California/UC CA HIV/AIDS Research Program (CHRP)	N/A	H21PC3466		60,464	-
City of West Hollywood	N/A	10608	-	331,810	-
	N/A	049-829	-	113,526	-
	N/A	N/A		83,810	
LA County Department of Health Services - HIV/AIDS Intensive Case Management	N/A	H-705447	-	756,900	-
HCAI Bonus Pool	N/A	N/A	-	66,250	-
California Department of Public Health Covid Outreach	N/A	N/A	-	311,584	-
California Department of Health Care Services Care Economy Payments	N/A	N/A		4,000	
UCLA Mpox Study	N/A	1535 G LB172	-	212,616	-
UCLA HIV Incentives	N/A	1918 G LA111	-	19,478	-
			\$ 27,919,706	\$ 3,397,182	\$ 3,171,967

**APLA Health & Wellness**  
**Notes to the Schedule of Expenditures of Federal and Nonfederal Awards**  
**Year Ended June 30, 2024**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of APLA Health & Wellness under programs of the federal government for the year ended June 30, 2024. 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 the APLA Health & Wellness, it is not intended to and does not present the financial position, results of operations, changes in net assets, or cash flows of APLA Health & Wellness.

**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 are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

APLA Health & Wellness has a federally approved indirect cost rate and is not eligible to use the 10% de minimis indirect cost rate as referenced under the Uniform Guidance.

**Note 4. Federal Loan Program**

APLA Health & Wellness did not have any federal loan programs during the year ended June 30, 2024.

## **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***

### **Independent Auditor's Report**

Board of Directors  
APLA Health & Wellness,  
Los Angeles, 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 (*Government Auditing Standards*), the financial statements of APLA Health & Wellness (the "Organization"), which comprise the Organization's balance sheet as of June 30, 2024, and the related statements of operations, 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 August 15, 2025, which contained an "Emphasis of Matter" paragraph regarding a change in the method of financial statement presentation.

### ***Report on 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 (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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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

As part of obtaining reasonable assurance about whether the Organization'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Forvis Mazars, LLP***

**Springfield, Missouri  
August 15, 2025**

## **Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance**

### **Independent Auditor's Report**

Board of Directors  
APLA Health & Wellness,  
Los Angeles, California

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

### ***Opinion on Each Major Federal Program***

We have audited APLA Health & Wellness's (the "Organization") 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 each of the Organization's major federal programs for the year ended June 30, 2024. The Organization's major federal programs are 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

### ***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 (*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 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, *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 the Organization's compliance with the requirements of each 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 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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001, to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization’s response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Organization is responsible for preparing a corrective action plan to address the audit finding included in our auditor’s report. The Organization’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

**Forvis Mazars, LLP**

**Springfield, Missouri  
August 15, 2025**

**APLA Health & Wellness  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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

***Financial Statements***

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

☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified?      ☐ Yes      ☒ No

Significant deficiency(ies) identified?      ☐ Yes      ☒ None Reported

Noncompliance material to the financial statements noted?      ☐ Yes      ☒ No

***Federal Awards***

3. Internal control over major federal awards programs:

Material weakness(es) identified?      ☐ Yes      ☒ No

Significant deficiency(ies) identified?      ☒ Yes      ☐ None Reported

4. Type of auditor’s report issued on compliance for major federal award program(s):

☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer

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

6. Identification of major federal programs:

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
93.224 and 93.527	Health Center Program Cluster
93.914	HIV Emergency Relief Project Grants
93.939	HIV Prevention Activities Non-Governmental Organization Based
93.940	HIV Prevention Activities Health Department Based

7. Dollar threshold used to distinguish between Type A and Type B programs: \$837,591.

8. Auditee qualified as a low-risk auditee?      ☐ Yes      ☒ No

**APLA Health & Wellness  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**APLA Health & Wellness  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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

<b>Reference Number</b>	<b>Finding</b>
2024-001	<p>Health Center Program Cluster – ALN Nos. 93.224 and 93.527 U.S. Department of Health and Human Services Award No. H80CS26614 Program Year 10 and 11</p> <p>Criteria or specific requirement – Reporting – 45 CFR 75.342</p> <p>Condition – The Organization is required to prepare and submit an annual Uniform Data Set (UDS) report for each calendar year, an annual Federal Financial Report (FFR) for each grant year, and quarterly Federal Cash Transaction Reports (FCTR) for each grant budget period. These reports are to be prepared using accurate financial information.</p> <p>Cause – The Organization’s policies and procedures did not accurately report two attributes selected for testing on the UDS report.</p> <p>Effect or potential effect– Errors were made on the annual UDS report.</p> <p>Questioned costs – None</p> <p>Context – Eighteen inputs from the reports listed above were identified for testing. The sampling methodology used is not, was not intended, to be statistically valid. Of the eighteen inputs tested, two exceptions were noted related to the UDS report.</p> <p>Identification as a repeat finding – Not a repeat finding</p> <p>Recommendation – The Organization should continue to monitor its policies and procedures to ensure reports are prepared using accurate information.</p> <p>View of Responsible Officials and Planned Corrective Actions – The errors made on the calendar year 2023 UDS report were the result of the wrong data set being used. Per the UDS Manual, federal cash draw down reports are to be used for any Bureau of Primary Health Care (BPHC) grants and the revenue for BPHC grants are to be reported on a cash basis. Corrective action was taken as of February 15, 2025, which was the due date for the calendar year 2024 UDS report. The person responsible for the corrective actions is Joseph Moldovan, the organization’s Chief Financial Officer.</p>

**APLA Health & Wellness  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2024**

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<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
	No matters are reportable.	