




APLA Health & Wellness

Independent Auditor's Report and Financial Statements and Supplementary Information

June 30, 2025 and 2024



ALPA Health & Wellness
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June 30, 2025 and 2024

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Independent Auditor's Report

Board of Directors
APLA Health & Wellness
Los Angeles, California

Opinion

We have audited the financial statements of APLA Health & Wellness (the "Organization"), which comprise the balance sheets as of June 30, 2025 and 2024, and the related statements of operations, changes in net assets, functional expenses, and cash flows for the years 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, 2025 and 2024, and the results of operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 within one year after the date that these 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Forvis Mazars, LLP

**Springfield, Missouri
February 24, 2026**

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APLA Health & Wellness
Balance Sheets
June 30, 2025 and 2024

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents	\$ 8,270,374	\$ 8,296,390
Investments	9,918,414	6,935,601
Patient accounts receivable	8,794,763	8,967,095
Medi-Cal waiver receivable	963,665	755,491
Estimated amounts due from third-party payers - current	201,887	318,307
Grants and other receivables	9,087,369	10,220,256
Contributions receivable	883,188	100,000
Prepaid expenses and other assets	594,270	878,376
Inventories	731,393	209,881
Total Current Assets	39,445,323	36,681,397
Estimated Amounts Due From Third-Party Payers	4,424,997	851,278
Less current portion	201,887	318,307
	4,223,110	532,971
Property and Equipment, at Cost		
Leasehold improvements	24,313,313	16,205,570
Equipment	1,515,050	1,324,686
Furniture and fixtures	863,401	774,776
Construction in progress	7,383	6,103,334
	26,699,147	24,408,366
Less Accumulated Depreciation	8,192,124	6,835,917
	18,507,023	17,572,449
Other Assets		
Deposits	278,578	255,977
Assets limited as to use - donor restricted	3,400,728	3,061,321
Split-interest agreements	-	20,736
Right-of-use assets - operating leases	16,633,080	16,783,378
Right-of-use assets - financing leases	168,905	-
	20,481,291	20,121,412
Total Assets	\$ 82,656,747	\$ 74,908,229

**APLA Health & Wellness
Balance Sheets
June 30, 2025 and 2024**

(Continued)

LIABILITIES AND NET ASSETS	2025	2024
Current Liabilities		
Accounts payable	\$ 3,118,308	\$ 4,410,470
Accrued expenses	3,185,797	2,879,879
Estimated amounts due to third-party payers	792,128	371,562
Deferred revenue	201,747	195,000
Current maturities of long-term debt	290,000	30,000
Current portion of operating lease liabilities	2,991,311	2,571,572
Current portion of financing lease liabilities	57,519	-
Total Current Liabilities	10,636,810	10,458,483
Other Liabilities		
Long-term debt	59,490	349,490
Operating lease liabilities	14,567,581	14,534,926
Financing lease liabilities	121,594	-
	14,748,665	14,884,416
Total Liabilities	25,385,475	25,342,899
Net Assets		
Without donor restrictions		
Undesignated	39,931,818	32,926,611
Board designated	13,742,999	12,977,446
Total Net Assets Without Donor Restrictions	53,674,817	45,904,057
With donor restrictions	3,596,455	3,661,273
Total Net Assets	57,271,272	49,565,330
Total Liabilities and Net Assets	\$ 82,656,747	\$ 74,908,229

**APLA Health & Wellness
Statements of Operations
Years Ended June 30, 2025 and 2024**

	2025	2024
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 74,799,803	\$ 66,464,428
Medi-Cal waiver revenue	2,470,097	2,422,746
Grant revenue	30,320,076	30,463,825
Contributions of cash and other financial assets	2,804,775	1,009,234
Contributions of nonfinancial assets	2,743,132	1,878,728
Event revenue, net	1,051,428	1,230,032
Other revenue	1,482,795	754,926
Net assets released from restrictions	1,317,544	1,023,304
Total Revenues, Gains, and Other Support Without Donor Restrictions	116,989,650	105,247,223
Expenses and Losses		
Program Services		
Client support	22,196,370	22,568,480
Education	3,009,205	2,928,325
Clinical services	75,803,797	68,214,038
Government affairs	884,883	805,233
Total Program Services	101,894,255	94,516,076
Support Services		
General and administrative	6,012,810	7,332,724
Fundraising	2,036,928	2,037,127
Total Support Services	8,049,738	9,369,851
Total Expenses and Losses	109,943,993	103,885,927
Operating Income	7,045,657	1,361,296
Other Income (Expense)		
Investment return, net	528,437	556,327
Gain on lease termination	-	66,357
Loss on deconsolidation	-	(650,842)
	528,437	(28,158)
Excess of Revenues Over Expenses	7,574,094	1,333,138
Grants for acquisition of property and equipment	196,666	853,063
Increase in Net Assets Without Donor Restrictions	\$ 7,770,760	\$ 2,186,201

APLA Health & Wellness
Statements of Changes in Net Assets
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	\$ 7,574,094	\$ 1,333,138
Grants for acquisition of property and equipment	196,666	853,063
	<u>7,770,760</u>	<u>2,186,201</u>
Increase In Net Assets Without Donor Restrictions		
Net Assets With Donor Restrictions		
Contributions of cash and other financial assets	913,319	561,521
Investment return, net	339,407	313,007
Net assets released from restriction	(1,317,544)	(1,023,304)
	<u>(64,818)</u>	<u>(148,776)</u>
Decrease in Net Assets with Donor Restrictions		
Change in Net Assets	7,705,942	2,037,425
Net Assets, Beginning of Year	<u>49,565,330</u>	<u>47,527,905</u>
Net Assets, End of Year	<u>\$ 57,271,272</u>	<u>\$ 49,565,330</u>

**APLA Health & Wellness
Statements of Functional Expenses
Year Ended June 30, 2025**

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total
	Client Support	Education	Clinical Services	Government Affairs		General and Administrative	Fundraising		
Salaries and Related									
Salaries and wages	\$ 6,636,108	\$ 1,530,786	\$ 21,121,834	\$ 540,536	\$ 29,829,264	\$ 2,781,985	\$ 1,037,863	\$ 3,819,848	\$ 33,649,112
Employee benefits	1,683,071	390,489	4,534,613	100,970	6,709,143	531,287	192,741	724,028	7,433,171
Total personnel expenses	8,319,179	1,921,275	25,656,447	641,506	36,538,407	3,313,272	1,230,604	4,543,876	41,082,283
Purchased services and professional fees	5,225,590	279,573	1,987,231	154,585	7,646,979	507,271	627,913	1,135,184	8,782,163
Occupancy	1,179,486	408,391	3,631,305	30,519	5,249,701	250,950	73,737	324,687	5,574,388
Attendant care	-	-	1,891,596	-	1,891,596	-	-	-	1,891,596
Client rental assistance	1,746,484	-	-	-	1,746,484	-	-	-	1,746,484
Emergency/direct financial assistance	1,398,736	-	-	-	1,398,736	-	-	-	1,398,736
Temporary help	19,026	-	287,352	-	306,378	250,044	-	250,044	556,422
Food supplies	3,124,972	-	-	-	3,124,972	-	-	-	3,124,972
Printing and duplication	35,851	15,149	49,445	1,682	102,127	8,603	22,268	30,871	132,998
Staff training, development, and travel	109,238	27,747	517,053	24,846	678,884	108,430	7,205	115,635	794,519
Depreciation	64,923	12,528	1,391,208	1,951	1,470,610	15,655	4,386	20,041	1,490,651
Support to other organizations	19,068	9,962	43,114	15,720	87,864	70,317	2,657	72,974	160,838
Promotion and outreach	136,322	125,677	120,092	3,784	385,875	288,449	23,350	311,799	697,674
Postage and delivery	2,929	579	5,084	39	8,631	5,108	419	5,527	14,158
Supplies, equipment rental, and maintenance	650,812	181,329	39,958,588	6,083	40,796,812	225,565	35,010	260,575	41,057,387
Accounting and legal	51,801	-	10,897	-	62,698	508,099	-	508,099	570,797
Insurance	2,547	-	3,525	-	6,072	413,114	-	413,114	419,186
Communications	109,406	26,995	250,860	4,168	391,429	47,933	9,379	57,312	448,741
Total expenses	\$ 22,196,370	\$ 3,009,205	\$ 75,803,797	\$ 884,883	\$ 101,894,255	\$ 6,012,810	\$ 2,036,928	\$ 8,049,738	\$ 109,943,993

**APLA Health & Wellness
Statements 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 Administrative	Fundraising		
Salaries and Related									
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	\$ 22,568,480	\$ 2,928,325	\$ 68,214,038	\$ 805,233	\$ 94,516,076	\$ 7,332,724	\$ 2,037,127	\$ 9,369,851	\$ 103,885,927

See Notes to Financial Statements

APLA Health & Wellness
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Change in net assets	\$ 7,705,942	\$ 2,037,425
Items not requiring (providing) cash		
Gain on extinguishment of debt	(30,000)	-
Loss on disposal of property and equipment	-	38,106
Gain on lease termination	-	(66,357)
Depreciation	1,490,651	998,979
Net realized and unrealized gains on investments	(333,744)	(228,373)
Change in value of split-interest agreements	20,736	2,479
Loss on deconsolidation	-	650,842
Noncash financing lease expense	10,208	-
Noncash operating lease expense	602,692	344,967
Grants for the acquisition of property and equipment	(196,666)	(853,063)
Changes in		
Accounts receivable	172,332	(1,459,302)
Medi-Cal waiver receivable	(208,174)	37,916
Grants receivable	1,132,887	(1,207,476)
Contributions receivable	(783,188)	(41,500)
Estimated amounts due to and from third-party payers	(3,153,153)	53,255
Prepaid expenses and other assets	434,342	(291,939)
Inventories	(521,512)	23,675
Accounts payable and accrued expenses	(344,615)	886,412
Deferred revenue	6,747	(41,181)
Net Cash Provided by Operating Activities	<u>6,005,485</u>	<u>884,865</u>
Investing Activities		
Purchase of investments	(5,024,702)	(1,787,930)
Proceeds from sale of investments	2,028,353	14,251
Cash outflow from deconsolidation of subsidiary	-	(537,857)
Purchase of property and equipment	(3,239,691)	(5,139,314)
Net Cash Used in Investing Activities	<u>(6,236,040)</u>	<u>(7,450,850)</u>
Financing Activities		
Proceeds from grant for acquisition of property and equipment	196,666	853,063
Net Cash Provided by Financing Activities	<u>196,666</u>	<u>853,063</u>
Decrease in Cash and Cash Equivalents	(33,889)	(5,712,922)
Cash and Cash Equivalents, Beginning of Year	<u>8,373,201</u>	<u>14,086,123</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,339,312</u>	<u>\$ 8,373,201</u>

**APLA Health & Wellness
Statements of Cash Flows
Years Ended June 30, 2025 and 2024**

(Continued)

	<u>2025</u>	<u>2024</u>
Reconciliation of Cash and Cash Equivalents, Restricted Cash and Restricted Cash Equivalents to the Balance Sheet		
Cash and cash equivalents	\$ 8,270,374	\$ 8,296,390
Cash and cash equivalents in assets limited as to use - donor restricted	<u>68,938</u>	<u>76,811</u>
	<u>\$ 8,339,312</u>	<u>\$ 8,373,201</u>
Supplemental Cash Flows Information		
Accounts payable incurred for property and equipment	\$ 100,000	\$ 741,628
ROU assets obtained in exchange for new operating lease liabilities	\$ 2,127,874	\$ 6,130,083
ROU assets obtained in exchange for new financing lease liabilities	\$ 233,486	\$ -

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 with HIV. In 2012, APLA Dental Services changed its name to APLA Health & Wellness and in 2014 became a Federally Qualified Health Center (FQHC) 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 LGBTQ+ 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 care, dental care, mental health care, substance use disorder services, pharmacy services, and support services to the LGBTQ+ community and people 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 to their physical and/or mental health. As an FQHC, APLA Health provides medical care, dental care, mental health care, substance use disorder services, and pharmacy services 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 primary medical care, HIV specialty care, oral health, mental health care, and substance use disorder 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-Carthy Circle neighborhood of Los Angeles, the Michael Gottlieb Health Center in West Hollywood, and the Gleicher/Chen Health Center Annex, Baldwin Hills in South Los Angeles offer primary medical care, HIV care, mental health care, and substance use disorder services. The Michael Gottlieb Health Center in West Hollywood is also home to APLA Health Pharmacy, the Organization’s first in-house, entity-owned pharmacy, which can serve all APLA Health patients across Los Angeles County through no-cost, same-day and next-day delivery. APLA Health offers comprehensive oral health services from its dedicated dental facility — the 12-chair APLA Health Dental Clinic, Downtown Los Angeles — and behavioral health care and HIV support services at the David Geffen Health Center, Koreatown.

APLA Health’s HIV care services provide specialized medical care for patients 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 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 39 years of operation.

APLA Health & Wellness
Notes to Financial Statements
June 30, 2025 and 2024

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 and STD infection, including gay and bisexual men, people of color, youth, transgender individuals, and those experiencing addiction and mental health challenges.

The Organization provides free HIV testing, STD screening and treatment, and PrEP and PEP services at six health center locations across the county including the 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 the Gleicher/Chen Health Center Annex, Baldwin Hills.

APLA Health is a leader in the implementation of comprehensive biomedical HIV and STD prevention programs that educate patients about pre-exposure prophylaxis (PrEP), post-exposure prophylaxis (PEP), and doxycycline post-exposure prophylaxis (DoxyPEP). 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. DoxyPEP prevents bacterial STDs when taken within 72 hours after unprotected sex. PrEP, PEP, and DoxyPEP are offered at six APLA Health locations in Los Angeles County.

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 comprehensive housing programs under the Alliance name.

APLA Health operating as the Alliance is the largest provider of housing and housing support services for people with HIV in Los Angeles County.

The Alliance's target population is people with HIV who are living in poverty, disconnected from care, homeless, and/or 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 physical disabilities. Approximately 2,000 people with HIV and their families are served by the Alliance on an annual basis.

To mitigate these conditions, APLA Health through the Alliance offers a variety of programs that include:

Transitional Housing: For people with HIV who are unable to continue normal activity or to do active work, the 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 residential care facility, the Alliance has up to 40 beds for emergency or transitional shelter for clients available throughout Los Angeles County.

Permanent Supportive Housing: The 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 receive assistance to build life skills for household management, financial literacy, nutrition, parenting, and interpersonal development.

Housing Support Services: The 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, the 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.

APLA Health & Wellness
Notes to Financial Statements
June 30, 2025 and 2024

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).

Government Affairs

APLA Health's Government Affairs team works to advance LGBTQ+ health initiatives, such as reducing healthcare disparities, and also advocates for optimal HIV/AIDS and healthcare policy, programs, funding, and legislation. The Government Affairs team 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 team works at all levels of government — local, county, state, and federal — 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. The Government Affairs team advocates for structural approaches to address social drivers of health including stigma, racism, homophobia, transphobia, poverty, and homelessness.

The Government Affairs team 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 healthcare 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 healthcare reform.

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, 2025 and 2024, cash equivalents consisted primarily of money market accounts with broker.

At years ended June 30, 2025, the Organization's cash accounts exceeded federally insured limits by approximately \$8,200,000.

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:

Classified as	Description	Recorded at
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 years ended June 30, 2025 and 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 years ended June 30, 2025 and 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.

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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 under contract arrangements, and an in-house entity owned pharmacy that dispense the pharmaceuticals to its patients. 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 years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2025</u>	<u>2024</u>
Food supplies	\$ 2,345,176	\$ 1,540,689
Event supplies	10,000	-
Legal services	<u>387,956</u>	<u>338,039</u>
	<u>\$ 2,743,132</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:

Nature of the Gift	Value Recognized
<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 that are originally restricted by the donor and for which the restriction is met in the same period the gift is received are recorded as revenue with donor restrictions and then released from 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 years ended June 30, 2025 and 2024, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

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, 2025 and 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.

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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 years ended June 30, 2025 and 2024, additional revenue of approximately \$650,000 and \$224,000, respectively, 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 years ended June 30, 2025 and 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 years ended June 30, 2025 and 2024, the Organization recognized revenue of \$27,612,483 and \$22,205,096, respectively, from services that transfer to the customer over time and \$49,657,417 and \$48,682,078, respectively, 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:

	<u>2025</u>	<u>2024</u>
Accounts receivable, beginning of year	\$ 9,722,586	\$ 8,833,811
Accounts receivable, end of year	\$ 9,758,428	\$ 9,722,586

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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, 2025 and 2024, was:

	<u>2025</u>	<u>2024</u>
Medi-Cal	35%	20%
Medicare	1%	1%
Third-party payors (including contract pharmacies and MHLA)	63%	78%
Patients	1%	1%
	<u>100%</u>	<u>100%</u>

Note 5. Investments and Investment Return

Investments

Investments, including assets limited as to use – donor restricted, at June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Money market account with broker	\$ 68,937	\$ 76,811
Negotiable certificates of deposit	-	6,935,602
Mutual funds	-	403,473
Equity securities	2,479,401	2,197,090
U.S. Treasury securities	10,436,344	241,422
Corporate debt securities	334,460	142,524
Total	<u>\$ 13,319,142</u>	<u>\$ 9,996,922</u>

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Investments are reported in the Organization's financial statements at June 30, 2025 and 2024, as follows:

	<u>2025</u>	<u>2024</u>
Investments	\$ 9,918,414	\$ 6,935,601
Assets limited as to use - donor restricted	<u>3,400,728</u>	<u>3,061,321</u>
	<u>\$ 13,319,142</u>	<u>\$ 9,996,922</u>

Investment Return

Total investment return for the years ended June 30, 2025 and 2024, comprised of the following:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 562,340	\$ 663,891
Unrealized gains on securities	210,919	159,379
Realized losses on securities	122,825	68,994
Investment expenses	<u>(28,240)</u>	<u>(22,930)</u>
	<u>\$ 867,844</u>	<u>\$ 869,334</u>

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

	<u>2025</u>	<u>2024</u>
Net assets without donor restrictions		
Other nonoperating income	\$ 528,437	\$ 556,327
Net assets with donor restrictions	<u>339,407</u>	<u>313,007</u>
	<u>\$ 867,844</u>	<u>\$ 869,334</u>

Note 6. Contributions Receivable

Contributions receivable consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2025			
Due within one year	<u>\$ 883,188</u>	<u>\$ -</u>	<u>\$ 883,188</u>
2024			
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, 2025 and 2024, that are not recognized in the financial statements:

	<u>2025</u>	<u>2024</u>
Conditional promise to give upon incurring allowable expenditures under the agreement	<u>\$ 9,255,209</u>	<u>\$ 20,507,823</u>

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, 2025 and 2024, the Organization has recorded a receivable of \$0 and \$20,736, respectively, 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

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 years ended June 30, 2025 and 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

	<u>2025</u>	<u>2024</u>
Note payable (A)	\$ 69,490	\$ 99,490
Note payable (B)	280,000	280,000
	349,490	379,490
Less current maturities	290,000	30,000
	<u>\$ 59,490</u>	<u>\$ 349,490</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. Forgiveness of \$30,000 relating to 2025, 2024, and 2023 annual installments was recognized during the year ended June 30, 2025. No such forgiveness was recognized during the year ended June 30, 2024. The note was paid in full subsequent to June 30, 2025.

(B) Note payable with the State of California Department of Housing and Community Development, due July 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. The note was paid in full subsequent to June 30, 2025.

Aggregate annual maturities of long-term debt at June 30, 2025, are:

2026	\$ 290,000
2027	10,000
2028	10,000
2029	10,000
2030	10,000
Thereafter	19,490
	<u>\$ 349,490</u>

Note 11. Net Assets with Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2025 and 2024, are available for the following purposes:

	<u>2025</u>	<u>2024</u>
Health education programs	\$ 45,960	\$ 21,209
Donor restricted assets to support NOLP	3,103,082	3,209,663
Split-interest agreements	-	20,735
Client/patient support programs	447,413	409,666
	<u>\$ 3,596,455</u>	<u>\$ 3,661,273</u>

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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.

	<u>2025</u>	<u>2024</u>
Purpose restrictions accomplished		
Health education programs	\$ 25,249	\$ 51,036
Donor restricted assets to support NOLP	445,988	822
Client/patient support programs	846,307	971,446
Total restrictions released	<u>\$ 1,317,544</u>	<u>\$ 1,023,304</u>

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 20-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 20-year period, the funds shall be considered net assets without donor restrictions of the Organization and used for general charitable purposes.

During the years ended June 30, 2025 and 2024, the restricted assets generated an investment return totaling approximately \$390,000 and \$313,000, respectively, which is included in net assets with donor restrictions at June 30, 2025.

Note 13. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one years of June 30, 2025 and 2024, comprise the following:

	<u>2025</u>	<u>2024</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 8,270,374	\$ 8,296,390
Investments	9,918,414	6,935,601
Assets limited as to use - donor restricted	3,400,728	3,061,321
Patient accounts receivable	8,794,763	8,967,095
Medi-Cal waiver receivable	963,665	755,491
Estimated amounts due from third-party payers	4,424,997	851,278
Grants receivable	9,087,369	10,220,256
Contributions receivable	883,188	100,000
Total financial assets	<u>45,743,498</u>	<u>39,187,432</u>

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	<u>2025</u>	<u>2024</u>
Less amounts not available to be used within one year		
Assets limited as to use - donor restricted	\$ 3,400,728	\$ 3,061,321
Estimated amounts due from third-party payers	<u>4,223,110</u>	<u>532,971</u>
Financial assets not available to be used within one year	<u>7,623,838</u>	<u>3,594,292</u>
Financial assets available to meet general expenditures within one year	<u>\$ 38,119,660</u>	<u>\$ 35,593,140</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 right-of-use (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:

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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 \$7,051,071 and \$7,377,510 at June 30, 2025 and 2024, respectively.

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 years ended June 30, 2025 and 2024, was \$1,746,484 and \$1,764,845, respectively, 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 years ended June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Lease cost		
Finance lease cost	\$ 106,476	\$ -
Operating lease cost	3,729,594	3,146,546
Variable lease cost	811,665	503,051
Total lease cost	<u>\$ 4,647,735</u>	<u>\$ 3,649,597</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 10,208	\$ -
Operating cash flows from operating leases	\$ 602,692	\$ 344,967
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 233,486	\$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 2,127,874	\$ 6,130,083
Weighted average remaining lease term		
Finance leases	2.87 years	-
Operating leases	6.24 years	6.95 Years
Weighted average discount rate		
Finance leases	4.2%	0.0%
Operating leases	3.7%	3.3%

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Future minimum lease payments and reconciliation to the balance sheets at June 30, 2025, are as follows:

	<u>Finance Leases</u>	<u>Operating Leases</u>
2026	\$ 63,564	\$ 3,627,090
2027	63,564	3,617,709
2028	62,631	3,582,868
2029	-	2,690,360
2030	-	2,338,507
Thereafter	-	4,276,766
	<hr/>	<hr/>
Total future undiscounted lease payments	189,759	20,133,300
Less interest	10,646	2,574,408
	<hr/>	<hr/>
Lease liabilities	<u>\$ 179,113</u>	<u>\$ 17,558,892</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 \$1,162,502 and \$1,119,339 were recognized during the years ended June 30, 2025 and 2024, respectively.

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 years ended June 30, 2025 and 2024, the Organization contributed \$211,997 and \$203,460, respectively, to other organizations.

Note 17. Allocation of Joint Costs

Through certain fundraising events during the years ended June 30, 2025 and 2024, the Organization incurred joint costs of \$471,894 and 556,874, respectively, 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, \$324,741 and \$389,199 were allocated to fundraising expenses and \$147,153 and \$167,675 were allocated to program services for the years ended June 30, 2025 and 2024, respectively.

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, 2025 and 2024:

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2025				
Equity securities				
Communication services	\$ 76,451	\$ 76,451	\$ -	\$ -
Consumer goods	369,784	369,784	-	-
Energy	55,498	55,498	-	-
Financial services	413,166	413,166	-	-
Health care	250,311	250,311	-	-
Industrial, materials, and manufacturing	372,836	372,836	-	-
Technology	333,514	333,514	-	-
Utilities	44,664	44,664	-	-
Other	563,177	563,177	-	-
U.S. Treasury securities	10,436,344	10,436,344	-	-
Corporate debt securities	334,460	334,460	-	-
Money market account with broker	68,937	68,937	-	-
	<u>\$ 13,319,142</u>	<u>\$ 13,319,142</u>	<u>\$ -</u>	<u>\$ -</u>

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	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2024				
Mutual funds	\$ 403,473	\$ 403,473	\$ -	\$ -
Negotiable 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. 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.

Grant Revenues

There is the potential for reductions in federal funding as part of the annual federal budget process, or through a reduction in special program appropriations that require periodic renewal and funding. In addition, current or future federal assistance could be impacted by executive orders.

Note 20. 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.

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- 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 February 24, 2026, which is the date the financial statements were available to be issued.