




People's Community Clinic

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022



Independent Auditor's Report

Board of Directors
People's Community Clinic
Austin, Texas

Opinion

We have audited the financial statements of People's Community Clinic (the "Organization"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of People's Community Clinic as of December 31, 2023 and 2022, and the results of its 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
September 12, 2024

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People's Community Clinic
Balance Sheets
December 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 9,541,621	\$ 5,885,801
Assets limited as to use - current	1,575,000	-
Short-term investments	4,204,134	1,012,119
Patient accounts receivable	1,752,911	2,267,908
Grants and other receivables	1,053,997	692,625
Contributions receivable – current	3,351,793	6,102,665
Supplies and inventory	432,805	369,617
Prepaid expenses and other	501,578	396,617
	<u>22,413,839</u>	<u>16,727,352</u>
Assets Limited as to Use		
Internally designated	5,000,000	-
Less amounts required to meet current obligations	1,575,000	-
	<u>3,425,000</u>	<u>-</u>
Investments	<u>-</u>	<u>3,059,923</u>
Property and Equipment, At Cost		
Land and land improvements	3,518,970	3,518,970
Buildings and leasehold improvements	14,579,784	14,471,753
Equipment	2,252,173	1,987,801
Construction in progress	116,480	15,424
	<u>20,467,407</u>	<u>19,993,948</u>
Less accumulated depreciation	9,611,706	8,506,664
	<u>10,855,701</u>	<u>11,487,284</u>
Other Assets		
Right-of-use assets - finance leases	-	80,365
Contributions receivable	-	187,357
Deposits	830,607	-
	<u>830,607</u>	<u>267,722</u>
Total assets	<u>\$ 37,525,147</u>	<u>\$ 31,542,281</u>

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Current lease liabilities - finance leases	\$ -	\$ 84,445
Accounts payable	273,867	420,752
Accrued expenses	<u>1,610,505</u>	<u>1,628,960</u>
Total current liabilities	<u>1,884,372</u>	<u>2,134,157</u>
Total liabilities	<u>1,884,372</u>	<u>2,134,157</u>
Net Assets		
Without donor restrictions	28,075,627	23,338,132
With donor restrictions	<u>7,565,148</u>	<u>6,069,992</u>
Total net assets	<u>35,640,775</u>	<u>29,408,124</u>
Total liabilities and net assets	<u>\$ 37,525,147</u>	<u>\$ 31,542,281</u>

People's Community Clinic
Statements of Operations
Years Ended December 31, 2023 and 2022

	2023	2022
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 21,004,684	\$ 19,406,709
Grant revenue	4,941,153	3,661,779
Contributions of cash and other financial assets	8,135,437	3,201,540
Contributions of nonfinancial assets	1,970,622	1,927,481
Other	45,661	11,551
Net assets released from restrictions used for operations	4,764,997	4,737,644
Total revenues, gains, and other support without donor restrictions	40,862,554	32,946,704
Expenses and Losses		
Salaries and wages	21,011,849	19,736,070
Employee benefits	4,638,246	4,489,035
Purchased services and professional fees	2,055,793	1,803,000
Supplies and other	8,414,491	7,566,909
Depreciation	1,105,042	1,069,036
Interest	1,740	3,279
Loss on sale of property and equipment	-	4,138
Total expenses and losses	37,227,161	34,671,467
Operating Income (Loss)	3,635,393	(1,724,763)
Other Income		
Investment return, net	581,232	138,471
Total other income	581,232	138,471
Excess (Deficiency) of Revenues over Expenses	4,216,625	(1,586,292)
Grants of or for acquisition of property and equipment	-	704,000
Contributions of or for acquisition of property and equipment	51,360	-
Net assets released from restriction used for purchase of property and equipment	469,510	24,269
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ 4,737,495	\$ (858,023)

People's Community Clinic
Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023	2022
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenues over expenses	\$ 4,216,625	\$ (1,586,292)
Contribution of or for acquisition of property and equipment	51,360	-
Grant of or for acquisition of property and equipment	-	704,000
Net assets released from restriction used for purchase of property and equipment	469,510	24,269
Increase (decrease) in net assets without donor restrictions	4,737,495	(858,023)
Net Assets With Donor Restrictions		
Contributions received	6,729,663	5,479,498
Net assets released from restriction	(5,234,507)	(4,761,913)
Increase in net assets with donor restrictions	1,495,156	717,585
Change in Net Assets	6,232,651	(140,438)
Net Assets, Beginning of Year	29,408,124	29,548,562
Net Assets, End of Year	\$ 35,640,775	\$ 29,408,124

People's Community Clinic
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 6,232,651	\$ (140,438)
Items not requiring (providing) operating cash flow		
Loss on sale of property and equipment	-	4,138
Depreciation	1,105,042	1,069,036
Contributions of or for acquisition of property and equipment	(55,000)	(575,000)
Grants of or for acquisition of property and equipment	-	(704,000)
Net realized and unrealized gains on securities	(132,092)	(45,419)
Changes in		
Patient accounts receivable	514,997	(434,501)
Contributions receivable	2,438,229	24,276
Grants and other receivables	(393,739)	456,169
Inventory and supplies	(63,188)	(19,919)
Accounts payable and accrued expenses	(94,791)	515,166
Refundable advances	-	(30,529)
Other current assets and liabilities	(104,961)	(69,521)
Deposits	(830,607)	-
Net cash provided by operating activities	<u>8,616,541</u>	<u>49,458</u>
Investing Activities		
Purchase of investments	-	(4,000,000)
Purchase of property and equipment	(463,643)	(933,005)
Net cash used in investing activities	<u>(463,643)</u>	<u>(4,933,005)</u>
Financing Activities		
Proceeds from contributions for acquisition of property and equipment	555,000	75,000
Proceeds from grants for acquisition of property and equipment	32,367	671,633
Principal payments on finance lease liabilities	(84,445)	(83,795)
Net cash provided by financing activities	<u>502,922</u>	<u>662,838</u>
Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	8,655,820	(4,220,709)
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, Beginning of Year	<u>5,885,801</u>	<u>10,106,510</u>
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, End of Year	<u>\$ 14,541,621</u>	<u>\$ 5,885,801</u>
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 1,740	\$ 3,279
Accounts payable incurred for property and equipment	\$ 21,450	\$ 70,549
Reconciliation of Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents to Balance Sheet		
Cash and cash equivalents	\$ 9,541,621	\$ 5,885,801
Assets limited as to use	<u>5,000,000</u>	<u>-</u>
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statement of cash flows	<u>\$ 14,541,621</u>	<u>\$ 5,885,801</u>

People's Community Clinic
Notes to Financial Statements
December 31, 2023 and 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

People's Community Clinic (the "Organization") primarily earns revenues by providing physician and related health care services through clinics located in Austin, Texas. The Organization is a federally qualified health center and is supported through public insurance programs such as Medicaid and Medicare, direct federal funding, state and local grants, private grants, and contributions.

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 and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization considers uninvested cash in investment accounts to be cash and cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of money market accounts with brokers under a sweep account agreement. The amounts advanced under these agreements are based on a minimum sweep point of \$250,000 and are subject to a written custodial agreement that explicitly recognizes the Organization's interest. Amounts advanced under these agreements were approximately \$14,400,000 and \$5,150,000 at December 31, 2023 and 2022, respectively, and are included in cash and cash equivalents. At December 31, 2023, the Organization's cash accounts exceeded federally insured limits by approximately \$140,000.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for future operating expenditures.

People's Community Clinic
Notes to Financial Statements
December 31, 2023 and 2022

Debt Investments

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

Classified as	Description	Recorded at
Other than trading	Securities not classified as trading	Fair value, with unrealized gains and losses (for those which no allowance for credit losses are recorded) recorded below excess (deficiency) or revenue 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.

Equity Investments

The Organization measure equity securities, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in excess (deficiency) revenues over expenses. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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 an impairment exists, the Organization will recognize a loss based on the difference between carrying value and fair value.

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.

People's Community Clinic
Notes to Financial Statements
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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 operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Patient Accounts Receivable

Patient accounts 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 accounts receivable is due in full when billed.

No material credit loss expense has been recognized for the years ended December 31, 2023 and 2022.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Property and Equipment

Property and equipment acquisitions of \$5,000 or more are recorded at cost, less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under finance lease obligations and 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:

Buildings, leasehold, and land improvements	3–40 years
Equipment	3–15 years

Certain property and equipment have been purchased with grant funds. Such items may have a reversionary interest by the grantor if not used to further the grant's objectives or held for a specific length of time.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless the use of the assets is restricted by the donor. 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.

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Notes to Financial Statements

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Deposits

The Organization records costs related to the implementation of practice management software at cost. The project costs are generally comprised of licensing costs that will be capitalized and data conversion costs that will be expensed as incurred.

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 December 31, 2023 and 2022.

Refund Liabilities

The consideration the Organization has received from patients for which it does not expect to be entitled to is recorded as a refund liability.

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some 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 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.

People's Community Clinic

Notes to Financial Statements

December 31, 2023 and 2022

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 investigations by third-party payors.

Pharmacy Revenue

The Organization participates in the 340B “Drug Discount Pricing Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization.

Pharmacy revenue is recognized when prescriptions are provided to the patient. Reported pharmacy revenue consists of reimbursements from the network of participating pharmacies and is included in patient service revenue on the accompanying statement of operations. The drug replenishment costs and administrative and filling fees are included in supplies and other expense on the statement of operations. The net pharmacy revenue from this program is used in furtherance of the Organization’s mission. At December 31, 2023 and 2022, the Organization had contract pharmacy receivables of \$63,949 and \$67,667, respectively, which were included in grants and other receivables on the accompanying balance sheets.

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 agreement. Grant agreements which are reimbursement for services provided are considered exchange transactions and recognized as patient service revenue which is recognized as the service is performed. 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.

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:

People's Community Clinic
Notes to Financial Statements
December 31, 2023 and 2022

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 operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time 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 having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

People's Community Clinic

Notes to Financial Statements

December 31, 2023 and 2022

Professional Liability Claims

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are more fully described in *Note 8*.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Change in Accounting Principle

Effective January 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – 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.

Upon adoption of the guidance on January 1, 2023, the Organization recognized no impact on net assets.

Excess (Deficiency) of Revenues Over Expenses

The statements of operations include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include contributions and grants of long-lived assets (including assets acquired using contributions or grants which by donor or granting agency restriction are to be used for the purpose of acquiring such assets).

Reclassification

Certain reclassifications have been made to the 2022 functional expense footnote to combine the family planning and OB delivery group functions as reproductive health. These reclassifications had no effect on the change in net assets.

People's Community Clinic

Notes to Financial Statements

December 31, 2023 and 2022

Note 2: Grant Revenue

The Organization is the recipient of a Health Center Program (HCP) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care services in the Austin, Texas area. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as the Organization meets the conditions prescribed by the grant agreement, which requires incurring qualifying expenditures over the grant period. During the years ended December 31, 2023 and 2022, the Organization recognized \$1,903,419 and \$1,842,479 in HCP grant revenue, respectively. Funding for the grant years ending May 31, 2024 and 2023, has been authorized at \$1,919,178 and \$1,879,156, respectively.

The Organization is also the recipient of a Community Project Funding (CPF-CE1) grant from the U.S. Department of Health and Human Services. The general purpose of this grant is to support health-related activities, including training and information technology. Grant revenue is recognized as the Organization meets the conditions prescribed by the grant agreement, which requires incurring qualifying expenditures over the grant period. This award includes a grant budget period from July 2023 through July 2024 and provides funding of \$850,000. During the years ended December 31, 2023 and 2022, the Organization recognized \$212,407 and \$0 in CPF-CE1 grant revenue, respectively.

In addition to these grants the Organization receives additional financial support from other federal, state, and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and has been renewed on an annual basis.

Note 3: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business.

People's Community Clinic

Notes to Financial Statements

December 31, 2023 and 2022

Supplementary CARES Act and American Rescue Plan Act Grants

In March 2021, as part of the *American Rescue Plan Act* (ARPA), the Organization was awarded a federal Health Center Program grant. This award includes a grant budget period from April 2021 through March 2023 and provides funding of \$5,086,500. Additional funding on this award of \$65,500 was received during the year ended December 31, 2022. In April 2023, the Organization was granted a one-year extension to the period of performance, through March 2024. The grant award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. Grant revenue related to capital expenditures charged to the grant is recorded as the asset is placed in service. During the years ended December 31, 2023 and 2022, the Organization recognized \$2,454,427 and \$1,711,608 in ARPA revenue, respectively. As of December 31, 2023, \$70,686 remained available on this award.

In August 2021, as part of the *American Rescue Plan Act*, the Organization was awarded a federal capital infrastructure (ARPCAP) award. This award includes a grant budget period from September 2021 through September 2024 and provides funding of \$704,000. The grant award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. Grant revenue related to capital expenditures charged to the grant is recorded as the asset is placed in service. During the years ended December 31, 2023 and 2022, the Organization recognized \$0 and \$704,000 in ARPCAP revenue, respectively.

Expanding COVID-19 Vaccination Award

In December 2022, as part of the *Paycheck Protection Program and Health Care Enhancement Act, Public Health and Social Services Fund (P.L. 116-139)*, the Organization was awarded a federal grant award for the purpose of expanding COVID-19 vaccination (ECV) for \$229,063 for a budget period of December 2022 through May 2023. Additional funding on this award of \$27,500 was received during the year ended December 31, 2023 and the period of performance was extended through June 30, 2024. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreement which required incurring qualifying expenditures over the grant period. During the years ended December 31, 2023 and 2022, the Organization recognized \$248,572 and \$0, in ECV revenue, respectively.

Bridge Access Program

In August 2023, as part of the *American Rescue Plan Act of 2021 (P.L. 117-2)*, the Organization was awarded a federal grant award (BAP) for \$107,019 for a budget period of September 2023 through December 2024. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreement which required incurring qualifying expenditures over the grant period. During the years ended December 31, 2023 and 2022, the Organization recognized \$8,690 and \$0, in BAP revenue, respectively.

People's Community Clinic

Notes to Financial Statements

December 31, 2023 and 2022

Note 4: Patient Service Revenue

Patient service 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 its 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 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 satisfied as of December 31, 2023 and 2022.

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 and 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 sliding fee discount program policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients.

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare. Covered Federally Qualified Health Center (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.

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Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided. The encounter rate is updated annually based on the Medicare Economic Index (MEI).

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates and discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to cost report or other 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. Adjustments arising from a change in the transaction price were not significant in 2023 and 2022.

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. As of December 31, 2023 and 2022, the Organization has a liability for refunds to third-party payors and patients recorded of approximately \$410,000 and \$455,000, respectively, which is included in accrued expenses on the balance sheets.

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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 December 31, 2023 and 2022, patient service revenue decreased by approximately \$295,000 and \$80,000, respectively, 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 bad debt 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.

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, service lines, and method of reimbursement.

For the years ended December 31, 2023 and 2022, the Organization recognized patient service revenue of \$20,669,713 and \$19,108,386, respectively, from services that transfer to the customer over time and \$334,971 and \$298,323, respectively, from goods and services that transfer to the customer at a point in time.

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Contract Balances

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

	2023	2022
Accounts receivable, beginning of year	\$ 2,267,908	\$ 1,833,407
Accounts receivable, end of year	\$ 1,752,911	\$ 2,267,908

No material contract assets or liabilities are recorded at December 31, 2023 and 2022.

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 or a third-party payor 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 5: 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. The mix of receivables from patients and third-party payors at December 31, 2023 and 2022, is:

	2023	2022
Medicare	2%	3%
Medicaid	41%	56%
Travis County Healthcare District	52%	35%
Other third-party payors	2%	5%
Patient responsibility	3%	1%
	100%	100%

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Note 6: Contributions Receivable

Contributions receivable at December 31, 2023 and 2022, consisted of the following:

	Without Donor Restrictions	2023 With Donor Restrictions	Total
Due within one year	\$ 250,000	\$ 3,101,793	\$ 3,351,793
	<u>\$ 250,000</u>	<u>\$ 3,101,793</u>	<u>\$ 3,351,793</u>
	Without Donor Restrictions	2022 With Donor Restrictions	Total
Due within one year	\$ 250,000	\$ 5,852,665	\$ 6,102,665
Due in one to five years	-	187,357	187,357
	<u>\$ 250,000</u>	<u>\$ 6,040,022</u>	<u>\$ 6,290,022</u>

Note 7: Conditional Grants and Contributions

The Organization has received the following conditional promises to give at December 31, 2023 and 2022, that are not recognized in the financial statements:

	2023	2022
Given upon incurring allowable expenditures under the agreement	\$ 1,758,906	\$ 5,331,449
Given upon meeting level of service requirements	1,612,295	995,244
	<u>\$ 3,371,201</u>	<u>\$ 6,326,693</u>

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Note 8: Medical Malpractice Claims

The U.S. Department of Health and Human Services deemed the Organization and its practicing medical professionals covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Claim liabilities are to be determined without consideration to insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claim experience, no accrual has been made for medical malpractice costs for the years ended December 31, 2023 and 2022. 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 9: Investments and Investment Return

Assets Limited as to Use

At December 31, 2023 and 2022, assets limited as to use include cash and cash equivalents, including accounts under a sweep account agreement.

Other Investments

Other investments, at December 31, 2023 and 2022, include:

	2023	2022
Certificates of deposit	\$ 25,318	\$ 24,317
Money market mutual funds	1,105,695	-
U.S. Treasury obligations	3,073,121	4,047,725
	<u>4,204,134</u>	<u>4,072,042</u>
Less long-term investments	<u>-</u>	<u>3,059,923</u>
Short-term investments	<u>\$ 4,204,134</u>	<u>\$ 1,012,119</u>

Investment Return

Total investment return comprised of the following:

	2023	2022
Interest and dividend income	\$ 449,140	\$ 93,052
Net realized and unrealized gains on securities	132,092	45,419
	<u>\$ 581,232</u>	<u>\$ 138,471</u>

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Note 10: Retirement Plan

The Organization has a 403(b) defined contribution plan covering substantially all employees. For each eligible participant, the Organization provides an employer contribution equal to the employee's contribution or 4 percent of the employee's annual salary, whichever is less. Retirement plan expense for the years ended December 31, 2023 and 2022, was \$546,652 and \$582,022, respectively.

Note 11: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2023	2022
Subject to expenditure for specified purpose		
Capital and renovation projects	\$ 44,151	\$ 510,020
At home visiting	257,187	405,288
Patient education	6,394	4,735
Dental services	631,448	301,262
Community centered health home	316,528	98,867
Prenatal, pediatric, and adolescent services	415,381	977,485
Early childhood development	121,605	435,823
Maternal and infant health	482,525	-
Other health and wellness initiatives	810,947	693,512
Safety net grant	4,120,237	2,543,356
Community housing and population health	7,721	60,000
Vaccines	306,984	-
	7,521,108	6,030,348
Subject to the passage of time		
For periods after December 31	19,040	14,644
Not subject to appropriation or expenditure	25,000	25,000
	\$ 7,565,148	\$ 6,069,992

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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 the donors.

	2023	2022
Purpose restrictions accomplished		
Capital and renovation projects	\$ 469,510	\$ 24,269
Telehealth	-	20,134
Parenting and prenatal	637,104	301,958
Patient education	4,734	164
Dental services	301,262	225,872
Community centered health home	86,040	199,209
At home visiting	148,101	143,329
Early childhood development	314,218	392,817
Value based care	-	9,689
Social determinants of health	-	57,536
Safety net grant	2,543,356	2,968,356
Other health and wellness initiatives	672,903	413,580
Community housing and population health	52,279	-
	5,229,507	4,756,913
Expiration of time restrictions	5,000	5,000
	\$ 5,234,507	\$ 4,761,913

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Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 9,541,621	\$ 5,885,801
Assets limited as to use	5,000,000	-
Investments	4,204,134	4,072,042
Patient accounts receivable	1,752,911	2,267,908
Grants and other receivables	1,053,997	692,625
Contributions receivable	3,351,793	6,290,022
	<u>24,904,456</u>	<u>19,208,398</u>
Less amounts not available to be used within one year		
Long-term investments	-	3,059,923
Contributions receivable	-	187,357
Assets limited as to use	3,425,000	-
	<u>3,425,000</u>	<u>3,247,280</u>
Financial assets not available to be used within one year	<u>3,425,000</u>	<u>3,247,280</u>
Financial assets available to meet general expenditures within one year	<u>\$ 21,479,456</u>	<u>\$ 15,961,118</u>

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. In addition, the Organization has established an operating reserve for use in future years, at the discretion of the Board of Directors.

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Note 13: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services, general and administrative, and fundraising functional expense classifications based on various methods. The following schedules present the natural classification of expenses by function as follows:

	2023										
	Health Care Program Services						Support Services				Total
	Adult Health Services	Adolescent Health Services	Pediatric Health Services	Prenatal Health Services	Reproductive Health	Dental	Social Services	General and Administrative	Fundraising Activities		
Personnel	\$ 6,908,152	\$ 3,014,393	\$ 4,977,154	\$ 3,802,148	\$ 1,700,939	\$ 989,972	\$ 1,738,887	\$ 2,010,053	\$ 508,397	\$ 25,650,095	
Staff development and travel	38,655	10,177	23,589	14,377	5,271	6,662	24,957	55,023	6,952	185,663	
Contractual services	275,994	42,444	67,521	40,479	117,836	794	111,244	1,311,776	87,705	2,055,793	
Laboratory/diagnostic	258,838	79,499	91,180	183,337	60,228	405	625	-	272	674,384	
Pharmacy	240,194	91,121	199,437	204,992	289,524	-	-	-	-	1,025,268	
Patient care and records	154,804	46,119	111,041	97,365	33,852	184,297	423	-	123	628,024	
Facility and equipment	250,960	347,859	385,092	518,817	260,916	149,073	145,870	-	56,020	2,114,607	
Administrative	107,627	58,230	90,454	70,867	26,251	22,225	16,951	104,566	116,364	613,535	
Depreciation	263,423	141,349	269,848	218,448	64,249	19,260	77,099	214,829	31,855	1,300,360	
Fundraising	14,491	4,937	167,139	1,095	359	3	6,689	19,511	65,608	279,832	
Collaborations	13,781	13,163	41,447	18,760	7,497	1,437	364,825	-	-	460,910	
In-kind expenses	272,570	158,937	1,693,227	18,938	21,756	73,262	-	-	-	2,238,690	
Total expenses	\$ 8,799,489	\$ 4,008,228	\$ 8,117,129	\$ 5,189,623	\$ 2,588,678	\$ 1,447,390	\$ 2,487,570	\$ 3,715,758	\$ 873,296	\$ 37,227,161	

	2022										
	Health Care Program Services						Support Services				Total
	Adult Health Services	Adolescent Health Services	Pediatric Health Services	Prenatal Health Services	Reproductive Health	Dental	Social Services	General and Administrative	Fundraising Activities		
Personnel	\$ 6,822,964	\$ 3,033,245	\$ 4,622,729	\$ 3,823,838	\$ 1,524,321	\$ 592,704	\$ 1,613,611	\$ 1,609,085	\$ 582,608	\$ 24,225,105	
Staff development and travel	47,209	20,528	27,389	27,684	8,384	2,462	40,024	43,853	6,358	223,891	
Contractual services	270,675	36,240	6,625	89,748	8,309	74	115,827	1,185,591	89,911	1,803,000	
Laboratory/diagnostic	292,196	125,813	157,864	169,789	56,260	-	-	-	-	801,922	
Pharmacy	337,180	47,677	85,628	64,184	357,512	-	-	-	-	892,181	
Patient care and records	136,876	43,307	97,900	94,226	31,944	80,819	2,781	-	-	487,853	
Facility and equipment	338,247	154,684	258,959	354,022	121,089	76,737	77,169	454,734	37,606	1,873,247	
Administrative	87,159	43,061	83,550	68,518	23,866	20,286	17,989	229,097	89,123	662,649	
Depreciation	212,214	103,766	171,621	233,821	77,579	114,903	52,227	76,276	26,629	1,069,036	
Fundraising	37,079	15,662	176,492	11,194	4,378	868	9,499	-	23,322	278,494	
Collaborations	14,081	13,450	42,350	19,169	7,661	1,468	372,777	-	-	470,956	
In-kind expenses	228,776	133,400	1,421,173	15,895	18,260	61,491	-	-	-	1,878,995	
Loss on disposal	1,282	570	868	718	286	111	303	-	-	4,138	
Total expenses	\$ 8,825,938	\$ 3,771,403	\$ 7,153,148	\$ 4,972,806	\$ 2,239,849	\$ 951,923	\$ 2,302,207	\$ 3,598,636	\$ 855,557	\$ 34,671,467	

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Note 14: Related Party

People's Community Clinic Foundation (the "Foundation") was formed to assist the Organization with fundraising efforts. The Organization is the sole member of the Foundation. Separate financial statements are not prepared as no activity or account balances are recorded by the Foundation. All funds raised are reflected in the financial statements of the Organization.

Note 15: Contributed Nonfinancial Assets

For the years ending December 31, 2023 and 2022, contributed nonfinancial assets recognized within the statement of operations included:

	2023	2022
Design services	\$ 11,639	\$ 61,491
Medical supplies	1,015	7,417
Miscellaneous goods and services	5,129	10,143
Vaccines	1,952,839	1,848,430
	\$ 1,970,622	\$ 1,927,481

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

Contributed vaccines, pharmaceuticals, and supplies were restricted by donors to use on patients. The Organization used the donors' pricing to approximate wholesale prices in the United States when determining the basis for valuing contributed vaccines, pharmaceuticals, and supplies.

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.

Note 16: Significant Estimates and Concentrations

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

People's Community Clinic

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Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 1* and *4*.

Contribution Revenue

Approximately 35 percent and 52 percent, of contribution revenue received during the years ended December 31, 2023 and 2022, respectively, was received from one donor. Another donor made an unconditional, unrestricted contribution of \$5,000,000 that was recognized as contribution revenue in 2023.

Grant Revenue

Concentration of revenues related to grant awards and other support is described in *Notes 2* and *3*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 8*.

General Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate loss, if any, for each of these matters. Events could occur that would cause the estimate of loss to differ materially in the near term.

Note 17: 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. Incremental borrowing rates used to determine the present value of lease payments are derived by reference to the Organization's expected rate to debt finance a comparable asset acquisition.

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The Organization does not combine lease and nonlease components, such as common area and other maintenance costs, 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 uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments.

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

These leases mainly consist of equipment. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

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.

People's Community Clinic
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Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2023 and 2022 is as follows:

	2023	2022
Lease cost		
Finance lease cost		
Amortization of right-of-use assets	\$ 80,365	\$ 82,075
Interest on lease liabilities	1,740	3,279
	\$ 82,105	\$ 85,354
Total lease cost	\$ 82,105	\$ 85,354
Other information		
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 82,105	\$ 85,354
Financing cash flows from financing leases	83,857	83,857
Weighted average remaining lease term		
Finance leases	< 1 year	1 year
Weighted average discount rate		
Finance leases	2.51%	2.51%

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. The hierarchy comprises 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 that are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

	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)
June 30, 2023				
Money market mutual funds	\$ 1,105,695	\$ 1,105,695	\$ -	\$ -
Certificates of deposit	25,318	-	25,318	-
U.S. Treasury obligations	3,073,121	3,073,121	-	-
	<u>\$ 4,204,134</u>	<u>\$ 4,178,816</u>	<u>\$ 25,318</u>	<u>\$ -</u>
June 30, 2022				
Certificates of deposit	\$ 24,317	\$ -	\$ 24,317	\$ -
U.S. Treasury obligations	4,047,725	4,047,725	-	-
	<u>\$ 4,072,042</u>	<u>\$ 4,047,725</u>	<u>\$ 24,317</u>	<u>\$ -</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. There have been no significant changes in the valuation techniques during the years ended December 31, 2023 and 2022.

The Organization has no liabilities measured at fair value at December 31, 2023 and 2022.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

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Note 19: Subsequent Events

In February 2024, the Organization executed a lease agreement for approximately 16,000 square feet of medical office building space. The lease commenced in May 2024 and continues through April 2034 with no rent charged to the Organization during the term of the lease. The agreement includes a tenant improvement allowance of \$2,000,000 related to costs incurred by the landlord in designing, permitting, obtaining, constructing, installing, supervision, and managing construction on the tenant improvements.

In April 2024, the Organization received an offer from the Texas Department of Transportation related to an imminent domain claim to be made that will affect the Organization's Center for Women's Health. A subsequent offer was received from the Texas Department of Transportation in July 2024 in the amount of \$3,400,000 and has been accepted. The Organization is still evaluating the accounting treatment for this transaction.

Subsequent events have been evaluated through September 12, 2024, which is the date the financial statements were available to be issued.