St. Vincent de Paul Village, Inc.
dba Father Joe’s Villages

Financial Statements
Year Ended December 31, 2021

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

St. Vincent de Paul Village, Inc. dba Father Joe's Villages

Financial Statements
Year Ended December 31, 2021

Contents

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Independent Auditor's Report

To the Audit Committee
St. Vincent de Paul Village, Inc.
dba Father Joe's Villages
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St. Vincent de Paul Village, Inc. doing business as Father Joe's Villages (the Village), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3, the Village corrected an error related to the timing of revenue recognition on forgiveness of a Paycheck Protection Program (PPP) loan and errors in tracking donor restricted net assets. Due to the errors, the net assets without donor restrictions and net assets with donor restrictions on the statement of financial position at January 1, 2021, has been adjusted. Our opinion on the 2021 financial statements is not modified with respect to this matter.

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Other Matter

As part of our audit of the 2021 financial statements, we also audited the adjustments described in Note 3 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statement of the Village other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

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 Village's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 Village's internal control. Accordingly, no such opinion is expressed.

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- 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 Village'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.

BDO USA, LLP

March 27, 2023

Financial Statements

St. Vincent de Paul Village, Inc. dba Father Joe's Villages

Statement of Financial Position

December 31, 2021	
Assets	
Current Assets	
Cash and cash equivalents	$ 11,681,368
Investments	13,953,964
Grants receivable	6,165,342
Contributions and bequests receivable, current portion	4,173,531
Insurance receivable	2,284,157
Patient receivables, net	371,032
Prepaid expenses and other assets	315,266
Total Current Assets	38,944,660
Contributions and bequests receivable, net	1,363,108
Split-interest agreements	3,356,470
Endowment investments	4,723,743
Property and equipment, net	2,108,782
Total Assets	$ 50,496,763
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued liabilities	$ 3,451,977
Accrued payroll related liabilities	1,715,374
Current portion of accrued interest	80,899
Current portion of debt	426,890
Due to related parties	3,850,579
Refundable advance	1,311,906
Total Current Liabilities	10,837,625
Accrued interest, net of current portion	590,996
Debt, net of current portion	3,461,000
Total Liabilities	14,889,621
Net Assets	
Without donor restrictions	25,926,490
With donor restrictions	9,680,652
Total Net Assets	35,607,142
Total Liabilities and Net Assets	$ 50,496,763

See accompanying notes to financial statements.

St. Vincent de Paul Village, Inc. dba Father Joe's Villages

Statement of Activities

Year Ended December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and bequests	**$ 24,235,486**	**$ 1,983,928**	**$ 26,219,414**
Grants	**19,929,766**	**-**	**19,929,766**
In-kind contributions	**1,232,017**	**-**	**1,232,017**
Special events	**670,548**	**-**	**670,548**
Less: Direct expenses	**(36,827)**	**-**	**(36,827)**
Investment return	**343,327**	**407,606**	**750,933**
Other income	**955,449**	**-**	**955,449**
Change in value of split-interest agreements	**(37,177)**	**136,823**	**99,646**
Patient service revenue, net	**3,831,761**	**-**	**3,831,761**
Net assets released from restrictions	**938,165**	**(938,165)**	**-**
Total Support and Revenue	**52,062,515**	**1,590,192**	**53,652,707**
Expenses			
Program expenses	**36,847,502**	**-**	**36,847,502**
Fundraising	**2,417,250**	**-**	**2,417,250**
Management and general	**2,360,399**	**-**	**2,360,399**
Total Expenses	**41,625,151**	**-**	**41,625,151**
Change in Net Assets Before Non-Operating Activities	**10,437,364**	**1,590,192**	**12,027,556**
Loss on non-reimbursable grant expenses	**(1,036,106)**	**-**	**(1,036,106)**
Insurance proceeds	**1,930,996**	**-**	**1,930,996**
Forgiveness of debt	**4,676,212**	**-**	**4,676,212**
Total Change in Net Assets	**16,008,466**	**1,590,192**	**17,598,658**
Net Assets, beginning of year, as previously reported	**13,190,519**	**7,537,530**	**20,728,049**
Effect of correction of error in accounting treatment for the Paycheck Protection Program loan	**(2,719,565)**	**-**	**(2,719,565)**
Effect of correction of error in tracking of donor restricted net assets	**(552,930)**	**552,930**	**-**
Net Assets, beginning of year, as restated	**9,918,024**	**8,090,460**	**18,008,484**
Net Assets, end of year	**$ 25,926,490**	**$ 9,680,652**	**$ 35,607,142**

See accompanying notes to financial statements.

St. Vincent de Paul Village, Inc. dba Father Joe's Villages

Statement of Functional Expenses

Year Ended December 31, 2021	Housing and Supportive Services	Medical Clinic	Total Program Expenses	Management and General	Fundraising	Total Expenses
Salaries and employee related expenses	$ 13,095,032	$ 3,367,458	$ 16,462,490	$ 115,385	$ -	$ 16,577,875
Contract services	2,859,540	168,386	3,027,926	1,990,317	2,269,147	7,287,390
Employee benefits	3,444,295	337,207	3,781,502	16,392	-	3,797,894
Rent	2,703,433	229,012	2,932,445	-	-	2,932,445
Direct client expenses	2,620,209	5,956	2,626,165	-	1,962	2,628,127
Food	1,366,912	493	1,367,405	-	23	1,367,428
Supplies	1,123,032	161,008	1,284,040	15,630	2,705	1,302,375
Professional fees	621,929	207,084	829,013	-	104,287	933,300
Repair and maintenance	820,018	29,466	849,484	-	-	849,484
Contract services - UCSD	-	776,662	776,662	-	-	776,662
Utilities	669,760	23,862	693,622	10	-	693,632
Depreciation and amortization	546,784	7,195	553,979	-	-	553,979
Insurance	392,041	24,796	416,837	48,273	-	465,110
Licenses and fees	163,045	261,938	424,983	-	400	425,383
Medical and dental	55,478	268,303	323,781	-	-	323,781
Bad debt expense	-	-	-	174,060	-	174,060
Interest	26,525	108,150	134,675	-	-	134,675
Occupancy expense	105,299	4,328	109,627	-	-	109,627
Vehicle	71,356	2,559	73,915	-	-	73,915
Telephone	55,374	4,898	60,272	-	-	60,272
Special events	3,999	-	3,999	-	32,828	36,827
Printing	5,039	2,287	7,326	332	-	7,658
Postage	-	733	733	-	-	733
Miscellaneous	92,242	18,378	110,620	-	38,726	149,346
	30,841,342	6,010,159	36,851,501	2,360,399	2,450,078	41,661,978
Less: Special event expenses	(3,999)	-	(3,999)	-	(32,828)	(36,827)
Total Expenses	$ 30,837,343	$ 6,010,159	$ 36,847,502	$ 2,360,399	$ 2,417,250	$ 41,625,151

See accompanying notes to financial statements.

St. Vincent de Paul Village, Inc. dba Father Joe's Villages
Statement of Cash Flows

Year Ended December 31, 2021	
Cash Flows from Operating Activities	
Change in net assets	$ 17,598,658
Adjustments to reconcile of change in net assets to net cash flows from operating activities:	
Depreciation and amortization	553,979
Contribution of split interest agreement	(211,640)
Change in value of split interest agreements	(142,602)
Distributions from split interest agreements	58,307
Realized and unrealized gains on investments	(538,229)
Non-reimbursable grant expenses	1,036,106
Bad debt expense	174,060
Forgiveness of debt and accrued interest	(4,676,212)
Changes in operating assets and liabilities	
Grants receivable	(5,590,882)
Contributions and bequests receivable	7,109,909
Patient receivables, net	(54,699)
Insurance receivable	(2,284,157)
Prepaid expenses and other assets	267,519
Accounts payable and accrued liabilities	490,772
Accrued payroll related liabilities	497,197
Accrued interest	134,675
Refundable advance	520,725
Due to related parties	1,343,126
Net Cash Flows from Operating Activities	16,286,612
Cash Flows for Investing Activities	
Proceeds from sale of investments	24,000
Purchases of property and equipment	(513,750)
Purchases of investments	(8,343,254)
Net Cash Flows for Investing Activities	(8,833,004)
Net Change in Cash and Cash Equivalents	7,453,608
Cash and Cash Equivalents, beginning of year	4,227,760
Cash and Cash Equivalents, end of year	$ 11,681,368

See accompanying notes to financial statements.

1. Description of the Organization

Organization

The accompanying financial statements present the operations of St. Vincent de Paul Village, Inc. dba Father Joe's Villages (the Village). The Village is comprised of the following operating activities:

Programs and Services for the homeless and those at-risk for homelessness at the Joan Kroc Center, Bishop Maher Center and Paul Mirabile Center (the Centers): The Centers provide comprehensive services for single adults and families with children. The services include shelter, meals, health (medical and dental care) and wellness programs, chaplaincy support, case management, job skills training, and therapeutic childcare. The Centers receive support through state and Federal grants, foundations and contributions from fundraising and retail activities.

Village Health Center: The campus is also home to the Village Health Center (VHC), which is a Federally Qualified Health Center (FQHC). Under FQHC guidelines, payment for services provided to Medicare and Medi-Cal patients is reimbursed at an all-inclusive rate per visit. The VHC provides medical, dental, and behavioral health services to individuals experiencing homelessness or who are at risk for experiencing homelessness in San Diego, CA. The services provided are primarily sourced by a combined residency program in psychiatry and family medicine with the University of California San Diego (UCSD), a premier partnership and training site which is considered to be a best practice approach to serving the homeless.

In April 2019, the Village entered into an agreement with Western Pharmacy Group Holdings, LLC (WPG) to create a California limited liability company (LLC) to operate a pharmacy to serve the homeless and those at-risk for homelessness. WPG is the sole manager of the LLC with the Village being a member. Both parties have a 50% interest, distributions and management rights with profits being distributed equally between WPG and the Village. In November 2020, WPG informed the Village of its desire to dissolve the LLC. In April 2021, WPG and the Village entered into a Pharmacy Transition Agreement whereby the LLC returned FQHC pharmacy operations to the Village. The Village ceased pharmacy operations shortly thereafter and now refers patients out for pharmacy activities. The Village agreed to withdraw as a member of the LLC effective July 31, 2021.

The Village has an .01% investment in Village Place Apartments, L.P., a limited partnership. The investment is stated at fair value with a value of $111 at December 31, 2021, and is included in investments on the statement of financial position.

2. Summary of Significant Accounting Policies

Basis Of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States (GAAP). Accordingly, the Village is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Village reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are available without restriction for support of the Village's mission and operations. Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the Village. Net assets with donor restrictions may include unconditional pledges, split-interest agreements, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments which have not been appropriated by the Board of Directors (the Board) for distribution. Some net assets restrictions are required by donors to be held in perpetuity (endowment).

Expirations of restrictions on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities.

Performance Indicator

The Village's statement of activities distinguishes between operating and non-operating revenues and expenses and other changes in net assets. Operating revenues result primarily from exchange transactions associated with the provision of healthcare services, and other grants and contributions from various state, local, and private organizations. Non-operating activities include insurance proceeds, forgiveness of debt, and losses on bad debt that are not in the ordinary course of business. Operating expenses are all expenses incurred to provide healthcare services and support the mission of the Village.

Cash and Cash Equivalents

The Village's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes. The Village has cash and equivalent balances in excess of federally insured limits.

Investments

The Village carries investments in equity securities and mutual funds with readily determinable fair values with realized and unrealized gains and losses included in the statement of activities in accordance with authoritative guidance.

Marketable securities consist of mutual funds and equity securities and are recorded at fair market value. The fair value of investments in securities is based on quoted market prices and is valued at the closing price on the last business day of the year.

Realized gains and losses on the sale of investments are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the period or since the acquisition date, if acquired during the period, and are recorded as a component of net assets without donor restrictions, unless restricted by donor. Realized and unrealized gains and losses that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Donated investments are initially recorded at fair value on, or near, the date of the gift.

Grants Receivable and Revenue

The Village is awarded grants from federal, state, county, and city agencies. Grants are typically awarded for a multi-year period, with the amount awarded negotiated in advance. Those grants funded typically renew annually. Grant revenue is most appropriately classified as conditional contributions, and therefore, revenue is recognized as conditions are met, which is typically as allowable costs are incurred.

At December 31, 2021, the Village had $6,165,342 in grants receivable. Management determined that no allowance was considered necessary at December 31, 2021.

The Village has $13,505,675 in conditional grants outstanding as of December 31, 2021.

Contributions and Bequests Receivable

The Village records contributions, pledges, and bequests consisting of cash and other assets by donors at fair value in the period in which the commitment is made. Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. The discount rate used was 1.60% at December 31, 2021, and was applicable to all outstanding pledges and bequests receivable. Conditional promises to give are recognized when the conditions are substantially met. The Village has no conditional promises to give outstanding as of December 31, 2021. Bequests receivable consist of amounts from wills or trusts in which the donor has passed, and the Village is named as a beneficiary.

The Village provides for losses on contributions, pledges, and bequests receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the donors to meet their obligations. Receivables are written off when deemed uncollectible. Management determined that no allowance was considered necessary at December 31, 2021.

Patient Receivables

Patient receivables include charges for amounts due from all patients or third-party payors less estimated contractual adjustments provided to third-party payors and discounts and implicit price concessions provided to uninsured patients relating to allowances for the excess of established charges over the payments to be received by or on behalf of patients. The Village determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Village determines its estimate of implicit price concessions based on its historical collection experience with this class of patients. Accounts deemed uncollectible are written off in the period deemed uncollectible. Management determined an allowance for doubtful accounts of $174,060 was necessary at December 31, 2021.

In the case of Medicare, reasonable estimates are made and reported in the period services are rendered, and differences between the estimates and actual receipts are included in the statement of activities in the period in which they are determined. In the case of Medi-Cal, payments under the new payment system are final, unless the number of reimbursable visits is changed as a result of an audit by the State of California, Department of Health and Human Services. The allowances for estimated uncollectible accounts are based on past experience and on an analysis of current receivable balances.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of the assets, which range from five to thirty-nine years. Leasehold improvements are amortized over the shorter of the life of the asset or the lease term. All items with a value of $5,000 or greater are capitalized. Depreciation and amortization expense was $553,979 for the year ended December 31, 2021.

The Village records impairment losses on property and equipment used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. At December 31, 2021, the Village has not identified any indicators of impairment or recorded any impairment of property and equipment.

Due to/from Related Parties

Amounts reported as due to/from related parties, included in the accompanying statement of financial position, arise typically from the collaborative activities between the Village, S.V.D.P. Management, Inc. (S.V.D.P.), and various limited partnerships documented in Note 12 to further the mission of the organization.

Contributions

Contributions received are recorded when an unconditional promise to give is made and is recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed Food and Services

Contributed food is valued at fair value at the time of receipt. Contributed food of $906,243 was included in in-kind contributions on the statement of activities and in food on the statement of functional expenses for the year ended December 31, 2021.

Contributed supplies are valued at fair value at the time of receipt. Contributed supplies of $192,017 was included in in-kind contributions on the statement of activities and in food on the statement of functional expenses for the year ended December 31, 2021.

Services provided by volunteers in the medical and dental clinics are measured by the fair value of the service received. Contributed services of $133,757 were included in contribution income on the statement of activities and professional fees on the statement of functional expenses for the year ended December 31, 2021. Other services received from volunteers are not of a type permitted to be recognized in the financial statements in accordance with the authoritative guidance; thus, no value was recorded.

Patient Service Revenue

As a FQHC, the Village provides services to all persons regardless of their ability to pay, using a sliding fee scale based on patient family size and income. The majority of patients are covered by Medicare, Medi-Cal, and other insurance payors. These payors limit payment for services based upon their respective schedules of usual, customary, and reasonable fees. Being a FQHC allows the Village to obtain additional reimbursement for the services provided.

As part of the Village's mission to serve the community, the Village provides care to patients even though they may lack adequate insurance or may participate in programs that do not pay established rates. Uncompensated care is defined as write-offs on patient accounts without insurance payment. Charity care is a subset of uncompensated care representing those patients that are approved by the Village for a discount under its charity care policy guidelines. Throughout the admission, billing, and collection processes, certain patients are identified by the Village as indigent or qualifying for charity care. The Village provides care to these patients without charge or at amounts less than its established rates or actual costs. Net patient service revenue is reflected net of the charity care reserves. Charity care reserves are based on gross revenue foregone. The actual costs for charity care in accordance with the Village's charity care policy aggregated to $191,753 for the year ended December 31, 2021.

The Village has agreements with third-party payers that provide for payments to the FQHC at amounts different from its established rates. A summary of the historical and current payment arrangements with major third-party payors is as follows:

Medicare - Medicare services rendered to Medicare program beneficiaries are paid under a cost-based reimbursement system. The Village is reimbursed at a tentative (interim) rate, with final settlement determined after submission of the annual cost reports by the FQHC and audits thereof by the fiscal intermediary.

Medi-Cal - Medical services rendered to Medi-Cal beneficiaries are paid under a prospective payment system (PPS), using rates established by the FQHC's "base year - fiscal year ended December 31, 2009" cost report filed under the previous cost-based reimbursement system.

Other Payors - The FQHC also has entered into payment agreements with certain commercial carriers, health maintenance organizations, preferred-provider organizations, and patients considered eligible for coverage under certain Federal Financial Assistance grants. The basis for payment to the FQHC under these agreements includes discounts from established charges and prospectively determined per-visit rates. Patients under 200% of the Federal poverty guidelines are charged on a sliding-fee discount basis depending upon family size and income.

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments. Revenue is recorded when the services are provided. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Estimates of contractual allowances are based upon the payment terms specified in the related contractual agreements. The Village accrues for amounts that it believes may ultimately be due to or from the third-party payers. Normal estimation differences between final settlements and amounts accrued in previous years are reported as changes in estimates in the current year. Outstanding receivables, net of allowances for contractual discounts and bad debts, are included in patient receivables in the accompanying statement of financial position.

Performance obligations are determined based on the nature of the services provided by the Village. The Village measures the performance obligation from encounters with the patient to the point when it is longer required to provide services to that patient, and, generally, performance obligations are satisfied over time to patients in the Village's treatment centers for mental health and for co-occurring substance use disorders. Certain performance obligations are satisfied at a point in time (usually outpatient behavioral health services) and are generally recognized when services are provided to patients and the Village does not believe it is required to provide additional services related to that encounter.

The Village determines the transaction price based on the standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and under-insured patients in accordance with the Village's policy and/or implicit price concessions provided to uninsured and under-insured patients. The Village closely monitors its historical collection rates, as well as changes in applicable laws, rules and regulations and contract terms, to assure that provisions for contractual allowances are made using the most accurate information available. However, due to the complexities involved in these estimations, actual payments from payers may be different from the amounts management estimates and records. The Village's primary collection risks relate to uninsured patients and the portion of the bill which is the patient's responsibility, primarily co-payments and deductibles. Payments for services may also be denied due to issues over patient eligibility for medical coverage, The Village's ability to demonstrate medical necessity for services rendered and payer authorization. The Village determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors provide for payments at amounts less than established charges.

Concentrations

Revenue from one grantor accounted to approximately 18% of total support and revenue for the year ended December 31, 2021.

Receivables from one grantor and one donor accounted for approximately 55% of total receivables at December 31, 2021.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to program, management and general, and fundraising functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Direct costs that relate to a specific reporting unit are allocated to that reporting unit if it can be reasonably identified. Direct costs that relate to all operating and administrative units are allocated directly to those units on a pro rata basis, either by time and activity sheets, allocated square footage, or another reasonable basis that is appropriate for the individual expense.

The expenses that are allocated include the following:

Expense	Method of Allocation
Rent	Square footage
Utilities	Square footage
Insurance	Square footage
Food	Meal count
Salaries and employee related expenses	Time and activity sheets

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Split-interest agreements are valued using Level 3 inputs.

Life Insurance

Cash surrender value of life insurance policies are those policies where the donor has identified the Village as the beneficiary. The value is predetermined by the insurance company as the value to be paid if the policy were to be surrendered prior to the death of the insured. In February 2011, the Village obtained three policy loans totaling approximately $364,000 on the life insurance policies of which the Village has been named as the beneficiary. The notes have annual interest rates that vary between 5.15% and 7.40% which are required to be paid annually. Principal payments are encouraged but have no payment schedule as these amounts reduce the death benefits and cash surrender value of the policies. Proceeds from one of these policies amounts to $1,930,996 during the year ended December 31, 2021. The remaining cash surrender value of the other two policies was $66,287 at December 31, 2021, and is included in prepaid expenses and other assets on the statement of financial position.

Income Taxes

The Village is exempt from income taxes on the basis that it qualifies under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the current lease guidance under Leases (Topic 840) and makes several changes, such as establishing a right-of use (ROU) model that requires a lessee to record a ROU asset and liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The update was originally effective for private companies for annual and interim reporting periods beginning after December 15, 2019. In July 2018, the FASB issued ASU 2018-10 *Codification Improvements to Topic 842, Leases*, to add clarity to certain areas within ASU 2016-02, to add an additional and optional transition method to adopt the new leases standard by allowing recognition of a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The revised effective date is for annual periods beginning after December 15, 2021. Management is currently evaluating the effect that adoption of this new standard will have on the Village's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,* which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans and certain other instruments, entities will be required to use a new forward looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. The revised effective date is for annual periods beginning after December 15, 2022, and should be adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. A prospective approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date and loans and debt securities acquired with deteriorated credit quality. Early adoption is permitted. Management is currently evaluating the effect that adoption of this new standard will have on the Village's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU apply to not-for-profit organizations that receive contributed nonfinancial assets. The term nonfinancial asset includes fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The amendments require that an entity presents contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and requires additional disclosure of contributed nonfinancial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021.

The Village has assessed other accounting pronouncements issued or effective during the year ended December 31, 2021, and deemed they were not applicable to the Village or are not anticipated to have a material effect on the financial statements.

Subsequent Events

The Village has evaluated subsequent events through the date these financial statements were available to be issued, which was March 27, 2023. See Note 10 for repayment of note payable.

3. Restatements of Prior Period Financial Statements

The Village corrected an error in the application of revenue recognition for grants and contributions related to the satisfaction of conditions. The opening net asset balance at January 1, 2021, has been adjusted to properly align timing of revenue recognition of the Paycheck Protection Program (PPP) Loan forgiveness with timing of actual forgiveness and satisfaction of conditions. As described in Note 10, forgiveness of the PPP loan was obtained on June 8, 2021. The total amount of the correction was a decrease in net assets without donor restrictions and total net assets of $2,7,19,265 as of January 1, 2021, and a decrease to changes in net assets without donor restriction and total changes in net assets for the year ended December 31, 2020, by the same amount.

The Village also corrected errors in the classification of net assets. Earnings on the endowment were improperly allocated between corpus, accumulated endowment earnings, and net assets without donor restrictions. Certain time restrictions were not identified and included in with donor restrictions. The total effect of the errors resulted in an understatement of net assets with donor restrictions of $552,930 as of January 31, 2021, and an overstatement of net assets without donor restrictions by the same amount. This error did not impact change in net assets.

The total impact of the two errors described above is as follows:

- A decrease in net assets without donor restrictions of $3,272,495 as of January 1, 2021
- An increase in net assets with donor restrictions of $552,930 as of January 1, 2021
- A decrease in total net assets of $2,719,565 as of January 1, 2021.
- A decrease to changes in net assets without donor restrictions and total changes in net assets of $2,719,565 for the year ended December 31, 2020.

4. Net Assets with Donor Restrictions

The Village's net assets with donor restrictions are comprised of the following:

December 31, 2021	
Net Assets with Purpose or Time Restrictions	
Pledges	**$ 1,594,876**
Charitable remainder trusts	**1,534,922**
Bequests	**224,300**
Pooled income fund	**103,418**
Earnings on perpetual trusts	**33,086**
Interim housing	**16,427**
Kitchen equipment	**7,858**
Gift annuity	**6,023**
Therapeutic childcare center	**4,428**
	3,525,338
Net Assets with Perpetual Restrictions	
Endowment Restrictions	
Endowments	**3,122,369**
Unappropriated endowment earnings	**1,362,781**
Other Perpetual Restrictions	
St. Vincent de Paul Village fund	**960,923**
McEvoy Trust	**467,485**
Charles and Lucille Borgerding fund	**241,756**
	6,155,314
	$ 9,680,652

5. Availability and Liquidity

The Village is primarily supported through grants and contributions without donor restrictions; during 2021, such support represented approximately 95% of annual program funding needs, with the remainder funded by grants and contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Village also receives gifts with perpetual restrictions which are held in the endowment fund; the income generated from the endowment is used to fund programs.

During the year ended December 31, 2021, the Village's net assets increased by $17,596,658 and cash flow from operations was $16,286,612.

The Village's net assets without donor restrictions are $25,926,490 and overall net assets are $35,607,142. As of December 31, 2021, the Village has approximately eight months of expenses in working capital. As part of the Village'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 Village sets aside cash in excess of daily requirements in its reserve and investment accounts.

The following tables show the total financial assets held by the Village and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures as of:

December 31, 2021	
Financial Assets at Year End	
Cash and restricted cash	$ **11,681,368**
Investments	**13,953,964**
Grants receivable	**6,165,342**
Contributions and bequests receivable, net	**5,536,639**
Insurance receivable	**2,284,157**
Patient receivables, net	**371,032**
Split-interest agreements	**3,356,470**
Endowment investments	**4,723,743**
Total Financial Assets	**48,072,715**
Less amounts not available to be used within one year	
Contributions and bequests receivable, net	**1,363,108**
Net assets with donor restrictions	**7,861,476**
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ **38,848,131**

6. Contributions and Bequests Receivable

Contributions and bequests receivable are recorded in the statement of financial position as follows:

December 31, 2021	
Receivable in less than one year	$ **4,173,531**
Receivable in one to five years	**1,301,891**
Receivable in more than five years	**146,588**
	5,622,010
Less: Discount	**(85,371)**
	$ **5,536,639**

December 31, 2021	
Contributions and bequests receivable, current portion	**$ 4,173,531**
Contributions and bequests receivable, net	**1,363,108**
	$ 5,536,639

7. Investments

The following tables represent a summary of the investments presented on the statement of financial position and information about the Village's assets that have been measured at fair value on a recurring basis and indicates classification by level of inputs within the fair value hierarchy described in Note 2 as of December 31, 2021:

Asset Category	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,934,209	$ -	$ -	$ 5,934,209
Equities				
Industrial	522,326	-	-	522,326
Other	8,939	-	-	8,939
Mutual funds				
Large blend/growth/value	5,067,678	-	-	5,067,678
Bond funds	4,162,250	-	-	4,162,250
Mid blend	115,427	-	-	115,427
Small blend	1,350,478	-	-	1,350,478
Municipal bonds	1,318,139	-	-	1,318,139
Real estate	198,261	-	-	198,261
Pooled income fund	-	-	103,418	103,418
Charitable remainder trust	-	-	1,534,922	1,534,922
Beneficial interest in gift annuity	-	-	6,023	6,023
Beneficial interest in perpetual trusts	-	-	1,712,107	1,712,107
	$18,677,707	$ -	$ 3,356,470	$22,034,177

Level 1 investments are presented as follows on the statement of financial position:

December 31, 2021	
Investments	**$ 13,953,964**
Endowment investments	**4,723,743**
	$ 18,677,707

8. Split-interest Agreements

The following table summarizes the Village fair value using significant Level 3 inputs, and changes therein, for the year ended December 31, 2021:

	Pooled Income Fund	Charitable Remainder Trusts	Beneficial Interest in Gift Annuities	Beneficial Interest in Perpetual Trusts	Total
Balance, January 1, 2021	$ 105,072	$ 1,595,504	$ 5,893	$ 1,354,066	$ 3,060,535
Additions	-	-	-	211,640	211,640
Distributions	-	-	(7,680)	(50,627)	(58,307)
Change in valuation related to actuarial tables or other obervable inputs	(1,654)	(60,582)	7,810	197,028	142,602
Balance, December 31, 2021	$ 103,418	$ 1,534,922	$ 6,023	$ 1,712,107	$ 3,356,470

Level 3 assets are valued using the income approach. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques as discussed below. There were no changes in the valuation techniques used during the current year.

The pooled income fund consists of contributions from many donors that are pooled and invested as a group. Donors receive the income until their death. Upon their death, the value of their asset reverts to the Village. The assets are composed of investment grade fixed-income securities which become Level 3 when adjusted using actuarial tables to estimate the remaining lives of the participants and an appropriate interest rate (ranging from 4.00% to 9.00%) to calculate the net present value of the trust. Total unamortized discount for the pooled income fund was $37,063 as of December 31, 2021.

Charitable remainder trusts are assets that will be received upon the death of the donor. The Village has an interest in three charitable remainder trusts. One trust is composed of common stock, fixed-income securities, and mutual funds, the value of those assets is adjusted using actuarial tables to estimate the remaining life of the donor and an appropriate interest rate to calculate the net present value of the trust. The discount rate on the present value of expected benefits is 8.5%. Total unamortized discount for the charitable remainder trust was $253,729 as of December 31, 2021. The other two trusts are composed of interests in real property and are valued using the fair value of the properties and the Village's corresponding interest in the value.

Beneficial interests in gift annuities are an arrangement whereby the donor contributes assets to the Village in exchange for a promise by the Village to pay them a fixed amount for a specified period of time. The underlying assets are composed of cash equivalents or fixed-income securities adjusted using actuarial tables to estimate the remaining life of the donor and an appropriate interest rate (3.25% at December 31, 2021) to calculate the net present value of the asset.

Beneficial interests in perpetual trusts are an arrangement whereby a donor establishes and funds a perpetual trust that is administered by a third party. The Village has the irrevocable right to receive the income earned on the trusts' assets in perpetuity but will never receive the assets. The fair value of the beneficial interest in perpetual trusts approximates the expected future cash receipts from the trusts' assets.

9. Property and Equipment, net

The Village's property and equipment consist of the following:

December 31, 2021	
Equipment, furniture and vehicles	$ 2,581,210
Buildings and leasehold improvements	5,367,239
Construction in process	107,076
	8,055,525
Less: Accumulated depreciation and amortization	(5,946,743)
	$ 2,108,782

10. Debt

Forgivable Loans

In February 2012, the Village was awarded a loan of $1,000,000 from the Emergency Housing and Assistance Program (EHAP) of the State of California for tenant improvements at 15th & Commercial, L.P. The loan was secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest was forgivable seven years from the project date of completion (June 2012) if certain conditions were met. On May 25, 2021, the entire drawn balance of $1,000,000 and all related accrued interest of $258,083 was forgiven.

In September 2013, the Village was awarded a loan of $567,725 from the EHAP of the State of California for tenant improvements at the Village. The loan was secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest were eligible for forgiveness seven years from the project date of completion (May 2014) if certain conditions were met. On October 21, 2021, the entire drawn balance of $567,725 and all related accrued interest of $130,839 was forgiven.

In October 2013, the Village was awarded a loan of $429,916 from the EHAP of the State of California for tenant improvements at the Village. The loan is secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest will be forgiven in seven years from the project date of completion (November 2014) if certain conditions are met. The Village had drawn $426,890 of the loan as of December 31, 2021. Interest expense related to the loan was $12,806 for the year ended December 31, 2021. Accrued interest related to the loan was $93,705 as of December 31, 2021. The Village is currently working on applying for forgiveness of the loan.

The Village applied for and received a forgivable Paycheck Protection Program (PPP) Loan of $2,719,565 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 16, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs and that certain employment levels are maintained. A formal request for forgiveness was submitted in May 2021, and the loan was forgiven in full by the Small Business Administration (SBA) in June 2021. The SBA has stated that all PPP loans in excess of $2 million, and other PPP loans as appropriate will be subject to review by the SBA for compliance with program requirements. While the Village believes the PPP loan was properly obtained and forgiven, there can be no assurance regarding the outcome of an SBA review. The Village has not accrued any liability associated with the risk of an adverse SBA review.

Note Payable Due to S.V.D.P. Management, Inc.

A note payable to S.V.D.P. was established in 2018 with a principal amount of $2,030,000. This note represents a reclassification of cash advances previously recorded as Due to Related Party for the period of 2014 through 2017 funding any operating losses of the Medical Clinic. The loan amount may increase year over year based upon the Uniform Data Systems (UDS) Reporting, which is a standardized reporting system that provides consistent information about health centers. The principal of the note will be adjusted no less often than annually based on the total costs of operations as defined by the UDS, Table 8A, which are advanced from S.V.D.P. The note bears simple interest at the rate of 3% per annum and is unsecured. The term is five years with auto-renewal three months prior to the maturity date for consecutive periods of two years unless terminated by either Party. The current maturity date is December 1, 2023. Payment of the loan shall be determined and mutually agreed upon by both parties but no later than the date that the FQHC becomes cash accretive. Interest expense was $108,150 for the year ended December 31, 2021. Accrued interest payable was $578,190 as of December 31, 2021. The principal amount outstanding was $3,461,000 as December 31, 2021. The unpaid principal and accrued interest was subsequently paid in full in January 2023.

Maturities of debt are as follows:

Year Ending December 31,	Forgivable Debt	Debt Payable in Cash	Total
2022	$ 426,890	$ -	$ 426,890
2023	-	3,461,000	3,461,000
Total	$ 426,890	$ 3,461,000	$ 3,887,890

The Village held a demand line of credit secured by its investments in the amount of $425,000 with a fluctuating interest rate measured at a spread of 1.5% plus London Interbank Offered Rate (LIBOR). No balance was drawn on this account as of December 31, 2021. The line of credit is due upon demand and can be cancelled at any time by the bank.

11. Leases

The Village has leased space under noncancelable operating leases with terms that run through December 31, 2028. Rent expense under these and other leases was $2,932,445 for the year ended December 31, 2021.

Total future minimum lease payments in the years subsequent to December 31, 2021, are as follows:

Year Ending December 31,		
2022	$	795,339
2023		278,978
2024		30,230
2025		31,288
2026		32,386
Thereafter		2
Total	$	1,168,223

Total future minimum lease payments have not been reduced by minimum sublease rentals of $215,633 and $106,973 due in years ending December 31, 2022 and 2023, respectively.

12. Related Party Transactions

Related Party Expenses

The Centers rent the majority of their facilities from S.V.D.P., Village Place Apartments, L.P., and 15th & Commercial, L.P. under long-term operating leases. The Village's rental expense to related parties was $2,839,143 for the year ended December 31, 2021, and are included in rent on the statement of functional expenses.

An operating subsidy is mandated by the 15th & Commercial, L.P. transitional housing lease. Per the lease agreement, in December of each calendar year the Village shall pay 15th & Commercial, L.P. a subsidy payment in an amount equal to the Section 42 Breakpoint less the amount of property expenses that the Village paid for the calendar year. Section 42 Breakpoint is the difference between the market rate that could be charged for an apartment unit and the maximum rent that can be charged for a similar but low-income apartment unit. This payment is to supplement the difference between the maximum allowable California Tax Credit Allocation Committee (TCAC) rent rate charged to tenants and the cost to maintain the units. The subsidy was $50,961 during the year ended December 31, 2021, and is included in the amount above.

As part of the lease, the Village pays common area maintenance (CAM) charges for the property leased from 15th & Commercial, L.P. The CAM charges were $871,277 during the year ended December 31, 2021.

S.V.D.P. has service contracts with the Village to provide administrative, development and grant services. The charges under these contracts were $3,764,752 during the year ended December 31, 2021. Charges include $100,000 per month for administrative services, 20% of revenue recognized related to development services each month, and 5% of realized grant revenue each month. S.V.D.P. may opt to donate a portion of its net profit on retail and auto operations to the Village. The term of the agreement is five years with automatic five-year renewals unless either party gives notice of termination.

The Village has been awarded a grant from the Department of Housing and Urban Development to fund the Continuum of Care program. Village passed through $23,278 of Continuum of Care funding to 3134 El Cajon Boulevard, L.P. during the year ended December 31, 2021.

Related Party Income

On July 1, 2018, the Village entered into a long-term operating sub-lease for single residence occupancy units on the sixth and seventh floors of the 1506 Commercial Street building with S.V.D.P. The original monthly rent amount per the sub-lease agreement is $16,667 with an annual adjustment for consumer price index (CPI) beginning 12 months from the date Village entered into the sub-lease, expiring June 30, 2023. The Village's rental income was $211,405 during the year ended December 31, 2021. Future minimum sublease income for the years ending December 31, 2022 and 2023 are $215,633 and 106,973, respectively.

The Village has a service contract with Benson Place, L.P. that commenced September 2020, to provide supportive services including case management, therapy, and other services. The initial rate of $28,792 is adjusted annually in September at an increase of 2%. The services continue until terminated by either party. The charges under this contract were $345,501 during the year ended December 31, 2021.

The Village has entered a service contract with 14th & Commercial CIC, L.P. and 14th & Commercial CIC-VHHP, L.P. that commenced December 2019. The Village was to provide design and lease-up services leading up to the construction completion. The charges under this contract were $150,000 during the year ended December 31, 2021. The Village will continue to provide social services for a period of 15 years.

Due to Related Parties

The Village owed S.V.D.P. and the L.P.s $3,950,577 as of December 31, 2021.

13. Endowment Funds

Authoritative guidance related to not-for-profit entities provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and requires additional disclosures about an organization's endowment funds. The Village's endowment funds consist of four individual funds, several containing donor restrictions, established to provide funding for general operations, education and children's programs.

In accordance with the authoritative guidance, net assets associated with the funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Village has interpreted UPMIFA as the prudent preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Village classifies net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) the remaining portion of the donor-restricted endowment until those amounts are appropriated for expenditures by the Village in a manner consistent with the standard of prudence prescribed by the State of California's UPMIFA. As such, much of the net realized and unrealized appreciation in the fair value of the assets of an endowment fund over the historic dollar value of the fund is considered prudent, unless the donor's intention is indicated in the endowment. Endowment net asset composition by the type of fund is as follows:

		With Donor Restrictions		
December 31, 2021	Without Donor Restrictions	Unappropriated Earnings	Perpetual	Totals
Donor-restricted endowment funds	$ -	$ 1,362,781	$ 3,121,669	$ 4,484,450
Board-designated quasi-endowment funds	239,293	-	-	239,293
Total Endowments Funds	$ 239,293	$ 1,362,781	$ 3,121,669	$ 4,723,743

Changes in endowment net assets are as follows:

		With Donor Restrictions		
December 31, 2020	Without Donor Restrictions	Unappropriated Earnings	Perpetual	Totals
Donor-restricted endowment funds	$ -	$ 1,005,528	$ 3,121,669	$ 4,127,197
Board-designated quasi-endowment funds	111,486	-	-	111,486
Total Endowments Funds	$ 111,486	$ 1,005,528	$ 3,121,669	$ 4,238,683

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Village to retain as a fund of perpetual duration. In accordance with the authoritative guidance, deficiencies of this nature are reported in net assets with donor restrictions in the year in which they occur. There were no such deficiencies as of December 31, 2021.

The Village has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Village must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, the funds are invested in a manner intended to produce approximately 5.0% greater than the rate of inflation on a total return basis. Actual returns in any given year may vary from this expected return.

To satisfy its long-term rate-of-return objectives, the Village relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Village uses a diversified asset allocation to achieve its long-term objectives within prudent risk parameters.

The Village's policy is to appropriate for distribution each year 5.0% of the endowment fund's fair value at a specified time during the year. There were no appropriations for the year ended December 31, 2021. Adequate funding was available from other sources to cover the purposes of these endowments. In establishing the policy, the Village considered the long-term expected return on its endowment. Accordingly, over the long term, the Village expects the current spending policy to allow its endowment to grow at an average annual rate equal to the general inflation rate. This is consistent with the Village's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return.

14. Commitments and Contingencies

Litigation

From time to time, the Village is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Village defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management expects that any losses that are probable or have a reasonable possibility of being incurred in excess of amounts already accrued in the statement of financial position would not be material to the financial statements as a whole.

During 2022, the Village became a defendant in three (3) general wage and hour class actions against the Village and S.V.D.P. All three class actions have been consolidated into one for pre-trial purposes. Each class action alleges garden variety Labor Code Violations ranging from violations related to minimum wage, overtime, meal breaks, rest breaks, business-related expenses, itemized wage statements and timely payment of wages. There have not been any specific damages requested. Based on the opinion of counsel, the class actions could result in a settlement. At this time however, no estimate can be made regarding the time or amount, if any, of the ultimate contingent liability as the organizations are still analyzing the data.

Legislation

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which would result in the imposition of significant fines and penalties, as well as significant repayments for patient service previously billed. Even if the Village were to ultimately prevail, a significant governmental inquiry or action under one of the above laws, regulations or rules could have a material adverse impact on it.

The Village is not aware of any material claims, disputes, or unsettled matters that would require adjustments or disclosure in the accompanying financial statements.

The Village participates in the State of California Federally Qualified Health Center Medi-Cal reimbursement program. The State of California performs periodic audits that could result in some patient costs and visits not being reimbursable or allowable, or an adjustment in reimbursement rates, under the terms of the program.

Malpractice Insurance

The Village insures its medical malpractice risks on a claims-made basis. The Village is insured for losses up to $2,000,000 per claim and $4,000,000 in the aggregate per policy period. Should the Village not renew its policy or replace it with equivalent insurance, occurrences during its term but asserted after its term will be uninsured unless the Village obtains tail coverage. The Village has considered a loss accrual for unasserted claims or unreported incidents at December 31, 2021. As of December 31, 2021, no malpractice claims in excess of insurance coverage individually, or in the aggregate, have been asserted against the Village.

Grant Commitments

The Village has entered into grant agreements with the U.S. Department of Housing and Urban Development (HUD) whereby these grants will subsidize a portion of the operating costs of various programs. The Village is committed to certain matching funds that are to be provided by fundraising. The match is 25% of HUD committed funds. As of December 31, 2021, the Village has committed to a match of $1,854,754.

These grant agreements and certain other grant support are subject to review by the grantor agencies, which could lead to requests for reimbursements by the grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will not be significant.

The Village is a pass-through entity for certain HUD projects. As a result, it has contracted with sub-recipients to perform the tasks required by the project agreements. As of December 31, 2021, the Village has conditionally committed $377,283 of funding to sub-recipients.

15. Medical Self-Insurance

The Village self-insures its medical insurance plan for employees. The plan is self-funded by the Village, which means that the Village is financially responsible for the payment of plan benefits. The Village has purchased specific stop-loss insurance to protect itself from large individual claims and is currently set at $100,000 as well as maximum annual aggregate stop loss set at $2,408,355. To be eligible for benefits, the individual must be complete one month of employment and be a regular and active employee who is paid on a regular basis through the Village payroll system. At December 31, 2021, a reserve of $516,460 has been recorded to set aside funds to pay for future claims. The sufficiency of the reserve will be monitored and adjusted as historical data can be analyzed. Claims paid and plan expenses during the year ended December 31, 2021, was $2,731,417. Because of the inherent uncertainties in estimating future medical claims, it is at least reasonably possible that the estimates used will change in the near term, and the change could be material.