

**KERN MEDICAL CENTER FOUNDATION**  
**FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2023 AND 2022**

**KERN MEDICAL CENTER FOUNDATION  
DECEMBER 31, 2023 AND 2022**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report .....	1
 <u>Financial Statements</u>	
Statements of Financial Position.....	3
Statement of Activities – 2023 .....	4
Statement of Activities – 2022 .....	5
Statement of Functional Expenses – 2023 .....	6
Statement of Functional Expenses – 2022 .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Kern Medical Center Foundation  
Bakersfield, California

### Opinion

We have audited the accompanying financial statements of Kern Medical Center Foundation (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the 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. 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 Foundation 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 Foundation'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 Foundation'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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
August 30, 2024

**KERN MEDICAL CENTER FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022**

	2023	Restated 2022
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 5,121,264	\$ 4,009,414
Accounts Receivable	2,500	77,384
Other Current Assets	-	60,527
	5,123,764	4,147,325
Total Current Assets		
	5,123,764	4,147,325
Total Assets	\$ 5,123,764	\$ 4,147,325
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts Payable	\$ 150,555	\$ 41,310
Total Liabilities	150,555	41,310
Net Assets		
Without Donor Restrictions	352,481	243,011
With Donor Restrictions	4,620,728	3,863,004
	4,973,209	4,106,015
Total Net Assets		
	4,973,209	4,106,015
Total Liabilities and Net Assets	\$ 5,123,764	\$ 4,147,325

See accompanying notes and independent auditor's report.

**KERN MEDICAL CENTER FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ -	\$ 594,101	\$ 594,101
Grants	-	924,881	924,881
Special Events	49,155	-	49,155
Investment Income	84,614	-	84,614
Miscellaneous Income	651	-	651
Released from Donor Restrictions	761,258	(761,258)	-
	895,678	757,724	1,653,402
Total Support and Revenue			
Expenses			
Program Expenses	372,330	-	372,330
General and Administrative Expenses	413,878	-	413,878
	786,208	-	786,208
Total Expenses			
Increase in Net Assets	109,470	757,724	867,194
Net Assets, Beginning of Year	243,011	3,863,004	4,106,015
Net Assets, End of Year	\$ 352,481	\$ 4,620,728	\$ 4,973,209

See accompanying notes and independent auditor's report.

**KERN MEDICAL CENTER FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ -	\$ 654,738	\$ 654,738
Grants	-	964,538	964,538
Miscellaneous Income	736	-	736
Released from Donor Restrictions	<u>1,548,302</u>	<u>(1,548,302)</u>	<u>-</u>
Total Support and Revenue	<u>1,549,038</u>	<u>70,974</u>	<u>1,620,012</u>
Expenses			
Program Expenses	1,021,262	-	1,021,262
General and Administrative Expenses	<u>574,551</u>	<u>-</u>	<u>574,551</u>
Total Expenses	<u>1,595,813</u>	<u>-</u>	<u>1,595,813</u>
Increase (Decrease) in Net Assets	(46,775)	70,974	24,199
Net Assets, Beginning of Year	289,786	3,731,613	4,021,399
Prior Period Adjustment	<u>-</u>	<u>60,417</u>	<u>60,417</u>
Net Assets, Beginning of Year, Restated	<u>289,786</u>	<u>3,792,030</u>	<u>4,081,816</u>
Net Assets, End of Year	<u>\$ 243,011</u>	<u>\$ 3,863,004</u>	<u>\$ 4,106,015</u>

See accompanying notes and independent auditor's report.

**KERN MEDICAL CENTER FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program Expenses			Total Program Expenses	General and Administrative	Total Expenses
	Medical Education	Valley Fever	Other Programs			
Accounting/Bookkeeping	\$ -	\$ -	\$ -	\$ -	\$ 25,263	\$ 25,263
Marketing Services	-	997	-	997	-	997
Other Professional Services	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Equipment	5,364	-	-	5,364	-	5,364
Awards and Grants: Other	-	-	-	-	-	-
Patient Program	-	15,068	10,785	25,853	-	25,853
Apparel	116	-	2,718	2,834	4,906	7,740
Bank Fees	35	375	271	681	184	865
Computer/Software	-	-	-	-	15,431	15,431
Contract Services	-	-	-	-	-	-
Donor Cultivation	-	-	-	-	2,122	2,122
Dues and Subscriptions	1,199	5,022	-	6,221	3,321	9,542
Employee Engagement	-	-	5,261	5,261	2,677	7,938
Equipment for Kern Medical	20,187	17,034	64,510	101,731	(1,488)	100,243
Management Fee	-	88,888	-	88,888	266,663	355,551
Meals	2,674	812	-	3,486	427	3,913
Medical Education	535	1,885	-	2,420	-	2,420
Men's Health	-	-	-	-	-	-
Office Expense	-	906	-	906	2,317	3,223
Operations	-	-	-	-	-	-
Patient Program Supplies	-	-	-	-	-	-
Payroll/Taxes/Benefits	-	78,429	-	78,429	66,762	145,191
Postage	-	-	-	-	-	-
Printing	-	125	-	125	515	640
Promotion	29	-	289	318	141	459
Rent	-	-	-	-	17,600	17,600
Seminars/Conferences	1,778	1,115	376	3,269	3,454	6,723
Special Events	-	24,528	11,480	36,008	2,725	38,733
Supplies	880	849	-	1,729	230	1,959
Tax and License	-	7,810	-	7,810	462	8,272
Travel	-	-	-	-	166	166
<b>Total Expenses</b>	<b>\$ 32,797</b>	<b>\$ 243,843</b>	<b>\$ 95,690</b>	<b>\$ 372,330</b>	<b>\$ 413,878</b>	<b>\$ 786,208</b>

See accompanying notes and independent auditor's report.



**KERN MEDICAL CENTER FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Expenses					Total Program Expenses	General and Administrative	Total Expenses
	Behavioral Health	Community Outreach	Medical Education	Valley Fever	Other Programs			
Accounting/Bookkeeping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,809	\$ 25,809
Marketing Services	-	-	4,315	8,655	1,148	14,118	1,178	15,296
Other Professional Services	-	-	-	10,747	-	10,747	-	10,747
Capital	-	-	-	-	70,649	70,649	-	70,649
Equipment	-	-	-	14,127	10,499	24,626	-	24,626
Awards and Grants: Other	-	3,599	-	-	159	3,758	-	3,758
Patient Program	-	6,850	7,018	13,962	11,079	38,909	-	38,909
Apparel	-	1,340	10,515	5,970	1,098	18,923	1,670	20,593
Bank Fees	-	2	-	4	133	139	82	221
Computer/Software	-	-	1,271	1,631	-	2,902	3,225	6,127
Contract Services	-	-	6,500	-	4,175	10,675	-	10,675
Donor Cultivation	-	-	2,675	711	-	3,386	711	4,097
Dues and Subscriptions	-	-	328	143	-	471	2,363	2,834
Employee Engagement	-	-	540	-	320	860	411	1,271
Equipment for Kern Medical	1,488	15,229	53,237	284,172	58,506	412,632	34,265	446,897
Management Fee	-	-	-	149,245	-	149,245	459,868	609,113
Meals	-	-	1,656	2,221	550	4,427	1,878	6,305
Medical Education	-	-	61,428	-	-	61,428	-	61,428
Men's Health	-	-	-	-	-	-	-	-
Office Expense	-	-	130	3,844	-	3,974	16,207	20,181
Operations	-	-	-	1,576	-	1,576	776	2,352
Patient Program Supplies	-	-	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-	-
Printing	-	-	1,866	5,895	-	7,761	1,880	9,641
Promotion	-	-	9,726	17,321	11,134	38,181	477	38,658
Rent	-	-	-	-	-	-	15,400	15,400
Seminars/Conferences	-	277	13,943	78,348	7,106	99,674	4,658	104,332
Special Events	-	1,225	172	6,323	3,783	11,503	3,117	14,620
Supplies	-	-	41	7,391	3,661	11,093	576	11,669
Tax and License	-	-	-	-	-	-	-	-
Travel	-	-	6,222	13,383	-	19,605	-	19,605
<b>Total Expenses</b>	<b>\$ 1,488</b>	<b>\$ 28,522</b>	<b>\$ 181,583</b>	<b>\$ 625,669</b>	<b>\$ 184,000</b>	<b>\$ 1,021,262</b>	<b>\$ 574,551</b>	<b>\$ 1,595,813</b>

See accompanying notes and independent auditor's report.

**KERN MEDICAL CENTER FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	Restated 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 867,194	\$ 84,616
Adjustments to Reconcile Increase in Net Assets to Cash (Used) Provided by Operating Activities:		
Change in Operating Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	74,884	(14,884)
Decrease (Increase) in Other Current Assets	60,527	(60,527)
Decrease in Related Party Payable	-	(349,586)
(Decrease) Increase in Accounts Payable	109,245	(27,168)
Net Cash (Used) Provided by Operating Activities	1,111,850	(367,549)
Cash and Cash Equivalents, Beginning of Year	4,009,414	4,376,963
Cash and Cash Equivalents, End of Year	\$ 5,121,264	\$ 4,009,414

See accompanying notes and independent auditor's report.

**KERN MEDICAL CENTER FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 – ORGANIZATION AND MAJOR PROGRAMS**

Organization

The mission of the Kern Medical Center Foundation (the Foundation) is to help augment funds needed to improve the facilities and services of the hospital; raise and expend funds for capital improvements; educational programs and medical or hospital related research; and provide financial assistance for the improvement of health, safety, and general welfare of the hospital and the community.

Guided by the needs of our patients and their families, Kern Medical will deliver safe, compassionate, high quality care and improve the health and well-being of our community. Kern Medical's mission is to provide health care services to all Kern County residents, with special outreach to those whose access is limited; be a primary community health care resource; operate in a fiscally responsible manner; and cooperate with other health care providers in the delivery of quality health care. In 1867, Kern Medical began providing care to people in Kern County. In 1895, a 40-bed hospital was constructed at 19th and Oak Street, and in 1925, Kern General Hospital, now known as Kern Medical, was established on Flower Street. On July 1, 2016, the Kern County Hospital Authority assumed control over Kern Medical.

Kern Medical has become a regional healthcare resource providing accessible, efficient, quality healthcare to the most vulnerable people in Kern County with health care disparities. It is through this proposed project that we hope to continue to expand our services to meet the needs of the people we serve and provide them with improved space and treatment by utilizing new technological equipment to detect health problems at much earlier stages.

Major Programs

Major programs at the Foundation are as follows:

*Behavioral Health*

This fund is for programs and services related to Behavioral Health, which includes Mental and Substance Use and serves both inpatient and outpatient.

- Kern Medical has the only Inpatient Psychiatric Unit in Kern County. Funds have been used to support the renovation of an outdoor area for patients. Ongoing support is needed for patient activities (arts and crafts), clothing, and other amenities.
- Upcoming projects include the expansion of telehealth and emergency services for behavioral health patients.

*Community Outreach*

This fund supports services related to our community health and education programs which include:

- **Reach Out and Read** – books for pediatric patients.
- **Safe Home, Safe Baby** – Safe Sleep education and resources. Kern Medical is the only hospital that provides free pack-n-plays and prenatal classes to the community. Resources are available to everyone, regardless of where they choose to deliver their baby.
- **Safe Streets** – Free bicycle safety equipment and education for the community.
- **Health Career Pathways Programs** – Activities that expose high school students to health careers, which includes the Simulation Center, hospital tours, and interaction with Medical Students and staff.

## **NOTE 1 – ORGANIZATION AND MAJOR PROGRAMS** (Continued)

### Major Programs (Continued)

#### *Medical Education*

This fund supports Medical Education for Medical Students, Residents, Faculty and other staff.

- Simulation Center renovation and training activities
- Training equipment
- Training development
- Kern Medical library journal expenses
- Wellness activities that reduce burnout and promote resiliency
- Conference fees
- Publishing expenses
- Resident lounge
- Call room renovation

#### *Valley Fever*

This fund supports the Valley Fever Institute and includes:

- Patient care
- Community and physician education and research
- Renovation and relocation of all Valley Fever Institute programs and services to Kern Medical's Outpatient Clinic at 1111 Columbus Street

### Related Parties

The Kern Medical Center Foundation exists to raise funds to promote education and support healthcare and related activities at Kern Medical Center and its Outpatient Services. Kern Medical Center is owned and operated by the Kern County Hospital Authority.

The Kern Medical Center Foundation has reimbursed the Kern County Hospital Authority for equipment and operational support that was ordered and paid for by the Kern County Hospital Authority. This was done on a periodic basis prior to 2022, but since has taken place monthly. An invoice is prepared by the Finance Team at the Kern County Hospital Authority and reviewed by the Foundation Executive Director for accuracy. Once it is finalized, payment is issued by the Foundation Director of Operations.

In 2023, the Foundation had \$100,244 in payments to the Kern County Hospital Authority, with \$0 being incurred in previous years. In 2022, the Foundation had \$570,671 in payments to the Kern County Hospital Authority, with \$398,714 being incurred in previous years.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Method of Accounting

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

### 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. This will affect the reported amounts of assets and liabilities, 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 these estimates.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Statement Presentation

The Foundation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-210-50, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Topic 958-210-50-3, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. In addition, the Foundation is required to present a statement of cash flows and statement of functional expenses.

### Net Assets Without Donor Restrictions

These are net asset balances that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

### Net Assets With Donor Restrictions

These include net asset balances that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by action of the Foundation or by the passage of time.

### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

### Tax Status

Management believes that the Foundation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

### Support and Revenue

Support and revenue received is recognized when earned and is recorded as unrestricted or donor restricted support, depending on the existence of any donor restrictions.

### Uncertain Tax Positions

FASB ASC Topic 740 requires that amounts recognized in the statements of financial position related to uncertain tax positions be classified as a current or noncurrent liability, based upon the expected timing of the payment to a taxing authority.

Management has determined that the Foundation does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures.

### Prior Period Adjustment and Restatement of Financials

	<u>Prior Period Adjustment</u>
Net Assets Beginning of 2022	\$ 4,021,399
Prior Period Adjustment to Revenues	<u>60,417</u>
Net Assets Beginning of 2022, Restated	<u>\$ 4,081,816</u>

### **NOTE 3 – CASH AND CERTIFICATES OF DEPOSIT**

The Foundation maintains all cash and certificates of deposit with various financial institutions. Balances with certain institutions at times may exceed the federally insured limit of \$250,000 for the years ending December 31, 2023 and 2022. At December 31, 2023 and 2022, cash balances in excess of federally insured limits totaled \$4,895,933 and \$3,868,050, respectively.

### **NOTE 4 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure as of December 31, 2023 and 2022, without donor or other restrictions limiting their use, within one year of the statements of financial position date are comprised of \$5,123,764 and \$4,026,381 in current assets, respectively. The financial assets noted are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statements of financial position.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 5,121,264	\$ 4,009,414
Accounts Receivable	<u>2,500</u>	<u>16,967</u>
Total Financial Assets	<u>\$ 5,123,764</u>	<u>\$ 4,026,381</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 5,123,764</u>	<u>\$ 4,026,381</u>

### **NOTE 5 – CONCENTRATION OF FUNDING SOURCE**

As of December 31, 2023, the Foundation was significantly reliant on a major funding source which contributed approximately 36% of total revenue for the fiscal year ended December 31, 2023. This funding source was provided by Ross University, and the funds were primarily used for supporting the Foundation's operations and major programs.

Subsequent to the fiscal year-end, the Foundation was informed that Ross University would no longer be providing financial support. The loss of this funding source represents a significant change in the Foundation's revenue structure and could materially impact its future operations and financial stability.

Management is actively seeking alternative funding sources and is developing a plan to mitigate the effects of this loss. The Foundation is committed to adjusting its budget and operational strategies to address this change and ensure continued delivery of its mission.

The impact of this funding loss on the Foundation's future financial position and operational results cannot be fully determined at this time.

### **NOTE 6 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 30, 2024, which is the date the financial statements were issued. As the result of our procedures, we noted the subsequent event disclosed in Note 5 of the financial statements. No other subsequent events were noted which require disclosure.

To the Board of Directors  
Kern Medical Center Foundation  
Bakersfield, California

We have audited the financial statements of Kern Medical Center Foundation (the Foundation) for the year ended December 31, 2023, and have issued our report thereon dated August 30, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 18, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. No new accounting standards were adopted during the year ended December 31, 2023. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. See the attached schedule for a misstatement noted during our audit procedures.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 30, 2024.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
August 30, 2024



Client: **42870 - Kern Medical Center Foundation**  
 Engagement: **12/31/23 Audit**  
 Period Ending: **12/31/2023**  
 Trial Balance: **2000.00 - Trial Balance**  
 Workpaper: **PSR-7-5 - Copy of Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
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**Adjusting Journal Entries JE # 1** 10-02

PPA for grant income recorded in CY which belonged in 2022 per the grant check

4205	Grants: Government: Song Brown-State of		60,417.00	
3700	Prior Period Adjustment			60,417.00
<b>Total</b>			<b>60,417.00</b>	<b>60,417.00</b>

**Adjusting Journal Entries JE # 2** PSR-23-1

To record reimbursement for payroll, benefits, and payroll taxes to KMC for September to December 2023 (per Della)

5052	Awards and Grants: Equipment		5,364.00	
5385	Payroll/Taxes/Benefits		145,191.00	
2000	Accounts Payable			5,364.00
2000	Accounts Payable			145,191.00
<b>Total</b>			<b>150,555.00</b>	<b>150,555.00</b>

To the Board of Directors and Management  
Kern Medical Center Foundation  
Bakersfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of Kern Medical Center Foundation (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2024.

### Report on Internal Control over Financial Reporting

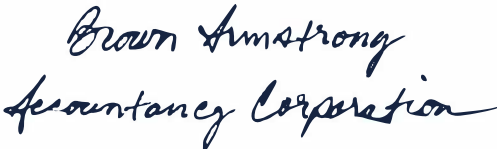
In planning and performing our audit of the financial statements of the Foundation as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Attachment A as item 2023-01, that we consider to be a material weakness.

This communication is intended solely for the information and use of management the Board of Directors, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Bakersfield, California  
August 30, 2024

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1200 Truxtun Avenue, Suite 300  
Bakersfield, CA 93309  
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10 River Park Place East, Suite 208  
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## Attachment A

### Current Year Conditions

#### Condition 2023-01 – Income and Expenditures (Material Weakness)

Our audit of revenues and expenditures revealed inadequacies in controls regarding the following, primarily caused by a lack of an understanding of accounting principles generally accepted in the United States of America and review by management:

1. We noted that grant revenue from the State of California for the period of October 1, 2022, to December 31, 2022 was incorrectly recorded as revenue in 2023. Grant revenues were misstated because transactions were not recorded in the proper period.
2. We noted that expenditures and payables related to payroll reimbursements were not recorded due to late billing by Kern Medical Center. As a result, expenditures and payables were materially misstated.

### Recommendation

1. Management establishes a well-defined process for financial reporting. The process and its key attributes (e.g., overall timing, methodology, format, and frequency of analyses) are formally documented, approved, and reviewed on a regular basis.
2. Knowledgeable personnel monitor changes in authoritative guidance and make the appropriate changes to the Foundation's accounting policies and procedures on a timely basis.
3. Management receives appropriate reporting packages, signoffs, and representations from appropriate areas of the organization to ensure (1) all relevant information has been recorded or disclosed on a timely basis and (2) all intercompany balances and transactions have been identified.
4. All related-party events and transactions are identified, and a schedule detailing them is prepared; the schedule is reviewed by management and other appropriate parties.
5. Management has a process in place to ensure that the trial balance used in the financial statement preparation process is final, contains all valid journal entries made, and is in balance.

### Management Response

Management agrees with the auditor recommendation and will create processes to implement the recommendation.