

KERN MEDICAL CENTER FOUNDATION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2024 AND 2023

**KERN MEDICAL CENTER FOUNDATION
DECEMBER 31, 2024 AND 2023**

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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, 2024 and 2023; 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, 2024 and 2023, 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
September 23, 2025

**KERN MEDICAL CENTER FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 5,116,950	\$ 5,121,264
Accounts Receivable	<u>145,000</u>	<u>2,500</u>
Total Current Assets	<u>5,261,950</u>	<u>5,123,764</u>
 Total Assets	 <u><u>5,261,950</u></u>	 <u><u>5,123,764</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	<u>5,052</u>	<u>150,555</u>
Total Liabilities	<u>5,052</u>	<u>150,555</u>
 Net Assets		
Without Donor Restrictions	1,145	352,481
With Donor Restrictions	<u>5,255,753</u>	<u>4,620,728</u>
Total Net Assets	<u>5,256,898</u>	<u>4,973,209</u>
Total Liabilities and Net Assets	<u><u>\$ 5,261,950</u></u>	<u><u>\$ 5,123,764</u></u>

See accompanying notes and independent auditor's report.

**KERN MEDICAL CENTER FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ -	\$ 161,511	\$ 161,511
Grants	-	585,000	585,000
Fundraising Income	29,836	-	29,836
Investment Income	130,804	-	130,804
Miscellaneous Income	1,641	-	1,641
Released from Donor Restrictions	111,486	(111,486)	-
Total Support and Revenue	273,767	635,025	908,792
Expenses			
Program Expenses	90,224	-	90,224
Fundraising Expenses	22,095	-	22,095
General and Administrative Expenses	512,784	-	512,784
Total Expenses	625,103	-	625,103
Increase (Decrease) in Net Assets	(351,336)	635,025	283,689
Net Assets, Beginning of Year	352,481	4,620,728	4,973,209
Net Assets, End of Year	\$ 1,145	\$ 5,255,753	\$ 5,256,898

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
Fundraising Income	49,155	-	49,155
Investment Income	84,614	-	84,614
Miscellaneous Income	651	-	651
Released from Donor Restrictions	761,258	(761,258)	-
Total Support and Revenue	895,678	757,724	1,653,402
Expenses			
Program Expenses	347,802	-	347,802
Fundraising Expenses	24,528	-	24,528
General and Administrative Expenses	413,878	-	413,878
Total Expenses	786,208	-	786,208
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Program Expenses			Total Program Expenses	Fundraising	General and Administrative	Total Expenses
	Medical Education	Valley Fever	Other Programs				
Accounting/Bookkeeping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,086	\$ 24,086
Marketing Services	-	654	-	654	-	123	777
Other Professional Services	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Equipment	865	-	-	865	-	-	865
Awards and Grants: Other	-	-	-	-	-	-	-
Patient Program	752	3,938	7,366	12,056	-	470	12,526
Apparel	775	454	1,058	2,287	-	(46)	2,241
Bank Fees	-	492	314	806	-	612	1,418
Computer/Software	680	-	-	680	-	15,308	15,988
Contract Services	990	-	-	990	-	-	990
Donor Cultivation	-	650	-	650	-	-	650
Dues and Subscriptions	-	4,122	-	4,122	-	3,489	7,611
Employee Engagement	1,005	-	650	1,655	-	-	1,655
Equipment for Kern Medical	1,650	-	-	1,650	-	-	1,650
Management Fee	-	-	-	-	-	-	-
Meals	137	1,349	31	1,517	-	2,234	3,751
Medical Education	118	-	1,055	1,173	-	-	1,173
Men's Health	405	-	-	405	-	-	405
Office Expense	-	1,231	-	1,231	-	2,258	3,489
Operations	-	(1,000)	-	(1,000)	-	-	(1,000)
Patient Program Supplies	500	1,160	2,216	3,876	-	6,461	10,337
Payroll/Taxes/Benefits	-	-	-	-	-	450,583	450,583
Postage	-	-	-	-	-	63	63
Printing	-	-	-	-	-	-	-
Promotion	6,200	7,045	458	13,703	-	1,788	15,491
Rent	-	-	-	-	-	-	-
Seminars/Conferences	4,100	2,575	3,075	9,750	-	4,664	14,414
Special Events	-	-	12,140	12,140	22,095	510	34,745
Supplies	62	2,084	-	2,146	-	-	2,146
Tax and License	-	-	-	-	-	225	225
Travel	-	18,508	-	18,508	-	(44)	18,464
Mileage	-	360	-	360	-	-	360
Total Expenses	\$ 18,239	\$ 43,622	\$ 28,363	\$ 90,224	\$ 22,095	\$ 512,784	\$ 625,103

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	Fundraising	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	-	-	11,480	11,480	24,528	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
Total Expenses	\$ 32,797	\$ 219,315	\$ 95,690	\$ 347,802	\$ 24,528	\$ 413,878	\$ 786,208

See accompanying notes and independent auditor's report.

**KERN MEDICAL CENTER FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 283,689	\$ 867,194
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	(142,500)	74,884
Decrease (Increase) in Other Current Assets	-	60,527
(Decrease) Increase in Accounts Payable	<u>(145,503)</u>	<u>109,245</u>
Net Cash (Used) Provided by Operating Activities	(4,314)	1,111,850
Cash and Cash Equivalents, Beginning of Year	<u>5,121,264</u>	<u>4,009,414</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,116,950</u></u>	<u><u>\$ 5,121,264</u></u>

See accompanying notes and independent auditor's report.

**KERN MEDICAL CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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, the Foundation will deliver safe, compassionate, high quality care and improve the health and well-being of our community. The Foundation'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, the Foundation 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 the Foundation, was established on Flower Street. On July 1, 2016, the Kern County Hospital Authority assumed control over the Foundation.

The Foundation 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.

- The Foundation 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. The Foundation 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 the Foundation's Outpatient Clinic at 1111 Columbus Street

Related Parties

The 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 Foundation reimburses the Kern County Hospital Authority for equipment, operational support, and staffing fees for staff engaged or employed by the Kern County Hospital Authority paid for by the Authority. These reimbursements occur on a monthly basis. 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 2024 and 2023, the Foundation had \$452,233 and \$245,434 in payments to the Kern County Hospital Authority, respectively.

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.

Reclassification of Prior Year Financials

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported change in net assets or total net assets.

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, 2024 and 2023. At December 31, 2024 and 2023, cash balances in excess of federally insured limits totaled \$4,866,950 and \$4,895,933, respectively.

NOTE 4 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure as of December 31, 2024 and 2023, without donor or other restrictions limiting their use, within one year of the statements of financial position date are comprised of \$5,261,950 and \$5,123,764 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.

	2024	2023
Cash and Cash Equivalents	\$ 5,116,950	\$ 5,121,264
Accounts Receivable	145,000	2,500
Total Financial Assets	<u>\$ 5,261,950</u>	<u>\$ 5,123,764</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 5,261,950</u>	<u>\$ 5,123,764</u>

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 23, 2025, which is the date the financial statements were issued. 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, 2024, and have issued our report thereon dated September 23, 2025. 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 28, 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, 2024. 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. There were no such misstatements.

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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 23, 2025.

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
September 23, 2025