



**BARTZ-ALTADONNA**  
Community Health Center

**Bartz-Altadonna Community Health Center**  
**Audited Financial Statements**  
*As of and for the Years Ended December 31, 2019 and 2018*  
*With Report of Independent Auditors*

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## Report of Independent Auditors

**To the Board of Directors  
Bartz-Altadonna Community Health Center**

### Report on the Financial Statements

We have audited the accompanying financial statements of Bartz-Altadonna Community Health Center (the Organization), a California nonprofit organization, which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bartz-Altadonna Community Health Center as of December 31, 2019, 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.

### **Other Matter – December 31, 2018 Financial Statements**

The financial statements of Bartz-Altadonna Community Health Center as of and for the year ended December 31, 2018, were audited by other auditors whose report dated August 5, 2019 expressed an unmodified opinion on those statements.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**Glendale, California  
June 27, 2020**

**Bartz-Altadonna Community Health Center**  
**Statements of Financial Position**

	December 31	
	2019	2018
<b>Current assets</b>		
Cash and cash equivalents	\$ 565,068	\$ 192,810
Investments	502,984	501,896
Patient accounts receivable	642,172	261,527
Grants receivable	100,492	30,718
Estimated settlement amounts due from third-party payers	195,924	-
Other receivables	156,404	291,197
Inventory	20,971	20,971
Prepaid expenses	48,735	39,891
<b>Total current assets</b>	<b>2,232,750</b>	1,339,010
<b>Non-current assets</b>		
Property and equipment, net	4,281,186	4,049,077
Intangible assets, net	115,521	147,759
<b>Total non-current assets</b>	<b>4,396,707</b>	4,196,836
<b>Total assets</b>	<b>\$ 6,629,457</b>	\$ 5,535,846
<b>Current liabilities</b>		
Accounts payable	\$ 322,757	\$ 193,011
Accrued expenses	434,866	285,246
Estimated settlement amounts due to third-party payers	65,896	88,897
Deferred revenue	-	5,177
Other liabilities	-	7,688
Line of credit	-	100,000
Current portion of note payable	141,592	79,907
<b>Total current liabilities</b>	<b>965,111</b>	759,926
Note payable, net of current portion	2,373,230	2,519,305
<b>Total liabilities</b>	<b>3,338,341</b>	3,279,231
<b>Net assets</b>		
Without donor restrictions	3,216,116	2,065,747
With donor restrictions	75,000	190,868
<b>Total net assets</b>	<b>3,291,116</b>	2,256,615
<b>Total liabilities and net assets</b>	<b>\$ 6,629,457</b>	\$ 5,535,846

*See notes to financial statements.*

**Bartz-Altadonna Community Health Center**  
**Statements of Activities**

	Years ended December 31					
	2019			2018		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
<b>Operating revenues</b>						
<b>Unrestricted revenues and other support</b>						
Patient services revenues, net of contractual allowances	\$ 5,497,654	\$ -	\$ 5,497,654	\$ 2,923,598	\$ -	\$ 2,923,598
Grants and contract revenues	2,475,888	-	2,475,888	1,774,290	256,537	2,030,827
Capitation revenues	979,268	-	979,268	567,695	-	567,695
Pharmacy revenues	475,528	-	475,528	1,201,335	-	1,201,335
Rental income	51,628	-	51,628	53,638	-	53,638
Contributions and other support	10,855	-	10,855	20,424	-	20,424
Other	901	-	901	4,587	-	4,587
Net assets released from restrictions:						
Purpose restricted	-	-	-	250,000	(250,000)	-
Time restricted	115,868	(115,868)	-	200,000	(200,000)	-
<b>Total operating revenues</b>	<b>9,607,590</b>	<b>(115,868)</b>	<b>9,491,722</b>	<b>6,995,567</b>	<b>(193,463)</b>	<b>6,802,104</b>
<b>Operating expenses</b>						
Program services	7,425,500	-	7,425,500	6,010,273	-	6,010,273
Management and general	1,031,721	-	1,031,721	1,040,220	-	1,040,220
<b>Total operating expenses</b>	<b>8,457,221</b>	<b>-</b>	<b>8,457,221</b>	<b>7,050,493</b>	<b>-</b>	<b>7,050,493</b>
<b>Change in net assets from operations</b>	<b>1,150,369</b>	<b>(115,868)</b>	<b>1,034,501</b>	<b>(54,926)</b>	<b>(193,463)</b>	<b>(248,389)</b>
<b>Net assets, beginning of year</b>	<b>2,065,747</b>	<b>190,868</b>	<b>2,256,615</b>	<b>2,120,673</b>	<b>384,331</b>	<b>2,505,004</b>
<b>Net assets, end of year</b>	<b>\$ 3,216,116</b>	<b>\$ 75,000</b>	<b>\$ 3,291,116</b>	<b>\$ 2,065,747</b>	<b>\$ 190,868</b>	<b>\$ 2,256,615</b>

See notes to financial statements.

**Bartz-Altadonna Community Health Center  
Statements of Functional Expenses**

	Years ended December 31					
	2019			2018		
	Program services	Management and general	Total	Program services	Management and general	Total
Personnel expenses	\$ 4,424,852	\$ 967,447	\$ 5,392,299	\$ 3,338,867	\$ 829,790	\$ 4,168,657
Program expenses	1,435,390	18,368	1,453,758	1,539,706	18,401	1,558,107
Occupancy	220,385	12,134	232,519	232,808	13,579	246,387
Professional fees	119,934	6,726	126,660	107,087	143,249	250,336
Maintenance and repairs	58,736	2,340	61,076	52,652	4,090	56,742
Office supplies	107,742	1,998	109,740	73,637	1,337	74,974
Equipment rental	389,186	9,230	398,416	186,034	3,994	190,028
Depreciation and amortization	291,073	5,940	297,013	175,364	3,580	178,944
Dues and subscriptions	85,358	1,468	86,826	41,951	3,432	45,383
Insurance	53,024	3,157	56,181	43,270	7,007	50,277
Printing and publication	37,852	938	38,790	25,547	1,357	26,904
Conferences, conventions and meetings	25,142	635	25,777	45,325	1,704	47,029
Interest expenses	154,206	-	154,206	126,835	6,676	133,511
Other expenses	22,620	1,340	23,960	21,190	2,024	23,214
<b>Total operating expenses</b>	<b>\$ 7,425,500</b>	<b>\$ 1,031,721</b>	<b>\$ 8,457,221</b>	<b>\$ 6,010,273</b>	<b>\$ 1,040,220</b>	<b>\$ 7,050,493</b>

*See notes to financial statements.*

**Bartz-Altadonna Community Health Center**  
**Statements of Cash Flows**

	Years ended December 31	
	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets from operations	\$ 1,034,501	\$ (248,389)
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:		
Depreciation and amortization	297,013	178,944
Capitalized loan fees	1,432	(12,994)
Decrease (increase) in:		
Patient accounts receivable	(380,645)	212,791
Grants receivable	(69,774)	104,432
Estimated settlement amounts due from third-party payers	(195,924)	16,317
Other receivables	134,793	(83,224)
Inventory	-	(20,221)
Prepaid expenses	(8,844)	(21,429)
Increase (decrease) in:		
Accounts payable	129,746	86,460
Accrued expenses	149,620	147,817
Estimated settlement amounts due to third-party payers	(23,001)	(127,582)
Deferred revenue	(5,177)	-
Other liabilities	(7,688)	-
<b>Net cash provided by operating activities</b>	<b>1,056,052</b>	<b>232,922</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(1,088)	(567)
Purchases of software	-	(154,017)
Purchases of property and equipment	(498,316)	(928,414)
<b>Net cash used in investing activities</b>	<b>(499,404)</b>	<b>(1,082,998)</b>
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	150,000	600,000
Proceeds from note payable	-	399,503
Payments on line of credit	(250,000)	(500,000)
Principal payments on note payable	(84,390)	(37,942)
<b>Net cash (used in) provided by financing activities</b>	<b>(184,390)</b>	<b>461,561</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>372,258</b>	<b>(388,515)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>192,810</b>	<b>581,325</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 565,068</b>	<b>\$ 192,810</b>

*See notes to financial statements.*

**NOTE 1 ORGANIZATION**

Bartz-Altadonna Community Health Center (the Organization) is a California not-for-profit organization. The Organization participates in the Federally Qualified Health Center (FQHC) program, which supports the delivery of comprehensive primary health care services to low-income, underserved, and special populations. The Organization is located in Lancaster, California, and provides primary medical care, specialty treatment for HIV/AIDS, reproductive health services, nutritional consultations, and mental health care for low-income, uninsured, or homeless residents in the Greater Antelope Valley, regardless of their ability to pay.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are classified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant items in these statements that are subject to management estimates are useful lives of property and equipment, collectability of receivables, estimated settlement amounts due to and from third-party payers, and allocations of functional expenses.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measure of Operations**

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's patient services, grants and contracts revenues, capitation revenues pharmacy revenues, rental income and contributions. Nonoperating activities are limited to resources that generate return from other activities considered to be of a more unusual or nonrecurring nature. For the years ended December 31, 2019 and 2018, the Organization has no nonoperating activities.

**Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

*Level 1:* Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

*Level 2:* Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.

*Level 3:* Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore, have little or no price transparency are classified as Level 3.

The Organization's financial assets and liabilities include primarily cash, investments, receivables, accounts payable, and notes payable. The Organization uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Investments

At December 31, 2019 and 2018, investments consisted of a twelve-month certificate of deposit, which was measured using level 2 inputs.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

Receivables

The carrying amount of accounts receivable approximates fair value because of their short-term nature and historical collectability.

Accounts payable

The carrying amount of accounts payable approximates fair value because of the short-term nature of the obligations.

Notes payable

This instrument is not likely to be traded and is therefore reported at carrying amount.

**Cash and Cash Equivalents**

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its deposited cash.

**Receivables**

Receivables are recorded when billed or accrued and represent claims against third parties, primarily government agencies, which will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts and provision for disallowances, represents estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, the age of outstanding receivables and existing economic conditions. There were no write-offs of receivables for the years ended December 31, 2019 and 2018.

**Inventory**

Inventory, which consist of pharmaceutical drugs, medical devices, and medical supplies, is stated at the lower of cost or market on a first-in, first-out basis.

**Property and Equipment**

The Organization capitalizes all expenditures for property and equipment in excess of \$3,000 at cost at the time of purchase. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Provision for depreciation and amortization is computed using the straight-line method over estimated useful lives of assets ranging from 3 to 30 years.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restriction unless the use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without restriction when the donated asset is placed in service.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Long-Lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset carrying amount is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2019 and 2018.

**Third-Party Contractual Agreements**

The Organization has agreements with Medicare that provide payments under a cost-based reimbursement (not to exceed the maximum cap) system and with Medi-Cal that provide payments under the Prospective Payment System (PPS). In the case of Medicare, reasonable estimates of patient services revenues 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's Department of Health and Human Services.

**Revenue Recognition**

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* which provides guidance to clarify and improve the scope and accounting for contributions received and made. The Organization has also adopted ASU No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer or promised goods and services to customers. Management's analysis of the various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue in the accompanying financial statements have been enhanced in accordance with this ASU.

*Net Patient Services Revenues*

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient services revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive revenue adjustments. 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.

*Grants and Contracts Revenues*

Revenue from cost reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant. Any difference between expenses incurred and the total funds received or to be received (not to exceed the grant maximum) is recorded as a payable, receivable or an advance. Revenue from other grants is recognized as it is earned in accordance to the provisions of the specific grants.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (continued)**

*Capitation Revenues*

The Organization has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the Organization receives monthly capitation payments based on the number of each HMO's participants, regardless of the services actually performed by the Organization. In addition, the HMOs make fee-for-service payments to the Organization for certain covered services based upon discounted fee schedules.

*Pharmacy Revenues*

The Organization is a participant in Section 340B Drug Pricing program. Payment arrangements include contracted calculations based upon discounted prices. Pharmacy revenues are reported at estimated net realizable amounts from sales to patients, third-party payors, and others.

*Contributions*

Contributions primarily include unconditional promises to give cash or other assets. Contributions, whether temporarily restricted or unrestricted, are recognized as revenue when they are received. Unconditional promises to give are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions expire, whichever occurs first.

*Charity Care*

The Organization provides care to patients who are unable to pay for services, based on federal guidelines and/or the Organization's Sliding Fee Schedule Program, under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not recorded as patient services revenues. The Organization's charity care revenues not recognized amounted to \$300,767 and \$315,529 for the years ended December 31, 2019 and 2018, respectively.

**Functional Allocation of Expenses**

Costs of providing the Organization's programs and other activities have been presented in the statements of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that measures the relative degree of benefit. The Organization uses time and effort to allocate indirect costs.

**Income Taxes**

The Organization is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California revenue and taxation code and is generally not subject to federal or state income taxes. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

**NOTE 2           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GAAP requires that an organization recognize in the financial statements the impact of a tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the years ended December 31, 2019 and 2018, the Organization had no material unrecognized tax benefits, tax penalties or interest. As of December 31, 2019, information returns subsequent to 2015 filed by the Organization are subject to examination by the taxing authorities.

**Reclassifications**

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. The reclassifications had no impact on previously reported statements of activities.

**NOTE 3           NET PATIENT SERVICES REVENUES**

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medi-Cal reimbursement and has agreements with third-party payers that provide payments to the Organization at amounts different from its established rates. These payment arrangements include:

**Medi-Cal**

Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided. Services not covered under the FQHC benefit are paid based on established fee schedules. The Organization is required to submit an annual Medi-Cal Reconciliation Request Form to the California Department of Health Care Services (the Department) for purposes of determining whether it was paid appropriately for certain Medi-Cal visits. These annual reconciliations result in the determination of any underpayment or overpayment by the Medi-Cal program for the affected visits.

The Organization established an estimated third-party payer settlement receivable in the amount of \$195,924 and \$0 as of December 31, 2019 and 2018, respectively. Such amounts are recorded on the statements of financial position as estimated settlement amounts due from third-party payers.

Additionally, the Organization has also established an estimated third-party payer settlement payable in the amount of \$65,896 and \$88,897 as of December 31, 2019 and 2018, respectively which is recorded on the statements of financial position as estimated settlement amounts due to third-party payers.

Following submission of the Medi-Cal Reconciliation Request Form, the Organization will generally receive a tentative settlement from the Medi-Cal program with a final settlement made within three years of the date of submission. Management believes that any adjustment from subsequent audit by the Department will not materially affect the financial statements of the Organization.

**NOTE 3            NET PATIENT SERVICES REVENUES (CONTINUED)**

**Medicare**

Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. In the opinion of management, any final settlement of the associated cost reports will not materially affect the financial statements of the Organization. Services not covered under the FQHC benefit are paid based on established fee schedules.

**Other Third-Party Payers**

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations, and patients considered eligible for coverage under certain Federal Financial Assistance grants. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

**NOTE 4            GRANTS AND CONTRACTS REVENUES**

The Organization is the recipient of a Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery in the underserved community of Lancaster, California. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenues are recognized as qualifying expenditures are incurred over the grant period. During the years ended December 31, 2019 and 2018, the Organization recognized \$1,621,814 and \$1,452,826 in grant revenue, respectively.

The Organization's CHC grant project period extends through May 31, 2020. Funding for the grant period of June 1, 2019 through May 31, 2020 and June 1, 2019 through May 31, 2019 is \$1,654,743 and \$1,509,981, respectively. Future funding will be determined by the granting agency based on an application to be submitted by the Organization prior to the expiration of the present grant award.

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

**Bartz-Altadonna Community Health Center**  
**Notes to Financial Statements**  
**Years ended December 31, 2019 and 2018**

**NOTE 5      PATIENT ACCOUNTS RECEIVABLE**

At December 31, patient accounts receivable consisted of the following:

	<b>2019</b>	<b>2018</b>
Medical and other related programs	\$ <b>499,826</b>	\$ 195,213
Medicare	<b>16,982</b>	6,571
Other third-party payors and patients	<b>125,364</b>	59,743
Gross patient accounts receivable	<b>\$ 642,172</b>	<b>\$ 261,527</b>

**NOTE 6      PROPERTY AND EQUIPMENT**

At December 31, property and equipment consisted of the following:

	<b>2019</b>	<b>2018</b>
Land	\$ <b>980,635</b>	\$ 980,635
Computers and equipment	<b>722,701</b>	211,133
Office furniture	<b>20,810</b>	20,810
Building and improvements	<b>3,340,841</b>	3,298,586
Construction in progress	<b>7,895</b>	63,400
Total cost	<b>5,072,882</b>	4,574,564
Less accumulated depreciaiton	<b>(791,696)</b>	(525,487)
Property and equipment, net	<b>\$ 4,281,186</b>	<b>\$ 4,049,077</b>

Provision for depreciation for the years ended December 31, 2019 and 2018 amounted to \$266,211 and \$159,692, respectively.

**NOTE 7      INTANGIBLE ASSETS**

At December 31, intangible assets consisted of the following:

	<b>2019</b>	<b>2018</b>
Software	\$ <b>154,017</b>	\$ 154,017
Loan fees	<b>11,560</b>	12,994
Total cost	<b>165,577</b>	167,011
Less accumulated amortization	<b>(50,056)</b>	(19,252)
Intangible assets, net	<b>\$ 115,521</b>	<b>\$ 147,759</b>

Provision for amortization for the years ended December 31, 2019 and 2018 amounted to \$30,804 and \$19,252, respectively.

**Bartz-Altadonna Community Health Center**  
**Notes to Financial Statements**  
**Years ended December 31, 2019 and 2018**

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**NOTE 8            NOTE PAYABLE**

At December 31, note payable consisted of the following:

	<b>2019</b>	<b>2018</b>
Current	\$ <b>141,592</b>	\$ 79,907
Noncurrent	<b>2,373,230</b>	2,519,305
	<b>\$ 2,514,822</b>	\$ 2,599,212

During the year ended December 31, 2018, the Organization refinanced an existing note payable at a rate of 5.19% per annum, with principal and interest payments of \$17,728 payable monthly, with a balloon payment at maturity. The loan is secured by the Organization's land and building.

Future maturities for the notes are as follows

Year ending December 30	Amount
2020	\$ 141,592
2021	149,121
2022	157,050
2023	165,401
2024	174,196
Thereafter	1,727,462
	<b>\$ 2,514,822</b>

**NOTE 9            LINE OF CREDIT**

The Organization entered into a line of credit agreement in August 2018 with California Bank and Trust in an amount not to exceed \$500,000, which matures on September 1, 2021. The interest rate for the line is fixed at 2.12%. It is secured by property and equipment owned by the Organization. At December 31, 2019 and 2018, the balance on the line of credit was \$0 and \$100,000 respectively.

**NOTE 10          NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2019 and 2018, net assets with donor restrictions which amounted to \$75,000 and \$190,868, respectively, consisted of time restricted pledges to be used over a period of one (1) year for general support of health services for low-income individuals. Net assets released from restrictions for the years ended December 31, 2019 and 2018 amounted to \$115,868 and \$450,000, respectively, by satisfying the purpose or time restriction specified by the donor.

**NOTE 11      RETIREMENT PLAN**

The Organization has established a 401(k) tax-deferred annuity plan for qualified participants. Contributions to the plan are non-forfeitable. The plan is matching, deferred compensation arrangement whereby the Organization may contribute up to 6% of eligible employees' salaries annually. Contributions made by the Organization for the years ended December 31, 2019 and 2018 were \$109,243 and \$91,467, respectively, and are included in personnel expenses.

**NOTE 12      LEASES**

The Organization rents additional parking lot space under a non-cancelable lease with a monthly lease payment of \$2,500. The lease expires in May 2023.

The Organization also leases office equipment under non-cancelable lease with a monthly lease payment of \$831. The lease expires between December 2019 and May 2022.

Future minimum lease payments at December 31, 2019 are as follows:

Year ending December 30	Amount
2020	\$ 36,570
2021	34,428
2022	34,079
2023	14,060
Total minimum rental obligations	\$ 119,137

**NOTE 13      COMMITMENTS AND CONTINGENCIES**

**Government Grants and Contracts**

Costs charged to the federal government under cost-reimbursement grants are subject to review and audit by the grantor agencies, therefore, all such costs are subject to adjustments. Management believes that the Organization has complied with the applicable grant terms and conditions and adjustments, if any, would not have a significant effect on the financial statements.

**Risks and uncertainties**

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

**NOTE 13      COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Litigations**

The Organization is a defendant in two separate lawsuits incidental to its operations. These lawsuits against the Organization have been evaluated and upon consultation with legal counsel, management believes that the ultimate resolution of such lawsuits would not have a material adverse impact on the financial statements.

**NOTE 14      AVAILABILITY OF RESOURCES AND LIQUIDITY**

At December 31, the following represents the Organization's financial assets:

	<b>2019</b>		<b>2018</b>
<b>Financial assets</b>			
Cash and cash equivalents	\$ <b>565,068</b>	\$	192,810
Investments	<b>502,984</b>		501,896
Receivables	<b>1,094,992</b>		583,442
<b>Total financial assets available to meet general obligations over the next twelve months</b>	<b>\$ 2,163,044</b>	\$	1,278,148

In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates covering its general expenditures from collections of patient fees, Medi-Cal, and federal grant revenues. The Organization reviews its cash position on a regular basis to ensure adequate funds are on hand to meet expenses. Moreover, the Organization has a line of credit (Note 9) available to meet cash flow needs.

**NOTE 15      SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 1, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain type of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the entity operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization is experiencing only overall decline in provider productivity by .5%. The Organization's ability to transform care almost instantaneously from face to face visits to telehealth, minimize the impact on revenues. With Telehealth, the Organization is able to provide care from the client's home and vice versa. As a result, the no-show rate dropped significantly from an average of 27% per month to 17% per month. The Organization's concentrations due to increase in pediatric, OB-GYN, Pain Management and Mental health clients needing services are vulnerable to the risk of a near-term severe impact.

**NOTE 15      SUBSEQUENT EVENTS (CONTINUED)**

Additionally, it is reasonably possible that estimates made in the financial statement have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Management has evaluated subsequent events through June 27, 2020, the date on which the financial statements were available to be issued. Other than the coronavirus pandemic disclosure described above, there were no other material subsequent events that required recognition or additional disclosures in these financial statements.



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**BARTZ-ALTADONNA**  
Community Health Center

**Bartz-Altadonna Community Health Center**  
**Single Audit Report**  
*Year Ended December 31, 2019*  
*with Report of Independent Auditors*

**Bartz-Altadonna Community Health Center**  
**Single Audit Report**  
*Year Ended December 31, 2019*  
*with Report of Independent Auditors*

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**Report of Independent Auditors on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**To the Board of Directors  
Bartz-Altadonna Community Health Center**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bartz-Altadonna Community Health Center (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 entity'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California  
June 27, 2020**

**Report of Independent Auditors on Compliance for Each Major Federal Program,  
on Internal Control Over Compliance, and on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

**To the Board of Directors  
Bartz-Altadonna Community Health Center**

**Report on Compliance for Each Major Federal Program**

We have audited Bartz-Altadonna Community Health Center's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bartz-Altadonna Community Health Center's compliance.



## Opinion on Each Major Federal Program

In our opinion, Bartz-Altadonna Community Health Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

## Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Organization as of and for the year ended December 31, 2019, and have issued our report thereon dated June 27, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Vacquez & Company LLP*

**Glendale, California  
June 27, 2020**

**Bartz-Altadonna Community Health Center  
Schedule of Expenditures of Federal Awards  
Year ended December 31, 2019**

	Grant Period	Agency or Pass-through Number	Federal CFDA Number	Federal Awards	Federal Expenditures	Passed Through to Subrecipients
<i>U.S. Department of Health and Human Services</i>						
<i>Direct programs:</i>						
Consolidated Health Centers	06/01/2018-05/31/2019	H80CS22686	93.224	\$ 1,509,981	\$ 691,343	\$ -
Consolidated Health Centers	06/01/2019-05/31/2020	H80CS22686	93.224	1,654,743	930,471	-
Total Health Center Program Cluster*				<u>3,164,724</u>	<u>1,621,814</u>	<u>-</u>
Ryan White HIV/AIDS Program (RWHAP) Part C Early Intervention Services (EIS)	05/01/2018-04/30/2019	H79HA26212	93.918	280,589	92,949	-
Ryan White HIV/AIDS Program (RWHAP) Part C Early Intervention Services (EIS)	05/01/2019-04/30/2020	H79HA26212	93.918	280,589	187,056	-
Total Ryan White HIV/AIDS Program (RWHAP) Part C Early Intervention Services (EIS)				<u>561,178</u>	<u>280,005</u>	<u>-</u>
<i>Total U.S. Department of Health and Human Services</i>				<u>3,725,902</u>	<u>1,901,819</u>	<u>-</u>
Total Federal Financial Assistance				<u>\$ 3,725,902</u>	<u>\$ 1,901,819</u>	<u>\$ -</u>

\* Major Program

*See accompanying notes to schedule of expenditures of federal awards*

**NOTE 1           BASIS FOR PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal award activity of Bartz-Altadonna Community Health Center (the Organization) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE 2           BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3           RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS**

Consistent with management's policy, federal awards are recorded in various revenue categories. As a result, the amount of total federal awards expended on the Schedule does not agree to total grant revenue on the Statement of Activities as presented in the Organization's Audited Financial Statements as of and for the year ended December 31, 2019.

**Bartz-Altadonna Community Health Center  
Schedule of Findings and Questioned Costs  
Year ended December 31, 2019**

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**Section I – Summary of Auditor’s Result**

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Financial Statements

Type of auditors’ report on the financial statements:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	None

Identification of major programs:

CFDA Number  
93.224

Name of Federal Program or Cluster  
Health Center Program Cluster

Dollar threshold used to distinguish between Type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

**Bartz-Altadonna Community Health Center  
Schedule of Findings and Questioned Costs  
Year ended December 31, 2019**

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**Section II – Financial Statement Findings**

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There were no financial statement findings noted during the year ended December 31, 2019.

**Bartz-Altadonna Community Health Center  
Schedule of Findings and Questioned Costs  
Year ended December 31, 2019**

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**Section III – Federal Award Findings**

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There were no federal award findings noted during the year ended December 31, 2019.



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**BARTZ-ALTADONNA COMMUNITY HEALTH CENTER**  
*Helping People Heal*

Bartz-Altadonna Community Health Center  
 Summary Schedule of Prior Audit Findings  
 Year ended December 31, 2019

*CEO*  
 Mary Cummings

*Visionaries*  
 Sonny Bartz  
 &  
 Frank Altadonna

*Co-Founder* Darrell Lind

*Co-Founder*  
 Susan Lawrence, MD

**Board of Directors**

*President*  
 Livia Peterson

*Vice President*  
 Riccardo Manson

*Secretary*  
 Dan Angel

*Treasurer*  
 Maria Estrada

**Members at Large**

Tina Thornton

Tamara Binns

Ismene Hernandez

Susan Gutierrez

Robert Webb

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p><b>2018-001 – Special Tests and Provisions – Significant Deficiency in Internal Control Over Compliance</b></p>	<p><u>Criteria</u>            Health centers must prepare and apply a sliding fee discount schedule (SFDS) so that the amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient's ability to pay according to family size and income level.</p> <p><u>Finding</u>            During our Sliding Scale testing, the following was noted:</p> <ul style="list-style-type: none"> <li>For 9 out of 41 patients tested, sliding scale applications did not include sufficient documentation to support the sliding scale fees applied to applicant's account.</li> </ul> <p><u>Corrective Action Plan</u>            Bartz-Altadonna Community Health Center will train registration staff and supervisor on the procedures to properly complete the SFS application and required documentation. The registration supervisor will approve all SFS applications. Medical records staff will be trained on the procedures for scanning the SFS application, forms and documents into the patients EMR            Health records in EPIC. Administration will audit on a daily basis and will notify the registration supervisor of any errors. The registration supervisor will prepare a corrective action plan for the employee. The billing manager will maintain a spreadsheet for all audited patient files. In 2018, Bartz-Altadonna had a large employee turnover. We will continually re-train our eligibility staff and monitor their work.</p>	<p>Fully implemented</p>	<p>N/A</p>

Signature: \_\_\_\_\_

Name: MARY Cummings  
 Title: Chief Executive Officer

Signature: \_\_\_\_\_

Name: JOELLEN Vasquez  
 Title: Chief Financial Officer