COUNTRY DOCTOR COMMUNITY HEALTH CENTERS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Country Doctor Community Health Centers
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Country Doctor Community Health Centers, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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 auditors' 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 Country Doctor Community Health Centers as of December 31, 2019 and 2018, the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards are the responsibility of management and were 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2020, on our consideration of Country Doctor Community Health Centers' 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 result of that testing, and not to provide an opinion on the effectiveness of Country Doctor Community Health Centers' 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 Country Doctor Community Health Centers' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
August 11, 2020

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 2,733,001	$ 708,741
Restricted Cash for Property and Equipment Acquisitions	-	876,113
Patient Receivables, Net	680,791	989,265
Grants Receivable	2,794,946	1,844,593
Other Receivables	1,805,505	2,584,873
Prepaid Expenses	160,970	434,059
Total Current Assets	8,175,213	7,437,644
PROPERTY AND EQUIPMENT, Net	13,217,445	12,903,050
OTHER ASSETS		
Board Designated Investments	390,055	354,636
Assets Restricted by Donors for Endowments	83,055	83,055
Total Other Assets	473,110	437,691
Total Assets	$ 21,865,768	$ 20,778,385

See accompanying Notes to Financial Statements.

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 1,031,415	$ 495,358
Construction Accounts Payable	-	1,084,694
Retainage Payable	-	375,688
Other Payables	-	49,445
Accrued Wages and Related Payables	1,480,508	1,388,610
Current Portion of Obligations Under Capital Leases	9,807	12,453
Current Portion of Long-Term Debt	120,397	46,056
Total Current Liabilities	2,642,127	3,452,304
LONG-TERM LIABILITIES		
Obligations Under Capital Leases	47,378	4,915
Refundable Grant Advances	2,978,673	775,307
Long-Term Debt, Less Current Portion	4,753,629	5,295,757
Total Long-Term Liabilities	7,779,680	6,075,979
Total Liabilities	10,421,807	9,528,283
NET ASSETS		
Net Assets Without Donor Restrictions:		
Undesignated	10,970,851	10,812,411
Designated by the Board of Directors	390,055	354,636
Total Net Assets Without Donor Restrictions	11,360,906	11,167,047
Net Assets With Donor Restrictions	83,055	83,055
Total Net Assets	11,443,961	11,250,102
Total Liabilities and Net Assets	$ 21,865,768	$ 20,778,385

See accompanying Notes to Financial Statements.

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Patient Service Revenue, Net	$ 14,588,507	$ 13,853,203
Capitation Revenues and Entitlements	5,869,430	4,503,732
Risk Pool and Incentive Payments	322,453	330,005
Fees and Grants from Government Agencies	5,829,800	4,949,830
Contributions and Private Grants	303,189	253,191
In-Kind Contributions	339,298	251,020
Investment Income	14,765	11,347
Other Revenue	23,429	114,773
Total Revenue and Support	27,290,871	24,267,101
EXPENSES		
Program Services	24,400,955	20,658,957
Supporting Services	3,552,274	3,151,066
Total Expenses	27,953,229	23,810,023
OTHER REVENUE		
Realized and Unrealized Gain (Loss) on Investments, Net	38,424	(12,146)
Rental Income	199,224	50,655
Total Other Revenue	237,648	38,509
EXCESS (DEFICIT) OF SUPPORT AND REVENUE OVER EXPENSES	(424,710)	495,587
CAPITAL GRANTS AND CAMPAIGN CONTRIBUTIONS	618,569	1,058,215
CHANGES IN NET ASSTS WITHOUT DONOR RESTRICTIONS	193,859	1,553,802
Net Assets - Beginning of Year	11,250,102	9,696,300
NET ASSETS - END OF YEAR	$ 11,443,961	$ 11,250,102

See accompanying Notes to Financial Statements.

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services			
	Medical Services	Other Programs	Dental	Total Program Services	Management and General	Fundraising	Total Supporting Services	2019 Total
Salaries and Wages	$ 10,293,493	$ 1,151,034	$ 795,153	$ 12,239,680	$ 1,040,514	$ 101,517	$ 1,142,031	$ 13,381,711
Payroll Taxes and Fringe Benefits	1,763,050	241,951	150,841	2,155,842	601,695	17,307	619,002	2,774,844
Total Personnel	12,056,543	1,392,985	945,994	14,395,522	1,642,209	118,824	1,761,033	16,156,555
Conference, Travel, and Training	56,909	6,783	1,926	65,618	23,405	5,899	29,304	94,922
Contracted Services	28,359	-	-	28,359	-	-	-	28,359
Equipment Rental and Maintenance	20,351	8,436	9,107	37,894	7,093	63	7,156	45,050
Fundraising	60	-	-	60	1,500	66,518	68,018	68,078
Health Care Supplies	169,028	2,051	86,450	257,529	739	-	739	258,268
Insurance	3,635	670	3,922	8,227	187,794	96	187,890	196,117
Lab Fees	25,441	-	535	25,976	(1,121)	-	(1,121)	24,855
Miscellaneous	68,181	3,791	5,639	77,611	364,308	2,177	366,485	444,096
Occupancy	613,491	6,992	18,556	639,039	368,761	451	369,212	1,008,251
Office Supplies	111,930	30,862	22,138	164,930	63,840	905	64,745	229,675
Pharmaceuticals	6,013,951	236	312	6,014,499	-	-	-	6,014,499
Postage and Delivery	27,382	205	583	28,170	16,578	700	17,278	45,448
Printing and Publications	25,796	783	10,110	36,689	39,669	12,113	51,782	88,471
Professional Fees	90,858	227,326	7,807	325,991	282,729	3,586	286,315	612,306
Purchased Services	1,553,843	91,399	10,107	1,655,349	203,654	12,754	216,408	1,871,757
Telephone	54,282	9,375	2,318	65,975	6,782	378	7,160	73,135
Total Operating Expenses	20,920,040	1,781,894	1,125,504	23,827,438	3,207,940	224,464	3,432,404	27,259,842
Capital Campaign Expense	-	-	-	-	48,239	-	48,239	48,239
Depreciation and Amortization	320,957	34,918	217,642	573,517	69,553	2,078	71,631	645,148
Total Expenses	$ 21,240,997	$ 1,816,812	$ 1,343,146	$ 24,400,955	$ 3,325,732	$ 226,542	$ 3,552,274	$ 27,953,229

See accompanying Notes to Financial Statements.

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			
	Medical Services	Other Programs	Dental	Total Program Services	Management and General	Fundraising	Total Supporting Services	2018 Total
Salaries and Wages	$ 8,259,860	$ 1,014,416	$ 85,686	$ 9,359,962	$ 1,600,823	$ 85,211	$ 1,686,034	$ 11,045,996
Payroll Taxes and Fringe Benefits	2,120,686	235,221	14,063	2,369,970	267,312	19,832	287,144	2,657,114
Total Personnel	10,380,546	1,249,637	99,749	11,729,932	1,868,135	105,043	1,973,178	13,703,110
Conference, Travel, and Training	49,635	3,128	1,540	54,303	28,500	5,993	34,493	88,796
Contracted Services	53,090	-	-	53,090	-	-	-	53,090
Equipment Rental and Maintenance	14,886	3,000	-	17,886	4,509	-	4,509	22,395
Fundraising	-	-	-	-	-	64,389	64,389	64,389
In-Kind Pharmaceuticals	151,463	5,003	40,174	196,640	-	-	-	196,640
Insurance	-	-	-	-	89,810	-	89,810	89,810
Lab Fees	9,651	-	-	9,651	-	-	-	9,651
Miscellaneous	83,945	2,750	605	87,300	394,735	8,847	403,582	490,882
Occupancy	289,918	8,245	-	298,163	128,849	(17)	128,832	426,995
Office Supplies, Postage, Delivery	53,450	15,885	6,991	76,326	13,810	3,260	17,070	93,396
Other Health Care Supplies	5,841,852	78	-	5,841,930	-	-	-	5,841,930
Pharmaceuticals	16,344	-	-	16,344	16,017	1,075	17,092	33,436
Printing and Publications	13,059	424	-	13,483	18,856	4,452	23,308	36,791
Professional Fees	118,063	116,857	32,000	266,920	126,071	3,089	129,160	396,080
Purchased Services	1,648,980	44,752		1,693,732	55,267	6,566	61,833	1,755,565
Telephone	44,417	7,617	135	52,169	6,786	941	7,727	59,896
Total Expenses Before Depreciation and Amortization	18,769,299	1,457,376	181,194	20,407,869	2,751,345	203,638	2,954,983	23,362,852
Capital Campaign Expense	-	-	-	-	175,891	428	176,319	176,319
Depreciation and Amortization	200,739	29,422	20,927	251,088	19,764	-	19,764	270,852
Total Expenses	$ 18,970,038	$ 1,486,798	$ 202,121	$ 20,658,957	$ 2,947,000	$ 204,066	$ 3,151,066	$ 23,810,023

See accompanying Notes to Financial Statements.

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 193,859	$ 1,553,802
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	645,148	270,852
Capital Grants and Campaign Contributions	(618,569)	(1,058,215)
Realized and Unrealized (Gain) Loss on Investments, Net	(38,424)	12,146
Changes in Assets and Liabilities:		
Patient Receivables	308,474	(152,193)
Grants Receivable	(950,353)	(164,584)
Pledges Receivable	-	10
Other Receivables	779,368	352,180
Prepaid Expenses	273,089	64,122
Accounts Payable	536,057	(1,852)
Construction Payable	(1,084,694)	693,194
Retainage Payable	(375,688)	343,103
Accrued Wages and Related Payables	91,898	171,963
Other Payables	(49,445)	22,878
Refundable Grant Advances	2,203,366	775,307
Net Cash Provided by Operating Activities	1,914,086	2,882,713
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	48,280	34,065
Purchases of Investments	(45,275)	(45,275)
Purchases of Property and Equipment	(897,943)	(8,808,581)
Net Cash Used by Investing Activities	(894,938)	(8,819,791)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayments of Long-Term Debt	(1,807,005)	(40,056)
Principal Payments on Obligations Under Capital Leases	(21,783)	(21,291)
Proceeds from Issuance of Debt	1,339,218	3,572,208
Advances (Payments) on Line of Credit	-	(100,000)
Capital Grants and Campaign Contributions	618,569	1,058,215
Net Cash Provided by Financing Activities	128,999	4,469,076
INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	1,148,147	(1,468,002)
Cash and Restricted Cash - Beginning of Year	1,584,854	3,052,856
CASH AND RESTRICTED CASH - END OF YEAR	$ 2,733,001	$ 1,584,854

See accompanying Notes to Financial Statements.

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	$ 278,758	$ 108,333
Cash is Composed of the Following:		
Cash	$ 2,733,001	$ 708,741
Restricted Cash for Property and Equipment Acquisitions	-	876,113
Total	$ 2,733,001	$ 1,584,854
INVESTING AND FINANCING NONCASH DISCLOSURE		
At December 31, 2019 and 2018, CDCHC owed $-0- and $1,460,382 in Construction and Retainage Payables, Respectively.		
Equipment Acquired under Capital Lease	$ 61,600	$ -

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Country Doctor Community Health Centers (CDCHC) is a nonprofit organization providing comprehensive primary medical care through the operation of health centers in Seattle, Washington. CDCHD is recognized as a Federal Qualified Health Center (FQHC). The mission of CDCHC is to improve the health of the community by providing high quality, caring, culturally appropriate primary health care, and pharmacy services that addresses the needs of the people regardless of their ability to pay. CDCHC historically served primarily the people of the Central Area and Capitol Hill neighborhoods in Seattle, Washington. Patients now come from throughout Seattle, King County, and beyond.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes. At December 31, 2019 and 2018, the governing board has made this designation.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At December 31, 2019 and 2018 approximately $83,000 was restricted in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions is recognized in the period earned.

Credit Risk

Financial instruments that potentially subject CDCHC to concentration of credit risk consist principally of cash, short-term investments, and receivables. At December 31, 2019 and 2018, CDCHC had cash deposits and investments in excess of the federally insured limit.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The financial statements report certain expense categories that are attributable to more than one support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest, and other occupancy costs, are allocated to a function based on the percentage of direct salaries allocated to those functions.

Excess (Deficit) of Revenues and Support Over Expense

The statement of activities includes excess (deficit) of revenues and support over expense. Changes in net assets with donor restrictions which are excluded from excess (deficit) of support and revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, restricted contributions and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets and the related releases).

Federal Income Tax

CDCHC's activities are generally exempt from federal incomes taxes under section 501(c)(3) of the Internal Revenue Code; however, unrelated business activities would be subject to income tax. Since CDCHC is exempt from federal income tax liability, no provision is made for current or deferred income tax expense. For the years ended December 31, 2019 and 2018, management evaluated CDCHC's tax positions and concluded that CDCHC had taken no uncertain tax positions that require adjustments to the financial statements. All tax-exempt entities are subject to review and audit by federal, state, and other applicable state statutes, usually for three years subsequent to the date the return was filed.

Investments

Investments in debt, equity, or other securities that do not meet the criteria for cash and cash equivalents are accounted for as investments. Investments with readily determinable fair values are stated at fair market values in the accompanying financial statements. Investment income, including realized and unrealized gains and losses, is included in the statements of activities and changes in net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable and Patient Service Revenue, Net

Patient accounts receivable and patient service revenue, net are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. CDCHC provides care to patients regardless of their ability to pay.

Patient accounts receivable are reduced for explicit and implicit price concessions. In establishing its estimate of collectability of accounts receivable, CDCHC analyzes its past history and collection patterns of its major payor revenue sources. These estimates are adjusted as appropriate for volume, service mix and rate changes.

For receivables associated with self-pay patients (which include patients without insurance who are not covered by CDCHC's sliding fee discount program and patients with deductible and copayments balances due for which third-party coverage exists for part of the bill), CDCHC records an implicit discount in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted are considered a change in estimate of the implicit price concession.

CDCHC grants credit without collateral to its patients, most of whom are residents in the communities that it serves and are either insured under third-party payor agreements or uninsured.

Other Receivables

The mix of other receivables at December 31 was as follows:

	2019	2018
Third-Party Payor Settlements	$ 41,261	$ 1,807,709
340B Program Receivables	1,033,022	735,146
Others	731,222	42,018
Total	$ 1,805,505	$ 2,584,873

Assets Restricted for Endowment

At December 31, 2019, assets that were restricted by donors for endowments consisted of investments. See Note 16.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment value at amounts greater than $1,000 are recorded at cost or, if donated, at the fair market value at the date of donation. Repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized over the shorter of the useful life or lease term. Depreciation is provided using the straight-line method over the following estimated lives:

Building and Improvements	10 to 40 Years
Furniture and Equipment	3 to 10 Years

CDCHC reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable.

Grant Revenue

CDCHC receives support from various federal, state, and local government agencies. Grant receipts are subject to restrictions on the use of funds placed by the grantor. CDCHC administers these funds in accordance with grantor guidelines. Grant revenue under cost reimbursement arrangements is recognized as expenses are incurred. Amounts incurred but not yet reimbursed are reported as grants receivable.

Contributions

Contributions are recognized as revenue in the period received. These contributions are given to support the overall mission and are not specifically set aside or earned through operations.

In-Kind Contributions

CDCHC receives contributed services, supplies, and debt forgiveness from various sources. Certain professional services and supplies are formally documented and charged to the relevant project and are recorded in the accompanying financial statements.

These contributions are recorded at market values or the usual customary charge. Summarized below are totals for the years ended December 31:

	2019	2018
Contributed Pharmaceuticals	$ 339,150	$ 251,020
Contributed Goods and Services	148	-
Total In-Kind Contributions	$ 339,298	$ 251,020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards

CDCHC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* beginning January 1, 2019 using a full retrospective approach. ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. As such the standard requires an organization to recognize revenue when the organization transfers control of promised goods and services to the customer (patient). An organization is also required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with patients. The adoption of ASU 2014-09 resulted in changes to the presentation of and disclosure of revenue related to uninsured and underinsured patients.

Prior to adoption of ASU 2014-09, CDCHC presented a separate provision for bad debts related to self-pay patients and to co-pays and deductibles owed by patients with insurance. Under ASU 2014-09, the estimated uncollectible amounts due from patients are considered a change in estimate of the implicit price concession and are generally considered a direct reduction to patient service revenue. CDCHC also assessed the impact of ASU 2014-09 for programs that are subject to variable consideration and concluded that accounting for these programs under ASU 2014-09 is consistent with the historical accounting practices. Adoption of the new standard did not materially impact the financial position, results of operation, or cash flows of CDCHC and there was no cumulative effect of a change in accounting principle recorded as a result of adoption.

During the year ended December 31, 2019, CDCHC adopted FASB ASU No. 2016-18, *Statement of Cash Flows – Restricted Cash*. This new accounting standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts on the statements of cash flows. The adoption of this accounting standard had an effect on previously reported net change in cash and cash equivalents as well as beginning and ending balances of cash, cash equivalents, and restricted cash on the statements of cash flows.

The FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. CDCHC adopted ASU 2018-08 beginning January 1, 2019. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed and for exchange transactions, Topic 606 should be followed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Standards

FASB issued ASU 2016-02 *Leases* (Topic 842) requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. The standard will not be effective for CDCHC until the year ending December 31, 2022. Management is currently in the process of evaluating the impact.

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation. Net asset and changes in net asset are unchanged due to these reclassifications.

Subsequent Events

Subsequent events have been evaluated through August 11, 2020, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2019 and 2018, CDCHC had days cash on hand (based on normal expenditures) of 36 and 21, respectively.

Financial assets available for general expenditure within one year of the statement of financial position date consisted of the following:

	2019	2018
Cash	$ 2,733,001	$ 1,584,854
Accounts Receivable, Net	680,791	989,265
Grants Receivables	2,794,946	1,844,593
Other Receivables	1,805,505	2,584,873
Total	$ 8,014,243	$ 7,003,585

Included in the cash balance are amounts that are restricted for approved construction expenses and are not available for general operations. The amounts restricted for construction activities and included in cash at December 31, 2019 and 2018 are $-0- and $876,113, respectively.

NOTE 3 PATIENT SERVICE REVENUE, NET

Patient service revenue is reported at the amount that reflects the consideration to which CDCHC expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, CDCHC bills the patients and third-party after the services are performed. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by CDCHC. Revenue for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges. CDCHC believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving primary and preventive care. CDCHC measures the performance obligation at the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the completion of the outpatient service. Revenue for performance obligations satisfied at a point in time, pharmacy services, is generally recognized when goods are provided to our patients and CDCHC does not believe it is required to provide additional goods or services related to that sale.

CDCHC determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured and under-insured patients in accordance with CDCHC's policy and/or implicit price concessions provided to uninsured and under-insured patients. CDCHC determines its estimates of explicit price concessions based on contractual agreements, its discount policy, and historical experience. CDCHC determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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

Medicare

Services rendered to Medicare program beneficiaries are paid a Prospective Payment System (PPS) rate for Federally Qualified Health Centers (FQHC). Under the FQHC PPS, Medicare pays FQHCs based on the lesser of their actual charges or the PPS rate for FQHC services furnished to a beneficiary for a medically necessary, face-to-face FQHC visit. CDCHC is paid 80% of the established FQHC rate, with the beneficiary being responsible for the remaining 20%, or alternatively, the remaining 20% is billed to Medicaid for qualifying patients (dual eligible). The FQHC PPS base rate is adjusted for each FQHC site by the FQHC geographic adjustment factor (GAF), based on the geographic cost indices (GPCIs) used to adjust payment under the Medicare Physician Fee Schedule (MPFS).

NOTE 3 PATIENT SERVICE REVENUE, NET (CONTINUED)

Medicare (Continued)

CDCHC is reimbursed at the PPS rate with final settlement related to Medicare bad debts and vaccines provided during the Medicare year determined after submission of annual cost reports by CDCHC and audits thereof by CDCHC for Medicare and Medicaid (CMS) fiscal intermediary. Historically, these settlement amounts have not been material.

Medicare Advantage

Private insurance companies administer Medicare Advantage (MA) programs. Payment rates for outpatient services provided to MA enrollees are based on contractual agreements with each MA administrator. FQHCs qualify for supplemental wrap-around payments, which is the difference between the FQHC PPS rate and the average MA per-visit rate. Wrap-around rate determination and payment is handled by the CMS Medicare fiscal intermediary.

Medicaid

Services rendered to Medicaid program beneficiaries are reimbursed under a PPS cost reimbursement method increased every calendar year by the productivity-adjusted Medicare Economic Index (MEI).

Medicaid Managed Care

A portion of the state of Washington's Medicaid program beneficiaries are assigned to a Medicaid managed-care program administered by private insurance companies. Medical services provided to enrollees are either paid based on a capitated rate or a fee for service schedule, depending on the contract. Because FQHC clinics qualify for enhanced payment rates and are reimbursed their costs, a final settlement is determined upon reconciliation of qualified encounters provided to eligible Medicaid managed-care enrollees as determined under their current reimbursement methodology, APM 4. See Note 12 for further disclosure.

Other

CDCHC has payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

NOTE 3 PATIENT SERVICE REVENUE, NET (CONTINUED)

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

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and CDCHC's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2019 and 2018.

Generally, patients who are covered by third-party payors are responsible for related deductibles that vary in amount. CDCHC also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. Specifically, CDCHC has a policy of providing care to patients who meet certain criteria under its Sliding Fee Discount Program at amounts less than its established rates. However, all patients are requested to pay a nominal fee for each visit, and no patient is denied services because of inability to pay. Discounts under the Sliding Fee Discount Program are considered explicit price concessions. During the years ended December 31, 2019 and 2018, the Organization provided $1,253,856 and $1,294,000 respectively, of discounted services under this program based on standard charges. CDCHC estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2019 and 2018.

NOTE 3 PATIENT SERVICE REVENUE, NET (CONTINUED)

CDCHC has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of patient's service
- Method of reimbursement (fee for service or capitation)
- CDCHC's line of business that provided the service such as medical, dental and behavioral health visits

CDCHC has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to CDCHC's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, CDCHC does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

For the years ended December 31, 2019 and 2018, CDCHC recognized revenue of approximately $9,748,000 and $8,966,000, respectively, from goods and services that transfer to the customer over time; and recognized revenue of approximately $10,710,000 and $9,391,000, respectively, from goods and services that transfer to the customer at a point of time.

NOTE 4 INVESTMENTS

CDCHC invests funds with TIAA. These investments pay interest and dividends at variable rates and are subject to market fluctuations. The investment of these funds is controlled by the investment policies of CDCHC as approved by the board of directors.

In accordance with Accounting Standards Codification Topic 820*, Fair Value Measurements and Disclosures* (Topic 820), fair value is defined as the price that CDCHC would receive upon selling an asset in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset. The guidance established a three-tier hierarchy to maximize the use of observable measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available.

NOTE 4 INVESTMENTS (CONTINUED)

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities. CDCHC has no Level 2 assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. CDCHC has no Level 3 assets or liabilities.

The following is a summary of assets stated at fair value as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Cash	$ -	$ -	$ -	$ 6,566
Equity Funds	42,933	-	-	42,933
Bond Funds	423,611	-	-	423,611
Total	$ 466,544	$ -	$ -	$ 473,110

	2018			
	Level 1	Level 2	Level 3	Total
Cash	$ -	$ -	$ -	$ 13,147
Equity Funds	55,882	-	-	55,882
Bond Funds	368,662	-	-	368,662
Total	$ 424,544	$ -	$ -	$ 437,691

Investment income consisted of the following for the years ended December 31:

	2019	2018
Interest and Dividends	$ 14,765	$ 11,347
Realized and Unrealized Gain (Loss) on Investments, Net	38,424	(12,146)
Total Investment Income (Loss)	$ 53,189	$ (799)

NOTE 5 PRACTICE TECHNOLOGY SERVICES ORGANIZATION

CDCHC is a participant in the Practice Technology Services Organization (PTSO), along with other community health centers in the state of Washington. The PTSO was formed in 2004 in order to realize such benefits as group discount purchasing, shared database management and support, grant opportunities, and standardized processes and data. In order to participate in the PTSO, CDCHC invested a level of funding of costs for equipment, membership fees, software license costs, start-up and operating costs, and service fees. On December 1, 2016, the PTSO became an affiliate of Oregon Community Health Information Network. CDCHC will receive a future benefit from the use of the shared database management system. Accordingly, the amounts have been capitalized and will be amortized over the useful lives of the hardware and software license. For the years ended December 31, 2019 and 2018, PTSO costs were fully amortized.

NOTE 6 PROPERTY AND EQUIPMENT

The cost and accumulated depreciation of property and equipment at December 31 were as follows:

	2019	2018
Land	$ 184,000	$ 184,000
Buildings and Improvements	16,532,331	6,780,574
Leasehold Improvements	182,047	182,047
Furniture and Equipment	4,165,562	2,852,725
Construction in Progress	-	10,120,155
Total Depreciable Assets	21,063,940	20,119,501
Less: Accumulated Depreciation	(7,846,495)	(7,216,451)
Total Property and Equipment, Net	$ 13,217,445	$ 12,903,050

As of December 31, 2018, the construction in progress balance relates to the expansion of dental services beginning February 2019 at the Capitol Hill location.

Depreciation expense was $645,148 and $270,852 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 LINE OF CREDIT

During the year ended December 31, 2019, CDCHC terminated their short term line of credit with a regional bank. The credit line was collateralized with accounts receivable, inventory and equipment. The variable interest rate was 5.50% at December 31, 2018. Outstanding draws at December 31, 2018 were $-0-.

NOTE 8 CENTRAL AREA HEALTH CENTER

The Central Area Health Center is owned by a condominium association whose equal members are CDCHC and Seattle Children's Hospital. Seattle Children's Hospital submitted the land with an existing structure to the condominium association for use and ownership. CDCHC acted as the administrative and fiscal agent on the project and obtained the financing to improve and expand the existing structure renamed the Central Area Health Center. Seattle Children's Hospital deeded one-half the value of the improved building to CDCHC at the completion of the project. CDCHC's portion of the building has a recorded cost of $2,485,000. CDCHC is solely obligated on all debt related to the building, which was recorded on CDCHC's books, in full, as of December 31, 2019 and 2018. See Note 9.

NOTE 9 LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	2019	2018
Mortgage note payable to a regional banking institution, issued July 20, 2016 and due August 1, 2026, monthly payment of $9,733, including interest; the note bears interest at 4.08% per annum plus margin of 2.5%; note is secured by a Deed of Trust on Country Doctor Community Clinic, other properties in Seattle, WA and assignment of rents and leases. The mortgage note payable contains certain financial covenants.	$ 1,662,151	$ 1,706,987
CDCHC entered into a construction loan with a regional banking institution October 16, 2017 for an amount up to $5.6 million. The loan allows for incremental draws during the construction period. The loan bears interest at prime plus 0.25% through May 1, 2019 at which time any outstanding principal and interest was due. During the interim the loan required interest only payments. The interest rate at December 31, 2018, was 5.5%. CDCHC refinanced $3,250,000 of the outstanding construction loan in May 2019 into permanent financing. The term on the loan is for 10 years and is secured by property and equipment. Monthly payments of $18,912 for the first 60 months bear interest at 4.88% and subsequently transitions to a variable interest rate.	3,211,875	3,628,974

NOTE 9 LONG-TERM DEBT (CONTINUED)

	2019	2018
Capital lease agreement began June 15, 2019; the term of the lease is for 60 months, ending May 2024. Monthly payments of $1,433 are made which include interest. The imputed interest rate is 14%. The lease is secured by equipment.	$ 57,185	$ -
Capital lease agreement began June 1, 2015; the term of the lease is for 63 months, ending August 1, 2020. Monthly payments of $1,299 are made which include interest. The imputed interest rate is 5.35%. The lease is secured by equipment.	-	23,220
Total Long-Term Debt	4,931,211	5,359,181
Less: Current Portion	(130,204)	(58,509)
Total Long-Term Debt, Less Current Portion	$ 4,801,007	$ 5,300,672

Scheduled principal repayments of long-term debt are as follows:

Year Ending December 31,	Amount
2020	$ 131,603
2021	138,730
2022	146,341
2023	154,482
2024	146,822
Thereafter	4,213,233
Total	$ 4,931,211

Interest expense totaled $278,758 and $108,333 for the years ended December 31, 2019 and 2018, respectively.

NOTE 10 LEASED FACILITIES AND EQUIPMENT

CDCHC has entered into an operating lease for facilities and equipment. The agreement requires annual renewal. Lease expense for operating leases totaled $56,024 and $77,144 for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 MANAGED CARE AND SPECIALTY POOLS

CDCHC is a member of the Community Health Network of Washington (CHNW), a managed care network formed by 20 community and migrant health centers throughout the state of Washington to participate in the managed care marketplace. CHNW is a nonprofit corporation and accepts the full insurance risk of providing health care services to enrollees in the state Medicaid programs. The individual health centers are contingently liable for their proportionate share of any claims, should CHNW be unable to meet its financial obligations. CHNW believes that its assets are sufficient to meet its financial obligation. CDCHC is also a member of the Community Health Plan (CHP), an affiliate of CHNW that contracts with the state of Washington for the delivery of managed care health care through community health centers.

As a member of CHP, CDCHC has agreed to serve as a provider of primary care services for a certain dollar amount per member, per month, and to provide case management services to these same members related to specialty and hospital services. In return, CDCHC will participate in any savings realized by CHP in providing these services, based upon a formula determined by the board of directors of CHP. The plan year for determining these savings follows the calendar year. This income is accrued as it becomes known by CDCHC, generally at or near the time cash is received. The estimate is based on the preliminary settlement statement prepared by CHP for the most recently completed plan year. CDCHC receives distributions of these savings over a 15 to 18 month period following the end of a plan year. Included on the statements of activities and changes in net assets is hospital and specialty pool expense of $49,445 for the year ended December 31, 2018 and hospital and specialty pool savings of $41,269 for the year ended December 31, 2019.

NOTE 12 MEDICAID FUNDING

The Washington State Health Care Authority (the State) began further expansion of an alternative payment methodology that required reconciliation to PPS rates, which are based upon an organization's allowable cost to provide services. Effective July 1, 2017, CDCHC adopted the fourth iteration of the alternative payment methodology, APM4. The methodology is designed to move to a value based payment model that incorporates a quality component and moves away from encounter based reimbursement. CDCHC completed the reconciliation process and settled calendar years 2014 through 2017 with the State. During the year ended December 31, 2019 CDCHC received approximately $1,808,000 for underpayment from the State for reconciliation results through 2017. The reconciliation for 2018 is pending final acceptance and resolution with the state. CDCHC has estimated results for calendar year 2019 using the same methodology. CDCHC has not recorded any estimated settlements due or payable from the State, on the statement of financial position for the 2018 and 2019 reconciliations. The estimate is subject to a material change based on the State's final reconciliations and settlements of the activity to be performed.

NOTE 13 MALPRACTICE INSURANCE

CDCHC is covered under the provision of the Federal Tort Claims Act (FTCA) for malpractice. The FTCA is a government funded program which allows community health centers and other qualified providers to be covered for malpractice. CDCHC has purchased malpractice insurance for activities not covered under the FTCA and is covered on a claims-made basis.

NOTE 14 RETIREMENT PLAN

CDCHC has a 401(k) defined contribution retirement plan (the Plan) available to all eligible employees. CDCHC makes contributions to the Plan for participants in accordance with requirements specified in the Plan documents. During the years ended December 31, 2019 and 2018, CDCHC's contributions to the Plan were $470,468 and $447,530, respectively.

NOTE 15 NET ASSETS DESIGNATED BY THE BOARD OF DIRECTORS

The board of directors has designated net assets to be used for the following purposes at December 31:

	2019	2018
Operating Reserves	$ 240,055	$ 204,636
Building Fund	150,000	150,000
Total	$ 390,055	$ 354,636

NOTE 16 NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019 and 2018, CDCHC had $83,055 of permanently restricted assets, the income from which can be used to fund operations.

NOTE 17 COMMITMENTS AND CONTINGENCIES

Grants

CDCHC has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit by the grantor may become a liability of CDCHC.

NOTE 17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Refundable Grant Advances

During the years ended December 31, 2019 and 2018, CDCHC received amounts from the Washington State Department of Commerce that includes both a condition and a right of return for funds received in advance. Revenue in full will be recognized as CDCHC satisfies the condition. Grant funds of approximately $1,798,000 are recorded as a long term liability on the accompanying statement of financial position and will remain as such during the conditional period of approximately ten years.

During the year ended December 31, 2019, CDCHC received a grant from the City of Seattle in the amount of $1,237,000 that includes both a condition and a right of return for funds received in advance. Per the agreement revenue of $5,147 will be recognized monthly as CDCHC satisfies the condition. During the year ended December 31, 2019, approximately $56,600 was recognized as revenue. The remaining balance of $1,180,381 is included in Refundable Grant Advances on the accompanying statement of financial position.

NOTE 18 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Country Doctor Community Health Centers, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

During the period from January 1, 2020 through August 11, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019.

INDEPENDENT AUDITORS' REPORT 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*

Board of Directors
Country Doctor Community Health Centers
Seattle, Washington

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 Country Doctor Community Health Centers, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Country Doctor Community Health Centers' 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 Country Doctor Community Health Centers' internal control. Accordingly, we do not express an opinion on the effectiveness of Country Doctor Community Health Centers' 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 Country Doctor Community Health Centers' 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
August 11, 2020

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Country Doctor Community Health Centers
Seattle, Washington

Report on Compliance for Each Major Federal Program

We have audited Country Doctor Community Health Centers' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Country Doctor Community Health Centers' major federal programs for the year ended December 31, 2019. Country Doctor Community Health Centers' major federal programs are identified in the summary of auditors' 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 Country Doctor Community Health Centers' 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 Country Doctor Community Health Centers' 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 Centers' compliance.

Opinion on Each Major Federal Program

In our opinion, Country Doctor Community Health Centers 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.

Board of Directors
Country Doctor Community Health Centers

Report on Internal Control over Compliance

Management of Country Doctor Community Health Centers 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 Country Doctor Community Health Centers' 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 Country Doctor Community Health Centers' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
August 11, 2020

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? _____ yes ____X____ no
   - Significant deficiency(ies) identified? _____ yes ____X____ none reported
3. Noncompliance material to financial statements noted? _____ yes ____X____ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? _____ yes ____X____ no
   - Significant deficiency(ies) identified? _____ yes ____X____ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes ____X____ no

Identification of Major Federal Programs

CFDA Number(s)	**Name of Federal Program or Cluster**
	Health Center Program Cluster:
93.224	Health Center Program
93.527	New and Expanded Services Under the Health Center Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? _____ yes ____X____ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards.*

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.513(a).

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services:				
Health Center Program Cluster				
Health Center Program	93.224			$ 757,093
Pass-Through Program from Public Health - Seattle and King County:				
Health Center Program-Healthcare for the Homeless	93.224	CHS3567		87,230
Total for Health Center Program				844,323
Grants for New and Expanded Services Under Health Center Program	93.527			2,126,521
Total for Health Center Program Cluster				2,970,844
Grants to Provide Outpatient Early Intervention Early Intervention Services in Regard to HIV Disease	93.918			468,014
Pass-Through Program from Public Health - Seattle and King County:				
Medical Assistance Program	93.778	D40769D		178,369
Centers for Disease Control and Prevention Investigations and Technical Assistance - Breast and Cervical Cancer Early Detection Programs	93.283/93.135			16,250
Total Department of Health and Human Services				3,633,477
Department of Agriculture:				
Pass-Through Program from Public Health - Seattle and King County:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CHS2441		74,492
Total Expenditures of Federal Awards				$ 3,707,969

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Country Doctor Community Health Centers (CDCHC) 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 2 CFR 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 CDCHC, it is not intended to and does not present the financial position, statement of activities and changes in net assets, functional expenses, or cash flows of CDCHC.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable either the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

Country Doctor Community Health Centers has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

COUNTRY DOCTOR COMMUNITY HEALTH CENTERS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019

U.S. Department of Health and Human Services

Country Doctor Community Health Centers respectfully submits the following summary schedule of prior audit findings for the year ended December 31, 2018.

Audit period: January 01, 2018 through December 31, 2018.

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2018-001 Application of Sliding Fee Discount

Condition: As a result of audit procedures a material audit adjustment was proposed in order for CDCHC's financial statements to be presented fairly, in all material respects, as of and for the year ended December 31, 2018.

Status: Corrected.

Finding 2018-002: Application of Sliding Fee Discounts

Condition: During our testing of 25 sliding fee discounts for health center patients qualifying for reduced charge visits, we identified a visit which received the incorrect sliding fee discount.

Status: Corrected.

Finding 2018-003: Suspension & Debarment

Condition: During our testing vendors for compliance with suspension and debarment we noted 5 instances without documentation that the vendor was eligible to receive payment for services from federal grant funding. Country Doctor currently does not have a suspension and debarment policy in place.

Status: Corrected.

Finding 2018-004: Procurement

Condition found and context: During our testing, we identified transactions which Country Doctor contracted with vendors for services that exceeded the $25,000 threshold and did not consistently retain documentation for the bidding process for these services.

Status: Corrected.