EL CENTRO DEL BARRIO

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED MARCH 31, 2019

EL CENTRO DEL BARRIO
TABLE OF CONTENTS
YEAR ENDED MARCH 31, 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
El Centro del Barrio
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of El Centro del Barrio, a nonprofit corporation, which comprises the statement of financial position as of March 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.

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 audit. We conducted our audit 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 El Centro del Barrio as of March 31, 2019, and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and state awards (see table of contents), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles;* and *Uniform Grant Management Standards of the State of Texas Single Audit Circular* (the Circular), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 30, 2019, on our consideration of El Centro del Barrio'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 El Centro del Barrio'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 El Centro del Barrio's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

San Antonio, Texas
August 30, 2019

EL CENTRO DEL BARRIO
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,295,994
Investments	11,287,499
Receivables:	
Promises to Give	12,500
Grants and Contracts	1,354,926
Patient Fees, Net of Allowance	3,375,739
Other	485,446
Prepaid Expenses and Deposits	486,670
Inventory	83,131
Total Current Assets	18,381,905
PROPERTY AND EQUIPMENT, NET	45,291,759
OTHER ASSETS	
Goodwill	190,000
Total Other Assets	190,000
Total Assets	$ 63,863,664

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	$ 945,687
Accrued Wages and Related Payables	1,632,927
Other Accrued Liabilities	827,542
Deferred Revenue	365,455
Note Payable	52,000
Current Portion of Bonds Payable	520,000
Total Current Liabilities	4,343,611
LONG-TERM LIABILITIES	
Derivative Financial Instrument	927,353
Bonds Payable, Less Current Portion	10,469,308
Total Long-Term Liabilities	11,396,661
NET ASSETS	
Without Donor Restrictions	45,158,859
With Donor Restrictions	2,964,533
Total Net Assets	48,123,392
Total Liabilities and Net Assets	$ 63,863,664

See accompanying Notes to Financial Statements.

EL CENTRO DEL BARRIO
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2019

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
OPERATING REVENUE	
Patient Service Revenue, Net of Contractual Discounts	$ 31,861,052
Provision for Bad Debt	(1,170,647)
Net Patient Service Revenue, Less Provision for Bad Debt	30,690,405
Grant Revenue	18,722,861
Pharmaceutical Revenue	4,208,271
Fitness Center/Ballroom Revenue	836,829
In-Kind Contributions	473,311
Investment Income	379,940
Contributions	363,723
Miscellaneous	298,223
Loss on Disposal of Property and Equipment	(16,608)
Total Operating Revenue	55,956,955
OPERATING EXPENSES	
Program Services	49,366,095
Supporting Services	6,414,680
Total Operating Expenses	55,780,775
OPERATING INCOME	176,180
NONOPERATING EXPENSE	
Loss on Derivative Financial Instrument	75,900
EXCESS OF REVENUES OVER EXPENSES	100,280
NET ASSETS RELEASED FROM RESTRICTION USED FOR THE ACQUISITION OF PROPERTY AND EQUIPMENT	1,188,582
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,288,862
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	3,006,200
Net Assets Released From Restrictions	(1,188,582)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	1,817,618
CHANGE IN NET ASSETS	3,106,480
Net Assets - Beginning of Year	45,016,912
NET ASSETS - END OF YEAR	$ 48,123,392

See accompanying Notes to Financial Statements.

EL CENTRO DEL BARRIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2019

	Program Services	Supporting Services	Total
Salaries and Related Expenses	$ 31,643,807	$ 4,785,604	$ 36,429,411
Professional Fees	3,504,226	238,212	3,742,438
Supplies	3,014,638	122,893	3,137,531
Pharmaceutical Supplies	3,021,848	-	3,021,848
Occupancy	2,609,139	222,659	2,831,798
Depreciation and Amortization	1,775,277	44,008	1,819,285
Equipment Rental and Repair	1,257,464	175,651	1,433,115
Promotions and Outreach	795,338	-	795,338
Interest Expense	484,130	76,024	560,154
Telephone	256,413	136,571	392,984
Service Fees	313,073	-	313,073
Pharmaceutical In-Kind	303,840	-	303,840
Printing and Publishing	140,972	80,892	221,864
Miscellaneous Expense	18,328	155,176	173,504
Travel	80,370	83,433	163,803
Conferences and Meetings	37,456	108,071	145,527
Insurance	94,370	35,797	130,167
Membership Dues	4,454	86,316	90,770
Postage and Shipping	5,118	63,373	68,491
Direct Assistance	5,834	-	5,834
Total Operating Expenses	$ 49,366,095	$ 6,414,680	$ 55,780,775

See accompanying Notes to Financial Statements.

EL CENTRO DEL BARRIO
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 3,106,480
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,819,285
Amortization of Debt Issuance Costs Included in Interest Expense	22,232
Loss on Disposal of Property and Equipment	16,608
Change in Fair Value of Investments	1,719,296
Loss on Derivative Financial Instrument	75,900
Provision for Bad Debts	1,170,647
Decrease (Increase) in Assets:	
Receivables - Promises to Give	752,500
Receivables - Grants and Contracts	(143,285)
Receivables - Patient Fees	(1,641,868)
Receivables - Other	108,657
Prepaid Expenses and Deposits	184,122
Inventory	9,988
Increase (Decrease) in Liabilities:	
Accounts Payable	(227,001)
Accrued Wages and Related Payables	18,776
Other Accrued Liabilities	133,660
Deferred Revenue	(85,802)
Net Cash Provided by Operating Activities	7,040,195
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of 457(b) Plan	(19,000)
Sale of Certificates of Deposit	3,954,000
Purchase of Bond Investments	(4,856,000)
Sale of Bond Investments	3,676,000
Goodwill from Acquisition	(190,000)
Purchase of Property and Equipment	(9,395,050)
Net Cash Used by Investing Activities	(6,830,050)
CASH FLOWS FROM FINANCING ACTIVITIES	
Note Payable	52,000
Payments on Bonds Payable	(485,001)
Net Cash Used by Financing Activities	(433,001)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(222,856)
Cash and Cash Equivalents - Beginning of Year	1,518,850
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,295,994
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Paid	$ 537,922

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

El Centro del Barrio dba: CentroMed (the Agency) is a nonprofit, community-based, bilingual, bicultural human service organization established in 1971 to address the health and human service needs of Bexar County. The Agency's mission is to improve the health status of the community by providing comprehensive quality care with an emphasis on patients who are medically indigent.

The following is a description of the programs the Agency administered during the years:

Community Health Centers – These centers provide comprehensive primary care services including family medicine, pediatric care, obstetrics, gynecology, and dental care. Ancillary services provided include laboratory, pharmacy, and health education services.

Health Care for the Homeless – This program provides primary health care services to families, children, and adults who are homeless or at high risk of becoming homeless. Other services include counseling, outreach, child development, and case management services.

Behavioral Health Services – This program provides clinical counseling services addressing social, psychological, and/or behavioral problems. The program focuses on families and children as its primary target group.

Women, Infants, and Children (WIC) Nutritional Assistance Program – This program counteracts the high incidence of nutrition-related health problems such as anemia, low-birth weight, and malnutrition by providing mothers with the knowledge and resources to prepare healthy, well-balanced meals. The program is available to infants and children under the age of five and pregnant and breastfeeding mothers.

HIV Early Intervention Program – This program provides primary care services to adults who have tested positive for the HIV virus. The program also provides confidential HIV testing, patient education, and counseling services to reduce the risk and prevent an increase in the rate of infection.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 March 31, 2019, no donor-imposed restrictions were perpetual in nature. 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, including capital appreciation, is recognized in the period earned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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 value in the accompanying financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Fees Receivable

Patient fees receivable are stated at the amount management expects to collect from outstanding balances. Receivables are reduced by an allowance for estimated uncollectible amounts and accounts deemed uncollectible are charged against this allowance. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable. The allowance for uncollectible accounts at March 31, 2019 was approximately $141,895.

Inventory

Inventory, consisting of general medical supplies and pharmaceuticals, is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair market value at the date of donation. Fixed assets acquired with costs in excess of $5,000 are capitalized. 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:

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

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

Goodwill

Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

Compensated Absences

Employees of the Agency earn annual leave on a bi-weekly basis. Each employee is entitled to receive as compensation a maximum of 160 hours of earned but unused annual leave upon termination of employment. The total compensated absences accrued liability at March 31, 2019 was $893,636 and is included in Accrued Wages and Related Payables.

Derivative Financial Instrument

The Agency uses an interest rate swap agreement, which is considered a derivative financial instrument, to manage risks related to interest rate movements on its bonds payable. The Agency's interest rate risk management strategy is to stabilize cash flow requirements by maintaining an interest rate swap contract to convert variable-rate debt to a fixed rate. The interest rate swap agreement is reported at fair value on the statement of financial position and related changes in fair value are reported in the statement of activities and changes in net assets above the performance indicator, excess of revenues over expenses, as a gain or loss on derivative financial instrument, since the agreements were not designated as cash flow hedging instruments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs

Costs incurred in connection with the issuance of bonds payable are capitalized and amortized over the term of the debt using the straight-line method of amortization, which approximates the effective interest method, and are included with Bonds Payable, Less Current Portion in the statement of financial position. At March 31, 2019, deferred financing costs were $555,802 and accumulated amortization of deferred financing costs was $250,110. Amortization expense related to the deferred financing costs for the year ended March 31, 2019 was $22,232.

Excess of Revenues Over Expenses

The statement of activities and changes in net assets includes the performance indicator excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from operations, consistent with industry practice, are the effective portion of the gain or loss on cash flow hedging instruments, 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).

Net Patient Service Revenue

The Agency has agreements with third-party payors that provide for payments to the Agency at amounts different from its established rates. Net patient service revenue is reported as the estimated net realizable amounts from patients, third-party payors and others for services rendered and such estimated amounts are revised in future periods as adjustments become known.

In accordance with grant requirements, the Agency provides care at amounts less than its established rates using sliding fee scale adjustments to patients who meet certain criteria. These adjustments are a component of net patient service revenue.

Sliding Fee Discount

The Agency has a policy of providing care to patients, who meet certain criteria under its policy, without charge or 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 an inability to pay. Since management does not expect payment for this care, the discounted services are excluded from revenue. During the year ended March 31, 2019, the Agency provided $8,587,385 of discounted services under this policy based upon charges.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenue

The Agency 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. The Agency 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 grant receivables.

Contributions

Contributions, which include unconditional promises to give, are recognized as revenue in the period received.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional promises to give expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. At March 31, 2019, the fair value of the Agency's promises to give was $12,500 all of which were due in less than one year.

In-Kind Contributions and Donated Services

In-kind contributions for leased space and utilities at various clinical sites totaled $169,471 for the year ended March 31, 2019. Leased space and utilities are recorded at fair market value.

Pfizer, Inc., through their Share the Care program, contributed $303,840 in pharmaceutical supplies for the year ended March 31, 2019. These drugs are recorded at fair market value.

The Agency issued $12,539,205 in WIC vouchers received from the Texas Department of State Health Services for the year ended March 31, 2019. The vouchers were valued at average redeemed value; however, they are not reflected on the financial statements.

A substantial number of unpaid volunteers have made significant contributions of their time and service. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related expenses are allocated based on job descriptions and best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service are allocated based on the best estimates of management utilizing occupancy, revenue, and square footage.

Income Taxes

The Agency's activities are generally exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code; however, unrelated business activities would be subject to income tax. Since the Agency is exempt from federal income tax liability, no provision is made for current or deferred income tax expense. For the year ended March 31, 2019, management evaluated the Agency's tax positions and concluded that the Agency 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.

Fair Value of Financial Instruments

Fair value measurement applies to report balances that are required or permitted to be measured at fair value under existing accounting standards. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Agency has the ability to access and invest.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Additionally, from time to time, the Agency may be required to record at fair value other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America (GAAP). These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and liabilities measured at fair value in the second step of goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

New Accounting Pronouncements – ASU 2016-14

During the year ended March 31, 2019, the Agency adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions). The adoption of this accounting standard did not have a material impact on the Agency's financial position and changes in net assets other than classification.

New Accounting Pronouncements – ASU 2014-09

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Agency for annual periods beginning after March 31, 2019. Management is currently evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

New Accounting Pronouncements – ASU 2016-02

FASB issued ASU 2016-02 in February of 2016 pertaining to recording of leases. While the standard will not be effective for the Agency until the year ending March 31, 2020, the standard can be adopted as early as the year ended March 31, 2017. Early adoption has not been exercised. Implementation of the new standard can result in changes to the reporting and disclosure of leases. Management is in the process of evaluating the impact on the Agency.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through August 30, 2019, which is the date the financial statements were available to be issued (See Note 15).

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the balance sheet date consist of the following at March 31, 2019:

Cash and Cash Equivalents	$ 1,295,994
Receivables, Net	5,216,111
Investments	11,287,499
Total	$ 17,799,604

The Agency has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately $13 million. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Agency invests cash in excess of daily requirements in various short-term investments, including certificates of deposit, corporate bonds, and short-term treasury instruments.

In addition to financial assets available to meet general expenditures over the next 12 months, the Agency operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 3 NET PATIENT SERVICE REVENUE

The Agency recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Agency recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a portion of the Agency's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus, the Agency records a provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented in the accompanying statement of operations and changes in net assets as a component of net patient service revenue.

The Agency is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Agency has agreements with third-party payors that provide for payments to the Agency at amounts different from its established rates.

NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)

These payment arrangements include:

Medicare – Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payment, including patient coinsurance, is paid based on the lesser of the Agency's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid – Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Agency is reimbursed a set encounter rate for all services provided under the plan. The encounter rate is updated annually based on the Medicare Economic Index (MEI).

Laws and regulations governing the Medicare and Medicaid programs are complex, and subject to interpretation and change. As a result, it is reasonably possible recorded estimates will change materially in the near term.

The Agency has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Agency under these agreements includes prospectively determine rates per unit of service and discounts from established charges.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized for the year ended March 31, 2019 was approximately:

Medicaid	$ 18,540,187
Medicare	2,441,791
Other Third-Party Payors	7,399,377
Self-Pay	3,479,697
Total	$ 31,861,052

NOTE 4 GRANT REVENUE

Grant revenue for the year ended March 31, 2019 consisted of the following:

U.S. Dept. of Health and Human Services	$ 11,804,645
Texas Dept. of State Health Services	2,768,016
Methodist Healthcare Ministries	2,024,289
University Health Systems	1,274,212
Texas Medicaid EHR Incentive Program	459,000
United Way	392,699
Total	$ 18,722,861

NOTE 5 INVESTMENTS

At March 31, 2019, the Agency's investments consisted of the following:

	Cost	Fair Value
Certificates of Deposit	$ 525,000	$ 522,089
Government and Corporate Securities	10,511,286	10,511,584
Deferred Compensation Plan	253,826	253,826
Total	$ 11,290,112	$ 11,287,499

Certificates of deposit are insured by the Federal Deposit Insurance Corporation (the FDIC), which protects investments up to $250,000. Certificates of deposit were all purchased below $250,000.

Investment income consisted of the following for the year ended March 31, 2019:

Interest and Dividends	$ 320,734
Realized Loss	(181,436)
Unrealized Gain	240,642
Total	$ 379,940

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment held by the Agency at March 31, 2019 consisted of the following:

Land	$ 4,410,613
Buildings	46,469,791
Leasehold Improvements	1,063,146
Office Furniture and Equipment	5,394,420
Medical Equipment	497,057
Dental Equipment	1,903,112
Sign	527,528
Fitness Equipment	290,260
Total	60,555,927
Less: Accumulated Depreciation and Amortization	(16,629,260)
Total	43,926,667
Construction in Progress	1,365,092
Total Property and Equipment, Net	$ 45,291,759

Depreciation and amortization expense for the year ended March 31, 2019 was $1,819,285.

Construction in Progress includes building acquisition costs, architectural and engineering fees, permits, rezoning, and other design costs related to construction of an elder care facility located at the intersection of Nogalitos and Division in San Antonio, Texas, and is expected to be completed in March 2020.

NOTE 7 DERIVATIVE FINANCIAL INSTRUMENT

Effective December 1, 2008, the Agency entered into a SWAP agreement with Morgan Stanley Capital Services, Inc. The SWAP agreement notional amount is $13,500,000 with scheduled reductions to begin December 1, 2013 and annually thereafter until termination. The SWAP fixed rate of 2.87% is payable by the Agency and the SWAP floating rate of 67% of USD-LIBOR-BBA is payable by Morgan Stanley Capital Services, Inc.

The Agency's interest rate swap agreement is considered a derivative financial instrument and is not designated as a hedging instrument. The notional amount of the swap agreements is the base on which the interest to be paid or received is calculated and does not represent the amount of exposure to credit loss. The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. The Agency does not utilize interest rate swap agreements or other financial instruments for trading purposes.

Changes in the fair value of the swap agreement is included above the performance indicator, excess of revenues over expenses, since the agreements are not designated as hedging instruments. The unrealized loss on the derivative financial instrument was $75,900 for the year ended March 31, 2019.

NOTE 8 BONDS PAYABLE

The Agency's obligations under bonds payable consist of the following at March 31, 2019:

Bexar County Health Development Corporation Bond Series 2007A and 2007B, Secured by the Facility and Land Located in San Antonio, Texas; Escalating Principal and Separate Interest Payments are Due Monthly Beginning December 2007	$ 11,295,000
Less: Unamortized Debt Issuance Costs	(305,692)
Total	10,989,308
Less: Current Portion	(520,000)
Total	$ 10,469,308

Bexar County Health Development Corporation (the Issuer) issued Variable Rate Demand Health Care Revenue Bonds (El Centro del Barrio Project) Series 2007A and Series 2007B dated December 1, 2007 through the Bexar County Housing Finance Corporation. The bonds closed and funded on December 13, 2007 with proceeds initially held by the Bank of New York. The bonds' proceeds were used to construct and equip a 71,222 square foot health and wellness center located at 3750 and 3800 Commercial Avenue and were underwritten by JP Morgan Chase Bank through a Letter of Credit and Reimbursement Agreement dated December 1, 2007. The letter of credit agreement is secured by property and improvements located at 6315 S. Zarzamora, 910 Wagner and property and improvements located at 3750 and 3800 Commercial Avenue. The interest rate is variable based on the Securities Industry and Financial Markets Association (SIFMA) Municipal SWAP Index rate.

NOTE 8 BONDS PAYABLE (CONTINUED)

The Agency incurred a Letter of Credit fee of $190,813 during the fiscal year ended March 31, 2019 which is reported as interest expense.

Future minimum principal payments on the bond payable are as follows:

Year Ending March 31,	Amount
2020	$ 520,000
2021	555,000
2022	590,000
2023	625,000
2024	670,000
Thereafter	8,335,000
	$ 11,295,000

Total interest expense related to bonds payable was $347,109 for the year ended March 31, 2019.

NOTE 9 NET ASSETS WITH DONOR-IMPOSED RESTRICTIONS

Net assets with donor-imposed restrictions consisted of the following at March 31, 2019:

Indian Creek Recreational Facility	$ 2,958,333
5k Fundraiser	6,200
Total	$ 2,964,533

In June 2016, the Agency entered into an agreement with Bexar County (the County) for the future construction and development of a recreational facility to support the provision of recreational and wellness activities to the local community. The Agency purchased the land for the recreational facility to be constructed on and entered into a Ground Lease Agreement with the County, where the Agency leases the land to the County for $1/year for a 30-year term and the County receives an undivided interest in the recreational facility for 30 years. In addition, the Agency entered in an Operating Agreement with the County in which the Agency will operate the facility for a 30-year term. At the end of the term of the Ground Lease, the Agency will maintain 100% ownership of the facility with no future obligations to the County.

The County contributed $3,000,000 towards the construction of the recreational facility for the year ended March 31, 2019. This contribution is being released over the 30-year term of the Ground Lease agreement.

NOTE 10 OPERATING LEASES

The Agency leases office facilities and equipment under operating leases expiring through November 2023.

Minimum future rental payments under noncancelable operating leases, which have remained in excess of one (1) year from March 31, 2019, are in aggregate as follows:

Year Ending March 31,	Amount
2020	$ 652,500
2021	296,300
2022	152,200
2023	80,500
2024	45,200
Total	$ 1,226,700

Rental expense under these operating leases for the year ended March 31, 2019 was $1,102,778. These leases are included in Occupancy in the statement of functional expenses.

NOTE 11 CONTINGENCIES

Grants

The Agency receives various grants to cover costs of specified programs. The grantor will make final determination of the eligibility of costs. Should any costs be found ineligible, the Agency will be responsible for reimbursing the grantor for these amounts. The Agency's management believes such disallowances, if any, will not have a material effect on the basic financial statements.

Malpractice

The U.S. Department of Health and Human Services deemed the Agency and its practicing physicians covered under the Federal Torts Claim Act (FTCA) for damage and personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Claim liabilities are to be determine without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Agency's claim experience, no accrual has been made for medical malpractice costs at March 31, 2019. However, because of the risk of providing health care services, it is possible than an event has occurred which will be the basis of a future material claim.

NOTE 12 PENSION PLANS

The Agency has a voluntary, contributory annuity pension plan that is offered to all permanent employees. Effective December 31, 2005, the plan converted from a Section 403(b) Thrift Plan to a Section 403(b) Safe Harbor Thrift Plan. The plan is a money purchase plan, and, accordingly, no past service cost is included in the funding. The Agency's policy is to match the amount of all qualified employees' contributions up to 4% as of January 1, 2010. The total pension expense consisted of employer matching. For the year ended March 31, 2019, employer matching expenses were $632,721, which is included in Salaries and Related Expenses in the statement of functional expenses.

On January 1, 2006, in conjunction with revisions to the executive compensation arrangement, the Agency entered into a Section 457 Deferred Compensation agreement with the president and chief executive officer. The plan provides benefits payable should the employee remain employed for five years or within two years upon satisfaction of a noncompete agreement. The benefits are subject to forfeiture if employment is terminated on or before the second anniversary of the initial plan election as defined in the agreement. For the year ended March 31, 2019, the Section 457 invested plan values were $253,826. Effective, January 1, 2009, the Section 457(f) plan was terminated; on December 1, 2009, a new Section 457(b) Deferred Compensation plan was activated with similar provisions as the previous plan.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Agency uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Agency measures fair value, refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Agency measured at fair value on a recurring basis at March 31, 2019:

	Total	Level 1	Level 2	Level 3
Certificates of Deposit	$ 522,089	$ 522,089	$ -	$ -
Government and Corporate Securities	10,511,584	10,511,584	-	-
Deferred Compensation Plan	253,826	253,826	-	-
Total	$ 11,287,499	$ 11,287,499	$ -	$ -
Interest Rate Swap Agreement	$ 927,353	$ -	$ 927,353	$ -

Securities valued using Level 1 inputs include certificates of deposit, government and corporate securities, and the Agency's investment in its deferred compensation plan. The interest rate swap agreement is valued using Level 2 inputs.

NOTE 14 CONCENTRATIONS OF CREDIT RISK

Management is of the opinion that concentrations of credit risk in receivables are limited, as they are from contracts with state government agencies and other nongovernmental customers which management believes are creditworthy. As of March 31, 2019, management believes it is not exposed to a significant credit risk on its receivables.

Approximately 21% of total operating revenue comes from funding and grants from the U.S. Department of Health and Human Services for the year ended March 31, 2019.

A significant percentage of net patient service revenue was for services provided to Medicaid participants. Revenue generated from the Medicaid program represented 63% of net patient service revenue for the year ended March 31, 2019. Medicaid receivables represented 30% of patient receivables at March 31, 2019.

The Agency maintains all of its cash accounts at one financial institution. The FDIC insures cash balances up to $250,000 per bank. The Agency had uninsured cash balances of $624,721, not including reconciling items, at March 31, 2019. The Agency maintains its investment accounts at several investment companies. The Securities Investor Protection Corporation insures investment balances up to $500,000. The Agency had uninsured investment balances of $8,787,499 at March 31, 2019.

NOTE 15 SUBSEQUENT EVENT

Subsequent to year-end, the Agency entered in an Asset Purchase Agreement with San Antonio Pediatric Associates (the Clinic) to purchase the name, practice, locations, patients, and certain assets of the Clinic in exchange for $3 million. This transaction is expected to close October 1, 2019.

EL CENTRO DEL BARRIO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED MARCH 31, 2019

Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services			
Health Center Program Cluster			
Community Health Centers	93.224	H80CS00758	$ 3,274,433
Grants for New and Expanded Services			
Under the Health Centers Program	93.527	H80CS00758	7,621,654
Capital Assistance for Hurricane Response and Recovery Efforts	93.224	C13CS32009	337,400
Total			11,233,487
OP Early Intervention Svcs w/Respect to HIV Disease	93.918	H76HA00124	571,158
Pass-Through University Health System:			
HIV Emergency Relief Project Grants - Ryan White Part A	93.914	H89HA00041	782,665
HIV Emergency Relief Project Grants - Ryan White Part MAI	93.914	H89HA00041	67,594
Pass-Through Texas Health and Human Services Commission:			
HIV Emergency Relief Project Grants - Ryan White Part B	93.914	537-16-0567-00001	249,446
Total			1,099,705
Pass-Through Texas Health and Human Services Commission			
Centers for Disease Control and Prevention - Investigations and Technical			
Assistance (Breast and Cervical Cancer Screening Program)	93.667	529-17-0023-00023	114,609
Assistance (Breast and Cervical Cancer Screening Program)	93.752	529-17-0023-00023	187,924
Assistance (Breast and Cervical Cancer Screening Program)	93.898	529-17-0023-00023	83,148
Total			385,681
Maternal and Child Health Services Block Grant to the States			
(Title V - Maternal, Child Health and Dental)	93.994	2016-003923	543,152
Total U.S. Department of Health and Human Services			13,833,183
U.S. Department of Agriculture			
Pass-Through Texas Health and Human Services Commission:			
Special Supplemental Nutrition Program for Women,			
Infants and Children	10.557	2017-049769-001	1,890,248
Total U.S. Department of Agriculture			1,890,248
Total Expenditures of Federal Awards			15,723,431
Texas Health and Human Services Commission			
Maternal and Child Health Services Block Grant to the States			
(Title V - Prenatal)		2016-003890	99,661
Social Services Block Grant (Family Planning)		529-16-0102-00035	309,951
Centers for Disease Control and Prevention - Investigations and Technical Assistance (Breast and Cervical Cancer Screening Program		529-17-0023-00023	104,548
Primary Health Care		2016-048601-002	473,253
Total Texas Health and Human Services Commission			987,413
Total Expenditures of State Awards			987,413
Total Expenditures of Federal and State Awards			$ 16,710,844

See accompanying Notes to Schedule of Expenditures of Federal and State Awards.

EL CENTRO DEL BARRIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
MARCH 31, 2019

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal and state awards (Schedule) presents expenditures for all federal and state assistance awards that were in effect for the year ended March 31, 2019 for El Centro del Barrio (the Agency). The Agency's reporting entity is described in Note 1 of the basic financial statements.

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedule includes the federal and state grant activity of the Agency and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CPR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;* and *Uniform Grant Management Standards of the State of Texas Single Audit Circular* (the Circular). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 WIC VOUCHERS

The Agency has issued WIC vouchers valued at $12,539,205 for the year ended March 31, 2019 based on an average redeemed value. This amount of federal noncash support is not included in the Schedule. The CFDA No. is 10.557.

NOTE 4 INDIRECT COST RATE

The Agency uses the 10 percent de minimis indirect cost rate for the Special Supplemental Nutrition Program for Women, Infants, and Children grant.

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
El Centro del Barrio
San Antonio, Texas

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 El Centro del Barrio, which comprise the statement of financial position as of March 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 30, 2019 in binder properties.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Centro del Barrio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Centro del Barrio's internal control. Accordingly, we do not express an opinion on the effectiveness of El Centro del Barrio'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 El Centro del Barrio'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 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

San Antonio, Texas
August 30, 2019

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Directors
El Centro del Barrio
San Antonio, Texas

Report on Compliance for Each Major Federal and State Program

We have audited El Centro del Barrio's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Uniform Grant Management Standards of the State of Texas Single Audit Circular* that could have a direct and material effect on each of El Centro del Barrio's major federal and state programs for the year ended March 31, 2019. El Centro del Barrio's major federal and state 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 statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of El Centro del Barrio's major federal and state 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); and *Uniform Grant Management Standards of the State of Texas Single Audit Circular* (the Circular). Those standards, the Uniform Guidance, and the Circular 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 or state program occurred. An audit includes examining, on a test basis, evidence about El Centro del Barrio'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 and state program. However, our audit does not provide a legal determination of El Centro del Barrio's compliance.

Board of Directors
El Centro del Barrio

Opinion on Each Major Federal and State Program

In our opinion, El Centro del Barrio 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 and state programs for the year ended March 31, 2019.

Report on Internal Control Over Compliance

Management of El Centro del Barrio 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 El Centro del Barrio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and *Uniform Grant Management Standards of the State of Texas Single Audit Circular*, 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 El Centro del Barrio'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 or state 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 or state 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 or state 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* and the *Uniform Grant Management Standards of the State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

San Antonio, Texas
August 30, 2019

EL CENTRO DEL BARRIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS ON FEDERAL AND STATE AWARDS
YEAR ENDED MARCH 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 and State Awards

1. Internal control over major federal and state 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 and state programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with the 2 CFR section 200.516 or the State of Texas Single Audit Circular ____ yes __x__ no

Identification of Major Federal Programs

CFDA Numbers	Name of Federal Program or Cluster
	Health Center Program Cluster
93.224	U.S. Department of Health and Human Services – Community Health Centers
93.527	U.S. Department of Health and Human Services – Grants for New and Expanded Services Under the Health Centers Program

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

Auditee qualified as low-risk auditee? __x__ yes ____ no

EL CENTRO DEL BARRIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS ON FEDERAL AND STATE AWARDS (CONTINUED)
YEAR ENDED MARCH 31, 2019

Section I – Summary of Auditors' Results (Continued)

Identification of Major State Programs

Contract Numbers	Name of Grant
2016-048601-002	Primary Health Care

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	x yes	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 and State Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200 and the State of Texas Single Audit Circular.

EL CENTRO DEL BARRIO
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2019

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS AND STATE GRANT AUDITS

There were no federal award program audit findings or state grant audit findings in the prior year.