



**JWCH Institute, Inc.**  
***Audited Financial Statements and Supplementary Information***  
***As of and for the Years Ended June 30, 2019 and 2018***  
***with Report of Independent Auditors***



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<b>REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	28

## Report of Independent Auditors

**To the Board of Directors of  
JWCH Institute, Inc.**

### Report on the Financial Statements

We have audited the accompanying financial statements of JWCH Institute, Inc. (the Organization), a California nonprofit corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Adoption of New Accounting Pronouncement*

As discussed in Note 2 to the financial statements, the Organization adopted new accounting standards FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2020, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vaguez &amp; Company LLP".

**Glendale, California**

**August 10, 2020**

**JWCH Institute, Inc.**  
**Statements of Financial Position**

	June 30	
	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,062,129	\$ 3,070,499
Patient accounts receivable, net	11,925,230	6,859,120
Estimated amounts due from third-party payers	1,351,107	2,195,455
Grants and contracts receivable, net	7,308,319	4,330,923
Other receivables, net	163,536	80,315
Inventories	70,187	48,537
Prepaid expenses	462,573	130,407
<b>Total current assets</b>	<b>24,343,081</b>	<b>16,715,256</b>
<b>Non current assets</b>		
Deposits	167,951	117,018
Property and equipment, net	16,683,727	14,289,159
Goodwill	6,073,894	-
<b>Total non current assets</b>	<b>22,925,572</b>	<b>14,406,177</b>
<b>Total assets</b>	<b>\$ 47,268,653</b>	<b>\$ 31,121,433</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 3,009,998	\$ 2,663,556
Payroll and related liabilities	3,233,104	2,571,256
Contract advances	37,611	396,738
Current portion of long-term loans payable	1,065,080	822,908
Line of credit	2,631,669	236,069
<b>Total current liabilities</b>	<b>9,977,462</b>	<b>6,690,527</b>
<b>Non-current liabilities</b>		
Long-term loans payable, net of current portion	10,372,829	5,412,212
Long-term accounts payable	318,303	-
Payroll tax payable	3,293,154	-
<b>Total non current liabilities</b>	<b>13,984,286</b>	<b>5,412,212</b>
<b>Total liabilities</b>	<b>23,961,748</b>	<b>12,102,739</b>
<b>Net assets</b>		
Without donor restrictions	21,873,038	18,631,484
With donor restrictions	1,433,867	387,210
<b>Total net assets</b>	<b>23,306,905</b>	<b>19,018,694</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,268,653</b>	<b>\$ 31,121,433</b>

See notes to financial statements.

**JWCH Institute, Inc.**  
**Statements of Activities**

	Years ended June 30	
	2019	2018
<b>Operating revenues</b>		
<b>Unrestricted revenues, gains and other support</b>		
Patient services revenues, net of contractual allowances	\$ 30,854,718	\$ 24,555,537
Provision for doubtful accounts	(350,000)	(200,000)
Net patient services revenues	30,504,718	24,355,537
Government grants and contracts	22,610,803	19,929,581
Pharmacy revenues	6,640,643	5,724,441
Private foundation grants	1,086,588	1,111,127
Donations	285,170	199,795
Other revenues	1,578,496	2,184,132
<b>Operating revenues before net assets released from restrictions used for operations</b>	<b>62,706,418</b>	<b>53,504,613</b>
Net assets released from restrictions used for operations	737,945	805,653
<b>Total operating revenues</b>	<b>63,444,363</b>	<b>54,310,266</b>
<b>Operating expenses</b>		
Program services	58,860,313	49,410,753
Supporting services:		
General and administrative	1,282,552	481,529
Fundraising	59,944	45,857
<b>Total supporting services</b>	<b>1,342,496</b>	<b>527,386</b>
<b>Total operating expenses</b>	<b>60,202,809</b>	<b>49,938,139</b>
<b>Increase in net assets without donor restrictions</b>	<b>3,241,554</b>	<b>4,372,127</b>
<b>Change in net assets with donor restrictions</b>		
Contributions with donor restrictions	1,784,602	584,746
Net assets released from restrictions used for operations	(737,945)	(805,653)
<b>Increase (decrease) in net assets with donor restrictions</b>	<b>1,046,657</b>	<b>(220,907)</b>
<b>Change in net assets from operations</b>	<b>4,288,211</b>	<b>4,151,220</b>
<b>Net assets, beginning of year</b>	<b>19,018,694</b>	<b>14,867,474</b>
<b>Net assets, end of year</b>	<b>\$ 23,306,905</b>	<b>\$ 19,018,694</b>

*See notes to financial statements.*

**JWCH Institute, Inc.**  
**Statement of Functional Expenses**  
**Year ended June 30, 2019**

	Program Services									
	AIDS Prevention and Education	Information and Education Services	HIV Case Management	Recuperative Care	Substance Abuse Treatment	JWCH Weingart Clinic	JWCH Bell Gardens Clinic	JWCH Norwalk Clinic	JWCH Lynwood Primary Care Clinic	JWCH P.A.T.H Vermont Clinic
Personal and fringe benefits										
Personal	\$ 1,096,041	\$ 85,209	679,607	\$ 5,496,560	\$ 1,045,517	\$ 3,951,975	\$ 1,235,215	\$ 2,410,782	\$ 2,124,525	\$ 1,694,067
Fringe benefits	256,985	20,680	138,854	1,214,921	305,733	813,705	244,038	467,697	404,101	340,123
Total personal and fringe benefits	<u>1,353,026</u>	<u>105,889</u>	<u>818,461</u>	<u>6,711,481</u>	<u>1,351,250</u>	<u>4,765,680</u>	<u>1,479,253</u>	<u>2,878,479</u>	<u>2,528,626</u>	<u>2,034,190</u>
Other operating expenses:										
Professional services	230,254	450	99,852	166,780	140,914	1,648,850	119,063	303,382	336,225	383,775
Medical and laboratory	63,928	-	47,269	48,617	20,320	4,394,352	187,263	383,273	236,273	348,211
Patient welfare	23,565	7,650	-	762,628	69,359	151,649	864	851	1,021	20,976
Leases	2,184	-	-	456,266	31,050	-	-	-	-	306,410
Rent	10,623	-	3,515	22,422	4,064	66,151	1,680	2,300	5,486	3,104
Insurance	3,527	-	-	7,018	-	5,271	2,988	2,628	2,332	-
Utilities and facilities	7,926	1,061	2,493	23,414	46,968	43,646	22,183	39,877	36,797	20,648
Repairs and maintenance	15,216	-	-	14,224	45,083	103,699	24,621	52,674	33,427	51,605
Office supplies	19,737	2,140	2,480	94,094	47,512	46,757	17,910	31,748	16,287	34,162
Equipment (under \$500)	-	-	-	3,338	12,628	10,664	2,873	3,475	1,873	7,976
Travel and mileage	26,864	1,002	4,410	3,040	4,992	33,880	5,509	2,340	3,997	8,944
Training	2,318	-	-	16,195	8,326	8,215	2,094	5,246	1,450	9,782
Fees	927	-	-	1,333	18,563	57,649	13,863	28,843	21,828	17,855
Other expenses	8,473	-	-	216,077	2,456	120,439	8,991	13,726	16,155	14,120
Total operating expenses	<u>415,542</u>	<u>12,303</u>	<u>160,019</u>	<u>1,835,446</u>	<u>452,235</u>	<u>6,691,222</u>	<u>409,902</u>	<u>870,363</u>	<u>713,151</u>	<u>1,227,568</u>
Total operating expenses before indirect cost and depreciation and amortization	1,768,568	118,192	978,480	8,546,927	1,803,485	11,456,902	1,889,155	3,748,842	3,241,777	3,261,758
Indirect Cost	108,677	8,197	60,622	864,712	215,056	709,314	246,726	445,886	419,456	312,071
Total expenses before depreciation and amortization	1,877,245	126,389	1,039,102	9,411,639	2,018,541	12,166,216	2,135,881	4,194,728	3,661,233	3,573,829
Depreciation and amortization	-	-	-	-	23,317	142,432	67,239	142,876	49,219	63,700
Total expenses	<u>\$ 1,877,245</u>	<u>\$ 126,389</u>	<u>\$ 1,039,102</u>	<u>\$ 9,411,639</u>	<u>\$ 2,041,858</u>	<u>\$ 12,308,648</u>	<u>\$ 2,203,120</u>	<u>\$ 4,337,604</u>	<u>\$ 3,710,452</u>	<u>\$ 3,637,529</u>

(continued)

See notes to financial statements.

**JWCH Institute, Inc.**  
**Statement of Functional Expenses**  
**Year ended June 30, 2019**  
**(continued)**

	Program Services						Supporting Services			Total Expenses
	JWCH Antelope Valley Clinics	JWCH Other Clinics	CHIP-CDC	BPHC-Health Center Cluster	Other Program Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personal and fringe benefits										
Personal	\$ 1,211,217	\$ 4,141,031	\$ 331,767	\$ 3,926,290	\$ 442,913	\$ 29,872,716	\$ 2,863,083	\$ -	\$ 2,863,083	\$ 32,735,799
Fringe benefits	267,870	772,996	76,717	750,930	114,580	6,189,930	1,174,901	-	1,174,901	7,364,831
Total personal and fringe benefits	<u>1,479,087</u>	<u>4,914,027</u>	<u>408,484</u>	<u>4,677,220</u>	<u>557,493</u>	<u>36,062,646</u>	<u>4,037,984</u>	<u>-</u>	<u>4,037,984</u>	<u>40,100,630</u>
Other operating expenses:										
Professional services	35,134	1,260,360	202,192	6,850	528,578	5,462,659	697,816	54,954	752,770	6,215,429
Medical and laboratory	66,916	682,472	4,879	74,902	7,812	6,566,487	1,073	-	1,073	6,567,560
Patient welfare	-	2,332	8,389	-	18,391	1,067,675	5,395	-	5,395	1,073,070
Leases	93,713	539,733	-	27,607	25,000	1,481,963	10,221	-	10,221	1,492,184
Rent	250	7,412	2,541	665	2,294	132,507	9,992	-	9,992	142,499
Insurance	-	629	-	-	-	24,393	74,701	-	74,701	99,094
Utilities and facilities	20,030	76,983	7,481	929	13,087	363,523	123,283	-	123,283	486,806
Repairs and maintenance	77,661	99,759	-	-	584	518,553	67,848	-	67,848	586,401
Office supplies	25,798	65,439	3,956	948	15,428	424,396	372,625	4,928	377,553	801,949
Equipment (under \$500)	9,632	21,325	790	20,459	2,011	97,044	43,112	-	43,112	140,156
Travel and mileage	3,583	19,682	9,052	-	2,463	129,758	26,768	-	26,768	156,526
Training	2,773	6,977	2,685	6,616	1,027	73,704	15,307	-	15,307	89,011
Fees	8,321	33,431	-	-	562	203,175	294,677	62	294,739	497,914
Other expenses	15,628	35,920	4,548	91	594	457,218	525,056	-	525,056	982,274
Total operating expenses	<u>359,439</u>	<u>2,852,454</u>	<u>246,513</u>	<u>139,067</u>	<u>617,831</u>	<u>17,003,055</u>	<u>2,267,874</u>	<u>59,944</u>	<u>2,327,818</u>	<u>19,330,873</u>
Total operating expenses before indirect cost and depreciation and amortization	1,838,526	7,766,481	654,997	4,816,287	1,175,324	53,065,701	6,305,858	59,944	6,365,802	59,431,503
Indirect Cost	219,108	692,023	64,839	816,003	22,573	5,205,263	(5,205,263)	-	(5,205,263)	-
Total expenses before depreciation and amortization	2,057,634	8,458,504	719,836	5,632,290	1,197,897	58,270,964	1,100,595	59,944	1,160,539	59,431,503
Depreciation and amortization	119	87,719	-	-	12,728	589,349	181,957	-	181,957	771,306
Total expenses	<u>\$ 2,057,753</u>	<u>\$ 8,546,223</u>	<u>\$ 719,836</u>	<u>\$ 5,632,290</u>	<u>\$ 1,210,625</u>	<u>\$ 58,860,313</u>	<u>\$ 1,282,552</u>	<u>\$ 59,944</u>	<u>\$ 1,342,496</u>	<u>\$ 60,202,809</u>

See notes to financial statements.

**JWCH Institute, Inc.**  
**Statement of Functional Expenses**  
**Year ended June 30, 2018**

	Program Services									
	AIDS Prevention and Education	Information and Education Services	HIV Case Management	Recuperative Care	Substance Abuse Treatment	JWCH Weingart Clinic	JWCH Bell Gardens Clinic	JWCH Norwalk Clinic	JWCH Lynwood Primary Care Clinic	JWCH P.A.T.H Vermont Clinic
Personal and fringe benefits										
Personal	\$ 1,243,636	\$ 78,183	645,790	\$ 4,875,742	\$ 571,228	\$ 3,604,539	\$ 1,111,569	\$ 1,895,978	\$ 1,596,928	\$ 1,030,525
Fringe benefits	282,019	19,013	145,215	1,098,222	182,184	766,066	219,866	399,345	331,651	189,319
Total personal and fringe benefits	<u>1,525,655</u>	<u>97,196</u>	<u>791,005</u>	<u>5,973,964</u>	<u>753,412</u>	<u>4,370,605</u>	<u>1,331,435</u>	<u>2,295,323</u>	<u>1,928,579</u>	<u>1,219,844</u>
Other operating expenses:										
Professional services	196,972	-	72,822	113,191	28,021	1,364,123	124,412	292,663	234,217	445,197
Medical and laboratory	151,686	-	28,972	26,998	7,109	4,029,212	192,577	296,868	178,521	381,303
Patient welfare	41,534	9,105	-	708,028	21,201	154,896	111	40	3,718	6,192
Leases	5,618	-	-	403,310	37,824	5,791	3,208	3,208	3,208	196,270
Rent	27,673	-	2,090	22,359	-	71,739	2,170	1,046	5,055	2,853
Insurance	3,601	-	-	6,962	-	26,805	3,348	4,565	4,623	4,114
Utilities and facilities	12,330	1,042	2,581	20,127	58,141	27,689	21,097	39,019	34,424	9,502
Repairs and maintenance	15,803	-	-	19,729	31,845	118,987	35,017	60,905	28,888	23,508
Office supplies	18,075	3,865	5,933	134,214	15,830	136,161	31,011	54,859	22,820	24,894
Equipment (under \$500)	8,439	-	-	8,162	3,266	58,613	5,180	5,514	2,279	3,009
Travel and mileage	21,063	1,344	3,275	1,460	3,094	22,630	5,288	4,066	1,753	2,940
Training	4,596	295	710	10,450	4,426	9,211	207	2,918	362	2,249
Fees	1,499	-	-	1,462	11,246	48,764	13,891	24,607	18,729	4,048
Other expenses	15,195	-	-	132,477	666	78,092	2,950	3,042	13,079	3,596
Total operating expenses	<u>524,084</u>	<u>15,651</u>	<u>116,383</u>	<u>1,608,929</u>	<u>222,669</u>	<u>6,152,713</u>	<u>440,467</u>	<u>793,320</u>	<u>551,676</u>	<u>1,109,675</u>
Total operating expenses before indirect cost and depreciation and amortization	2,049,739	112,847	907,388	7,582,893	976,081	10,523,318	1,771,902	3,088,643	2,480,255	2,329,519
Indirect Cost	<u>154,801</u>	<u>8,831</u>	<u>48,075</u>	<u>650,555</u>	<u>98,343</u>	<u>644,986</u>	<u>217,688</u>	<u>318,655</u>	<u>310,788</u>	<u>188,133</u>
Total expenses before depreciation and amortization	2,204,540	121,678	955,463	8,233,448	1,074,424	11,168,304	1,989,590	3,407,298	2,791,043	2,517,652
Depreciation and amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,626</u>	<u>67,472</u>	<u>142,413</u>	<u>50,251</u>	<u>46,231</u>
Total expenses	<u>\$ 2,204,540</u>	<u>\$ 121,678</u>	<u>\$ 955,463</u>	<u>\$ 8,233,448</u>	<u>\$ 1,074,424</u>	<u>\$ 11,292,930</u>	<u>\$ 2,057,062</u>	<u>\$ 3,549,711</u>	<u>\$ 2,841,294</u>	<u>\$ 2,563,883</u>

(continued)

See notes to financial statements.

**JWCH Institute, Inc.**  
**Statement of Functional Expenses**  
**Year ended June 30, 2018**  
**(continued)**

	Program Services					Supporting Services			Total Expenses
	JWCH Other Clinics	CHIP-CDC	BPHC-Health Center Cluster	Other Program Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personal and fringe benefits									
Personal	\$ 3,896,989	\$ 253,146	\$ 3,461,224	\$ 357,619	\$ 24,623,096	\$ 2,220,321	\$ -	\$ 2,220,321	\$ 26,843,417
Fringe benefits	769,443	57,173	676,659	90,006	5,226,181	450,689	-	450,689	5,676,870
Total personal and fringe benefits	<u>4,666,432</u>	<u>310,319</u>	<u>4,137,883</u>	<u>447,625</u>	<u>29,849,277</u>	<u>2,671,010</u>	<u>-</u>	<u>2,671,010</u>	<u>32,520,287</u>
Other operating expenses:									
Professional services	1,110,790	168,277	71,036	284,164	4,505,885	450,654	39,458	490,112	4,995,997
Medical and laboratory	684,581	4,538	3,466	3,861	5,989,692	171	-	171	5,989,863
Patient welfare	3,705	12,279	-	2,645	963,454	1,718	-	1,718	965,172
Leases	634,462	2,354	(15,839)	625	1,280,039	12,997	-	12,997	1,293,036
Rent	10,757	3,050	285	1,070	150,147	8,686	-	8,686	158,833
Insurance	8,644	-	-	3,053	65,715	234,384	-	234,384	300,099
Utilities and facilities	82,379	7,121	2,576	755	318,783	108,165	-	108,165	426,948
Repairs and maintenance	103,933	-	-	1,733	440,348	58,264	-	58,264	498,612
Office supplies	100,657	5,321	69,803	15,673	639,116	112,212	5,769	117,981	757,097
Equipment (under \$500)	14,437	2,527	-	1,618	113,044	28,913	-	28,913	141,957
Travel and mileage	18,664	4,311	190	2,039	92,117	21,531	-	21,531	113,648
Training	2,976	1,540	5,553	-	45,493	15,332	-	15,332	60,825
Fees	19,350	-	-	-	143,596	61,873	84	61,957	205,553
Other expenses	6,614	12,988	33	577	269,309	596,749	546	597,295	866,604
Total operating expenses	<u>2,801,949</u>	<u>224,306</u>	<u>137,103</u>	<u>317,813</u>	<u>15,016,738</u>	<u>1,711,649</u>	<u>45,857</u>	<u>1,757,506</u>	<u>16,774,244</u>
Total operating expenses before indirect cost and depreciation and amortization	7,468,381	534,625	4,274,986	765,438	44,866,015	4,382,659	45,857	4,428,516	49,294,531
Indirect Cost	692,573	48,064	665,918	17,363	4,064,773	(4,064,773)	-	(4,064,773)	-
Total expenses before depreciation and amortization	8,160,954	582,689	4,940,904	782,801	48,930,788	317,886	45,857	363,743	49,294,531
Depreciation and amortization	48,972	-	-	-	479,965	163,643	-	163,643	643,608
Total expenses	<u>\$ 8,209,926</u>	<u>\$ 582,689</u>	<u>\$ 4,940,904</u>	<u>\$ 782,801</u>	<u>\$ 49,410,753</u>	<u>\$ 481,529</u>	<u>\$ 45,857</u>	<u>\$ 527,386</u>	<u>\$ 49,938,139</u>

See notes to financial statements.

**JWCH Institute, Inc.**  
**Statements of Cash Flows**

	Years ended June 30	
	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets from operations	\$ 4,288,211	\$ 4,151,220
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:		
Depreciation and amortization	771,306	643,609
Provision for doubtful accounts	350,000	200,000
Decrease (increase) in:		
Patient accounts receivable	(4,575,846)	(3,191,706)
Estimated amounts due from third-party payers	844,348	842,596
Grants and contracts receivable	(2,977,396)	1,558,864
Other receivables	(83,221)	59,857
Inventories	(21,650)	46,808
Prepaid expenses	(332,166)	(64,033)
Deposits	(50,933)	(30,179)
Increase (decrease) in:		
Accounts payable and accrued expenses	(144,134)	30,097
Payroll and related liabilities	559,772	379,550
Contract advances	(359,127)	92,026
<b>Net cash (used in) provided by operating activities</b>	<b>(1,730,836)</b>	<b>4,718,709</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(2,819,234)	(2,230,376)
Acquisition of clinic	(3,056,689)	-
<b>Net cash used in investing activities</b>	<b>(5,875,923)</b>	<b>(2,230,376)</b>
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	4,295,600	-
Principal payments on line of credit	(1,900,000)	-
Proceeds from issuance of loans payable	9,477,977	3,106,936
Principal payments on loans payable	(4,275,188)	(3,741,812)
<b>Net cash provided by (used in) financing activities</b>	<b>7,598,389</b>	<b>(634,876)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(8,370)</b>	<b>1,853,457</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,070,499</b>	<b>1,217,042</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 3,062,129</b>	<b>\$ 3,070,499</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid during the year	\$ 459,498	\$ 337,556
<b>Noncash Investing and Financing Activity:</b>		
Lease financing	\$ -	\$ 90,808
Acquisition of clinic through issuance of accounts and loans payable	\$ 3,017,205	-
	<b>\$ 3,017,205</b>	<b>\$ 90,808</b>

*See notes to financial statements.*

**NOTE 1      NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

JWCH Institute, Inc. (the Organization) (JWCH) is a non-profit health agency that was established as an Attending Staff Association of the John Wesley County Hospital in 1960 by concerned Los Angeles County physicians. These staff physicians sought to establish an agency that could obtain additional funds to support and augment patient care, education, and research.

JWCH's mission is to improve the health status and well-being of underserved segments of the population of the Los Angeles Area through the direct provision or coordination of health care, health education services and research. The mission is being accomplished through a variety of programs and activities.

**Basis of Presentation**

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

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

*Net assets with donor restrictions:* Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are classified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements, or otherwise designated or restricted. The carrying amount approximates fair value because of the short-term maturity of these instruments.

**NOTE 1      NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

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

- Level 1:* Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2:* Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3:* Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

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

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

- Cash and cash equivalents – The carrying amount approximates fair value because of the short-term maturity of those instruments.
- Receivables – The carrying amount approximates fair value because of the short-term nature and historical collectability.
- Accounts payable and accrued expenses – The carrying amount approximates fair value because of the short-term nature of the obligations.
- Long-term loans payable – This instrument is not likely to be traded and is therefore reported at carrying amount.

**Use of Estimates**

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

**NOTE 1      NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Patient Accounts Receivable**

The Organization reports patient accounts receivable for services rendered at estimated net realizable amounts from third-party payers, patients and others. The Organization provides an allowance for doubtful accounts based upon review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

**Inventories**

Inventories which consist of pharmacy supplies are stated at the lower of cost or market determined on a first-in, first-out basis.

**Third-Party Contractual Agreements**

The Organization has agreements with Medicare that provide payments under a cost-based reimbursement (not to exceed the maximum cap) system and with Medi-Cal that provide payments under the Prospective Payment System (PPS). In the case of Medicare, reasonable estimates are made and reported in the period services are rendered, and differences between the estimates and actual payments received are included in the statement of activities in the period in which they are determined. In the case of Medi-Cal, payments under the PPS are final, unless the number of reimbursable visits is changed as a result of an audit by the State of California's Department of Health and Human Services.

**Property and Equipment**

Property and equipment are recorded at cost if purchased or, if contributed, at fair value at date of contribution. The Organization capitalizes all expenditures for property and equipment in excess of \$2,500; the fair value of contributed property, plant, and equipment is similarly capitalized. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

Property and equipment acquired with government grants, is considered to be owned by the Organization while used in the program for which it was purchased or in other future authorized programs; however, the grantor may have a reversionary interest in the property. Property and equipment acquired with government grants for the years ended June 30, 2019 and 2018 amounted to \$180,444 and \$26,076, respectively.

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset.

**NOTE 1      NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair market value of the asset. During fiscal year 2019 and 2018, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

**Accrued Vacation and Sick Leave**

The Organization's regular full-time and regular part-time employees are eligible to accumulate vacation and sick leave during their employment. Only unused vacation time is allowed to be redeemed in cash upon termination of employment subject to certain limitations and is accrued and reported under payroll and related liabilities. Effective July 1, 2015, all employees employed by JWCH Institute, Inc. in the State of California for 30 or more days within a year from the commencement of employment are eligible to accrue paid sick leave. It is JWCH's intention to meet the requirements of the California Law (AB 1522) with regard to the Paid Sick Time Policy.

**Contract Advances**

The Organization recognizes revenue from certain service agreements and grants when earned. Payments received in advance are deferred and recorded as contract advances until earned.

**Revenue Recognition**

*Net Patient Services Revenues*

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

*Grants and Contracts*

The Organization recognizes revenues when eligible costs are incurred for cost-reimbursement grants and contracts and when contracted services are performed for fee-for-service grants and contracts.

*Charity Care*

The Organization provides care to patients who are unable to pay for services, based on federal guidelines and/or the Organization's Sliding Fee Schedule Program, under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not recorded as patient services revenues. The Organization's charity care revenues not recognized amounted to \$898,720 and \$818,944 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 1      NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

*Contributions*

The Organization reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations limiting the use of the donated assets if the restrictions are not met in the period of receipt. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. If a stipulated time restriction ends or a purpose restriction is accomplished during the year the contribution is received, the contribution is recognized as unrestricted revenue.

Donated materials, property and equipment, and certain services are reflected as contributions at their estimated fair market values at the date of receipt and are recorded in the appropriate asset or expense account. Donated services are recorded if they (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donors.

*Pharmacy Revenues*

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

*Interest Income*

Interest income is recognized as interest is earned on money deposited into savings and money market accounts.

*Other Revenues*

Revenues received that are not classified into a specific category are recorded as other revenues.

**Allocation of Joint Costs**

The Organization incurs costs that included fundraising and program components. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's direct expenses to the total of such expenses. Costs that benefit all programs will be allocated based on the ratio of each program's direct expenses to the total direct expenses.

**Income Taxes**

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

**NOTE 1            NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

Generally accepted accounting principles requires that an organization recognize in the financial statements the impact of a tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the years ended June 30, 2019 and 2018, the Organization had no material unrecognized tax benefits, tax penalties or interest. As of June 30, 2019, information returns subsequent to 2015 filed by the Organization are subject to examination by the authorities.

**Off-Balance Sheet Risk and Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts in financial institutions. At times during the years ended June 30, 2019 and 2018, balances on deposit in financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) insured limits of \$250,000.

The Organization receives payment for services from Federal, state, and local agencies. Revenue and receivables from Federal, state, and local agencies are significant to the Organization's operations. However, management does not believe that there is any significant credit risk associated with these government agencies.

**New Accounting Pronouncement**

On August 18, 2016, Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted ASU 2016-14 for the year ended June 30, 2019 and has adjusted the presentation of these financial statements accordingly.

**NOTE 2            GOVERNMENT GRANTS AND CONTRACTS**

At June 30, government grants and contracts revenue consisted of the following:

	<u>2019</u>	<u>2018</u>
Consolidated Health Centers Grant	\$ 5,762,338	\$ 5,069,374
HIV AIDS Program Grants	2,347,859	1,867,479
Recuperative Care Program	9,167,997	8,023,735
Other grants	<u>5,332,609</u>	<u>4,968,993</u>
Total government grants and contracts revenue	<u>\$ 22,610,803</u>	<u>\$ 19,929,581</u>

**NOTE 2            GOVERNMENT GRANTS AND CONTRACTS (CONTINUED)**

JWCH is the recipient of a Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery in Los Angeles, California. Terms of the grant generally provide for funding of JWCH's operations based on an approved budget. Available grant funds for each of the grant periods of January 1, 2019 through December 31, 2019 and January 1, 2018 through December 31, 2018 is \$7,230,124 and \$5,573,566, respectively. Future funding will be determined by the granting agency based on an application to be submitted by JWCH prior to the expiration of the present grant award.

JWCH is also the recipient of HIV/AIDS program grants passed through the County of Los Angeles Division of HIV and STD Program. JWCH was awarded a total grant amount of \$8,920,252 for the period from March 1, 2016 to February 28, 2022.

JWCH is also the recipient of the MLK Recuperative Care Program, Recuperative Care Program (Bell Shelter), and the JWCH's ESP program that are funded by the County of Los Angeles, Department of Health Services. During the period from July 1, 2018 to June 30, 2019, JWCH was awarded a total grant amount of \$5,892,145 (2018 - \$5,813,361) for the MLK Recuperative Care Program, \$2,431,592 (2018 - \$2,386,750) for JWCH's ESP Program, and \$1,236,900 (2018 - \$1,236,900) for the Recuperative Care Program (Bell Shelter) for a total of \$9,560,637 (2018 - \$9,437,011).

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

**NOTE 3            PATIENT SERVICES REVENUES**

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

**Medi-Cal**

Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided. Services not covered under the FQHC benefit are paid based on established fee schedules.

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

JWCH is required to submit an annual Medi-Cal Reconciliation Request Form to the California Department of Health Care Services (the Department) for purposes of determining whether it was paid appropriately for certain Medi-Cal visits. These annual reconciliations result in the determination of any underpayment or overpayment by the Medi-Cal program for the affected visits. JWCH has recorded an estimated settlement receivable due from Medi-Cal of \$1,351,107 and \$2,195,455 as of June 30, 2019 and 2018, respectively, which is reported in the statement of financial position as estimated amount due from third-party payers. Following submission of the Medi-Cal Reconciliation Request Form, JWCH will generally receive a tentative settlement from the Medi-Cal program with a final settlement made within three years of the date of submission. Management believes that any adjustment from subsequent audits by the agency will not materially affect the financial statements of JWCH.

**Medicare**

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

**Health Maintenance Organization(HMO) Managed Care**

The Organization receives wrap-around reimbursement for HMO Managed Care visits from the State of California. The wrap-around rate is the difference between the Prospective Payment System (PPS) rate and the PMPM capitated rate. At the end of each fiscal year, the Organization submits to the State of California Department of Health Care Services (State) the HMO Managed Care Reconciliation Report to settle the payment. This settlement can be a payable or a receivable to the Organization and normally takes up to three years for the State to finalize the review of the reconciliation report.

**Capitation Revenue**

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

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

**MyHealth LA**

JWCH has an agreement with Los Angeles County Department of Health Services (DHS) to provide services under the MyHealth LA (MHLA) Program. MHLA program is free of charge to Patients with household income at/below 138% of the Federal Poverty Level and are not eligible for Medi-Cal. This program is designed to provide primary care services to uninsured individuals who live in Los Angeles County and are not eligible for Medi-Cal or any other program. Under this agreement, JWCH receives a monthly capitation payment based on the number of enrolled patients, regardless of whether or not the patient had a face to face visit with a licensed physician. The monthly capitation payment is \$28.56 per month per patient.

**Other Third-Party Payors**

JWCH has also entered into payment agreements with certain commercial insurance carriers, HMOs and preferred provider organizations. The basis for payment to JWCH under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

The following is the mix of patient services revenues, net of contractual allowances for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medi-Cal and other related programs	\$ 14,741,976	\$ 11,108,231
Medicare	5,110,042	966,008
HMO Managed Care	23,803,464	25,644,666
Capitation	4,697,195	3,610,966
MyHealth LA	6,425,340	6,411,693
Other third-party payors and patients	<u>1,694,148</u>	<u>1,671,244</u>
Gross patient services revenues	56,472,165	49,412,808
Contractual allowance	<u>(25,617,447)</u>	<u>(24,857,271)</u>
Patient services revenues, net of contractual allowance	\$ <u>30,854,718</u>	\$ <u>24,555,537</u>

**NOTE 4 PATIENT ACCOUNTS RECEIVABLE**

JWCH grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The mix of receivables from patients and third-party payors at June 30 is:

	<u>2019</u>	<u>2018</u>
Medi-Cal	\$ 9,583,258	\$ 4,929,918
Medicare	1,232,795	1,342,051
MyHealth LA	529,809	579,589
Other third-party payers and patients	<u>1,827,814</u>	<u>924,347</u>
Gross patient accounts receivable	13,173,676	7,775,905
Allowance for doubtful accounts	<u>(1,248,446)</u>	<u>(916,785)</u>
Patient accounts receivable, net	\$ <u>11,925,230</u>	\$ <u>6,859,120</u>

**NOTE 5 GRANTS AND CONTRACTS RECEIVABLE**

At June 30, grants and contracts receivable consisted of the following:

	<b>2019</b>	<b>2018</b>
Recuperative Care/Department of Health Services	<b>\$ 1,137,088</b>	\$ 868,888
Consolidated Health Centers Program Cluster	<b>965,941</b>	283,573
ICMS-Wesley Health Centers' ESP/Department of Health Services	<b>618,946</b>	388,687
LA Care Foundation	<b>630,000</b>	-
S.Mark Taper Foundation	<b>350,000</b>	-
Oral Health Services/Department of Health Services	<b>284,756</b>	174,019
Drug Medi-Cal/Substance Abuse Prevention and Control	<b>281,259</b>	-
Lifeline Grant Program/CHFFA	<b>250,000</b>	-
HIV/AIDS Program Grant - Counseling and Testing	<b>222,248</b>	111,956
HIV/AIDS Program Grant - Medical Care Coordination	<b>209,353</b>	161,682
Recuperative Care (Bell Shelter)/Department of Health Services	<b>203,224</b>	96,957
Homeless Navigator/Kaiser	<b>202,550</b>	-
Housing Opportunities for Persons with AIDS/AIDS Project Los Angeles	<b>150,356</b>	-
Recuperative Care/IPA	<b>122,765</b>	-
General Program Services/Substance Abuse Prevention and Control	<b>101,590</b>	158,225
Information and Education	<b>100,454</b>	-
Good Hope Medical Foundaiton	<b>100,000</b>	-
Comprehensive HIV Intervention Project - Centers for Disease Control and Prevention	-	119,754
Other Grants	<b>1,480,272</b>	2,018,004
Grants and contracts receivable	<b>7,410,802</b>	4,381,745
Allowance for doubtful accounts	<b>(102,483)</b>	(50,822)
Grants and contracts receivable, net	<b>\$ 7,308,319</b>	\$ 4,330,923

**NOTE 6      PROPERTY AND EQUIPMENT**

At June 30, property and equipment consisted of the following:

	<b>2019</b>	<b>2018</b>
Non-depreciable assets:		
Land	\$ <b>4,422,569</b>	\$ 3,269,757
Construction in progress	<b>639,503</b>	2,171,952
Total non-depreciable assets	<b>5,062,072</b>	5,441,709
Depreciable assets:		
Building	<b>4,095,243</b>	3,645,243
Building improvements	<b>7,794,366</b>	5,216,208
Equipment and furniture	<b>4,830,594</b>	4,313,241
Total depreciable assets	<b>16,720,203</b>	13,174,692
Less: Accumulated depreciation	<b>(5,098,548)</b>	(4,327,242)
Total depreciable assets, net	<b>11,621,655</b>	8,847,450
Total property and equipment, net	<b>\$ 16,683,727</b>	\$ 14,289,159

Provision for depreciation and amortization for the years ended June 30, 2019 and 2018 amounted to \$771,306 and \$643,609, respectively.

**NOTE 7      PAYROLL AND RELATED LIABILITIES**

At June 30, accrued payroll and related liabilities consisted of the following:

	<b>2019</b>	<b>2018</b>
Accrued salaries	\$ <b>1,135,600</b>	\$ 939,968
Accrued vacation and sick leave	<b>1,076,557</b>	887,212
Pension plan contributions	<b>405,232</b>	357,163
Other	<b>615,715</b>	386,913
	<b>\$ 3,233,104</b>	\$ 2,571,256

**NOTE 8      LONG-TERM LOANS PAYABLE**

At June 30, long-term loans payable consisted of the following:

	<b>2019</b>	2018
Citibank, obtained on August 3, 2017; original principal amount of \$3,106,936; accruing interest at 4.36% per annum; maturing on August 3, 2032. The loan is secured by the Deed of Trust.      \$	-	\$ 2,969,626
Citibank, obtained on August 28, 2015; original principal amount of \$750,000; accruing interest at 3.80% per annum; maturing on August 28, 2020. The loan is collateralized by Organization's assets.	-	340,080
ProAmerica, obtained on September 12, 2014, original principal amount of \$1,350,000; accruing interest at 6% per annum; maturing on September 15, 2021. The loan is secured by the Deed of Trust on property.	<b>1,219,893</b>	1,249,904
ProAmerica, obtained on June 25, 2013; original principal amount of \$737,000; accruing interest at 6% per annum; maturing on December 31, 2023. The loan is secured by the Deed of Trust on property.	<b>654,721</b>	671,778
ProAmerica, obtained on May 5, 2016, original principal amount of \$115,000; accruing interest at 5.50% per annum; maturing on May 7, 2019. The loan is unsecured.	-	33,771
California Health Facilities Financing Authority, obtained on April 1, 2009; original principal amount of \$750,000; accruing interest at 3% per annum; maturing on April 1, 2024. The loan is secured by the Deed of Trust on property.	<b>279,315</b>	332,224
VFI, obtained on February 11, 2016, original principal amount of \$813,6180; maturing on February 11, 2019. The loan is secured by Organization's equipment.	<b>119,295</b>	450,646
Ford Credit, various loans obtained in 2016 and 2017; total principal amount of \$158,435; accruing interest between 0% to 4.99% per annum; maturing in 2021 to 2023. The loans are secured by vehicles.	<b>76,196</b>	107,675
Honda Financial Services, obtained on September 23, 2016, original principal amount of \$24,257; accruing interest at 1.90% per annum; maturing on October 7, 2021. The loan is secured by Organization's vehicle.	<b>11,207</b>	16,036
US Bank, obtained on February 9, 2018, original principal amount of \$25,650; accruing interest at 6.56% per annum; maturing on March 31, 2021. The loan is secured by Organization's equipment.	<b>15,573</b>	23,704

(continued)

**NOTE 8      LONG-TERM LOANS PAYABLE (CONTINUED)**

	2019	(continued) 2018
Great America Financial Services, obtained on April 27, 2018, original principal amount of \$42,012; accruing interest at 1.80% per annum; maturing on May 31, 2021. The loan is secured by Organization's equipment.	<b>26,166</b>	39,676
Pacific Premier Bank, obtained on August 21, 2018, original principal amount of \$370,000; accruing interest at 4.45% per annum; maturing on August 30, 2021. The loan is secured by UCC Blanket Filing.	<b>271,013</b>	-
Pacific Premier Bank, obtained on August 21, 2018; original principal amount of \$3,100,000; accruing interest at 4.30% per annum; maturing on November 1, 2028. The loan is secured by the Deed of Trust on property.	<b>3,041,409</b>	-
Pacific Premier Bank, obtained on August 21, 2018; original principal amount of \$2,260,000; accruing interest at 4.50% per annum; maturing on September 1, 2028. The loan is secured by the Deed of Trust on property.	<b>2,108,141</b>	-
Pacific Premier Bank, obtained on October 24, 2018; original principal amount of \$907,500; accruing interest at 4.50% per annum; maturing on November 1, 2028. The loan is secured by the Deed of Trust on property.	<b>894,168</b>	-
Pacific Premier Bank, obtained on June 10, 2019; original principal amount of \$2,000,000; accruing interest at 6.00% per annum; maturing on October 1, 2024. The loan is secured by the Deed of Trust on property.	<b>2,000,000</b>	-
LA Care, obtained on May 1, 2019, original principal amount of \$800,000; maturing on May 1, 2024. The loan is secured by the Deed of Trust. The remaining balance is net of discount \$85,421.	<b>687,912</b>	-
Great America Financial Services, obtained on August 30, 2018, original principal amount of \$16,595; accruing interest at 3.50% per annum; maturing on July 30, 2021. The loan is secured by Organization's equipment.	<b>12,050</b>	-
US Bank, obtained on December 31, 2018, original principal amount of \$23,882; accruing interest at 6.83% per annum; maturing on December 31, 2021. The loan is secured by Organization's equipment.	<b>20,850</b>	-
	<b>11,437,909</b>	6,235,120
Less: current portion	<b>1,065,080</b>	822,908
Long-term loans payable, net of current portion	<b>\$ 10,372,829</b>	\$ 5,412,212

**NOTE 8      LONG TERM LOANS PAYABLE (CONTINUED)**

The Organization has secured bank loans with First Choice Bank and Pacific Premier Bank. According to the terms of the agreements, the Organization is required to submit audited financial statements within 270 days for the two banks after fiscal year-end. However, for the fiscal year ended June 30, 2019, the Organization obtained extension letters from the two banks to submit audited financial statements by August 12, 2020.

The principal and interest maturities of long term loans for each of the next five years subsequent to June 30, 2019 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,065,080	\$ 500,518
2021	1,106,212	487,036
2022	2,107,844	386,746
2023	967,959	320,075
2024	1,532,263	251,788
Thereafter	<u>4,658,551</u>	<u>715,071</u>
	<u>\$ 11,437,909</u>	<u>\$ 2,661,234</u>

**NOTE 9      LINE OF CREDIT**

The Organization has a revolving line of credit from a bank for \$5,000,000 to finance working capital requirements. The revolving line of credit bears interest at a rate per annum equal to the greater of the bank's prime rate or the Minimum Interest Rate plus in each case a margin of 1%. At June 30, 2019, the interest rate was 4.75%. The revolving line of credit is offered until cancellation by either the Organization or the bank. At June 30, 2019 and 2018, \$2,631,669 and \$236,069 were outstanding under the line of credit, respectively.

**NOTE 10      PENSION PLAN**

The Organization has a defined contribution pension plan covering all eligible employees. After one year of employment, eligible employees are enrolled and are 33% vested for their first year of participation for the Employer Match contribution. Thereafter, they are 33% vested for each subsequent year until they are 100% vested at the third year of participation. For the Employer Base Contributions (Safe Harbor), the values are fully vested at 2 years of vesting service. For employees hired before July 1, 2015, the values attributable to employer base contributions are fully vested. The Organization contributes a safe harbor contribution of 3% and a matching contribution of up to 1% (total maximum 4%) of the eligible employee's compensation for fiscal years 2019 and 2018. The Organization's contributions amounted to \$886,936 and \$739,068 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 11      NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, net assets with donor restrictions consisted of the following:

	<b>2019</b>	<b>2018</b>
Support MINI House and MINI University Programs	\$ <b>200,000</b>	\$ -
Dental Equipment for Clinics	<b>175,000</b>	-
Remodeling of New Lynwood Clinic	<b>159,543</b>	-
Preventive Care Services for Children and Adolescents	<b>149,072</b>	-
Provider Recruitment Programs	<b>125,000</b>	-
Dentist for Clinic Programs	<b>120,003</b>	-
Improve HEDIS and CAHPS Scores	<b>116,220</b>	-
Homeless Health Coordinator	<b>94,580</b>	170,814
Grant for the Acquisition of Clinic	<b>85,421</b>	-
Health Home Programs	<b>60,000</b>	-
Homeless Patient Navigator	<b>42,055</b>	50,622
Urban Voice Project	<b>37,918</b>	-
Purchase i2i Licenses	<b>22,723</b>	33,600
Beds for Persons Living with HIV/AIDS	<b>20,000</b>	20,000
Dental Assistant Program - Pasadena	<b>15,000</b>	-
HEP C	<b>11,332</b>	21,139
Case Management to Reduce Low Acuity ED Usage	-	39,649
Expanded Oral Health Services	-	16,365
Care coordination for Low Income Latino Diabetic Patients	-	13,459
Corner of Hope Renovation Project	-	11,330
Safety Net Analytics Program-LA (SNAP-LA)	-	10,232
	<b>\$ 1,433,867</b>	<b>\$ 387,210</b>

**NOTE 12      LEASES**

The Organization leases certain facilities and equipment under various operating lease agreements, which will expire through August 2025. The Organization incurred \$1,492,184 and \$1,293,035 in operating lease expenses for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments under these operating leases are as follows:

<u>Year ending June 30</u>	
2020	\$ 717,955
2021	504,154
2022	405,602
2023	417,772
2024	430,304
Total minimum rental obligations	<b>\$ 2,475,787</b>

**NOTE 13      COMMITMENTS AND CONTINGENCIES**

**Government Grants and Contracts**

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

**Medical Malpractice Claims**

The Organization, including officers, governing board members, employees, and contractors who are physicians or other licensed or certified healthcare practitioners, is covered under the Federal Tort Claims Act (FTCA) which is available to clinics funded under section 330 of the Public Health Service Act. The Organization also maintains additional malpractice and general liability coverage of \$2 million and \$1 million per occurrence, \$8 million and \$3 million in aggregate, respectively. There are no known claims or incidents that may result in the assertion of additional claims as of the date of this report.

**Risks and uncertainties**

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

**Litigations**

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

**NOTE 14 AVAILABILITY OF RESOURCES AND LIQUIDITY**

At June 30, the following represents the Organization's financial assets:

	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents	\$ 3,062,129	\$ 3,070,499
Patient accounts receivable, net	11,925,230	6,859,120
Estimated amounts due from third-party payers	1,351,107	2,195,455
Grants and contracts receivable, net	7,308,319	4,330,923
Other receivables, net	163,536	80,315
Total financial assets	23,810,321	16,536,312
Less amounts not available to be used within one year		
With donor restriction	-	-
	\$ 23,810,321	\$ 16,536,312

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

**NOTE 15 ACQUISITION OF ANTELOPE VALLEY COMMUNITY CLINIC**

On May 1, 2019, JWCH acquired certain assets and liabilities of Antelope Valley Community Clinic (AVCC) through a mutually agreed-upon acquisition agreement. The acquisition enabled the patients to continue to receive care without interruption. Total purchase price was \$7,260,799, including \$3,293,154 of AVCC's payroll tax payable assumed by JWCH. Of this amount, \$6,073,894 was allocated to goodwill. No impairment was recognized during the year ended June 30, 2019.

AVCC has a payment plan in place with Internal Revenue Service and Employment Development Department with a monthly payment of \$50,000 and \$20,000 respectively toward the payroll tax payable. Payment is withdrawn from JWCH's bank account each month.

**NOTE 16 SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States.

**NOTE 16      SUBSEQUENT EVENTS (CONTINUED)**

On March 4, 2020, California Governor Gavin Newsome declared a State of Emergency in response to the spread of COVID-19 in the state of California. Healthcare and public health providers are identified as critical infrastructure by the United States Department of Homeland Security and the Organization has activated its emergency response plan. The Organization has instituted guidelines prescribed by the Centers for Disease Control to help prevent the spread of COVID-19.

It is unknown how long these conditions and orders will remain in effect, or what the complete financial effect will be to the Organization. However, management does not expect the impact to be material to JWCH Institute, Inc.'s June 30, 2019 financial statements.

Other than the events described above, no events have occurred subsequent to the balance sheet date through August 10, 2020, the date the financial statements were available to be issued, that require adjustment to, or disclosures in, the financial statements.

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

**To the Board of Directors of  
JWCH Institute, Inc.**

We have audited, 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, the financial statements of JWCH Institute, Inc.(the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 10, 2020.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Vagueney &amp; Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California**  
**August 10, 2020**



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**JWCH Institute, Inc.  
Single Audit Report  
Year Ended June 30, 2019  
with Report of Independent Auditors**

**JWCH Institute, Inc.**  
**Single Audit Report**  
***Year Ended June 30, 2019***  
***with Report of Independent Auditors***

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

**To the Board of Directors  
JWCH Institute, Inc.**

We have audited, 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, the financial statements of JWCH Institute, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 10, 2020.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Vaqueria &amp; Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California  
August 20, 2020**

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

**Board of Directors  
JWCH Institute, Inc.**

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

We have audited JWCH Institute, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's 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 the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.



## **Opinion on Each Major Federal Program**

In our opinion, JWCH Institute, Inc. 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 June 30, 2019.

## **Report on Internal Control over Compliance**

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

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

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

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



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

We have audited the financial statements of the Organization as of and for the year ended June 30, 2019, and have issued our report thereon dated August 10, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Vaqueria &amp; Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California  
August 20, 2020**

**JWCH Institute, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Through Entity/ Grant Award Number	Grant Term	Grant Award Amount	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>						
<i>Passed through AIDS Project Los Angeles:</i>						
Housing Opportunities for Persons with AIDS	14.241	C-116201	04/01/18 - 03/31/19	\$ 453,660	\$ 282,193	-
Housing Opportunities for Persons with AIDS	14.241	C-116201	04/01/19 - 06/30/19	246,250	91,575	-
<b>Total U.S. Department of Housing and Urban Development</b>				<u>699,910</u>	<u>373,768</u>	<u>-</u>
<b>U.S. Department of Health and Human Services - Public Health Service Act</b>						
<i>Health Center Program Cluster:</i>						
<i>Direct Programs:</i>						
Community Health Centers Program, Sectio 330	93.224	H80CS06673	01/01/17 - 12/31/19	7,230,124	5,762,338	-
<i>Passed through Northeast Valley Health Corporation:</i>						
Health Care for the Homeless	93.224	H80CS00139	05/01/18 - 12/31/19	378,714	251,443	-
Total Health Center Program Cluster*				<u>7,608,838</u>	<u>6,013,781</u>	<u>-</u>
<i>Direct Programs:</i>						
Comprehensive High-Impact HIV Prevention Projects for CBO	93.939	5NU65PS004749	07/01/15 - 06/30/20	3,512,505	697,681	191,539
Substance Abuse and HIV Prevention Services for At-Risk Racial/Ethnic Minority	93.243	5H79SP021278	09/30/15 - 09/29/20	1,419,375	237,366	16,250
LAST aimed at MSM and homeless persons in Los Angeles County	93.243	1H79TI080689	09/30/17 - 09/29/22	2,500,000	336,146	109,152
LA HIP	93.243	1H79SM080557	09/30/18 - 09/29/22	1,940,000	76,727	-
			Subtotal	<u>9,371,880</u>	<u>1,347,920</u>	<u>316,941</u>
<i>Passed through Black AIDS Institute:</i>						
Comprehensive High-Impact HIV Prevention Projects for CBO	93.939	5 NU65PS004721	07/01/18 - 06/30/19	80,665	60,593	-
<i>Passed through Essential Access Health:</i>						
Family Planning Services	93.217	2850-5320-71209-17-18	04/01/17 - 03/31/19	264,770	122,892	-
Family Planning Services	93.217	2850-5320-71209-17-18	04/01/19 - 03/31/20	215,000	38,264	-
				<u>479,770</u>	<u>161,156</u>	<u>-</u>
<i>Passed through County of Los Angeles Division of HIV and STD Program:</i>						
HIV Prevention Programs	93.940	PH 000829	01/01/16 - 12/31/19	468,750	320,423	-
HIV/AIDS Counseling and Testing Prevention Services	93.940	PH 000813	01/01/16 - 12/31/19	129,168	99,500	-
HIV/AIDS Biomedical HIV Prevention Services/PrEP and PEP/EDI	93.940	PH 003084	09/30/16 - 09/30/19	115,580	89,615	-
			Subtotal	<u>713,498</u>	<u>509,538</u>	<u>-</u>
<i>Passed through Matrix Institute on Addictions, Inc.:</i>						
Substance Abuse Prevention and Treatment Grant	93.788	N/A	02/01/18 - 06/30/19	160,000	83,119	-
<i>Passed through California Department of Public Health:</i>						
Substance Abuse Prevention and Treatment Grant	93.959	PH 002868	02/01/15 - 06/30/19	\$ 2,200,000	\$ 224,637	-

(continued next page)

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**JWCH Institute, Inc.**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity/ Grant Award Number	Grant Term	Grant Award Amount	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services - Social Security Act</b>						
<i>Passed through California Department of Public Health:</i>						
Temporary Assistance For Needy Families (TANF)	93.778	16-10045	07/01/18 - 06/30/19	\$ 384,787	\$ 126,392	-
<b>U.S. Department of Health and Human Services - Public Health Service Act, Patient Protection and Affordable Care Act, Consolidated and Further Continuing Appropriations</b>						
<i>Direct Programs:</i>						
Health Infrastructure Investment Program	93.526	C8DCS29080	09/30/15 - 9/29/18	878,807	137,233	-
<b>U.S. Department of Health and Human Services - Ryan White HIV/AIDS Treatment Modernization Act</b>						
<i>Direct Programs:</i>						
HIV/AIDS Ryan White Part C Outpatient EIS Program	93.918	H76HA24733	05/01/18 - 04/30/19	262,990	232,663	-
HIV/AIDS Ryan White Part C Outpatient EIS Program	93.918	H76HA24733	05/01/19 - 04/30/20	262,990	50,331	-
			Subtotal	525,980	282,994	-
<i>Passed through County of Los Angeles Division of HIV and STD Program (Ryan White Program Part A Funds)</i>						
HIV Case Management, Psychosocial - Transitional Case Management Services	93.914	H-300114	03/01/19 - 02/29/20	105,328	103,897	-
HIV/AIDS Ambulatory/Outpatient Medical Services	93.914	PH-002338	03/01/18 - 02/28/19	600,000	94,883	-
HIV/AIDS Ambulatory/Outpatient Medical Services	93.914	PH-003751	03/01/19 - 02/28/22	1,743,369	50,493	-
HIV/AIDS Medical Care Coordination Services	93.914	PH-002341	03/01/16 - 02/28/19	1,608,724	416,102	-
HIV/AIDS Medical Care Coordination Services	93.914	PH-003752	03/01/19 - 02/28/22	2,193,714	209,346	-
HIV/AIDS Oral Health Care (Dental) Services	93.914	PH-002156	03/01/19 - 02/29/20	883,256	842,580	232,531
HIV/AIDS Mental Health	93.914	PH-003361	08/08/17 - 02/29/20	888,315	77,083	-
HIV/AIDS Benefit Specialty Services	93.914	PH-003056	04/01/18 - 03/31/19	92,024	35,694	-
HIV/AIDS Benefit Specialty Services	93.914	PH-003056	04/01/19 - 02/29/20	92,024	8,244	-
Total Ryan White Program Part A Funds*				8,206,754	1,838,321	232,531
<b>Total U.S. Department of Health and Human Services</b>				30,610,979	10,785,684	549,472
<b>TOTAL FEDERAL AWARDS</b>				\$ 31,310,889	\$ 11,159,452	\$ 549,472

\* Denotes major program.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**NOTE 1           BASIS FOR PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal award activity of JWCH Institute, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE 2           BASIS OF ACCOUNTING**

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

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

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

Consistent with management's policy, federal awards are recorded in various revenue categories as grants from other sources, which are together reported as government grants and contracts revenues in the Organizations Financial Statements. As a result, the amount of total federal awards expended on the Schedule does not agree to total government grants and contracts revenues on the Statement of Activities as presented in the Organization's Financial Statements as of and for the year ended June 30, 2019.

**Section I – Summary of Auditors’ Results**

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Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(ies) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(ies) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? None

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Center Program Cluster
93.914	HIV Emergency Relief Project Grants

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

Auditee qualified as a low-risk auditee? Yes

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**Section II – Financial Statement Findings**

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There were no financial statement findings noted for the year ended June 30, 2019.

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**Section III – Federal Award Findings**

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There were no federal award findings noted for the year ended June 30, 2019.



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