VENICE FAMILY CLINIC

(A NONPROFIT ORGANIZATION)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014
AND
SUPPLEMENTAL SCHEDULES REQUIRED
BY *OMB CIRCULAR A-133* AND
THE CALIFORNIA DEPARTMENT OF EDUCATION
FOR THE YEAR ENDED
JUNE 30, 2014

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(A NONPROFIT ORGANIZATION)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Venice Family Clinic
Venice, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Venice Family Clinic and affiliate (the "Clinic"), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Clinic as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Clinic's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent in all material respects with the audited consolidated financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and consolidating and other supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The schedule of expenditures of federal awards and consolidating and other supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 December 15, 2014 on our consideration of the Clinic'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 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 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 Clinic's internal control over financial reporting and compliance.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
December 15, 2014

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2014
(with Comparative Totals at June 30, 2013)

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	$ 1,687,685	$ 2,199,137
Short-term investments	405,266	2,146,962
Accounts receivable, net of allowance for doubtful accounts of $564,958 and $328,689, respectively	1,637,977	1,020,009
Grants and contributions receivable – short-term, net of allowance for doubtful accounts of $25,000 and $25,000, respectively	3,860,421	3,383,500
Pharmaceutical inventories	1,120,684	975,104
Prepaid expenses and other assets	96,553	115,551
Total current assets	8,808,586	9,840,263
Long-term investments	4,948,490	4,348,161
Contributions receivable – long-term, net of present value discount	495,608	1,759,934
Beneficial interest in charitable remainder trusts	526,904	486,808
Property and equipment, net	5,492,955	5,466,144
Total assets	**$ 20,272,543**	**$ 21,901,310**

LIABILITIES AND NET ASSETS

	2014	2013
Current liabilities		
Notes payable, current portion	$ 233,722	$ 561,603
Accounts payable and accrued expenses	417,069	267,348
Total current liabilities	650,791	828,951
Line of credit	1,587,759	-
Notes payable, net of current portion	121,693	1,786,383
Total liabilities	2,360,243	2,615,334
Commitments and contingencies (Note 13)		
Net assets		
Unrestricted	6,445,492	7,623,317
Temporarily restricted	5,492,751	6,188,602
Permanently restricted	5,974,057	5,474,057
Total net assets	17,912,300	19,285,976
Total liabilities and net assets	**$ 20,272,543**	**$ 21,901,310**

The accompanying notes are an integral part of these consolidated financial statements.

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014
(with Comparative Totals for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Revenues, gains and other support					
Private and community support	$ 7,093,647	$ 1,236,000	$ 500,000	$ 8,829,647	$ 7,872,213
Government support	6,805,373	-	-	6,805,373	5,981,358
Third-party reimbursement for services, net of					
contractual allowances and discounts	9,170,662	-	-	9,170,662	9,018,212
Provision for bad debts	(247,545)	-	-	(247,545)	(868,490)
Net Third-party reimbursement for services					
net of provision for bad debts	8,923,117	-	-	8,923,117	8,149,722
Interest and dividend income	51,575	221,072	-	272,647	264,442
Realized and unrealized gains					
on Investments	-	392,958	-	392,958	338,820
Gain on sale of property	-	-	-	-	1,608,392
Loss on pledges receivable	-	(150,000)	-	(150,000)	-
Net assets released from restriction	2,002,198	(2,002,198)	-	-	-
Total revenue, gains and other support	24,875,910	(302,168)	500,000	25,073,742	24,214,947
Expenses					
Program services					
Health care	15,948,251	-	-	15,948,251	15,073,384
Children First Program	2,487,400	-	-	2,487,400	2,532,792
Education and outreach	1,194,883	-	-	1,194,883	1,018,153
Common Ground	1,014,465	-	-	1,014,465	-
Total program services	20,644,999	-	-	20,644,999	18,624,329
Support services					
Management and general	4,082,330	-	-	4,082,330	3,704,732
Fundraising	1,850,880	-	-	1,850,880	1,647,811
Total supporting services	5,933,210	-	-	5,933,210	5,352,543
Total expenses	26,578,209	-	-	26,578,209	23,976,872
In-kind contributions					
Revenue	3,396,040	6,400,097	-	9,796,137	14,923,986
Net assets released from restrictions	6,269,306	(6,269,306)	-	-	-
Total in-kind revenue	9,665,346	130,791	-	9,796,137	14,923,986
Expenses (in-kind)					
Program services					
In-kind laboratory and x-ray services	1,391,170	-	-	1,391,170	1,888,000
Physician and other clinical volunteers	1,499,788	-	-	1,499,788	1,843,165
Children First Program volunteers	16,302	-	-	16,302	17,739
In-kind pharmaceutical & lab supplies	6,269,307	-	-	6,269,307	10,521,407
Other in-kind supplies and services	244,074	-	-	244,074	272,473
In-kind insurance	244,705	-	-	244,705	209,993
Total expenses (in-kind)	9,665,346	-	-	9,665,346	14,752,777
Net in-kind contributions	-	130,791	-	130,791	171,209
Surplus (deficit) before net assets released for					
capital expenditure	(1,702,299)	(171,377)	500,000	(1,373,676)	409,284
Net assets released for capital expenditure	524,474	(524,474)	-	-	-
Change in net assets	(1,177,825)	(695,851)	500,000	(1,373,676)	409,284
Net assets, beginning of year	7,623,317	6,188,602	5,474,057	19,285,976	18,876,692
Net assets, end of year	**$ 6,445,492**	**$ 5,492,751**	**$ 5,974,057**	**$ 17,912,300**	**$ 19,285,976**

The accompanying notes are an integral part of these consolidated financial statements.

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014
(with Comparative Totals for the Year Ended June 30, 2013)

	Program Services					Supporting Services			
	Health Care	Children First Program	Education and Outreach	Common Ground	Total	Management and General	Fundraising	2014 Total	2013 Total
Salaries	$ 9,421,188	$ 1,332,876	$ 696,899	$ 449,356	$ 11,900,319	$ 1,805,732	$ 864,978	$ 14,571,029	$ 13,278,897
Employee benefits	4,111,534	616,497	324,187	190,340	5,242,558	738,549	322,223	6,303,330	5,480,027
	13,532,722	1,949,373	1,021,086	639,696	17,142,877	2,544,281	1,187,201	20,874,359	18,758,924
Child care	-	123,245	-	-	123,245	-	-	123,245	135,850
Computer/software/office supplies	168,864	12,803	21,875	4,526	208,068	72,013	1,716	281,797	185,022
Equipment and supplies	18,523	-	1,367	-	19,890	4,500	-	24,390	53,377
Family ER Assistance	2,007	700	-	-	2,707	-	-	2,707	-
Fundraising event expenses	-	-	-	-	-	-	540,456	540,456	452,263
Insurance	-	3,446	-	5,655	9,101	214,687	-	223,788	209,588
Interest	-	-	-	-	-	73,202	-	73,202	101,009
Laboratory, x-ray and dental services	19,756	-	-	46,565	66,321	-	-	66,321	77,001
Licenses, fees and dues	31,826	3,784	135	302	36,047	305,168	27,753	368,968	271,776
Medical supplies and medical waste removal	210,819	-	-	15,781	226,600	-	-	226,600	211,317
Miscellaneous	12,789	7,238	19,843	8,354	48,224	24,317	21,231	93,772	100,508
Participant supplies/activities/incentives	8,500	29,029	14,991	19,701	72,221	-	600	72,821	86,181
Pharmaceutical and lab supplies	386,301	-	1,692	116,499	504,492	-	-	504,492	183,982
Postage, printing and subscriptions	37,395	11,864	8,892	1,690	59,841	7,851	16,518	84,210	137,905
Professional and contractual fees	325,415	31,297	29,917	61,366	447,995	317,273	19,183	784,451	941,030
Repairs and maintenance	358,334	36,423	11,496	4,253	410,506	66,874	11,924	489,304	479,978
Telephone	47,981	18,183	1,480	6,826	74,470	108,937	1,044	184,451	155,248
Transportation of patients/clients	17,258	1,343	599	-	19,200	-	-	19,200	24,742
Travel, training and workshops	25,749	87,169	8,081	5,594	126,593	7,817	5,176	139,586	105,223
Utilities and rent	174,013	94,309	13,088	11,953	293,363	270,555	4,108	568,026	482,021
Total before depreciation and amortization	15,378,252	2,410,206	1,154,542	948,761	19,891,761	4,017,475	1,836,910	25,746,146	23,152,945
Depreciation and amortization	569,999	77,194	40,341	65,704	753,238	64,855	13,970	832,063	823,927
Total functional expenses, excluding in-kind	15,948,251	2,487,400	1,194,883	1,014,465	20,644,999	4,082,330	1,850,880	26,578,209	23,976,872
In-kind expenses	9,427,120	238,226	-	-	9,665,346	-	-	9,665,346	14,752,777
Total functional expenses	**$ 25,375,371**	**$ 2,725,626**	**$ 1,194,883**	**$ 1,014,465**	**$ 30,310,345**	**$ 4,082,330**	**$ 1,850,880**	**$ 36,243,555**	**$ 38,729,649**

The accompanying notes are an integral part of these consolidated financial statements.

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014
(with Comparative Totals for the Year Ended June 30, 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	$ (1,373,676)	$ 409,284
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	832,063	823,927
(Recovery) provision for allowance for doubtful accounts	5,809	(14,690)
Net realized and unrealized gains on long-term investments	(392,958)	(338,820)
Contributions to endowment funds	(500,000)	(200,000)
Gain on disposal of property	-	(1,608,392)
Changes in operating assets and liabilities		
Accounts receivable	(1,035,228)	2,197,228
Write off of accounts receivable	411,451	(653,247)
Grants and contributions receivable	787,405	521,002
Pharmaceutical inventories	(145,580)	(174,397)
Prepaid expenses and other assets	18,998	(592)
Accounts payable and accrued expenses	149,721	39,117
Net cash provided by (used in) operating activities	(1,241,995)	1,000,420
Cash flows from investing activities		
Purchases of property and equipment	(856,311)	(55,490)
Purchases of investments	(250,000)	(1,700,000)
Net proceeds from sale of investments	1,741,666	614,720
Net proceeds from sale of properties	-	1,855,103
Net cash provided by investing activities	635,355	714,333
Cash flows from financing activities		
Payments on debt	(404,812)	(1,409,840)
Contributions to endowment funds	500,000	200,000
Net cash used in financing activities	95,188	(1,209,840)
Net increase (decrease) in cash and cash equivalents	(511,452)	504,913
Cash and cash equivalents, beginning of year	2,199,137	1,694,224
Cash and cash equivalents, end of year	**$ 1,687,685**	**$ 2,199,137**
Supplemental disclosure of cash flow information		
Interest paid	**$ 73,202**	**$ 68,037**

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS

Venice Family Clinic and affiliate (the "Clinic") is a private, nonprofit, community-based clinic founded in 1970 to meet the health care needs of the low-income residents of Venice, California and the surrounding community. The Clinic's mission is to "provide quality primary health care to people in need."

The consolidated financial statements include the accounts of the Venice Family Clinic ("VFC") and the Venice Family Clinic Foundation (the "Foundation"), collectively, the Clinic.

VFC serves as a medical home, providing coordinated and comprehensive medical, dental and mental health services that include pediatrics, general adult medicine, women's, senior, homeless and chronic care services, prenatal care, specialty clinics in cardiology, dermatology, ear/nose/throat, gastroenterology, gynecology, neurology, ophthalmology, optometry, orthopedics and podiatry, psychological services, diagnostic tests and medications. Health care is provided six days and four evenings per week, with 71,078 primary health care visits, 3,670 specialty care visits, 4,453 dental visits, 5,633 mental health care visits and 7,668 health education visits provided during the year ended June 30, 2014 (unaudited).

During the year ended June 30, 2014, VFC provided services to 20,223 unduplicated patients (unaudited), primarily the uninsured working poor, unemployed and homeless, the vast majority of which have incomes below the poverty level and no health insurance. A high proportion of VFC's children and adult patients are minority group members. VFC's primary service area includes Venice, Santa Monica, Palms, Mar Vista, Inglewood, Culver City and Midtown, all in Los Angeles County.

VFC is affiliated with the UCLA School of Medicine. As part of this affiliation, UCLA provides payroll and personnel services, personnel training services and workers' compensation insurance to VFC at minimal charge and medical malpractice insurance at no charge. VFC contributes to the University of California Retirement Plan ("UCRP" or the "Plan") as part of its affiliation agreement between Venice Family Clinic and UCLA.

VFC trains medical residents from eleven residency programs at UCLA, Santa Monica-UCLA Medical Center and Orthopaedic Hospital, Kaiser Permanente-Sunset, Cedars-Sinai Medical Center and the Veterans Administration. Approximately 1,318 people volunteered in fiscal year 2014 (unaudited), including approximately 330 physicians (unaudited). The Clinic estimates that it received 47,676 (unaudited) total volunteer hours, including 7,057 (unaudited) general and administrative volunteer hours; such general and administrative hours are not represented in the financial statements in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 – NATURE OF OPERATIONS (Continued)

VFC provides services to eligible patients under Medi-Cal, Healthy Families, Healthy Kids and Medicare programs. Under the Prospective Payment System ("PPS") program, VFC receives a fixed rate reimbursement from Medi-Cal. The rate is adjusted every October for annual Medicare Economic Indexes ("MEI") increases. Medicare services are reimbursed on a fee schedule, subject to certain limitations.

In 1995, VFC applied for and was awarded an Early Head Start grant ("The Children First Program"). The Early Head Start grant is contingent upon the availability of federal funds and satisfactory performance under the terms and conditions of the Head Start grant in the current budget period. The goals of the program are to strengthen the development of the child and promote the social and economic self-sufficiency of the family. During the fiscal year ended June 30, 2014, funding of $2,606,330, was provided for this program. VFC renewed its funding from the Early Head Start through December 2014.

The Foundation was incorporated, received its tax-exempt status from both the Internal Revenue Service and the State Franchise Tax Board and began operations on July 30, 2010. The Foundation's specific purpose is to support, through financial and in-kind contributions, provision of services and community outreach, the mission of the Clinic, to provide quality primary health care to people in need. In addition, the Foundation holds the annual Venice Art Walk to raise funds for the Clinic.

On October 15, 2013, the Clinic acquired the assets and liabilities of Common Ground, a nonprofit organization. Upon completion of the acquisition, Common Ground ceased operations. Both organizations historically share a common mission of meeting the health care needs of the low-income residents of Southern California. Through the acquisition, Venice Family Clinic seeks to further its mission by achieving greater economies of scale by integrating operational overhead and other organizational synergies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The consolidated financial statements are presented utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)
The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Clinic's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

All significant intercompany transactions between VFC and the Foundation have been eliminated in consolidation.

Reclassifications
Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation.

Classes of Net Assets
The Clinic reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets are either not restricted by donors, or the donor-imposed restrictions have expired.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Clinic to use or expend the assets as specified as the restrictions are satisfied either by the passage of time or by actions of the Clinic.
- Permanently restricted net assets ("endowment funds") contain donor-imposed restrictions that stipulate the resources must be maintained in perpetuity. Income from permanently restricted investments is recorded as temporarily restricted, except where the instructions of the donor specify otherwise.

Cash and Cash Equivalents
For the purpose of the statement of cash flows, the Clinic considers all temporary, short-term, highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices, in the statement of financial position. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued
Investments received through gifts are recorded at estimated fair value at the date of donation.

Dividend and interest income are accrued when earned. Dividend and interest income earned from investments in all net asset classifications is allocated based on the individual investment asset as a percentage of total investment assets. Income from permanently restricted investments is recorded as temporarily restricted, except where the instructions of the donor specify otherwise.

Patient Accounts Receivable
Patient accounts receivable are recorded based on an all-inclusive rate for each visit, with final settlement accounts receivable determined by the Medi-Cal Managed Care services after submission of annual reconciliation reports. Amounts collected on patient accounts receivable are included in net cash provided by operating activities in the statements of cash flows. The Clinic maintains an allowance for doubtful accounts for estimated losses inherent in its patient accounts receivable portfolio. In establishing the required allowance, management considers historical losses, current receivable aging and existing industry and national economic data. The Clinic reviews its allowance for doubtful accounts annually. Past-due balances over ninety days and over a specified amount are reviewed individually for collectability.

Allowance for doubtful accounts recognized for third party payers for the years ended June 30, 2014 and 2013 amounted to $564,958 and $328,689, respectively.

Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Clinic does not have any off-balance sheet credit exposure related to its patients.

Pharmaceutical Inventories
Purchased inventories are stated at the lower of cost FIFO (“first-in, first-out method”) or market. Donated inventories are stated at acquisition prices at the date of contribution. Acquisition prices are based on the federal 340B Drug Pricing Program which provides access to reduced price prescription drugs to eligible Federally Qualified Health Center (“FQHC”) entities such as the Clinic.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interests
Donors have established and funded trusts, which are administered and controlled by organizations other than the Clinic. Under the terms of these trust agreements, the Clinic has the irrevocable right to receive all or a portion of the income earned on the trusts in perpetuity. The Clinic recognizes its beneficial interests in these trusts as temporarily restricted net assets based on the fair value of the assets. Distributions of investment income from these trusts are included in interest and other investment income in the accompanying statement of activities and reflected as unrestricted net assets, unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

Property and Equipment
Property and equipment are stated at cost or, for those assets acquired by gift or bequest, the estimated fair market value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Building and improvements	30 years
Furniture and equipment, including software	5 years
Leasehold improvements	Shorter of initial lease period or useful life of asset

The Clinic capitalizes assets $5,000 and over that meet the capitalization criteria.

Long-lived Assets
The Clinic accounts for its long-lived assets with definite useful lives in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") Topic No. 360, *Accounting for the Impairment or Disposal of Long-Lived Assets.* Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Clinic first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. The Clinic determined that none of its long-lived assets were impaired during the year ended June 30, 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private and Community Support Revenue

Contributions are recorded in unrestricted net assets and are considered to be available for use unless specifically restricted by the donor. Donor restricted contributions received and expended in the same reporting periods are recorded as unrestricted support. Conditional contributions are recognized as revenue and recorded in unrestricted net assets when the conditions on which they depend have been substantially met.

Unconditional promises to give ("pledges") are recorded as receivables and contributions, distinguishing between contributions received for each net asset class in accordance with donor-imposed restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided, if necessary, based on management's judgment, including such factors as prior collection history, type of contribution, nature of fundraising activity and when time requirements are expected to be met.

The Clinic records contributions as temporarily restricted if donor stipulations limit their use either through purpose or time. When donor restrictions expire, that is, when a time period ends or a purpose is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Government Support Revenue

Revenue from cost reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or an advance, whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Third-party Reimbursement for Services

VFC provides primary care services to patients covered under the Medi-Cal managed care program. Under this program, VFC is paid at a negotiated fixed fee on a per-member-per-month basis regardless of the medical services provided to the member. However, as a Federally Qualified Health Center ("FQHC"), VFC is entitled to additional reimbursements through a reconciliation of the differences between its all-inclusive rate per visit against the capitation or fee-for-service it receives from health maintenance organizations ("HMOs") and the Code 18 rate paid by the State. VFC is not responsible for services rendered to members outside its clinics.

VFC also has agreements with third-party payers that provide for payments to VFC at amounts different from its established fee for service rates. VFC is reimbursed for patient services by Medi-Cal by means of an all-inclusive rate for each visit, with final settlement determined by the Medi-Cal Managed Care services after submission of annual reconciliation reports and audits thereof by the State Financial Audits Branch. VFC's Medi-Cal Managed Care reconciliation reports have been audited and finalized through 2011.

During the year ended June 30, 2014, the Los Angeles County Department of Health Services conducted a review of the Healthy Way LA Matched program for periods retroactive to July 1, 2011. As a result of their review, the Los Angeles County Department of Health Services recouped from the Clinic's Healthy Way Unmatched program billing receivables a total of $333,553 for Healthy LA Matched program funds which were initially received in fiscal year 2012, fiscal year 2013 and the current fiscal year. These recouped amounts have been recorded in the current fiscal year when they became known.

In 2000, the Medicare, Medicaid and State Children's Health Insurance Program Benefits Improvement and Protection Act ("BIPA") was passed. This legislation included a provision establishing a minimum Medicaid per-visit rate for each FQHC using a Prospective Payment System ("PPS") methodology. Annually, thereafter, the per-visit rate is adjusted using the Medicare Economic Index ("MEI") for primary care and any change in scope of services. BIPA also repeals the phase-out and elimination of the reasonable cost-based reimbursement methodology system under the Balanced Budget Act of 1997 as amended by the Federal Balanced Budget Refinement Act of 1999. Under BIPA, however, states may select an alternative payment methodology as long as the methodology reimburses FQHCs at least what they would receive under PPS and is agreed to by the FQHC. With the approval of California State plan amendment ("SPA") No. 01-010, effective January 1, 2001, the State has chosen to implement an optional alternative payment methodology and has established base rates (on a per-visit basis) using as-reported cost-based rates for fiscal year 2000, updated to reflect increases in the MEI.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Third-party Reimbursement for Services (Continued)
Third-party reimbursement for services, net of contractual allowances and discounts (but before the provision for bad debts), recognized from third-party payers for the years ended June 30, 2014 and 2013 amounted to $9,170,662 and $9,018,212, respectively.

Incentive-based Revenue
Under the provisions of the American Recovery and Reinvestment Act ("ARRA") of 2009, physicians are eligible for financial incentives by demonstrating "meaningful use" of an electronic health record system ("EHR"). Providers can qualify for incentives either through the Medicare program or through the Medi-Cal program. VFC has chosen the latter.

Medi-Cal providers who meet certain patient volume thresholds will qualify for up to a maximum of $63,750 per provider paid out over six years. Medi-Cal providers can receive $21,500 in incentives in year one for adopting, implementing or upgrading their EHR system, with five subsequent payments of $8,500 for demonstrating meaningful use of their EHR. The Clinic calculates the annual incentive amount by multiplying the scheduled payment by the number of eligible providers on staff. The incentives are similar to bonus payments (not reimbursements) and can be used at the Clinic's discretion.

During the fiscal year ended June 30, 2014 and 2013, VFC recorded revenue of $310,260 and $0, respectively, under this program. The Clinic will record further revenue related to this incentive program if it is able to continue to demonstrate meaningful use.

Charity Care
The Clinic defines "charity care" as services rendered for which the patient shall not be held liable. The Clinic is committed to providing quality health care for certain members of its community, including the poor and underserved who cannot afford health insurance, copays and deductibles. During the years ended June 30, 2014 and 2013, the Clinic provided charity care of $10,603,010 and $9,257,092, respectively, to its patients, which has been calculated as the difference between total health care costs less net third party reimbursements for services.

In-kind Contributions
In-kind contributions are recorded at their estimated fair market value at the time services are pledged or rendered or goods are received. They include donations of laboratory and diagnostic services provided primarily by hospitals, time donated by physicians and other health care volunteers, drugs for clinical activities and donations of goods and services in connection with the operations of the Clinic.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Clinic has been designated as tax-exempt under Internal Revenue Code Section 501(c)(3) and is also exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code.

Effective July 1, 2009, the Clinic adopted FASB ASC Topic No. 740, *Uncertainty in Income Taxes* ("ASC 740"). In accordance with ASC 740, the Clinic recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Clinic has not recorded any uncertain tax positions. The Clinic recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the year ended June 30, 2014, the Clinic did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

The Foundation's income tax return remains subject to examination for the tax years ended on or after June 30, 2013 with regard to all tax positions and results reported. The following table summarizes the open tax years for VFC for each major jurisdiction:

Jurisdiction	Open Tax Years
Federal	2011 – 2013
State	2010 – 2013

Estimated Fair Value of Financial Instruments

The Clinic accounts for the fair value of its financial instruments in accordance with FASB ASC Topic No. 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value and requires enhanced disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

ASC 820 requires enhanced disclosures about financial instruments that are measured and reported at fair value. ASC 820 establishes a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring fair value. Market price observability is impacted by a number of factors, including the type of instrument, the characteristics specific to the instrument and the state of the marketplace (including the existence and transparency of transactions between market participants). Instruments with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Instruments (Continued)
Instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities. The type of instruments that would generally be included in Level 1 includes listed equity securities.

Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date but are other than quoted prices in active markets as in Level 1. The types of instruments that would generally be included in Level 2 include publicly traded securities with restrictions on disposition.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The types of instruments that would generally be included in Level 3 include debt and equity securities issued by private entities and real estate.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement.

The Clinic’s financial instruments include cash and cash equivalents, accounts receivables, grants receivables, pledges receivables, accounts payables, accrued expenses, and notes payable. The carrying values for cash and cash equivalents, accounts receivable and grants receivable due in less than one year and accounts payable and accrued expenses approximate fair values due to the short maturity of these instruments. The carrying values for long-term pledges receivable have been discounted using an appropriate discount rate to approximate fair value. The carrying values of investments are reflected at estimated fair value as described in Note 3 to the financial statements. The carrying amount of the notes payable approximates its fair value as these financial instruments earn or are charged interest based on the prevailing rate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments which potentially subject the Clinic to concentrations of credit risk consist primarily of cash and cash equivalents, investments (including the beneficial interest held by others) and pledges and receivables.

The Clinic places its cash and cash equivalents with high-credit, quality financial institutions. These account balances usually exceed amounts insured by the Federal Deposit Insurance Corporation (the "FDIC"). Effective January 1, 2013, the FDIC will insure up to $250,000 under the FDIC's general deposit insurance rules. However, the Clinic has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Government reimbursement programs are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings and government funding restrictions, all of which could materially decrease the services covered or the rates paid to the Clinic for its services.

The Clinic received approximately 64.5% and 46.8% in 2014 and 2013, respectively, of its third-party reimbursement revenue from providing services to Medi-Cal patients. Reimbursement for such services is currently based on PPS rates with final settlement after submission of annual reconciliation reports to the state.

A portion of the Clinic's annual funding, $6,805,373 or 27.0% and $5,981,358 or 26.2%, in 2014 and 2013, respectively, of total operating revenues is derived from grant agreements with federal and nonfederal government agencies. The Clinic has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Clinic's ability to finance ongoing operations.

Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

The Clinic holds significant investments in the form of short-term and long-term investment pools held by the UCLA Foundation. Credit risk is the failure of another party to perform in accordance with the contract terms. The Clinic is exposed to credit risk for the amount of the investments. The Clinic has never sustained a loss on any investment due to nonperformance and does not anticipate any nonperformance by the users of the securities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk (Continued)
With respect to pledges and receivables, the Clinic routinely assesses the financial strength of its debtors and believes that the pledges and receivables credit risk exposure is low.

Functional Allocation of Expenses
Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

Use of Estimates
The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements
In October 2012, the FASB issued ASU No. 2012-05, *Not-for-Profit Entities ("NFP"): Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* ("ASU 2012-05"), which require an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated securities should be classified as cash flows from investing activities by the NFP. ASU 2012-05 is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The adoption of ASU 2012-05 did not have a material impact on the Clinic's consolidated financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements
In April 2013, the FASB issued ASU No. 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. This amendment requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments in this Update improve current U.S. GAAP by requiring all not-for-profit entities to apply similar recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The changes are effective for the fiscal years beginning after June 15, 2014. The Clinic does not expect the adoption of this update to have a material impact on the Clinic's consolidated financial statements.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with ASC 820, the following table represents the Clinic's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30, 2014:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,687,685	$ 1,687,685	$ -	$ -
Endowed investment pool	4,948,490	-	-	4,948,490
Regents STIP	405,266	-	-	405,266
Beneficial interests	526,904	-	-	526,904

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Endowed Investment Pool has a long-term investment horizon and consists principally of equity securities, bonds, mutual funds and alternative investments, which are managed in a unitized investment pool. The alternative instruments include hedge funds, private equity and venture capital. Monthly investment income and realized and unrealized gains and losses are allocated equitably based on the units owned by each participant at the beginning of each month. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. At each month end, a fair value unit price is established based on the value of endowed pool assets (end of month) divided by the total number of pool units at the beginning of the month. Investors who wish to purchase units or sell existing units can only do so at month end at the aforementioned fair value price. The Endowed Investment Pool is considered as Level 3 due to unobservable markets. Management established the fair value of Level 3 investments through monitoring of fund activities for the investments held by the UCLA Foundation. There are no restrictions on the redemptions of these investments, but the redemption must be approved by the board of directors.

Investments in the Regent’s Short-term Investment Pool (“Regent’s STIP”) are carried at cost, which approximates fair value.

The Clinic has a beneficial interest in two trusts and two annuities that have been presented at the net present value using an estimated discount rate and annual yield over the remaining life expectancy of the donors.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) consist of the following:

	EIP Investments	STIP Investments	Beneficial Interest	Total
Beginning, June 30, 2013	$ 4,348,161	$ 2,146,962	$ 486,808	$ 6,981,931
Investment income/ increase in fair value	573,933	30,437	40,096	644,466
Purchases	250,000	1,800,000	-	2,050,000
Sales	(223,604)	(3,572,133)	-	(3,795,737)
Total, June 30, 2014	**$ 4,948,490**	**$ 405,266**	**$ 526,904**	**$ 5,880,660**

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table summarizes the Clinic's financial assets that are valued using the fair value approach described in Note 2.

	Fair Value, June 30, 2014	Redemption Frequency	Redemption Notice Period
Endowed Investment Pool	$ 4,948,490	monthly	10 days
Regent's STIP	$ 405,266	monthly	N/A

The following table represents the Clinic's Level 3 financial instrument, the valuation technique used to measure the fair value of the financial instrument, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value June 30, 2014	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Endowed Investment Pool Funds (a)	$ 4,948,490	Withdrawal amount as calculated by UCLA Foundation	N/A	N/A
Regent's STIP (a)	$ 405,266	Withdrawal amount as calculated by UCLA Foundation	N/A	N/A

(a) Investments classified as Level 3 include the Clinic's investments in the UCLA Foundation's Endowed Investment Pool and its Regent's STIP (see Note 6).

NOTE 4 – ACCOUNTS RECEIVABLE

The Clinic's accounts receivable consisted of the following at June 30:

	2014	2013
Third-party reimbursable contract receivable	$1,867,081	$ 1,250,772
Other accounts receivable	335,854	97,926
	2,202,935	1,348,698
Less allowance for doubtful accounts	(564,958)	(328,689)
Total	**$ 1,637,977**	**$ 1,020,009**

The third-party reimbursement receivables from Medi-Cal include amounts requested from the state through the completion of the Medi-Cal Reconciliation Request Report. As an FQHC, the Clinic is entitled to additional reimbursements through a reconciliation of the differences between its all-inclusive rate per visit against capitation revenues received from health maintenance organizations. At June 30, 2014, the total unpaid third-party reimbursement receivable was $1,867,081.

During the fiscal year ended June 30, 2013, the state audited the FQHC revenues reported for 2009 to 2011. During the audit, the state disallowed portions of the 2009 to 2011 receivables, which amounted to $749,980. The Clinic reversed a previous allowance of $230,220 and a net $519,760 was written off as bad debt expense for the year ended June 30, 2013.

During the fiscal year ended June 30, 2014, the Clinic increased the allowance by $236,269 to $564,958 for the estimated disallowed portions from future state audits. At June 30, 2014, the total unpaid FQHC settlement receivable was $625,444. The settlement was for revenue generated from 2012 to 2014, the years for which the state had not yet completed the relevant audit.

NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as grants and contributions receivable. Promises to give due in one year or more are recorded after discounting to the present value of the future cash flows at rates ranging from less than 1% to 2.11% at June 30, 2014.

Unconditional promises to give are expected to be realized in the following periods:

	2014	2013
Amounts due		
In less than one year	$ 3,885,421	$ 3,408,500
In one to five years	533,000	797,326
In more than five years	-	1,000,000
Total gross contributions receivable	4,418,421	5,205,826
Less present value discount	(37,392)	(37,392)
Less allowance for doubtful accounts	(25,000)	(25,000)
Total contributions receivable, net	4,356,029	5,143,434
Less current portion of contributions receivable, net	(3,860,421)	(3,383,500)
Contributions receivable, net of current portion	**$ 495,608**	**$ 1,759,934**

NOTE 6 – INVESTMENTS

The Clinic's investments consisted of the following at June 30:

	2014	2013
Cash and cash equivalents	$ 82,304	$ 857,400
Endowed investment pool	4,948,490	4,348,161
Regent's STIP	405,266	2,146,962
Total	**$ 5,436,060**	**$7,352,523**

NOTE 7 – BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Clinic's beneficial interest in charitable remainder trusts consisted of the following at June 30:

	2014	2013
S & M Richards 1997 Charitable Unitrust	$ 166,787	$ 153,384
Anonymous 2003 Charitable Gift	125,955	115,444
Anonymous 2007 Charitable Gift	200,780	188,515
Anonymous Charitable Remainder Unitrust	33,382	29,465
Total	**$ 526,904**	**$ 486,808**

The Clinic's beneficial interest in charitable remainder trusts has been valued at the net present value discounted using an estimated discount rate and annual yield over the remaining life expectancy of the donors.

S & M Richards 1997 Charitable Unitrust – In 1997, the Clinic became a beneficiary of the Richards Charitable Unitrust. During the lifetime of the donors/recipients, the Unitrust shall pay 7% of net fair market value of the assets for the Unitrust valued as of the first day of each taxable year of the Unitrust. Upon the death of the survivor of the donors, all remaining principal and income of the Unitrust shall be distributed to the Clinic.

Anonymous 2003 Charitable Gift – Anonymous donors had trusted $400,000 in cash for the benefit of California Community Foundation ("CCF"). It was agreed that, during the lifetime of the donors, the CCF will pay an annual amount of $25,600 to the donors. Upon the death of the donors, the remainder of this annuity shall be added to a fund of the CCF for the benefit of the Clinic, of which 5% will be disbursed to CCF for its general purpose and 95% to the Clinic.

Anonymous 2007 Charitable Gift – Anonymous donors had trusted $500,000 in cash for the benefit of CCF. It was agreed that, during the lifetime of the donors, the CCF will pay an annual amount of $33,000 to the donors. Upon the death of the donors, of the remainder of this annuity, 5% shall be distributed to the CCF for its general purpose and 95% to the Clinic.

Anonymous Charitable Remainder Unitrust – Anonymous donor had a unitrust for the benefit of the donor. It was agreed that, during the lifetime of the donor, the CCF will distribute at 6% annually of the fair market value of the trust estate to the donor. Upon the death of the donor, of the remainder of the trust, disbursements to the Clinic will be made in accordance with CCF spending policies.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2014	2013
Land	$ 1,116,512	$ 1,116,512
Buildings and improvements	6,253,303	6,002,656
Leasehold improvements	5,338,443	4,858,838
Furniture and equipment	2,338,921	2,285,701
Total	15,042,179	14,263,707
Less accumulated depreciation and amortization	(9,554,224)	(8,797,563)
Property and equipment, net	**$ 5,492,955**	**$ 5,466,144**

Property and equipment acquired with federal and/or state funds is owned by the Clinic and used in the program(s) for which it was purchased or in other future authorized programs. Disposition of such property and equipment and the ownership of any proceeds are subject to federal and state regulations. Depreciation and amortization expense for the years ended June 30, 2014 and 2013 amounted to $832,063 and $823,927, respectively.

NOTE 9 – LINE OF CREDIT

During the fiscal year ended June 30, 2014, the Clinic entered into an agreement with a financial institution to convert its $1,850,000 three-year term loan into a line of credit with a limit of $2,350,000. The line of credit bears interest at the prime reference rate plus 0.25% (3.50% at June 30, 2014) with a maturity date of December 1, 2016. The Clinic's assets serve as collateral on the line of credit. The loan contains certain restrictive covenants with which the Clinic was not in compliance on but received a waiver, at June 30, 2014. During the year, the Clinic made repayments of $151,519 on the outstanding principal balance. As of June 30, 2014, the total outstanding balance was $1,587,759.

NOTE 10 – NOTES PAYABLE

On July 1, 2010, the Clinic entered into a loan agreement with California Health Facilities Financing Authority for a principal amount of $750,000 to purchase a Practice Management and Electronic Health Record system. This note payable bears interest at a rate of 3.0% per annum and matures on August 1, 2015 at which time it will be fully paid off. Pursuant to the agreement, the Clinic is required to make 60 payments, each in the aggregate amount of $13,476 on the 1st of each calendar month, commencing September 1, 2010, until the maturity date. The loan contains certain restrictive covenants with which the Clinic was not in compliance on at June 30, 2014 and did not receive a waiver by the issuance date. The Clinic's equipment and gross revenue pledges serve as collateral on the note payable. During the year, the Clinic made repayments of $166,764 on the outstanding principal balance. As of June 30, 2014, the total outstanding balance is $172,072.

During the fiscal year ended June 30, 2012, the Clinic received an interest free loan in the amount of $269,872 from UCLA. The term of repayment is five years. During the year, the Clinic made repayments of $107,948 on the outstanding principal balance. As of June 30, 2014, the total outstanding balance is $161,923.

During the fiscal year ended June 30, 2014, the Clinic assumed $53,193 from two note payables from third parties in relation to the Common Ground acquisition. The first note has monthly payments of $2,588 per month with an interest rate of 0% and matures in September 2014. The second note has monthly payments of $1,384 with an interest rate of 2% and matures in January 2015. As of June 30, 2014, the note payables have balances of $10,352 and $11,068, respectively.

Long-term debt at June 30, 2014 and 2013 was as follows:

	2014	2013
Total notes payable	$ 355,415	$ 2,347,986
Less current portion	233,722	561,603
Long-term debt, less current portion	**$ 121,693**	**$ 1,786,383**

At June 30, 2014, the future maturities of long-term debt are as follows:

Years Ending June 30,	
2015	$ 233,722
2016	67,718
2017	53,975
Total	**$ 355,415**

NOTE 11 – NET ASSETS

Temporarily Restricted Net Assets
Temporarily restricted net assets included the following at June 30:

	2014	2013
Drugs and dispensary supplies	$ 1,066,145	$ 935,354
Capital improvement funds	1,765,243	1,633,717
Operating program funds	2,661,363	3,619,531
Total	**$ 5,492,751**	**$ 6,188,602**

The drug and dispensary supplies represent mainly pharmaceuticals donated to the Clinic through various drug companies' patient assistance programs. These pharmaceuticals are expected to be used by the Clinic through the normal course of its operations.

Permanently restricted net assets include restricted contributions to the following funds:

- The Colen Physician Endowment Fund – established to provide for a permanent family practice physician and receives contributions from various individuals. During the fiscal year of 2007, the Clinic received tribute gifts to continue Irma Colen's legacy; family members established these gifts as additions to the Colen Physician endowment fund.
- The Milken Physician Endowment Fund – established by the Milken Family Foundation for a permanent family practice physician.
- The Lee Physician Endowment Fund – established by Norman and Sadie Lee for a permanent family practice physician.
- The Skirball Physician Endowment Fund – established to fund the salary of the Clinic's medical director.
- The Weisman Psychosocial Endowment Fund – established to provide ongoing support to the mental health programs.
- The Karsten Endowment Fund – established to provide for a domestic violence program. The income from the endowment will be used exclusively to support the Clinic's program of psychosocial services.
- The Briskin Endowment Fund – established to provide for the women's health care program. The income from the endowment will be used exclusively to support the Clinic's women's health care services.
- The Resnick Endowment Fund – established to provide mental health care services. The income from the endowment will be used exclusively to support the Clinic's program of mental health services.
- The Sandy Segal Youth Health Center Endowment.
- The Ziegler Endowment Fund – established to be used for the general support and operations of the Clinic.

NOTE 11 – NET ASSETS (Continued)

Permanently Restricted Net Assets (Continued)
The balances of the permanently restricted net assets consisted of the following at June 30:

	2014	2013
The Colen Physician Endowment Fund	$ 862,334	$ 862,334
The Milken Physician Endowment Fund	637,329	637,329
The Lee Physician Endowment Fund	564,207	564,207
The Skirball Physician Endowment Fund	750,000	750,000
The Weisman Psychosocial Endowment Fund	745,510	745,510
The Karsten Endowment Fund	112,677	112,677
The Briskin Endowment Fund	250,000	250,000
The Resnick Endowment Fund	500,000	500,000
The Sandy Segal Youth Health Center Endowment	500,000	-
The Ziegler Endowment Fund	1,000,000	1,000,000
Other funds	52,000	52,000
Total	**$ 5,974,057**	**$ 5,474,057**

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ -	$ 233,121	$ 5,474,057	$ 5,707,178
Net investment return				
Interest and dividends	51,575	221,072	-	272,647
Net realized/unrealized gain on investment	-	352,862	-	352,862
Total net investment returns	51,575	573,934	-	625,509
Contributions	-	-	500,000	500,000
Appropriation of endowment asset for expenditures	(51,575)	(221,072)	-	(272,647)
Balance, end of year	**$ -**	**$ 585,983**	**$ 5,974,057**	**$ 6,560,040**

NOTE 11 – NET ASSETS (Continued)

Permanently Restricted Net Assets (Continued)
From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the Clinic to retain as a fund of perpetual duration. In accordance with the provisions of ASC Topic No. 958, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2014, there was no deficiency in the endowment fund.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The permanently restricted net assets consist of several donor-restricted perpetual endowment funds with a total amount of $5,974,057 at June 30, 2014. In accordance with the donors' stipulations and that of the ASC Topic No. 958, the historic value of $5,974,057 must be maintained in the funds, and all interest income, dividend income and net appreciation is not restricted until it is used for the purpose of the funds.

During the year ended June 30, 2014, investment income was recorded as unrestricted revenue in accordance FASB ASC Topic No. 958.

Effective in fiscal year 2010, the Clinic adopted the UCLA Foundation's endowment policy. The following is a description of the UCLA Foundation's endowment policy.

UCLA Foundation's Endowment Policy
The purpose of the UCLA Foundation's Endowment is to support the educational mission of the University of California, Los Angeles by providing a reliable source of funds for current and future use. The income/payout from each individual endowment fund is used to support the purpose established by the donor in the gift instrument. However, endowment funds are commingled for investment purposes in the UCLA Foundation's Endowment Pool to maximize returns and minimize investment and administrative costs.

The Endowment seeks to maximize long-term total returns consistent with prudent levels of risk. Investment returns are expected to preserve or enhance the real value of the endowment to provide adequate funds to sufficiently support designated University activities. The Endowment Investment Pool assets have an indefinite time horizon that runs concurrent with the endurance of the University in perpetuity. As such, the investment portfolio assumes a time horizon that may extend beyond a normal market cycle and therefore may assume an appropriate level of risk as measured by the standard deviation of annual returns.

The Endowment's portfolio is expected to generate a total annualized rate of return, net of fees and spending, that is greater than the rate of inflation as measured by the National Consumer Price Index over a rolling five-year period. The UCLA Foundation accomplishes these objectives by engaging a number of professional managers who are assigned specific investment mandates for equities, fixed income and alternative investments.

NOTE 11 – NET ASSETS (Continued)

UCLA Foundation's Endowment Policy (Continued)
The UCLA Foundation follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of California in January 2009. UPMIFA does not set specific expenditure limits; instead, a charity can spend the amount the charity deems prudent after considering the donor's intent that the endowment continue permanently, the purpose of the fund and relevant economic factors. The UCLA Foundation's spending policy governs the rate at which funds are released to fund holders for current spending. The UCLA Foundation's spending policy is based on a target rate set as a percentage of a 36-month rolling average market value. The current rate is 4.8% and 5.0% for fiscal years 2014 and 2013.

The Board of Directors of the UCLA Foundation reviews and approves this rate annually. Investment returns earned in excess of the approved spending rate are retained in the endowment principal to protect from the effects of inflation and to allow for growth.

Endowments are managed in a unitized investment pool. Transactions within each individual endowment in the pool are based on the unit market value at the end of the month during which the transaction takes place for withdrawals and additions. It is the goal of the UCLA Foundation that the total return from endowment investments should be adequate to meet the following objectives:

- Preserve investment capital and its purchasing power
- Generate sufficient resources to meet spending needs (payout)
- Attain reasonable capital appreciation through prudent acceptance of risk to enhance the future purchasing power of the investment capital

NOTE 12 – PRIVATE AND COMMUNITY SUPPORT

Private and community support consisted of the following at June 30:

	2014	2013
Community, university and private foundation grants	$ 3,754,844	$ 3,975,319
Artwalk and other events	760,304	767,741
Gifts from individuals and corporations	1,933,134	1,387,872
Silver Circle	1,291,968	1,214,599
Patient donations	293,895	365,554
Other	795,502	161,128
Total private and community support	**$ 8,829,647**	**$ 7,872,213**

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Insurance
The Clinic maintains malpractice insurance through UCLA on a claims-made basis covering losses of $5,000,000 per occurrence.

Facility Lease
The Clinic has an agreement with the County of Los Angeles for the use of a building located at 2509 Pico Boulevard in Santa Monica for forty years, effective April 2000, rent-free. In exchange for free rent, the Clinic agreed to maintain, repair and obtain appropriate insurance coverage for the building and grant County of Los Angeles employees open access to the building. The Clinic is also required to achieve a minimum number of patient services for each year covered under the agreement. The Clinic did not recognize this in-kind donation due to the service requirement and the amount of leasehold improvements required to make the building habitable. At June 30, 2014, total leasehold improvements incurred for this building amounted to $4,437,093.

The Clinic has a noncancelable operating lease agreement for the use of the Irma Colen Health Center facility and office space located at 4700 Inglewood Blvd, Los Angeles, California. During the year ended June 30, 2014, the Clinic entered into three amendments to increase the space leased, increase the base rent to $25,570 per month and extend the term of the lease through May 2019.

The Clinic has a noncancelable operating lease agreement for the use of the Children First Early Head Start expansion site located at 111 N. La Brea Avenue, Inglewood, California that is payable in monthly installments of $3,790 per month plus approximately $715 per month in parking fees, and which expired in October 2014, as per an amendment to the original lease executed during the fiscal year ended June 30, 2012.

The Clinic assumed a noncancelable operating lease agreement through the acquisition of Common Ground located at 2401 Lincoln Blvd., Santa Monica, California payable in escalating monthly payments which expires in December 2016.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Facility Lease (Continued)
The future minimum lease payments required for the above leases at June 30, 2014 are as follows:

Fiscal Year	Common Ground	Irma Colen Health Center	Early Head Start
2015	$ 103,975	$ 316,148	$ 13,191
2016	107,076	330,008	
2017	54,024	344,491	-
2018	-	359,626	-
Thereafter	-	336,777	-
Total	**$ 265,075**	**$ 1,687,050**	**$ 13,191**

The Clinic entered into various office equipment leases, with monthly lease payments ranging from approximately $150 to $400. Total operating equipment lease expense relating to these leases for the years ended June 30, 2014 and 2013 amounted to $46,202 and $49,910, respectively.

The future minimum lease payments required under the facilities and equipment leases at June 30, 2014 are as follows:

Fiscal Year	Facilities	Equipment
2015	$ 433,314	$ 5,240
2016	437,084	646
2017	398,515	-
2018	359,626	-
2019	336,777	-
Total	**$ 1,965,316**	**$ 5,886**

NOTE 14 – UNIVERSITY OF CALIFORNIA RETIREMENT PLAN

The Clinic's employees are legally employees of UCLA and work for the Clinic under an affiliation agreement. Accordingly, such employees are eligible to receive benefits under the University of California Retirement Plan ("UCRP" or the "Plan"). The Plan is a defined benefit plan under which benefits are determined by formulas (factors include the member's salary, age and years of UCRP service). The Clinic contributes 10% of total payroll in accordance with the provisions of the Plan and the affiliation agreement. For the year ended June 30, 2014, the Clinic contributed $1,660,819 to the Plan.

NOTE 14 – UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (Continued)

The Clinic has no plans to withdraw from the Plan as of June 30, 2014. Were the Clinic ever to withdraw from the Plan in the future, under the affiliation agreement, the Clinic would not be liable for its proportional share of any underfunded liability that might exist. Accordingly, the disclosure provisions related to the Plan do not apply. However, overall the Plan is 80% funded at June 30, 2014. It is therefore possible that Plan premiums could increase in the future so as to reduce this underfunded situation.

NOTE 15 – RELATED PARTY TRANSACTIONS

For the fiscal year ended June 30, 2014, the Clinic received pledges from its Board of Directors in the amount of $297,634. As of June 30, 2014, $2,000 of pledges remained unpaid.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 15, 2014, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION – CONSOLIDATING SCHEDULES

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY ENTITY
June 30, 2014

	Venice Family Clinic	Venice Family Clinic Foundation	Eliminating	Total
Current assets				
Cash and cash equivalents	$ 1,273,550	$ 414,135	$ -	$ 1,687,685
Short-term investments	405,266	-	-	405,266
Accounts receivable, net	1,616,371	21,606	-	1,637,977
Grants and contributions receivable – short-term, net	3,860,421	-	-	3,860,421
Pharmaceutical inventories	1,120,684	-	-	1,120,684
Prepaid expenses and other assets	96,553	-	-	96,553
Total current assets	8,372,845	435,741	-	8,808,586
Long-term investments	4,948,490	-	-	4,948,490
Long-term contributions receivable, net of discount	495,608	-	-	495,608
Beneficial interest in charitable remainder trusts	526,904	-	-	526,904
Property and equipment, net	5,492,955	-	-	5,492,955
Total assets	**$ 19,836,802**	**$ 435,741**	**$ -**	**$ 20,272,543**
Current liabilities				
Notes payable, current portion	$ 233,722	$ -	$ -	$ 233,722
Accounts payable and accrued expenses	364,632	52,437	-	417,069
Total current liabilities	598,354	52,437	-	650,791
Line of credit	1,587,759	-	-	1,587,759
Notes payable, net of current portion	121,693	-	-	121,693
Total liabilities	2,307,806	52,437	-	2,360,243
Net assets				
Unrestricted	6,062,188	383,304	-	6,445,492
Temporarily restricted	5,492,751	-	-	5,492,751
Permanently restricted	5,974,057	-	-	5,974,057
Total net assets	17,528,996	383,304	-	17,912,300
Total liabilities and net assets	**$ 19,836,802**	**$ 435,741**	**$ -**	**$ 20,272,543**

The accompanying notes are an integral part of these consolidated financial statements.

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES BY ENTITY
For the Year Ended June 30, 2014

	Venice Family Clinic	Venice Family Clinic Foundation	Eliminating	Total
Revenues, gains and other support				
Private and community support	$ 8,550,582	$ 529,065	$ (250,000)	$ 8,829,647
Government support	6,805,373	-	-	6,805,373
Third-party reimbursement for services, less the provision for bad debts	8,923,117	-	-	8,923,117
Interest and dividend income	272,647	-	-	272,647
Realized and unrealized gains on long-term investments	392,958	-	-	392,958
Loss on pledges	(150,000)	-	-	(150,000)
Total revenue, gains and other support	24,794,677	529,065	(250,000)	25,073,742
Expenses				
Program services				
Health care	15,948,251	250,000	(250,000)	15,948,251
Children First Program	2,487,400	-	-	2,487,400
Education and outreach	1,194,883	-	-	1,194,883
Common Ground	1,014,465	-	-	1,014,465
Total program services	20,644,999	250,000	(250,000)	20,644,999
Support services				
Management and general	4,082,330	-	-	4,082,330
Fundraising	1,609,565	241,315	-	1,850,880
Total supporting services	5,691,895	241,315	-	5,933,210
Total expenses	26,336,894	491,315	(250,000)	26,578,209
In-kind contributions				
Revenue	9,796,137	-	-	9,796,137
Total revenues and other support	9,796,137	-	-	9,796,137
Expenses (in-kind)				
In-kind laboratory and X-ray services	1,391,170	-	-	1,391,170
Physician and other clinical volunteers	1,499,788	-	-	1,499,788
Children First Program volunteers	16,302	-	-	16,302
In-kind pharmaceutical and lab supplies	6,269,307	-	-	6,269,307
Other in-kind supplies and services	244,074	-	-	244,074
In-kind insurance	244,705	-	-	244,705
Total expenses	9,665,346	-	-	9,665,346
Net in-kind contributions	130,791	-	-	130,791
Change in net assets	(1,411,426)	37,750	-	(1,373,676)
Net assets, beginning of year	18,940,422	345,554	-	19,285,976
Net assets, end of year	**$ 17,528,996**	**$ 383,304**	**$ -**	**$ 17,912,300**

The accompanying notes are an integral part of these consolidated financial statements.

SUPPLEMENTAL INFORMATION – *OMB CIRCULAR A-133*

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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*

To the Board of Directors
Venice Family Clinic
Venice, California

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 consolidated financial statements of Venice Family Clinic (a nonprofit organization) (the "Clinic"), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Clinic'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinic'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 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 over financial reporting 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 financial reporting 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 Clinic's financial statements are free of 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.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
December 15, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

To the Board of Directors
Venice Family Clinic
Venice, California

Report on Compliance for Each Major Federal Program

We have audited Venice Family Clinic's (a nonprofit organization) (the "Clinic") compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the Clinic's major federal programs for the year ended June 30, 2014. The Clinic's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Clinic'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 *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Those standards and *OMB Circular A-133* 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 Clinic'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 Clinic's compliance.

Opinion on Each Major Federal Program

In our opinion, the Clinic 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, 2014.

Report on Internal Control over Compliance

Management of the Clinic 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 Clinic'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 *OMB Circular A-133*, 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 Clinic'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
December 15, 2014

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal Catalog Number	Agency or Pass-through Number	Contract Period	Contract Amount	Total Exp. for FY 13-14
FEDERAL AWARDS					
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Pass-through County of L.A. – Homeless Service Authority/St. Joseph Center	14.235	CA0476B9D001003	Aug. 1, 2012 - July 31, 2013	$ 108,905	$ 4,833
Dual Diagnosis Outreach Collaborative	14.235	CA0476B9D001003	Aug. 1, 2013 - July 31, 2014	108,905	92,646
				217,810	97,479
Santa Monica Dual Diagnosis Collaborative	14.235	CA0460L9D001205	July 1, 2013 - June 30, 2014	78,342	78,342
Total 14.235				296,152	175,821
Pass-trough City of L.A. - Department of Disability	14.218	C119075	Apr. 1, 2013 - March 31, 2014	52,825	29,453
Syringe Collection/IDU Services	14.218	C119075	Apr. 1, 2014 - June 30, 2014	13,206	13,206
Total 14.218				66,031	42,659
CENTER FOR DISEASE CONTROL					
Pass-through County of L.A. - Division of HIV and STD Programs	93.940	PH000810	Jan. 01, 2013 - Dec. 31, 2014	60,000	34,273
Storefron HIV Counseling and Testing	93.940	PH000810	Jan. 01, 2014 - Dec. 31, 2015	60,000	26,118
				120,000	60,391
Pass-through County of L.A. - Division of HIV and STD Programs	93.940	PH000810	Jan. 01, 2013 - Dec. 31, 2014	40,000	26,736
Storefront HIV Counseling and Testing (Pay for Performance)	93.940	PH000810	Jan. 01, 2014 - Dec. 31, 2015	40,000	14,617
				80,000	41,353
Pass-through Los Angeles County - Division of HIV and STD Programs	93.940	PH001034	Jan. 01, 2013 - Dec. 31, 2013	72,000	33,441
HIV/AIDS Health Education and Risk Reduction	93.940	PH001034	Jan. 01, 2014 - Jun. 30, 2014	36,000	16,492
	93.940	PH001034	July 01, 2014 - Dec. 31, 2014	36,000	-
				144,000	49,933
Total 93.940				344,000	151,677
DEPARTMENT OF HEALTH & HUMAN SERVICES					
Administration for Children & Families – Early Head Start	93.600	09CH9072/07	Jan. 1, 2013 - Dec. 31, 2013	2,335,177	1,183,223
Comprehensive Child Development Program	93.600	09CH9135	Jan. 1, 2014 - Dec. 31, 2014	2,492,969	1,184,881
Total 93.600				4,828,146	2,368,104
Pass-through Northeast Valley Health Corporation	93.224	H80-CS-00139	Dec. 1, 2012 - Nov. 30, 2013	535,619	206,347
Health Care for the Homeless	93.224	H80-CS-00139	Dec. 1, 2013 - Nov. 30, 2014	535,619	347,304
				1,071,238	553,651
Health Resources & Services Administration	93.224	6 H80CS04217-09-03	Dec. 1, 2012 - Nov. 30, 2013	1,470,046	776,564
Health Center Cluster	93.224	6 H80CS04217-09-04	Dec. 1, 2013 - Nov. 30, 2014	1,252,210	655,037
				2,722,256	1,431,601
Total 93.224				3,793,494	1,985,252
Health Resources & Services Administration					
OP Early Intervention Service with respect to HIV Disease	93.918	6H76HA00207-16-01	July 1, 2013 - April 30, 2014	286,644	286,644
	93.918	5H76HA00207-16-00	May 1, 2014 - April 30, 2015	343,972	58,459
Total 93.918				630,616	345,103
Health Resources & Services Administration					
Health Care and Other Facilities (Dental Equipment Grant)	93.887	1C76HF16449-01-00	Sep. 01, 2009 – Aug. 31, 2013	141,570	11,837
Total 93.887				141,570	11,837
Pass-through Clare Foundation, Inc.					
Community Bridges: Integrated Services for Homeless People	93.243	1UD1TI023570-01	Sep. 30, 2011 – Sep. 29, 2014	90,000	32,337
Total 93.243				90,000	32,337
Pass-through CA Family Health Council, Inc.					
Family Planning Services – Basic Contraceptives/Male Services	93.217	2858-5320-71209-13	Jan. 1, 2013 - Dec. 31, 2013	135,466	63,103
Family Planning Services – Basic Contraceptives/Male Services	93.217	2858-5320-71209-14	Jan. 1, 2014 - Dec. 31, 2014	139,320	74,870
				274,786	137,973
Integration of HIV Services	93.217	2858-5320-71262-14	Sep. 1, 2013 - Aug. 31, 2014	73,314	37,138
Total 93.217				348,100	175,111

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal Catalog Number	Agency or Pass-through Number	Contract Period	Contract Amount	Total Exp. for FY 13-14
Pass-through National Institute on Drug Abuse/RAND Corporation					
Integrated Collaborative Care for Substance Use Disorders Project	93.279	R01DA034266/9920130043	July 1, 2012 - June 30, 2014	128,398	128,398
Total 93.279				128,398	128,398
Pass-through University of Pacific					
Virtual Dental Home Program (Supplemental)	93.236	T12HP19362-01	Nov 1, 2013 - Aug 31, 2014	32,275	26,187
Total 93.236				32,275	26,187
Pass-through County of LA Department of Health					
HIV/AIDS Ambulatory/Outpatient Medical Services	93.914	PH-002356	Mar. 01, 2013 - Feb. 28, 2014	66,024	3,592
	93.914	PH-002356	Mar. 01, 2014 - Feb. 28, 2015	66,024	13,409
HIV/AIDS Medical Coordination Services	93.914	PH-002357	Mar. 01, 2013 - Feb. 28, 2014	117,000	77,326
	93.914	PH-002357	Mar. 01, 2014 - Feb. 28, 2015	117,000	37,120
HIV/AIDS Mental Health Counseling	93.914	H210819	Mar. 01, 2013 - Feb. 28, 2014	61,678	36,876
	93.914	H210819	Mar. 01, 2014 - Feb. 28, 2015	61,678	14,742
HIV/AIDS Psychosocial Case Management	93.914	H210820	Apr. 01, 2013 - Mar. 31, 2014	126,641	103,738
HIV/AIDS Benefits Specialty	93.914	H210820	Apr. 01, 2013 - Mar. 31, 2014	30,000	21,981
	93.914	H210820	Apr. 01, 2014 - Mar. 31, 2015	30,000	9,724
Total 93.214				676,045	318,508
Total federal awards				11,374,827	5,760,993
STATE AWARDS					
STATE OF CALIFORNIA DEPARTMENT OF HEALTH SERVICES					
Pass-through L.A. County					
Outreach, Enrollment, Utilization and Retention Services	N.A.	PH-002515-1	July 1, 2012 - June 30, 2013	$ 190,000	$ 190,000
Pass-through University of the Pacific					
First 5 LA - Virtual Dental Home Grant	N.A.	08219	July 1, 2013 - June 30, 2014	189,361	189,361
Pass-through County of L.A.Department of Mental Health/					
St. Joseph Center					
Integrated Mobile Health Team	N.A.	MH120959	July 1, 2013 - June 30, 2014	95,295	95,295
Medical Services Integrated Service Model (ANIMO)	N.A.	MH120959	July 1, 2013 - June 30, 2014	83,940	31,179
STATE OF CALIFORNIA DEPARTMENT OF EDUCATION					
Child Development Services – General Child Care & Dev Programs	93.575	CCTR-3130	July 1, 2013 - June 30, 2014	27,407	23,853
	93.596	CCTR-3130	July 1, 2013 - June 30, 2014	57,458	46,377
	N.A.	CCTR-3130	July 1, 2013 - June 30, 2014	93,917	77,771
				178,782	148,001
Total state awards				737,378	653,836
TOTAL FEDERAL AND STATE AWARDS				**$ 12,112,205**	**$ 6,414,829**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Clinic and is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133*, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 – PASS-THROUGH AWARDS

The Clinic receives certain federal and state awards from pass-through agencies. The total amount of such pass-through awards is included on the schedule of expenditures of federal and state awards.

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	X none reported
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

Type of auditor's report issued on compliance for major programs	Unmodified	
Internal control over major programs		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	X none reported
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of *OMB Circular A-133*?	___ yes	X no

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
93.600	Administration for Children & Families – Early Head Start Comprehensive Child Development Program
93.914	HIV/AIDS Ambulatory/Outpatient Medical Services, Medical Coordination Services, Mental Health Counseling, Psychosocial Case Management, and Benefits Specialty Services

Dollar threshold used to distinguish between Type A and Type B programs	$300,000	
Auditee qualified as low-risk?	X yes	___ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

Venice Family Clinic did not have any audit findings for the year ended June 30, 2013.

SUPPLEMENTAL INFORMATION – CHILD DEVELOPMENT PROGRAM

1. Name of agency .... Venice Family Clinic

2. Program name and contract number

   General Center Child Care CCTR-3130

3. Type of agency .... nonprofit organization

4. Address of agency headquarters .... 604 Rose Avenue
   Venice, California 90291

5. Name and address of president and name of finance director

   Elizabeth Forer, Executive Director
   604 Rose Avenue
   Venice, California 90291
   Andrea Blackbird, Chief Financial Officer

6. Telephone number .... (310) 392-8630

7. Period covered by examination .... July 1, 2013 through June 30, 2014

8. Number of operating days .... 255 days

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CHILD DEVELOPMENT PROGRAM
COMBINING SCHEDULE OF ADMINISTRATIVE COSTS
For the Year Ended June 30, 2014

Expenditures	General Center Child Care CCTR-3130	Total
Classified personnel salaries	$ 7,070	$ 7,070
Employee benefits	2,615	2,615
Services and other operating expenses	1,575	1,575
Indirect costs (8%)	10,963	10,963
Total	**$ 22,223**	**$ 22,223**

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CHILD DEVELOPMENT PROGRAMS
COMBINING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
For the Year Ended June 30, 2014

	Expenditures	General Center Child Care CCTR-2138	Total Reimbursable	Total Non-Reimbursable
-	Direct payment to providers	$ 123,211	$ 123,211	$ -
2000	Classified personnel salaries	7,070	7,070	-
3000	Employee benefits	2,615	2,615	-
5000	Services and other operating expenses	4,143	4,143	-
-	Indirect cost rate 8%	10,963	10,963	-
	Total	**$ 148,002**	**$ 148,002**	**$ -**

We have examined the claims filed for reimbursement and the original supporting records covering the transactions under this contract to an extent considered necessary to ensure ourselves that the amounts claimed by the agency were proper.

AUDITED ATTENDANCE AND FISCAL REPORT
for Child Development Programs

Agency Name: VENICE FAMILY CLINIC — Vendor No. 19V419

Fiscal Year Ended: June 30, 2014 — Contract No. CCTR-3130

Independent Auditor's Name: SingerLewak LLP

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
Infants (up to 18 months)					
Full-time-plus			-	2.006	-
Full-time	534		534	1.700	907.800
Three-quarters-time	216		216	1.275	275.400
One-half-time	-		-	0.935	-
FCCH Infants (up to 18 months)					
Full-time plus	-		-	1.652	-
Full-time	-		-	1.400	-
Three-quarters-time	-		-	1.050	-
One-half-time	-		-	0.770	-
Toddlers (18 up to 36 months)					
Full-time-plus	-		-	1.652	-
Full-time	2,628	2	2,630	1.400	3,682.000
Three-quarters-time	466		466	1.050	489.300
On-half-time	-		-	0.770	-
Three Years and Older					
Full-time-plus	-		-	1.180	-
Full-time	101		101	1.000	101.000
Three-quarters-time	-		-	0.750	-
One-half-time	-		-	0.550	-
Exceptional Needs					
Full-time-plus	-		-	1.416	-
Full-time	-		-	1.200	-
Three-quarters-time	-		-	0.900	-
One-half-time	-		-	0.660	-
Limited and Non-English Proficient					
Full-time-plus	-		-	1.298	-
Full-time	-		-	1.100	-
Three-quarters-time	-		-	0.825	-
One-half-time	-		-	0.605	-
At Risk of Abuse or Neglect					
Full-time-plus	-		-	1.298	-
Full-time	-		-	1.100	-
Three-quarters-time	-		-	0.825	-
One-half-time	-		-	0.605	-
Severely Disabled					
Full-time-plus	-		-	1.770	-
Full-time	-		-	1.500	-
Three-quarters-time	-		-	1.125	-
One-half-time			-	0.825	-
TOTAL DAYS OF ENROLLMENT	3,945	2	3,947		5,455.500
DAYS OF OPERATION	255		255		
DAYS OF ATTENDANCE	3,502		3,502		

☑ NO NONCERTIFIED CHILDREN - Check this box, omit page 2, and continue to Section III if no noncertified children were enrolled

Comments - If necessary, attach additional sheets to explain adjustments:

AUDITED ATTENDANCE AND FISCAL REPORT
for Child Development Programs

Agency Name: VENICE FAMILY CLINIC Vendor No. 19V419

Fiscal Year End: June 30, 2014 Contract No. CCTR-3130

Insert Any Commingled Contract No. None

SECTION III - REVENUE			COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED INCOME					
Child Nutrition Programs			$0	$0	$0
County Maintenance of Effort (EC § 8279)					0
Uncashed Checks to Providers					0
Other (Specify):					0
		Subtotal	$0	$0	$0
Transfer from Reserve	Contract #				0
	Contract #				0
Family Fees for Certified Children	Contract #	CCTR-3130	2,588		2,588
	Contract #				0
Interest Earned on Apportionments	Contract #				0
	Contract #				0
UNRESTRICTED INCOME					
Family Fees for Noncertified Children					0
Other (Specify):					0
		TOTAL REVENUE	$2,588	$0	$2,588
SECTION IV - REIMBURSABLE EXPENSES					
Direct Payments to Providers (FCCH Only)			$123,211	$0	$123,211
1000 Certificated Salaries					0
2000 Classified Salaries			7,070		7,070
3000 Employee Benefits			2,615		2,615
4000 Books and Supplies					0
5000 Services and Other Operating Expenses			4,143	138	4,281
6100/6200 Other Approved Capital Outlay					0
6400 New Equipment (*program-related*)					0
6500 Replacement Equipment (*program-related)*					0
Depreciation or Use Allowance					0
Start-Up Expenses (service level exemption)					0
Budget Impasse Credit	Contract #				0
	Contract #				0
Indirect Costs. Rate:	8.00%	(Rate is Self-Calculating)	10,963	11	10,974
		TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	$148,002	$149	$148,151
TOTAL ADMINISTRATIVE COSTS (included in section IV above)			$22,223		$22,223
FOR CDE-A&I USE ONLY:					

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Child Development Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

- [x] YES
- [ ] NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

- [x] YES
- [ ] NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

- [ ] NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 4 if there are no supplemental revenues or expenses.

AUDITED ATTENDANCE AND FISCAL REPORT
for Child Development Programs

Agency Name: VENICE FAMILY CLINIC — Vendor No. 19V419

Fiscal Year End: June 30, 2014 — Contract No. CCTR-3130

Insert Any Commingled Contract Number: None

SECTION V - SUPPLEMENTAL REVENUE	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT
Enhancement Funding	$0	$0	$0
Other (Specify): EHS Child Development Fund	81,077		81,077
			0
			0
TOTAL SUPPLEMENTAL REVENUE	$81,077	$0	$81,077

SECTION VI - SUPPLEMENTAL EXPENSES			
EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries	$53,742	$0	$53,742
2000 Classified Salaries	21,330		21,330
3000 Employee Benefits			0
4000 Books and Supplies			0
5000 Services and Other Operating Expenses			0
6000 Equipment/Other Capital Outlay			0
Depreciation or Use Allowance			0
Indirect Costs	6,005		6,005
Other (Specify):			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
			0
TOTAL SUPPLEMENTAL EXPENSES	$81,077	$0	$81,077

COMMENTS - If necessary, attach additional sheets to explain adjustments:

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CHILD DEVELOPMENT PROGRAMS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Total Child Development Programs	Other Local Grants (Non-CDE)	Federal Grant – Early Head Start	Other Federal Grants	Non-Government Health Care Services Programs	Grand Total
Support, revenues and gains						
Government support	$ 149,386	$ 843,750	$ 2,368,104	$ 3,403,149	40,984	$ 6,805,373
Private and community support	2,588	-	-	-	8,827,059	8,829,647
Third-party reimbursement for services	-	-	-	-	8,923,117	8,923,117
Interest and dividend income	-	-	-	-	272,647	272,647
Realized and unrealized gain (loss)	-	-	-	-	392,958	392,958
Loss on pledges receivable	-	-	-	-	(150,000)	(150,000)
	151,974	843,750	2,368,104	3,403,149	18,306,765	25,073,742
In-kind revenue	-	-	-	-	9,796,137	9,796,137
Total support revenues and gains	151,974	843,750	2,368,104	3,403,149	28,102,902	34,869,879
Expenses						
Salaries	7,070	503,444	1,281,998	2,074,683	10,703,834	14,571,029
Employee benefit	2,615	177,936	611,288	840,079	4,671,412	6,303,330
Small equipment	-	1,725	7,780	14,885	-	24,390
Utilities and rent	-	34,380	43,836	50,729	439,081	568,026
Pharmaceutical and lab	-	-	-	4,334	500,158	504,492
Telephone	-	3,516	19,382	5,249	156,304	184,451
Professional and contractual fees	2,845	35,880	72,922	203,681	469,123	784,451
Postage, printing and subscriptions/newsletter	74	1,163	3,760	618	78,595	84,210
Computer/software/office supplies	1,223	5,170	28,516	9,917	236,971	281,797
Medical supplies and medical waste removal	-	20,319	-	10,011	196,270	226,600
Travel, training and workshops	-	4,226	75,685	29,584	30,091	139,586
Child care	123,212	-		-	33	123,245
Repairs and maintenance/janitorial and gardening	-	5,463	708	1,695	481,438	489,304
Insurance	-	5,000	2,712	170	215,906	223,788
Licenses, fees and dues	-	-	3,784	-	365,184	368,968
Transportation of patients/clients	-	599	1,544	-	17,057	19,200
Lab/dental/ X-ray services	-	9,000	-	36,321	21,000	66,321
Family ER assistance	-	-	-	-	2,707	2,707
Participant supplies/activities/incentives	-	3,365	23,829	23,268	22,359	72,821
Interest	-	-	-	1,714	71,488	73,202
Miscellaneous	14,935	32,564	190,360	96,211	(240,298)	93,772
Fundraising	-	-	-	-	540,456	540,456
Total before depreciation and amortization	151,974	843,750	2,368,104	3,403,149	18,979,169	25,746,146
Depreciation and amortization	-	-	-	-	832,063	832,063
In-kind expenses	-	-	-	-	9,665,346	9,665,346
Total expenses	151,974	843,750	2,368,104	3,403,149	29,476,578	36,243,555
Excess (deficiency) of revenue over expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ (1,373,676)**	**$ (1,373,676)**

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CHILD DEVELOPMENT PROGRAMS
SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES
For the Year Ended June 30, 2014

Unit cost under $10,000 per item	
Leasehold improvement	
Roof repairs	$ -
Remodeling cabinets	-
Carpet repairs	-
Other repairs	-
Subtotal	-
Unit cost $10,000 or more per item	
With prior written approval	
Item	
None	-
Subtotal	-
Unit cost $10,000 or more per item	
Without prior approval	
Item	
None	-
Subtotal	-
Total	**$ -**

VENICE FAMILY CLINIC
(A NONPROFIT ORGANIZATION)
CHILD DEVELOPMENT PROGRAMS
SCHEDULE OF EQUIPMENT EXPENDITURES
For the Year Ended June 30, 2014

Unit cost under $7,500 per item	
Item	
None	$ -
Subtotal	-
Unit cost over $7,500 per item	
With prior written approval	
Item	
None	-
Subtotal	-
Unit cost over $7,500 per item	
Without prior approval	
Item	
None	-
Subtotal	-
Total	**$ -**

NOTE 1 – NATURE OF OPERATIONS

Venice Family Clinic and affiliate (the "Clinic") is a private, nonprofit, community-based clinic founded in 1970 to meet the health care needs of the low-income residents of Venice, California and the surrounding community. The Clinic's mission is to "provide quality primary health care to people in need."

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedules of revenue and expenditures of California Department of Education awards for the child development program present the amount of revenues and expenditures related to the child development program administered by the Clinic in connection with grants awarded by the California Department of Education.

The revenue and expenditures included in the accompanying schedules are reported on the accrual basis of accounting.

STATE CHILD DEVELOPMENT PROGRAM

Venice Family Clinic did not have any audit findings for the year ended June 30, 2014.

STATE CHILD DEVELOPMENT PROGRAM

Venice Family Clinic did not have any audit findings for the year ended June 30, 2013.

To the Audit Committee and Management
Venice Family Clinic
Venice, California

In planning and performing our audit of the consolidated financial statements of Venice Family Clinic and affiliate (collectively, the "Clinic") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Clinic's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinic'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 deficiency in design exists when *(a)* a control necessary to meet the control objective is missing, or *(b)* an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

1. Financial Close and Reporting Process

Observation
We noted that the Clinic's review procedures during its financial close process were not fully adhered to. As a result, there was not a timely close of the yearend general ledger. This resulted in 36 adjustments to the originally provided trial balance and the year-end close of the financial information to be delayed.

Recommendation
We recommend that the accounting policies and procedures manual be implemented to help in ensuring that proper procedures and related internal controls are in place and consistently followed to allow for a timely and complete close process.

2. Segregation of Duties in Journal Entry Review

Observation
We noted that the Clinic did not have proper documented review over two of the journal entries reviewed during fieldwork.

Recommendation
We recommend that a separate employee other than the preparer review and approve journal entries and initial the support for the entries to document their approval. The employee reviewing should hold a position with the Clinic adequate to perform the reviews.

This communication is intended solely for the information and use of management, the audit committee and others within the organization, and government authorities and is not intended to be, and should not be, used by anyone other than these specified parties.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
December 15, 2014