AMPLA HEALTH

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT AND SUPPLEMENTAL SCHEDULES

YEARS ENDED JUNE 30, 2019 AND 2018

AMPLA HEALTH

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JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ampla Health
Yuba City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Ampla Health (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

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

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Organization's internal control over financial reporting and compliance.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

March 26, 2020

AMPLA HEALTH

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,918,073	$ 1,135,231
Restricted cash	1,334,856	931,969
Patient accounts receivable, net	4,433,499	4,663,711
Grants and contributions receivable	977,319	418,821
Medi-Cal receivable, net	2,871,229	4,663,254
Other receivables		30,832
Supplies inventory	132,910	132,910
Prepaid expenses	1,021,894	702,895
Total current assets	15,689,780	12,679,623
INVESTMENTS	128,656	100,343
PROPERTY AND EQUIPMENT, Net	18,151,456	19,308,099
TOTAL ASSETS	$ 33,969,892	$ 32,088,065
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 1,333,429	$ 2,260,985
Accrued expenses	3,880,833	3,354,677
Deferred revenues	784,134	143,094
Line of credit		1,727,455
Current portion of long-term obligations, net	410,990	708,955
Total current liabilities	6,409,386	8,195,166
LONG-TERM OBLIGATIONS, Net	5,557,707	5,943,313
Total liabilities	11,967,093	14,138,479
NET ASSETS:		
Without donor restrictions:		
Board designated	421,649	301,649
Undesignated	21,581,150	17,587,937
Total without donor restrictions	22,002,799	17,889,586
With donor restrictions		60,000
Total net assets	22,002,799	17,949,586
TOTAL LIABILITIES AND NET ASSETS	$ 33,969,892	$ 32,088,065

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

AMPLA HEALTH

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Net patient revenue	$ 38,711,706	$ 35,060,939
Government contracts and fees	28,094,485	23,009,965
Grants	737,119	390,068
Investment income	43,515	39,928
Donated materials, equipment, and services	19,997	2,950
Other income	174,917	604,143
Net assets released from restrictions	60,000	52,750
Total operating revenues	67,841,739	59,160,743
EXPENSES:		
Program services:		
Medical services	41,578,304	33,691,140
Dental services	7,292,826	6,177,958
Health education and community services	2,659,131	5,125,133
Total program services	51,530,261	44,994,231
Management and general	12,198,265	11,323,873
Total operating expenses	63,728,526	56,318,104
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,113,213	2,842,639
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants		110,000
Net assets released from restrictions	(60,000)	(52,750)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(60,000)	57,250
INCREASE IN NET ASSETS	4,053,213	2,899,889
NET ASSETS, Beginning of Year	17,949,586	15,049,697
NET ASSETS, End of Year	$ 22,002,799	$ 17,949,586

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

AMPLA HEALTH

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Medical services	Dental services	Health education and community services	Total program services	Management and general	Total
Salaries & benefits	$ 27,560,181	$ 5,940,854	$ 2,264,272	$ 35,765,307	$ 6,993,279	$ 42,758,586
Contracted services	9,913,755	251,318	25,930	10,191,003	2,136,811	12,327,814
Supplies	1,861,980	559,925	98,709	2,520,614	269,961	2,790,575
Operating expenses	403,386	54,401	21,334	479,121	1,291,692	1,770,813
Depreciation	744,502	170,055	24,408	938,965	606,529	1,545,494
Utilities	455,685	94,294	11,276	561,255	71,600	632,855
Communication	185,273	38,172	22,150	245,595	215,526	461,121
Rent	80,986	66,809	128,290	276,085	45,100	321,185
Travel	42,439	38,384	53,735	134,558	186,284	320,842
Interest	67,463	6,692		74,155	163,464	237,619
Repair and maintenance	105,342	57,373	1,983	164,698	46,001	210,699
Insurance	61,556	9,718	2,218	73,492	130,955	204,447
Printing and publications	95,756	4,831	4,826	105,413	41,063	146,476
Total	$ 41,578,304	$ 7,292,826	$ 2,659,131	$ 51,530,261	$ 12,198,265	$ 63,728,526

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

AMPLA HEALTH

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Medical services	Dental services	Health education and community services	Total program services	Management and general	Total
Salaries & benefits	$ 26,087,270	$ 4,956,454	$ 2,245,609	$ 33,289,333	$ 6,648,235	$ 39,937,568
Contracted services	3,827,600	303,532	2,550,521	6,681,653	1,602,385	8,284,038
Supplies	1,490,146	389,920	78,933	1,958,999	267,638	2,226,637
Operating expenses	291,851	40,711	13,055	345,617	1,160,138	1,505,755
Depreciation	771,681	161,200	14,205	947,086	679,149	1,626,235
Utilities	533,677	104,099	9,572	647,348	73,876	721,224
Communication	176,202	28,408	27,206	231,816	209,258	441,074
Rent	80,397	66,299	112,779	259,475	47,185	306,660
Travel	37,410	37,960	53,197	128,567	137,310	265,877
Interest	24,225	193		24,418	178,168	202,586
Repair and maintenance	208,572	74,883	8,727	292,182	83,051	375,233
Insurance	66,054	10,472	2,044	78,570	198,209	276,779
Printing and publications	96,055	3,827	9,285	109,167	39,271	148,438
Total	$ 33,691,140	$ 6,177,958	$ 5,125,133	$ 44,994,231	$ 11,323,873	$ 56,318,104

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

AMPLA HEALTH

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 4,053,213	$ 2,899,889
Reconciliation to net cash provided (used) by operating activities:		
Net unrealized gain on investments	(3,313)	
Depreciation	1,545,494	1,626,235
Amortization of deferred issuance cost	25,384	25,383
Changes in:		
Patient accounts receivable, net	230,212	225,244
Grants and contributions receivable	(558,498)	52,428
Medi-Cal receivable, net	1,792,025	(5,249,366)
Other receivables	30,832	5,219
Supplies inventory		(7,000)
Prepaid expenses	(318,999)	(67,752)
Accounts payable	(927,556)	734,790
Accrued expenses	526,156	208,260
Deferred revenues	641,040	(654,162)
Net cash provided (used) by operating activities	7,035,990	(200,832)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(25,000)	(25,000)
Purchases of property and equipment	(388,851)	(543,244)
Net cash used by investing activities	(413,851)	(568,244)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit		17,139
Principal payments on capital lease obligations	(123,955)	(762,855)
Principal payments on bonds payable	(585,000)	
Principal payments on line of credit	(1,727,455)	
Principal payments on long-term obligations		(400,000)
Net cash used by financing activities	(2,436,410)	(1,145,716)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	4,185,729	(1,914,792)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, Beginning of Year	2,067,200	3,981,992
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, End of Year	$ 6,252,929	$ 2,067,200
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 163,464	$ 258,750

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

1. ORGANIZATION

Ampla Health (the Organization), is a not-for-profit organization, operating under the provisions of Section 501(c)(3) of the Internal Revenue code. The purpose of the Organization is to provide the individuals and communities in the Northern Sacramento Valley with high quality, comprehensive, community directed health care and education services that are accessible to all and culturally and linguistically appropriate. In addition to patient service revenues from Medicare, Medi-Cal and private sources, the Organization also receives funding from federal grants. The Organizations primarily earns revenues by providing physician and related health care services through clinics located in Yuba, Sutter, Glenn, Butte, and Colusa counties in California.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Organization reports information regarding its financial position and activities according to three classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Revenue recognition – The Organization has agreements with third-party payers that provide for payment amounts, which differ from its standard charges. A summary of major payment arrangements is as follows:

Patient service revenue – Approximately 87% and 80% of the Organization's patient revenues are from patients who are covered by Medicare, Medi-Cal, or third-party insurance carriers in 2019 and 2018, respectively. These payers limit payment for services based upon their respective schedules of usual, customary, and reasonable fees. An allowance for contractual adjustments results from the difference between the payment based on the usual, customary, and reasonable fee and the Organization's standard charge. The allowance is recorded as a deduction from patient revenues. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Organization's revenue from contracts with customers consists of patient service revenue and the related performance obligations are typically satisfied upon delivery of the related service.

Federal funding, grants and contributions – The Organization participates in the Medi-Cal and Medicare programs as a Federally Qualified Health Center ("FQHC"), which provides for cost reimbursement as an all-inclusive provider. This program provides reimbursement at a single rate for all types of services provided by the Organization on an encounter reporting basis.

The Organization receives grants from federal agencies, the State of California, as well as contributions from private organizations. Government grants are reimbursed based on the actual expenses incurred or units of services provided. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire, or the contributions are used for the restricted purpose. Restricted contributions that are initially classified as conditional due to a qualifying expense barrier are recognized as net assets without donor restrictions since the restriction is met simultaneously when the condition is released and the revenue is recognized.

Conditional promises to give, which depend on the occurrence of specified future and uncertain events, are not recorded until the conditions are met. The Organization receives government grants which limit spending to qualifying expenditures as defined in the grant agreements. Outstanding conditional promises to give subject to qualifying expenditure requirements were $8,597,331 at June 30, 2019 and will be recognized as revenue as the conditions are met.

The Organization had $60,000 in net assets with donor restrictions for the Sustainable Models of Telehealth in the Safety Net as of June 30, 2018. The Organization had no net assets with donor restrictions as of June 30, 2019.

Charity care – The Organization provides discounted services to patients who are financially unable to pay for medical care and who meet certain criteria under its charity care policy. Charity care eligibility is established based on limited or no insurance coverage, income compared to published poverty levels and family size, as well as other factors. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Organization maintains records to identify and monitor the level of charity care it provides. Charity care is measured based on the Organization's estimated unreimbursed direct and indirect costs of provide charity care services. That estimate is made by multiplying the Organization's cost per encounters. The amount of charity care provided during the years ended June 30, 2019 and 2018, was approximately $1,646,100 and $1,593,348, respectively.

In-kind donations – Donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Noncash donations are recorded at their estimated fair values at the date of donation. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are reported as donated services.

Cash and cash equivalents – For financial statement purposes, the Organization considers all investments with an initial maturity of three months or less to be cash equivalents.

The Organization minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Organization deposits held with financial institutions in excess of federal depository insurance limits was $5,844,857 and $1,667,950 as of June 30, 2019 and 2018, respectively. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Investments - All investments in money market funds are measured at fair value in the statement of financial position. Investment income or loss is included in net assets without donor restrictions unless their use is restricted by donor or law. All investments are reported as Level 1 on the Fair Value Hierarchy.

Restricted cash – Restricted cash includes cash held by trustees under indenture agreements.

Cash, cash equivalents, and restricted cash of $6,252,929 in the statement of cash flows is comprised of cash and cash equivalents of $4,918,073 and restricted cash of $1,334,856 for the year ended June 30, 2019.

Cash, cash equivalents, and restricted cash of $2,067,200 in the statement of cash flows for the year ended June 30, 2018 is comprised of cash and cash equivalents of $1,135,231 and restricted cash of $931,969.

Patient accounts receivable – The Organization reports patient accounts receivable for services rendered at estimated net realizable amounts from third-party payers, patients and others. An allowance of $570,351 and $742,144 for the years ended June 30, 2019 and 2018, respectively, has been recorded. The Organization provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivables are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts against patient revenue, based on individual credit evaluation and specific circumstances of the account.

Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management determines the allowance for uncollectible amounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections and are written off when deemed uncollectable. Management has determined that no allowance is necessary as of June 30, 2019 and 2018.

Supplies inventory – The Organization states office and medical supply inventories at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the time of donation. Property and equipment additions exceeding $1,000 or computers $500 or greater are capitalized. Assets are depreciated using the straight-line method over estimated useful lives of 3 to 30 years. Assets acquired through funding from grant resources are considered to be owned by the Organization while such assets are in use under the funded program, or while they are being used for a similar program; however, certain funding sources have a reversionary interest in such assets. Any disposition of these assets or any funds derived there from are subject to grant regulations. During the year ended June 30, 2018, property and equipment acquired through funding from grant resources totaled $22,160. No property and equipment was acquired via funding from grant resources during 2019.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated based on time and effort, and occupancy expenses are allocated based on square footage. All other cost allocations are based on management's estimate of usage of resources.

Income taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same: to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the assets or liabilities.

Recent accounting pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. Management has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, with the exception of the liquidity disclosure, which has not been applied for the year ended June 30, 2018 as allowed by the transition guidance of this ASU.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), *Restricted Cash***.** This update removes inconsistencies in classification of transfers and activity between cash and restricted cash and includes changes in restricted cash when reconciling the statement of cash flows. Management has adjusted the presentation of this statement accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, the FASB issued Topic 606, *Revenue from Contracts with Customers*. The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. The Organization has implemented Topic 606 for all contracts effective July 1, 2018 with no effect on beginning net assets.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization has implemented this accounting standard in the accompanying financial statements effective July 1, 2018 under the modified prospective basis. Accordingly, there is no effect on beginning net assets in connection with the implementation of ASU 2018-08.

Future accounting pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending June 30, 2020. The Organization is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been reviewed through March 26, 2020, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2019 that require recognition or disclosure in the financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows for 2019.

Cash and cash equivalents	$ 4,918,073
Patient accounts receivable, net	4,433,499
Grants and contracts receivable	977,319
Medi-Cal receivable, net	2,870,878
Total financial assets	13,200,120
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Board-designated operating reserves	(421,649)
Total financial assets available to management for general expenditure within one year	$ 12,778,471

As part of the Organization's liquidity management plan, cash in excess of current payroll and accounts payable is moved into a money market account. Monthly $10,000 is board designated as an operating reserve in accordance with policy. This fund established by the board of directors may be drawn upon with board approval, if necessary, to meet unexpected liquidity needs.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Land	$ 3,153,747	$ 3,153,747
Buildings and improvements	24,191,738	23,907,373
Medical equipment	10,967,344	10,652,019
Vehicles	239,646	192,395
Construction-in-progress	48,269	306,359
Total	38,600,744	38,211,893
Less accumulated depreciation	(20,449,288)	(18,903,794)
Property and equipment, net	$ 18,151,456	$ 19,308,099

5. LINE OF CREDIT

The Organization has a $3,500,000 line of credit, with interest at a variable indexed rate of 5.00%, with an unpaid principal and accrued interest due October 2020, secured by inventory, chattel paper, accounts and equipment and intangibles. There was $1,727,455 outstanding on this line of credit as of June 30, 2018. There was no balance outstanding at June 30, 2019.

6. LONG-TERM OBLIGATIONS

Long-term debt consists of the following:

	2019	2018
California Health Facilities Financing Authority Taxable Variable Rate Demand Refunding Revenue Bonds, Series 2016; collateralize by real estate; due in semi-annual principal payments and monthly variable interest payments at the "Weekly Rate" as determined by the "Remarketing Agent" (1.25% at June 30, 3019 and 2018); bonds are secured by lines of credit which require the Organization to pay monthly fees equal to 2.31% of the annualized outstanding bond debt ($82,188 and $86,686 in 2019 and 2018, respectively); the debt matures October 1, 2031. Payment of principal and interest of Bonds is secured by an irrevocable direct-pay letter of credit issued by Preferred Bank.	$ 6,280,000	$ 6,865,000
Note payable to Great America Financial Services, monthly installments of $4,972 including interest at 7.19%, payable matured in July 2018.		4,944

	2019	2018
Note payable to General Electric Capital Corporation, monthly installments of $5,474 including interest at 5.97%, payable matured in October 2018.		21,628
Note payable to General Electric Capital Corporation, monthly installments of $7,029 including interest at 5.97%, payable matured October 2018.		27,772
Note payable to General Electric Capital Corporation, monthly installments of $6,020 including interest at 5.97%, maturing July 2019. Secured by financed license agreement.	5,990	75,601
Total	6,285,990	6,994,945
Less current portion	(410,990)	(708,955)
Less deferred financing costs	(317,293)	(342,677)
Long-term obligations, net	$ 5,557,707	$ 5,943,313

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Deferred financing costs of $317,392 and $342,677 at June 30, 2019 and 2018, respectively, are being amortized over the term of the respective debt using the straight-line method.

Long-term debt repayments are as follows:

Fiscal year ending June 30:	
2020	$ 410,990
2021	420,000
2022	440,000
2023	455,000
2024	465,000
Thereafter	4,095,000
Total	$ 6,285,990

7. OPERATING LEASES

The Organization leases clinical space under non-cancelable operating leases that expire through 2021. Total expense under these leases for the years ended June 30, 2019 and 2018 was $321,186 and $306,660, respectively. Future minimum lease payments under these agreements are as follows:

2020	$ 275,555
2021	141,503
Total	$ 417,058

8. RETIREMENT PLANS

Profit-Sharing Plan – The Organization has a defined contribution profit-sharing plan covering substantially all of its employees. Employees qualify based on being 18 years old and after completing one year of service in which at least 1,000 hours are worked. Employees are fully vested after three years. The amount of the contribution is determined annually by the Board of Directors. Pension Plan expense was $849,661 and $824,965 for the years ended June 30, 2019 and 2018, respectively.

457(f) Plan – In accordance with the executive director's employment agreement, a 457(f) deferred compensation plan was established and annual deferred contributions, as defined by the agreement, are being made. The 457(f) plan calls for an initial contribution of $50,000 and $25,000 every year thereafter ending December 2023. The executive director is not entitled to the contributions or earnings from the contributions until the end of his eight-year vesting period or December 31, 2023. Employer contributions to the 457(f) plan were $25,000 for the each of the years ended June 30, 2019 and 2018. The 457(f) plan is partially funded, and the Organization reports the deferred contributions and its related earnings as Investments. The Organization's benefit obligation and related expense is being amortized and recognized over the eight-year vesting period. For the year ended June 30, 2019, amortized expense was $24,948 and its pension benefit obligation, reflected in accrued expenses, was $56,265. For the year ended June 30, 2018 amortized expense was $17,203 and its pension benefit obligation, reflected in accrued expenses, was $31,317.

9. CONCENTRATIONS

The Organization receives a significant portion of its revenue from various government agencies. These funds are subject to audit by agents of the funding authorities, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that any liability for reimbursement that may arise as the result of such audits would not be material. However, if a significant reduction in funding from these government agencies occurred, the Organization's ability to maintain related programs would significantly decrease.

Credit risk related to patient accounts receivable arises from the granting of credit without collateral to patients, most of whom are residents of counties that the Organization serves in the State of California.

The mix of receivables from patients and third-party payers at June 30:

	2019	2018
Medicare	11%	19%
Medi-Cal	79%	57%
Private and other third-party payers	10%	24%
Total	100%	100%

SUPPLEMENTAL INFORMATION

AMPLA HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through California Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants & Children (WIC)	10.557	15-10053	$ 1,001,169
Special Supplemental Nutrition Program for Women, Infants & Children (WIC)	10.557	15-10053	332,742
Total U.S. Department of Agriculture			1,333,911
U.S. Department of Health & Human Services			
Consolidated Health Centers	93.224	H80CS00765-17-01	6,351,954
Consolidated Health Centers	93.224	H80CS00765-18-03	579,225
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Prog.	93.224	H80CS00765-17-05	49,000
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Prog.	93.224	H80CS00765-17-06	99,614
Health Center Cluster - (BPHC)			7,079,793
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H764A00794-18	332,332
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H764A00794-19	124,173
Passed through California Department of Health Services:			
HIV Care Formula Grants	93.917	15-11082	81,075
HIV Care Formula Grants	93.917	18-10896	31,530
HIV Care Formula Grants (Supplement)	93.917	16-10864	50,689
HIV Care Formula Grants (Supplement)	93.917	18-10864	44,593
Total U.S. Department of Health and Human Services			7,744,185
Total Expenditures of Federal Awards			$ 9,078,096

See accompanying notes to schedule of expenditures of federal awards.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of Ampla Health (Organization), is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. INDIRECT COST RATE

The Organization did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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*

Independent Auditor's Report

Board of Directors
Ampla Health
Yuba City, 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 financial statements of Ampla Health (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Gilbert CPAs

GILBERT CPAs
Sacramento, California

March 26, 2020

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

Independent Auditor's Report

Boards of Directors
Ampla Health
Yuba City, California

Report on Compliance for Each Major Federal Program

We have audited Ampla Health's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Major Federal Programs

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of noncompliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

Gilbert CPAs

GILBERT CPAs
Sacramento, California

March 26, 2020

AMPLA HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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	✓ No
• Significant deficiency(ies) identified?	____ Yes	✓ None reported
Noncompliance material to financial statements noted?	____ Yes	✓ No

Federal Awards

Internal control over major program(s):		
• Material weakness(es) identified?	____ Yes	✓ No
• Significant deficiency(ies) identified?	____ Yes	✓ None reported
Type of auditor's report issued:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	✓ Yes	____ No
Identification of major program(s):		
Name of Federal Program or Cluster	CFDA Number	
Health Center Cluster	93.224	
Dollar threshold used to identify Type A programs:	$750,000	
Auditee qualified as low-risk auditee?	____ Yes	✓ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings reported for the year ended June 30, 2019.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-001 – ELIGIBILITY

Federal Program: Consolidated Health Centers and Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Prog. (Health Center Cluster)
Federal Agency: U.S. Department of Health and Human Services
CFDA Number: 93.224
Grant Award Number and Year:

H80CSS00765-17-01, 6/1/18 – 5/31/19;
H80CSS00765-18-03, 6/1/19 – 5/31/20

Criteria:

The Consolidated Health Centers and Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Programs (Health Center Cluster) requires health centers prepare and apply a sliding fee discount schedule so that the amounts owed for health care center services by eligible patients are adjusted (discounted) based on the patient's ability to pay. An effective internal control system over compliance with this requirement provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulation.

Condition:

We selected 40 patients who received services under the Consolidated Health Centers and Affordable Care Act (ACA) Grants for New Expanded Services under the Health Center Programs (Health Center Cluster), to test application of the sliding fee discount to patients under the federal grant. One of the patients was appropriately approved for the sliding fee discount based on the applicable criteria, however was charged at an incorrect rate for services provided. Organization did not comply with its policies and procedures to accurately apply the sliding fee discount to eligible patients.

Questioned Costs:

None – identified patients appropriately received the services that were reported for reimbursement under this award.

Cause:

Staff at the Organization concluded the applicable sliding fee discount that the patients qualified for was erroneously applied and did not match to their approved discounted fee.

Effect:

Appropriate fee discounts were not applied to eligible participants for services performed, which could lead to unfavorable outcomes in future program audits.

Recommendation:

We recommend that the Organization review its policies and procedures to ensure compliance with internal policies and granting requirements related to appropriately applying approved sliding discount fees to services for eligible patients.

Organization's Corrective Action Plan:

Ampla Health has done a significant amount of staff education and continues to internally audit sliding fee discounts to identify additional training needs. Ampla Health will continue these efforts to ensure compliance.

AMPLA HEALTH

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Financial Statement Findings	Current Status	Explanation If Not Implemented
2018-001 – Significant Deficiency over Year-End Closing Process		
Condition: The financial closing process of the Organization was not adequate to identify all adjustments are required to prepare financial statements in accordance with generally accepted accounting principles in a timely and accurate matter. Additionally, a prior period adjustment was required to net assets.	Implemented	
Recommendation: We recommend that the Organization review existing policies and procedures over the financial closing process and revise to ensure all necessary analyses, reconciliations, and adjustments are identified and documented with completion timelines and responsible parties clearly outlined.		
2018-002 – Eligibility		
Condition: We selected 40 patients who received services under the Consolidated Health Centers and Affordable Care Act (ACA) Grants for New Expanded Services under the Heath Center Programs (Health Center Cluster), to test application of the sliding fee discount to patients under the federal grant. Two of the patients were appropriately approved for the sliding fee discount based on the applicable criteria, however both were charged at an incorrect rate for services provided.	Not implemented, see current year finding 2019-001.	Management took steps to implement recommended procedures; however, there was an error found in the current fiscal year.
Recommendation: We recommend that the Organization review its policies and procedures to ensure compliance with internal policies and granting requirements related to appropriately applying approved sliding discount fees to services for eligible patients.		

Independent Audit FY 7/1/2018-6/30/2019

Corrective Action Plan

Finding # 1 Federal Award and Questioned Costs

Eligibility for sliding fee discounts. 40 patients were selected and 1 of the patients was appropriately approved for the sliding fee discount based on the applicable criteria, however was charged at an incorrect rate for services provided.

Recommendation

It was recommended that the Organization review its policies and procedures to ensure compliance with internal policies and granting requirements related to appropriately applying approved sliding discount fees to services for eligible patients.

Committed

Ampla Health has and will continue to do a significant amount of staff education and continues to internally audit sliding fee to identify additional training needs. Ampla Health will continue these efforts to ensure compliance.

Contract person responsible for corrective action
Kathy Walker, CPA
Ampla Health Chief Financial Officer

Date of Completion
FY 6/2020 audit findings will be corrected