T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND
WELLNESS CENTERS

REPORTS REQUIRED BY
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS
(CFR) PART 200, UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT
REQUIREMENTS FOR FEDERAL AWARDS
(UNIFORM GUIDANCE)

YEAR ENDED JUNE 30, 2019

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

REPORTS REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

YEAR ENDED JUNE 30, 2019

CONTENTS

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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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
T.H.E. Clinic, Inc.
dba T.H.E. Health and Wellness Centers

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of T.H.E. Clinic, Inc. dba T.H.E. Health and Wellness Centers (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 January 22, 2020.

Internal Control over Financial Reporting
In planning and performing our audits 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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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*.

To the Board of Directors
T.H.E. Clinic, Inc.
dba T.H.E. Health and Wellness Centers

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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Green Hasson & Janks LLP

January 22, 2020
Los Angeles, California

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
T.H.E. Clinic, Inc.
dba T.H.E. Health and Wellness Centers

Report on Compliance for Each Major Federal Program
We have audited T.H.E. Clinic, Inc.'s dba T.H.E. Health and Wellness Centers (the Organization) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of 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 the terms and conditions of its federal awards applicable to its federal programs.

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

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

Opinion on Each Major Federal Program
In our opinion, 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 each of its major federal programs for the year ended June 30, 2019.

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

To the Board of Directors
T.H.E. Clinic, Inc.
dba T.H.E. Health and Wellness Centers

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.

Green Hasson & Janks LLP

January 22, 2020
Los Angeles, California

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

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:

- Are any material weaknesses identified? ____Yes __x__No
- Are any significant deficiencies identified? ____Yes __x__None reported

Is any noncompliance material to financial statements noted? ____Yes __x__No

Federal Awards

Internal control over major federal programs:

- Are any material weaknesses identified? ____Yes __x__No
- Are any significant deficiencies identified? ____Yes __x__None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____Yes __x__No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.224, 93.527	U.S. Department of Health and Human Services, Health Resources and Services Administration Health Center Cluster

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

Auditee qualified as a low-risk auditee? __x__Yes ____No

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no current year audit findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year audit findings.

APPENDIX

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND
WELLNESS CENTERS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
T.H.E. Clinic, Inc.
dba T.H.E. Health and Wellness Centers

Report on the Financial Statements
We have audited the accompanying financial statements of T.H.E. Clinic, Inc. dba T.H.E. Health and Wellness Centers (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.

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, 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.

Report on Summarized Comparative Information
We have previously audited the Organization's financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
T.H.E. Clinic, Inc.
dba T.H.E. Health and Wellness Centers

Other Matters - Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and Nonfederal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 supplementary schedule 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 January 22, 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.

Green Hasson & Janks LLP

January 22, 2020
Los Angeles, California

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

STATEMENT OF FINANCIAL POSITION
June 30, 2019
With Summarized Totals at June 30, 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,529,149	$ 5,429,797
Government Grants Receivable	265,301	246,715
Patient Accounts Receivable	948,680	1,012,778
Private Grants Receivable	289,092	144,186
Prepaid Expenses and Other Assets	108,515	106,365
TOTAL CURRENT ASSETS	6,140,737	6,939,841
PROPERTY AND EQUIPMENT (Net)	1,882,217	1,763,134
INTANGIBLE ASSETS (Net)	456,223	494,889
TOTAL ASSETS	$ 8,479,177	$ 9,197,864
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	$ 414,098	$ 354,433
Accrued Expenses	839,841	835,432
Estimated Amounts Due to Third-Party Payers	1,355,080	1,075,385
TOTAL LIABILITIES	2,609,019	2,265,250
NET ASSETS:		
Without Donor Restrictions	5,645,158	6,932,614
With Donor Restrictions	225,000	-
TOTAL NET ASSETS	5,870,158	6,932,614
TOTAL LIABILITIES AND NET ASSETS	$ 8,479,177	$ 9,197,864

The Accompanying Notes are an Integral Part of These Financial Statements

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
With Summarized Totals for the Year Ended June 30, 2018

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
REVENUE AND OTHER SUPPORT:				
Net Patient Service Revenue	$ 9,271,730	$ -	$ 9,271,730	$ 9,075,339
Government Grants	4,221,816	-	4,221,816	4,174,015
Contributions	260,860	250,000	510,860	413,744
Incentive Revenue	256,423	-	256,423	866,401
Other Income	395,369	-	395,369	368,880
Net Assets Released from Restrictions	25,000	(25,000)	-	-
TOTAL REVENUE AND OTHER SUPPORT	14,431,198	225,000	14,656,198	14,898,379
EXPENSES:				
Program Services	12,961,614	-	12,961,614	12,072,259
Management and General	2,268,078	-	2,268,078	1,812,372
Fundraising	488,962	-	488,962	608,421
TOTAL EXPENSES	15,718,654	-	15,718,654	14,493,052
CHANGE IN NET ASSETS	(1,287,456)	225,000	(1,062,456)	405,327
Net Assets - Beginning of Year	6,932,614	-	6,932,614	6,527,287
NET ASSETS - END OF YEAR	$ 5,645,158	$ 225,000	$ 5,870,158	$ 6,932,614

The Accompanying Notes are an Integral Part of These Financial Statements

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019
With Summarized Totals for the Year Ended June 30, 2018

	Program Services				Supporting Services				
	Medical	Dental	Early Intervention Treatment Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	2019 Total	2018 Total
Salaries and Payroll Taxes	$ 7,098,177	$ 497,298	$ 659,875	$ 8,255,350	$ 1,064,776	$ 233,024	$ 1,297,800	$ 9,553,150	$ 8,557,797
Employee Benefits	541,097	40,564	62,645	644,306	163,610	4,185	167,795	812,101	827,953
TOTAL PERSONNEL COSTS	7,639,274	537,862	722,520	8,899,656	1,228,386	237,209	1,465,595	10,365,251	9,385,750
Building Maintenance Costs	32,965	-	-	32,965	68,596	-	68,596	101,561	91,922
Building Rent	386,390	110,764	1,160	498,314	235,078	16,004	251,082	749,396	706,504
Equipment Purchases, Repairs, and Maintenance	43,909	7,301	1,550	52,760	25,141	6,697	31,838	84,598	53,814
Insurance	29,267	-	3,567	32,834	70,692	-	70,692	103,526	118,224
Laboratory & X-Ray Services	499,619	-	40,161	539,780	-	-	-	539,780	268,420
Licenses, Fees, & Dues	43,459	-	-	43,459	15,996	2,550	18,546	62,005	83,403
Medical Supplies and Medical Waste Removal	289,767	69,896	11,829	371,492	-	-	-	371,492	434,624
Other Expenses	25,710	783	1,107	27,600	66,708	-	66,708	94,308	142,558
Office Supplies	30,469	135	2,177	32,781	73,767	1,134	74,901	107,682	119,651
Participant Supplies, Activities, and Incentives	2,692	-	1,247	3,939	-	124,147	124,147	128,086	92,306
Pharmaceutical & Pharmacy Supplies	93,501	-	154,029	247,530	-	-	-	247,530	294,020
Postage, Printing and Subscriptions	7,123	87	129	7,339	32,653	2,078	34,731	42,070	49,552
Professional & Contractual Fees	1,420,900	213,462	133,905	1,768,267	232,403	90,691	323,094	2,091,361	1,725,981
Technology Expenses	211,247	-	6,521	217,768	38,844	-	38,844	256,612	411,774
Telephone	26,220	-	3,341	29,561	41,854	-	41,854	71,415	118,370
Travel, Training and Workshops	48,123	-	2,250	50,373	83,527	8,452	91,979	142,352	221,341
TOTAL BEFORE DEPRECIATION AND AMORTIZATION	10,830,635	940,290	1,085,493	12,856,418	2,213,645	488,962	2,702,607	15,559,025	14,318,214
Depreciation and Amortization	96,729	6,048	2,419	105,196	54,433	-	54,433	159,629	174,838
TOTAL 2019 FUNCTIONAL EXPENSES	$ 10,927,364	$ 946,338	$ 1,087,912	$ 12,961,614	$ 2,268,078	$ 488,962	$ 2,757,040	$ 15,718,654	
				83%	14%	3%	17%	100%	
TOTAL 2018 FUNCTIONAL EXPENSES				$ 12,072,259	$ 1,812,372	$ 608,421	$ 2,420,793		$ 14,493,052
				83%	13%	4%	17%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2019
With Summarized Totals for the Year Ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ (1,062,456)	$ 405,327
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	159,629	174,838
(Increase) Decrease in:		
Government Grants Receivable	(18,586)	13,714
Patient Accounts Receivable	64,098	127,308
Private Grants Receivable	(144,906)	(45,047)
Prepaid Expenses and Other Assets	(2,150)	(5,101)
Estimated Amounts Due from Third-Party Payers	-	159,478
Increase (Decrease) in:		
Accounts Payable	59,665	45,383
Accrued Expenses	4,409	52,182
Estimated Amounts Due to Third-Party Payers	279,695	338,844
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(660,602)	1,266,926
CASH FLOWS USED IN INVESTING ACTIVITY:		
Purchase of Property and Equipment	(240,046)	(157,170)
CASH FLOWS USED IN FINANCING ACTIVITY:		
Payments on Notes Payable	-	(377,556)
NET CHANGE IN CASH	(900,648)	732,200
Cash - Beginning of Year	5,429,797	4,697,597
CASH - END OF YEAR	$ 4,529,149	$ 5,429,797
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	$ -	9,919

The Accompanying Notes are an Integral Part of These Financial Statements

NOTE 1 - ORGANIZATION

The mission of T.H.E. Clinic, Inc. dba T.H.E. Health and Wellness Centers (the Organization) is to provide high quality, customer-friendly primary care and related services to all residents of Los Angeles, especially those who are underserved. The Organization accomplishes its mission by providing culturally sensitive and quality comprehensive health services at affordable costs, and by encouraging and educating people to take a proactive role in maintaining their own health.

The Organization is a federally qualified health center providing services to over 15,068 men, women and children of all ages and ethnic profiles. The Organization is also one of the first organizations nationwide to achieve the dual designation of Joint Commission Gold Seal of Quality and Primary Care Medical Home, which was awarded in 2011. The Organization provides the following primary care services throughout its main center, six satellite sites and one mobile clinic: annual physical exams, family planning, pediatric care, teen clinic services, cancer screening, chronic disease screening and treatment, STD care, HIV/AIDS screening and treatment, prostate exams, nutrition health education and sports physicals for teens. The Organization is one of the few non-profit health care centers in Southwest Los Angeles, serving part of a dense urban area of over one million people, of which almost one-third are uninsured. The health care model the Organization practices is designed to serve the whole person, not just symptoms or problems. The Organization is “healing the body and raising the spirit.”

The Organization began life on February 5, 1974 as T.H.E. Clinic for Women, a new health care facility that would provide low-cost, high-quality health care for mainly women of South Los Angeles. Initially, patients were usually low-income, uninsured single mothers desperately in need of such services for their children, their other relatives and themselves.

Working at first with limited daily hours and no pay, the Organization faced an uphill struggle to survive while it gradually got the word out to the women in its service area. Since then, the Organization employs a full time staff of medical and specialized support staff and has garnered long-time support from strategic partners at all levels of government as well as more than 30 foundations, corporations and organizations within the communities served.

The Organization remains at the forefront of crafting treatment and educational regimens to address such widely-discussed health care and social problems as cancer in all its manifestations (especially breast, cervical, and prostate cancer), obesity (including obesity among children and teenagers), and the immunization of children against a wide range of diseases, along with its traditional attention to prenatal and postnatal care for mothers as well as pediatric care for their babies and older children.

The multi-ethnic, multi-racial character of the Organization’s patients and staff is another element that makes it unique. The Organization is a rare and invaluable social institution, especially for a hotbed of national and international diversity like Los Angeles, because both its patients and staff cover the racial-social-ethnic-age-linguistic spectrum.

For example, at various times during its history, the languages spoken by staff members have included English, Spanish, Japanese, Thai, Vietnamese, Laotian, Tagalog, Ibo, Chinese, French, Amharic, Yoruba and Russian. Some clinic staff members speak as many as four languages. Such skills have proven to be indispensable because so many of the Organization’s patients are recent immigrants who speak only their native tongues. This aspect of the Organization’s culture also reflects the way that it has long been known as a medical facility where anyone can feel at home regardless of background.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions (Refer to Note 7).

(c) CASH

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

(d) PATIENT ACCOUNTS RECEIVABLE, GOVERNMENT GRANTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. Management believes all accounts, government grants, and other receivables to be collectible at June 30, 2019 and has not established an allowance for doubtful accounts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost at the date of acquisition if purchased or at estimated fair value at the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Leasehold Improvements	Shorter of Initial Lease Period or Useful Life of Asset
Equipment	5-10 Years
Furniture and Fixtures	5-10 Years

Expenditures for repairs and maintenance are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to $1,000 and the useful life is greater than one year. Expenditures for fixed assets from certain grant funds are expensed when acquired because the grantor retains title to such assets.

(f) INTANGIBLE ASSETS

Intangible assets consist of certain patient lists and records acquired as part of the purchases of local pediatric practices. Intangible assets are amortized using the straight-line method over their estimated useful life of 15 years.

(g) LONG-LIVED ASSETS

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated realizable value. During the year ended June 30, 2019, no impairment loss was recognized.

(h) NET PATIENT SERVICE REVENUE AND MANAGED CARE CONTRACTS

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for service rendered. Net patient service revenue also includes estimated retroactive adjustments under reimbursement agreements with third-party payers. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per service, reimbursed costs discounted charges, and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the services are rendered and adjusted in future periods, as final settlements are determined. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Estimated third-party payer settlement amounts included in the accompanying statement of financial position approximate fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) NET PATIENT SERVICE REVENUE AND MANAGED CARE CONTRACTS (continued)

Payment agreements have been established with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Premiums are due monthly (calculated on a prospectively determined capitated rate) and are recognized as revenue during the period in which the Organization is obligated to provide services to its members.

(i) CHARITY CARE

The Organization defines "charity care" as services rendered for which the patient shall not be held liable. The Organization 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 year ended June 30, 2019, the Clinic provided charity care of approximately $6,447,000 to its patients, which has been calculated as the difference between total health care costs less net third party reimbursements for services.

(j) CONTRACT AND GRANT REVENUE RECOGNITION

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 a contract advance liability, whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant.

(k) PRIVATE GRANTS RECEIVABLE

Unconditional contributions, including grants recorded at estimated fair value, are recognized as revenues when the grant is received. The Organization reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. Private grants receivable at June 30, 2019 were due in their entirety within one year. The Organization evaluated the collectability of private grants receivable at June 30, 2019, and determined that no allowance for doubtful accounts was needed.

(l) DONATED MATERIALS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization did not recognize any donated materials of medical supplies for the year ended June 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) INCOME TAXES

The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

(n) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

(o) COMPARATIVE TOTALS

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

(p) RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 summarized comparative information to conform to the 2019 financial statement presentation. These reclassifications had no effect on the previously reported change in net assets.

(q) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit, such as the proportionate amounts of direct expenses or compensation expenses, proportionate square footage for occupancy costs or usage metrics for patient related costs.

(r) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For the Organization, the ASU became effective for the year ended June 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For the Organization, the ASU and subsequent amendments will be effective for the year ending June 30, 2020.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For the Organization, the ASU will be effective for the year ending June 30, 2022.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance. For the Organization, the ASU will be effective for the year ended June 30, 2020.

(s) SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 22, 2020, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as disclosed in Note 3.

NOTE 3 - GOVERNMENT GRANTS

The Organization is the recipient of a Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery for residents of Los Angeles, California, and the surrounding area. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. During the year ended June 30, 2019, the Organization recognized $3,417,389 in CHC grant revenue.

The Organization's current grant award covers the grant budget period ending January 31, 2020. Future funding will be determined by the granting agency. Subsequent to year end, the grant was renewed for another three year period ending January 31, 2023.

In addition to the above grant, the Organization receives additional financial support from other federal, state and private sources.

NOTE 4 - NET PATIENT SERVICE REVENUE/THIRD-PARTY PAYERS

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

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules.

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

The Organization is required to submit an annual Medi-Cal Reconciliation Request Form to the California Department of Health Care Services (the "Department") for purposes of determining whether it was paid appropriately for certain Medi-Cal visits. These annual reconciliations result in the determination of any underpayment or overpayment by the Medi-Cal program for the affected visits. Such amounts are recorded on the statement of financial position as estimated amounts due from third-party payers. Following submission of the Medi-Cal Reconciliation Request Form, the Organization will generally receive a tentative settlement from the Medi-Cal program with a final settlement made within three years of the date of submission.

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

NOTE 4 - NET PATIENT SERVICE REVENUE/THIRD-PARTY PAYERS (continued)

The Organization is a partner in the My Health LA Program with the County of Los Angeles. Covered primary care services, including laboratory, radiology and pharmacy ancillary services, rendered to My Health LA Program beneficiaries are paid by the County of Los Angeles to the extent of the County's contracted maximum obligation. Future funding will be determined by the County of Los Angeles.

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates and discounts from established charges.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019:

Leasehold Improvements	$ 3,154,248
Equipment	1,302,960
Furniture and Fixtures	943,264
TOTAL	5,400,472
Less: Accumulated Depreciation	(3,518,255)
TOTAL PROPERTY AND EQUIPMENT (NET)	$ 1,882,217

Depreciation expense for the year ended June 30, 2019, was $120,963.

NOTE 6 - INTANGIBLE ASSETS

In October 2015, the Organization entered into an asset purchase agreement with a local medical practice. Under the terms of the agreement, the Organization acquired, among other items, a patient listing and related patient records for a purchase price of $400,000. The patient listing and related records are amortized over a 15-year amortization period using straight-line method.

In March 2017, the Organization entered into another asset purchase agreement with a local pediatric practice. Under the terms of the agreement, the Organization acquired, among other items, a patient listing and related patient records for a purchase price of $180,000. The patient listing and related records are amortized over a 15-year amortization period using straight-line method.

Intangible assets consist of the following at June 30, 2019:

Patient Lists and Records	$ 580,000
Less: Accumulated Amortization	(123,777)
TOTAL INTANGIBLE ASSET (NET)	$ 456,223

NOTE 6 - INTANGIBLE ASSETS (continued)

Amortization expense for the year ended June 30, 2019 was $38,666. Amortization expense for each of the next five years is as follows:

Years Ending June 30		
2020	$	38,667
2021		38,667
2022		38,667
2023		38,667
2024		38,667

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions and related releases from net assets with donor restrictions consisted of the following at June 30, 2019:

	Net Assets with Donor Restrictions at June 30, 2019	Net Assets Released from Donor Restrictions
Subject to Expenditure for Specified Purpose:		
Provider Recruitment Program	$ 125,000	$ -
Transportation Solutions	75,000	-
Other	25,000	25,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	$ 225,000	$ 25,000

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Organization leases facilities, software and equipment under operating leases with various terms expiring through December 2025. Future minimum payments, by year, and in the aggregate, under these leases are as follows:

Years Ending June 30		
2020	$	593,533
2021		266,409
2022		383,787
2023		367,347
2024		377,068
Thereafter		583,109
TOTAL	$	2,571,253

Rent expense under operating leases for the year ended June 30, 2019 was $994,641.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

(b) GOVERNMENT GRANTS

The Organization has received local, state and federal funds for specific purposes that are subject to review and audit by the contracting agencies. Although such audits could generate expenditure disallowances under the terms of the grants and contracts, it is management's opinion that any required reimbursements will not be material.

(c) MEDI-CAL AND MEDICARE

The Organization has elected to participate in the Federally Qualified Health Center (FQHC) Medi-Cal Prospective Payment System (PPS). Under this payment system, the Organization is required to file a reconciliation report at the end of its fiscal year. The purpose of this report is to reconcile reimbursement for services provided to Managed Medi-Cal patients versus what the Organization would have received if these services were provided to regular Medi-Cal patients. The reconciliation reports are subject to review and audit by the Audits and Investigations branch of the Department of Health Services.

(d) MEDICAL MALPRACTICE CLAIMS

Effective June 8, 2009, the U.S. Department of Health and Human Services has deemed the Organization and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions.

The Organization purchases primary and excess liability malpractice insurance under claims-made policies for areas not covered under FTCA. Adjustments of estimated to actual expense, if any, after the policy terms, are included in the period such adjustments are determined.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Organization’s claim experience, no such accrual has been made.

(e) LITIGATION

In the ordinary course of doing business, the Organization may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Organization which, from time to time, may have an impact on changes in net assets. The Organization does not believe that these proceedings, individually or in the aggregate, are material effect on the accompanying financial statements.

NOTE 9 - CONCENTRATIONS

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payer agreements is as follows at June 30, 2019:

Medicare	3%
Medi-Cal	15%
Other Third-Party Payers	82%

NOTE 10 - PENSION PLAN

The Organization has a 403(b) defined contribution plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of the Organization's contribution to the plan. No contributions were made during the year ended June 30, 2019, respectively. In addition, a 457(b) plan was established for key executives. The Organization contributed $37,000 to the 457(b) plan during the year ended June 30, 2019.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization's financial assets that are available for general expenditures within one year of the statement of financial position date are summarized in the following table:

Financial Assets Available to Meet General Expenditures within One Year:	
Cash	$ 4,529,149
Government Grants Receivable	265,301
Patient Accounts Receivable	948,680
Private Grants Receivable	289,092
TOTAL FINANCIAL ASSETS AT JUNE 30, 2019	6,032,222
Less Amounts Not Available to Be Used Within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held with Purpose Restrictions	(225,000)
FINANCIAL ASSETS AVAILABE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	$ 5,807,222

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization is primarily supported by patient service revenues and government grants.

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND
WELLNESS CENTERS

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2019

Agency - Program Grant or Cluster Title	Contract Number	Federal CFDA Number	Grant Period	Governmental Revenue Federal	Governmental Revenue Nonfederal	Program Expenditures from Governmental Revenue
MAJOR AWARDS						
U.S. Department of Health and Human Services						
Health Resources and Services Administration						
Consolidated Health Center Programs	H80CS00755	93.527	02/01/18 - 01/31/19	$ 1,880,363	$ -	$ 1,880,363
	H80CS00755	93.224	02/01/19 - 01/31/20	286,215	-	286,215
	H80CS00755	93.527	02/01/19 - 01/31/20	1,077,610	-	1,077,610
	H80CS00755	93.527	08/01/17 - 07/30/18	6,522	-	6,522
	H80CS00755	93.527	08/01/18 - 07/30/19	74,579	-	74,579
	H80CS00755	93.527	05/01/16 - 04/30/20	92,100	-	92,100
Total - Health Center Cluster				3,417,389	-	3,417,389
TOTAL MAJOR AWARDS				3,417,389	-	3,417,389
NON-MAJOR AWARDS						
U.S. Department of Health and Human Services						
Health Resources and Services Administration						
Pass-through Los Angeles County - Public Health						
AOM - HIV Emergency Relief Project Grants	PH-002351	93.914	03/01/18 - 02/28/19	67,753	-	67,753
	PH-002351	93.914	03/01/19 - 02/28/20	29,538	-	29,538
				97,291	-	97,291
MCC - HIV Emergency Relief Project Grants	PH-002344	93.914	03/01/18 - 02/28/19	119,464	-	119,464
	PH-002344	93.914	03/01/19 - 02/28/20	68,675	-	68,675
				188,139	-	188,139
Total - HIV Emergency Relief Project Grants - 93.914				285,430	-	285,430

See Independent Auditor's Report

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2019

Agency - Program Grant or Cluster Title	Contract Number	Federal CFDA Number	Grant Period	Governmental Revenue Federal	Governmental Revenue Nonfederal	Program Expenditures from Governmental Revenue
NON-MAJOR AWARDS - (continued)						
U.S. Department of Health and Human Services						
Health Resources and Services Administration						
Grants to Provide Outpatient Early Intervention						
Services with Respect to HIV Disease	H76HA00734	93.918	05/01/18 - 04/30/19	$ 204,972	$ -	$ 204,972
	H76HA00734	93.918	05/01/19 - 04/30/20	42,897	-	42,897
				247,869	-	247,869
Pass-through, California Family Health Council, Inc.						
Family Planning Services (Title X)	2406-5320-71209-17-18	93.217	04/01/18 - 03/31/19	142,731	-	142,731
	2406-5320-71209-19-20	93.217	04/01/19 - 03/31/20	38,869	-	38,869
				181,600	-	181,600
Pass-through, The Black AIDS Institute						
Disease Control and Prevention						
Health Department Based	U65PS004721	93.939	07/01/18 - 06/30/19	10,917	-	10,917
Pass-through, County of Los Angeles Center for						
Disease Control and Prevention						
Health Department Based	PH-001577	93.940	01/01/18 - 12/31/18	20,057	-	20,057
	PH-001577	93.940	01/01/19 - 12/31/19	42,319	-	42,319
				62,376	-	62,376
California Department of Public Health						
Office of AIDS						
Aids Drug Assistance Program (ADAP)	SITE- 1943	N/A	07/01/18 - 06/30/19	-	16,235	16,235
TOTAL NON-MAJOR AWARDS				788,192	16,235	804,427
TOTAL FEDERAL AND NONFEDERAL AWARDS				$ 4,205,581	$ 16,235	$ 4,221,816

See Independent Auditor's Report

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2019

Notes to the Schedule of Expenditures of Federal and Nonfederal Awards for the Year Ended June 30, 2019:

1. Basis of Accounting - The accompanying Schedule of Expenditures of Federal and Nonfederal Awards (Schedule) includes the federal award activity of T.H.E. Clinic, Inc. dba T.H.E. Health and Wellness Centers (the Organization) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.
2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles of the Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organization, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. Indirect Cost Rate - The Organization has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
4. The Organization has not provided any federal awards to subrecipients from the federal expenditures presented in this Schedule.