

El Proyecto del Barrio



El Proyecto del Barrio, Inc.
Audited Consolidated Financial Statements and
Other Financial Information
As of and for the Years Ended September 30, 2019 and 2018
with Report of Independent Auditors

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Report of Independent Auditors

Board of Directors
El Proyecto del Barrio, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of El Proyecto del Barrio, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 El Proyecto del Barrio, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted new accounting standards, FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Prior year financial statement presentation and disclosures have been revised to reflect the retrospective application of adopting this change in accounting standards. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Functional Expenses and the Child Development Program Supplementary Information as required by the *CDE Audit Guide*, are presented for purposes of additional analysis and are not required parts of the financial statements. As required by the *CDE Audit Guide*, supplementary information presented is for the year ended June 30, 2019. 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 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 June 9, 2020 on our consideration of El Proyecto del Barrio, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of El Proyecto de Barrio, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Proyecto del Barrio, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vagueny & Company LLP".

Glendale, California
February 27, 2020, except for the Child Development
Program Supplementary Information as to which
the date is June 9, 2020

El Proyecto del Barrio, Inc.
Consolidated Statements of Financial Position

		September 30	
		2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	\$	12,804,037	\$ 15,399,386
Restricted cash		498,590	486,426
Contracts receivable		3,224,812	2,493,558
Accounts receivable, net		2,432,120	1,855,899
Investments in traded securities		1,242,310	1,052,265
Prepaid expenses and other current assets		500,429	218,598
		Total current assets	21,506,132
Noncurrent assets			
Property and equipment, net		12,258,576	11,779,877
Assets limited as to use		172,250	172,245
		Total noncurrent assets	11,952,122
		Total assets \$	\$ 33,458,254
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and other accrued liabilities	\$	1,881,107	\$ 2,662,819
Accrued payroll and related liabilities		2,586,075	2,328,304
Claims payable		2,149,207	2,345,988
Contract advance		360,592	588,086
Current portion of loans payable		673,815	597,210
		Total current liabilities	8,522,407
Noncurrent liabilities			
Loans payable, net of current portion		4,745,366	5,057,144
		Total noncurrent liabilities	5,057,144
		Total liabilities	13,579,551
Net assets			
Without donor restrictions		20,238,372	19,392,277
With donor restrictions		498,590	486,426
		Total net assets	19,878,703
		Total liabilities and net assets \$	\$ 33,458,254

See notes to consolidated financial statements.

El Proyecto del Barrio, Inc.
Consolidated Statements of Activities

	Years ended September 30	
	2019	2018
Net assets without donor restrictions		
Revenues		
Patient service revenues, net of contractual allowances and discounts	\$ 19,811,152	\$ 19,559,203
Provision for doubtful accounts	(249,482)	(95,895)
Net patient service revenue	19,561,670	19,463,308
Government grants and contracts	10,737,722	9,975,050
Managed care contracts	18,744,483	16,730,024
Other	3,921,311	2,650,676
Total revenues	52,965,186	48,819,058
Expenses		
Program expenses:		
Medical services	38,665,937	35,850,548
Drug abuse	964,576	844,155
Job training	1,221,708	1,279,220
Youth services	2,613,125	1,894,809
HIV/AIDS	2,252,948	2,119,844
Child care services	1,472,395	1,500,334
General administration	4,928,402	4,190,097
Total expenses	52,119,091	47,679,007
Change in net assets without donor restrictions	846,095	1,140,051
Net assets without donor restrictions - beginning of year	19,392,277	18,252,226
Net assets without donor restrictions - end of year	20,238,372	19,392,277
Net assets with donor restrictions		
Change in net assets with donor restrictions - interest income	12,164	4,477
Net assets with donor restrictions - beginning of year	486,426	481,949
Net assets with donor restrictions - end of year	498,590	486,426
Total net assets	\$ 20,736,962	\$ 19,878,703

See notes to consolidated financial statements.

El Proyecto del Barrio, Inc.
Consolidated Schedule of Functional Expenses
Year ended September 30, 2019

	Program Expenses						General Administration	Total Expenses
	Medical Services	Drug Abuse	Job Training	Youth Services	HIV/AIDS	Child Care Services		
Employee compensation	\$ 16,340,163	\$ 452,987	\$ 460,745	\$ 1,891,590	\$ 646,585	\$ 755,047	\$ 2,323,226	\$ 22,870,343
Employee benefits	4,070,457	128,043	112,697	236,746	171,025	275,811	572,552	5,567,331
Contracted services	13,333,177	1,759	3,268	13,165	18,777	40,408	806,316	14,216,870
Laboratory services	514,055	14,902	284	293	31,021	179	60	560,794
Equipment rental, repairs and maintenance	621,235	44,505	11,091	21,908	17,329	4,953	24,031	745,052
Other facilities expenses	221,518	22,922	8,211	2,494	16,420	25,223	63,620	360,408
Insurance	355,961	7,335	2,455	1,640	5,515	29,271	156,911	559,088
Postage/printing	83,479	3,336	930	3,414	7,382	4,219	69,932	172,692
Rent	340,237	185,550	149,005	238,580	91,788	130,779	121,455	1,257,394
Staff development	59,933	666	-	2,070	4,655	9,658	92,371	169,353
Subscription/dues/licenses	140,704	3,316	-	235	2,278	9,961	30,941	187,435
Medical supplies	378,273	-	-	-	9,592	-	-	387,865
Pharmacy supplies	670,553	-	-	-	1,160,607	-	298	1,831,458
Health promotion and education	2,638	9,728	2,747	1,652	9,618	45,713	60,187	132,283
Supplies	178,170	8,116	8,134	9,881	9,055	6,730	38,600	258,686
Telephone	350,052	11,965	97,748	48,334	12,882	21,312	104,077	646,370
Travel	25,944	5,562	959	6,615	13,363	2,628	18,233	73,304
Utilities	207,594	18,525	11,426	30,838	9,496	17,195	28,915	323,989
Nonmajor equipment	94,560	34,677	-	-	215	6,768	65,099	201,319
Depreciation and amortization	635,335	10,682	-	11,513	794	11,748	125,327	795,399
Interest, bank charges and others	38,989	-	-	-	-	-	224,159	263,148
Client expenses	2,910	-	352,008	92,157	14,551	74,792	2,092	538,510
	<u>\$ 38,665,937</u>	<u>\$ 964,576</u>	<u>\$ 1,221,708</u>	<u>\$ 2,613,125</u>	<u>\$ 2,252,948</u>	<u>\$ 1,472,395</u>	<u>\$ 4,928,402</u>	<u>\$ 52,119,091</u>

See notes to consolidated financial statements.

El Proyecto del Barrio, Inc.
Consolidated Schedule of Functional Expenses
Year ended September 30, 2018

	Program Expenses							Total Expenses
	Medical Services	Drug Abuse	Job Training	Youth Services	HIV/AIDS	Child Care Services	General Administration	
Employee compensation	\$ 15,076,253	\$ 410,518	\$ 507,201	\$ 1,225,781	\$ 626,617	\$ 808,503	\$ 2,079,799	\$ 20,734,672
Employee benefits	3,773,486	121,084	118,077	226,396	162,961	257,590	535,873	5,195,467
Contracted services	12,536,925	1,421	1,547	13,516	2,143	17,155	795,427	13,368,134
Laboratory services	396,809	12,463	433	75	79,614	119	-	489,513
Equipment rental, repairs and maintenance	442,921	12,309	8,500	6,545	27,228	2,748	7,281	507,532
Other facilities expenses	229,739	22,667	14,154	22,559	1,767	22,652	35,651	349,189
Insurance	433,538	5,315	2,917	2,741	5,382	55,662	104,764	610,319
Postage/printing	148,475	4,594	3,580	6,573	10,478	7,108	31,305	212,113
Rent	290,383	181,497	156,631	227,993	89,499	127,922	108,387	1,182,312
Staff development	86,761	3,053	820	1,951	2,116	10,671	100,178	205,550
Subscription/dues/licenses	147,193	10,839	21	15	2,534	12,526	23,774	196,902
Medical supplies	314,203	-	-	-	25,922	-	-	340,125
Pharmacy supplies	509,214	-	-	-	1,004,196	-	-	1,513,410
Health promotion and education	3,100	198	1,616	6,433	9,373	47,426	62,428	130,574
Supplies	167,415	10,197	8,738	7,491	12,090	9,378	35,243	250,552
Telephone	309,271	12,939	72,931	31,851	18,727	21,318	91,233	558,270
Travel	31,714	4,949	903	7,681	7,993	2,054	19,112	74,406
Utilities	189,159	19,430	11,502	35,999	9,581	17,280	26,781	309,732
Nonmajor equipment	48,380	-	-	-	5,839	5,889	13,032	73,140
Depreciation and amortization	515,553	10,682	-	18,782	794	9,042	66,912	621,765
Interest, bank charges and others	191,748	-	-	-	-	-	52,917	244,665
Client expenses	8,308	-	369,649	52,427	14,990	65,291	-	510,665
	<u>\$ 35,850,548</u>	<u>\$ 844,155</u>	<u>\$ 1,279,220</u>	<u>\$ 1,894,809</u>	<u>\$ 2,119,844</u>	<u>\$ 1,500,334</u>	<u>\$ 4,190,097</u>	<u>\$ 47,679,007</u>

See notes to consolidated financial statements.

El Proyecto del Barrio, Inc.
Consolidated Statements of Cash Flows

	Years ended September 30	
	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 858,259	\$ 1,144,528
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	795,399	621,765
Provision for doubtful accounts	249,482	95,895
Gain on sale of fixed assets	-	(1,200)
Unrealized gain on investments	(35,964)	(24,922)
(Increase) decrease in operating assets:		
Contracts receivable	(731,254)	(218,820)
Accounts receivable	(825,703)	446,471
Prepaid expenses and other current assets	(281,831)	175,083
Assets limited as to use	(5)	85
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	(781,712)	(232,527)
Accrued payroll and related liabilities	257,771	139,784
Claims payable	(196,781)	(331,045)
Contract advance	(227,494)	355,828
Net cash (used in) provided by operating activities	(919,833)	2,170,925
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	1,200
Purchase of traded investment securities	(154,081)	(20,895)
Acquisition of property and equipment	(1,274,098)	(2,074,671)
Net cash used in investing activities	(1,428,179)	(2,094,366)
Cash flows from financing activities		
Proceeds from loan	334,750	353,797
Repayments of loans payable	(569,923)	(536,812)
Net cash used in financing activities	(235,173)	(183,015)
Net change in cash and cash equivalents	(2,583,185)	(106,456)
Cash and cash equivalents - beginning of year	15,885,812	15,992,268
Cash and cash equivalents - end of year	\$ 13,302,627	\$ 15,885,812
Supplemental disclosure of cashflow information		
Interest paid during the year	\$ 244,461	\$ 222,751

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	Years ended September 30	
	2019	2018
Cash and cash equivalents	\$ 12,804,037	\$ 15,399,386
Restricted cash	498,590	486,426
	\$ 13,302,627	\$ 15,885,812

See notes to consolidated financial statements.

NOTE 1 ORGANIZATION PROFILE

El Proyecto del Barrio, Inc. (El Proyecto), a California non-profit public benefit corporation was originally formed in 1971 to provide drug treatment and rehabilitation and has since expanded to provide a variety of services, to the medically under-served Latino Communities. It has a Federal 330 Designation and a Federally Qualified Health Center (FQHC) status. El Proyecto provides clinic-based primary medical care, drug rehabilitation and prevention programs as well as job training and placement services to the under-served low income population of the San Fernando Valley and San Gabriel Valley. It currently serves persons of all economic levels, among which is a large group of Spanish speaking and indigent people who are not accustomed to accessing medical services.

El Proyecto currently operates and provides primary health care in the following facilities: six (6) fully licensed clinics located in Arleta, Winnetka, Northridge, Azusa, Panorama City and Baldwin Park. In addition to primary health care, other services provided include the HIV outpatient medical services, HIV/AIDS outreach and prevention programs, perinatal services for substance abusing mothers in recovery and their children, drug rehabilitation and prevention services, employment training, job placement and two youth centers serving at risk youth ages 14-21, a single point of contact for accessing age-specific and development services.

El Proyecto also operates a child development program under the contract with the California State Preschool Program from July 1, 2018 to September 30, 2019. On August 1, 2019, the dissolution was made of El Proyecto Child Developments Services LLC.

On October 28, 2016, Evolvement Properties LLC (Evolvement) was organized as a sole member limited liability company in California. The purpose of Evolvement Properties is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act. El Proyecto is the sole member of Evolvement. Evolvement acquired the property at 8932 Woodman Avenue, Arleta, California (see Note 7).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounts of El Proyecto and its wholly-owned subsidiaries: Arleta Properties LLC, Winnetka-Sherman Way Properties LLC, Evolvement, and El Proyecto Child Development Services LLC (collectively referred to herein as El Proyecto) are maintained on the accrual basis of accounting for financial reporting purposes.

Principles of Consolidation

The consolidated financial statements include the accounts of El Proyecto del Barrio, Inc. and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimation include: valuation allowances on receivables, useful lives for property and equipment, estimates for claims incurred but not reported. Actual results could differ from those estimates.

Cash and Cash Equivalents

El Proyecto considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. El Proyecto establishes an allowance for uncollectible accounts based on many factors, including payer mix, age of receivables, historical cash collection experience, and other relevant information.

Investment in Traded Securities

Investment in traded securities with readily determinable fair values are measured at fair value, based upon publicly quoted market prices or quotations of similar securities (Level 1).

Fair Value Measurements

Generally accepted accounting principles, which define fair value, establish a framework for measuring fair value and disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

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

El Proyecto's financial assets and liabilities include primarily cash and cash equivalents, investments, receivables, accounts payable and accrued liabilities. Because of the short-term nature of the cash, investments, receivables, accounts payable and accrued liabilities, the carrying amounts of these assets and liabilities approximate their fair value.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at date of donation. Provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture and equipment	3 - 10 years
Buildings and improvements	5 - 30 years
Software	3 - 5 years
Leasehold improvements	Life of lease or estimated useful life, whichever is shorter

All expenditures for property and equipment with a value of \$5,000 or more and a life of one year or more are capitalized.

Property acquired with federal funds is considered to be owned by El Proyecto while used in the program(s) for which it was purchased or in other future authorized programs. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations. As of September 30, 2019 and 2018, the property and equipment include reversionary assets with a net book value of approximately \$0.

Assets Limited As To Use

Assets limited as to use primarily consist of assets held in a trust account as replacement reserve funds for the Arleta and Winnetka properties.

Claims Payable

Claims payable includes the liability for claims and health services incurred but not paid and the estimated liability for claims incurred but not reported as of year end.

Operating expenses incurred in the provision of health services are accrued in the period in which services are provided to patients based in part on estimates, including accrual for medical services provided but not yet reported to El Proyecto. Incurred but not reported (IBNR) costs are costs associated with health care service incurred during a financial reporting period but not reported to the health care organization until after the financial reporting date. El Proyecto's estimated liability for IBNR claims are determined based on claim lag studies that track and measure date of service against date of payment. The estimate is continually reviewed and adjusted, as necessary, based on

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims Payable (continued)

claims experience or as new information becomes known; such adjustments are included in current operations.

Net Assets

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

Net Assets Without Donor Restrictions

Contributions and allocations, the uses of which are not restricted by donors or grantors, are recorded in net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by El Proyecto has been limited by donors to a specific time period or for a specific purpose. As the restrictions are satisfied, these are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions for operations. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements. As of September 30, 2019, and 2018, net assets with donor restrictions pertain to restricted cash amounting to \$498,590 and \$486,426, respectively.

Revenue Recognition

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. These retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Managed Care

Payment agreements have been made 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 El Proyecto is obligated to provide services to its members.

Cost Reimbursable Grants and Contracts

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

Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Cash Contributions

Contributions primarily include unconditional promises to give cash or other assets. Contributions, whether temporarily restricted or unrestricted, are recognized as revenue when they are received. Unconditional promises to give are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions expire, whichever occurs first.

Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the cash or other assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Donations in Kind

Contributions of donated noncash assets are recorded at fair value in the period received. There were no noncash assets received for the years ended September 30, 2019 and 2018.

Donated services are recognized if the service requires specialized skills, is provided by individuals possessing the skills and the service would otherwise need to be purchased. There were no donated services for the years ended September 30, 2019 and 2018.

Pharmacy Revenue

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

Functional Allocation of Expenses

Costs for providing El Proyecto's programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited by a method that best measures the relative degree of benefit.

Significant expense categories that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Employee compensation	Time and effort
Employee benefits	Time and effort
Contracted services	Time and effort
Rent	Square footage
Pharmacy supplies	Time and effort
Depreciation and amortization	Square footage

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

El Proyecto is a nonprofit corporation exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is generally not subject to federal or state income taxes.

El Proyecto has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to El Proyecto's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

El Proyecto's income tax returns remain subject to examination for all tax years ended on or after September 30, 2014 with regard to all tax positions and results reported.

El Proyecto's wholly owned subsidiaries are limited liability companies and are not taxpaying entities for federal income tax purposes. Arleta Properties LLC, Winnetka-Sherman Way Properties LLC, and Evolvment Properties, LLC are also exempt from state income taxes under the California Revenue and Taxation Code Section 23701(d). El Proyecto Child Development Services LLC is not exempt from state income tax and is subject to \$800 minimum tax by the California Franchise Tax Board. The subsidiaries' income tax returns remain subject to examination for all tax years ended on or after September 30, 2014 with regard to all tax positions and results reported.

Reconciliation of CDE and GAAP Expense Reporting

The financial statements present financial data in conformity with GAAP. The other supplementary financial data presented in the audit, including data in the *Schedule of Expenditures by State Categories*, present expenditures according to CDE reporting requirements. However, reporting differences arise because CDE contract funds must be expended during the contract period (usually one year). For example, program amounts that are capitalized and depreciated over multiple years under GAAP are expensed in the contract period under CDE requirements. To address such reporting differences, the audit report includes a *Reconciliation of CDE and GAAP Expense Reporting*.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. El Proyecto has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents El Proyecto's financial assets at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 12,804,037	\$ 15,399,386
Restricted cash	498,590	486,426
Contracts receivable	3,224,812	2,493,558
Accounts receivable, net	2,432,120	1,855,899
Investments in traded securities	1,242,310	1,052,265
	<u>20,201,869</u>	<u>21,287,534</u>
Less amounts unavailable for use within one year	<u>498,590</u>	<u>486,426</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 19,703,279</u>	<u>\$ 20,801,108</u>
Total expenses less depreciation	51,323,692	47,057,242
% of total available financial assets over total expenses less depreciation	38%	44%

As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Moreover, El Proyecto has a line of credit (Note 11) available to meet cash flow needs.

NOTE 4 CONCENTRATION OF RISK

El Proyecto maintains its cash accounts with certain banks. Balances with these banks at times may exceed federally insured limits. El Proyecto has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash accounts. El Proyecto's deposit accounts with banks as of September 30, 2019 and 2018 exceeded the FDIC's insured limit of \$250,000 by \$12,958,624 and \$16,059,903 respectively.

For the years ended September 30, 2019 and 2018, El Proyecto received its total revenues from the following sources:

	<u>2019</u>	<u>2018</u>
Patient fees (primarily Medi-Cal and Medicare)	37%	40%
Federal and state grants and contracts	20%	20%
Managed care contracts	35%	34%
Other	8%	6%
	<u>100%</u>	<u>100%</u>

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30, 2019 and 2018:

	2019	2018
Accounts receivable	\$ 2,685,571	\$ 1,979,768
Less allowance for doubtful accounts	253,451	123,869
	\$ 2,432,120	\$ 1,855,899

Provision for doubtful accounts for the years ended September 30, 2019 and 2018 amounted to \$249,482 and \$95,895, respectively. Provision for doubtful accounts are presented as an offset to net patient service revenues.

There were no accounts receivable written off during the fiscal year 2019 and 2018.

NOTE 6 INVESTMENTS IN TRADED SECURITIES

El Proyecto invests in U.S. Equity, International Equity and Fixed Income ETF Mutual Funds. These investments were accounted for at fair value on a recurring basis as of September 30 at level 1 within the fair value hierarchy:

	2019	2018
US Equity Funds	\$ 384,525	\$ 366,961
US Treasury ETF	280,367	269,328
US Bonds	303,777	280,613
International Equity Funds	112,112	102,419
Emerging Markets Bonds	161,529	32,944
	\$ 1,242,310	\$ 1,052,265

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment as of September 30 is composed of:

	2019	2018
Land	\$ 3,300,298	\$ 1,971,533
Buildings and improvements	14,274,137	10,963,706
Furniture and equipment	3,856,354	3,544,422
Software	698,401	698,401
Construction in progress	215,032	4,082,262
	22,344,222	21,260,324
Less accumulated depreciation and amortization	10,085,646	9,480,447
	\$ 12,258,576	\$ 11,779,877

NOTE 7 PROPERTY AND EQUIPMENT (CONTINUED)

All real and personal property owned by El Proyecto are pledged as collateral as referenced in Note 9. Provision for depreciation and amortization for the years ended September 30, 2019 and 2018, amounted to \$795,399 and \$621,765, respectively.

On November 22, 2016, Evolvement Properties LLC purchased the property located at 8932 Woodman Avenue, Arleta, California for a total consideration of \$1,995,000.

Construction in progress represents assets under construction for the expansion and remodeling of El Proyecto's various medical facilities.

NOTE 8 CLAIMS PAYABLE

Claims payable of September 30 is composed of:

	2019		2018
Claims billed	\$ 670,209	\$	561,990
Incurred but not reported (IBNR)	1,478,998		1,783,998
	\$ 2,149,207	\$	2,345,988

NOTE 9 LOANS PAYABLE

El Proyecto's loans payable as of September 30 is composed of:

	2019		2018
Raza Development Fund			
Mortgage loan amounting to \$1.74 million, interest at 6% per annum, payable in 10 years, with maturity date of December 30, 2023. The debt is collateralized by a deed of trust on the real property located at 8902 Woodman Avenue, Arleta California (Arleta property).	\$ 939,959	\$	1,128,491
Mortgage loan amounting to \$3.82 million, interest at 6% per annum, payable in 10 years, with maturity date of December 30, 2023. The debt is collateralized by a deed of trust on the real property located at 20800 Sherman Way, Winnetka, California (Winnetka Property).	1,909,202		2,290,593

NOTE 9 LOANS PAYABLE (CONTINUED)

	2019	2018
Mortgage loan amounting to \$2.23 million. On December 10, 2018, the loan was further extended and redefined effective April 1, 2019. Principal and interest payments at 6% per annum are payable in 20 years, which will commence on May 1, 2019. The debt is collateralized by a deed of trust on the real property located at 8932 Woodman Avenue, Arleta, California (Arleta Property).	\$ 2,570,020	\$ 2,235,270
	5,419,181	5,654,354
Less current portion	673,815	597,210
	\$ 4,745,366	\$ 5,057,144

Interest on long-term debt charged as expense amounted to \$244,461 and \$222,751 respectively, for the years ended September 30, 2019 and 2018.

The following reflects the combined future principal payments of the loans:

Year ending September 30	Amount
2020	673,815
2021	715,549
2022	759,868
2023	806,933
Thereafter	2,463,016
	\$ 5,419,181

NOTE 10 COMMITMENTS

El Proyecto occupies certain facilities and utilizes equipment under both month-to-month and long-term lease agreements expiring through November 2023. Future minimum rental payments under these non-cancelable leases are as follows:

Year ending September 30	Amount
2020	\$ 940,367
2021	268,638
2022	276,697
2023	129,800
2024	102,655
	\$ 1,718,157

Total facilities rent and equipment lease, including month-to-month and long-term leases, amounted to \$1,210,793 and \$77,131 in 2019, respectively, and \$1,182,312 and \$49,666 in 2018, respectively.

NOTE 11 LINE OF CREDIT

El Proyecto had an available line of credit with a bank providing for borrowings up to \$1,000,000, which expired on May 15, 2020. Interest is payable monthly at the bank's base rate plus 0.75% in 2019. There were no drawings on the line of credit for the years ended September 30, 2019 and 2018.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions amounting to \$498,590 and \$486,426 at September 30, 2019 and 2018, respectively, consist of contributions received from the County of Los Angeles for the renovation of, and purchase of equipment for, the Azusa Health Center.

NOTE 13 PATIENT SERVICE REVENUES AND MANAGED CARE CONTRACTS

Net patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Payment agreements have been made 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 El Proyecto is obligated to provide services to its members.

Operating expenses incurred in the provision of health services are accrued in the period in which services are provided to patients based in part on estimates, including accrual for medical services provided but not yet reported to El Proyecto. Incurred but not reported (IBNR) costs are costs associated with health care service incurred during a financial reporting period but not reported to the health care organization until after the financial reporting date. El Proyecto's estimated IBNR claims are determined based on claim lag studies that track and measure date of service against date of payment.

NOTE 14 PENSION PLAN

On October 1, 1998, El Proyecto established a Tax Sheltered Annuity Plan under Section 403(b) of the Internal Revenue Code. El Proyecto matched 100% of an employee's salary contribution up to 4% of a participant's compensation. This matching contribution requires 0-6 years of service for vesting purposes with an employee being 100% vested after 6 years of service. Employees who are eligible must be a full-time regular employee who routinely works 40 hours or more per week and must have completed one continuous year of full time employment with El Proyecto. Effective June 1, 2009, El Proyecto terminated the discretionary employer contribution. The discretionary employer contribution was reinstated effective October 1, 2018.

NOTE 15 COMPLIANCE WITH DEBT COVENANTS

Under the terms of the loan agreements with certain lenders, El Proyecto is required to meet certain coverage ratios, among other requirements. El Proyecto met all the coverage ratio requirements for the years ended September 30, 2019 and 2018.

NOTE 16 CONTINGENCIES

El Proyecto 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 terms of the grants or contracts, management believes that any required reimbursements will not be material.

NOTE 17 SUBSEQUENT EVENTS

El Proyecto has evaluated events or transactions that occurred subsequent to September 30, 2019 through June 9, 2020, the date the accompanying consolidated financial statements were available to be issued, for potential recognition or disclosure in the consolidated financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying consolidated financial statements other than the matter disclosed in Note 9.

**CHILD DEVELOPMENT PROGRAM
SUPPLEMENTARY INFORMATION**

**El Proyecto del Barrio, Inc.
Child Development Program
Schedule of Expenditures of Federal and State Awards
Year ended June 30, 2019**

Federal Grantor / PassThrough Grantor Program Title	Federal CFDA Number	Pass Through/ Grantor's Number	Award Amount			Expenditures		
			Federal	State	Total	Federal	State	Total
U.S. Department of Agriculture:								
Passed through the California Department of Education:								
Child and Adult Care Food Program	10.558	05187-CACFP-19-NP-CS	\$ 65,915	\$ -	\$ 65,915	\$ 65,915	\$ -	\$ 65,915
California State Preschool Program	NA	CSPP8188	-	1,430,377	1,430,377	-	1,430,377	1,430,377
Total Federal and State Expenditures			\$ 65,915	\$ 1,430,377	\$ 1,496,292	\$ 65,915	\$ 1,430,377	\$ 1,496,292

See report of independent auditors.

**El Proyecto del Barrio, Inc.
Child Development Program
Combining Statement of Activities
Year ended June 30, 2019**

	<u>CSP8188</u>	<u>Total CDE</u>	<u>Non-CDE Programs</u>	<u>Total</u>
Changes in unrestricted net assets:				
Revenues and other support				
Government grants and contracts				
Child care and development program	\$ 1,430,377	\$ 1,430,377	\$ 14,000	\$ 1,444,377
Child nutrition program (05187-CACFP-19-NP-CS)	65,915	65,915	-	65,915
Other government grants and contracts (LA County Special Program CP-01-576)	-	-	60,583	60,583
Total revenues and other support	<u>1,496,292</u>	<u>1,496,292</u>	<u>74,583</u>	<u>1,570,875</u>
Expenses				
Program Services	1,518,571	1,518,571	-	1,518,571
General Administration	121,486	121,486	-	121,486
Total expenses	<u>1,640,057</u>	<u>1,640,057</u>	<u>-</u>	<u>1,640,057</u>
Net change in unrestricted net assets	<u>\$ (143,765)</u>	<u>\$ (143,765)</u>	<u>\$ 74,583</u>	<u>\$ (69,181)</u>

See report of independent auditors.

El Proyecto del Barrio, Inc.
Child Development Program
Schedule of Expenditures by State Categories
Year ended June 30, 2019

<u>Expenditures</u>	<u>CSPP8188</u>	<u>Total CDE CD Contracts</u>
1000 Certificated Salaries	\$ 688,161	\$ 688,161
2000 Classified Salaries	85,655	85,655
3000 Employee Benefits	275,783	275,783
4000 Books and Supplies	48,261	48,261
5000 Services and Other Operating Expenses	420,711	420,711
6500 Equipment Replacement	-	-
Start-up Expenses	-	-
Indirect Costs	121,486	121,486
Total expenses claimed for reimbursement	<u>1,640,057</u>	<u>1,640,057</u>
Supplemental expenses	-	-
Total Expenditures	<u>\$ 1,640,057</u>	<u>\$ 1,640,057</u>

See report of independent auditors.

**El Proyecto del Barrio, Inc.
Child Development Program
Reconciliation of CDE and GAAP Expense Reporting
Year ended June 30, 2019**

	<u>CSP6673</u>	<u>Total CDE CD Contracts</u>
Schedule of Expenditure by State Categories (CDE)	\$ 1,640,057	\$ 1,640,057
Adjustments to Reconcile Differences in Reporting:		
Capitalized renovation and repairs expensed on AUD forms	(60,137)	(60,137)
State income taxes	9,500	9,500
Penalty	1,179	1,179
Unallowable expenses (children's christmas gifts, outreach, incentives)	4,740	4,740
Depreciation on assets funded by CDE-CD or other funding sources	10,425	10,425
Actual indirect costs exceeding 8% limit/Indirect not charged to the State	30,149	30,149
Consolidated Statement of Activities (GAAP)	<u>\$ 1,635,913</u>	<u>\$ 1,635,913</u>

See report of independent auditors.

El Proyecto del Barrio, Inc.
Child Development Program

**Reconciliation of Organization's Fiscal Year Ending September 30, 2019 with
Child Development Program's Fiscal Year Ending June 30, 2019**

	Consolidated 10/01/2018 to 09/30/2019	Add Consolidated 07/01/2018 to 09/30/2018	Minus Consolidated 07/01/2019 to 09/30/2019	Minus Non CD 07/01/2018 to 06/30/2019	CD 07/01/2018 to 06/30/2019
Revenues					
Net patient service revenues	\$ 19,561,670	\$ 4,868,058	\$ 5,342,223	\$ 19,087,505	\$ -
Government grants and contracts	10,737,722	2,384,295	2,581,541	8,969,601	1,570,875
Managed care contracts	18,744,483	3,916,003	3,687,555	18,972,931	-
Other	3,933,475	738,784	1,453,633	3,218,626	-
Total unrestricted revenues	<u>52,977,350</u>	<u>11,907,140</u>	<u>13,064,952</u>	<u>50,248,663</u>	<u>1,570,875</u>
Expenses					
Program expense	47,190,689	11,423,737	12,512,110	44,618,037	1,484,279
General Administration	4,928,402	1,169,137	1,485,652	4,460,252	151,634
Total expenses	<u>52,119,091</u>	<u>12,592,873</u>	<u>13,997,762</u>	<u>49,078,289</u>	<u>1,635,913</u>
Change in net assets	858,259				(65,037)
Net Assets - beginning of year	<u>19,878,703</u>				<u>(205,936)</u>
Net Assets - end of year	<u>\$ 20,736,962</u>				<u>\$ (270,973)</u>

See report of independent auditors.

**El Proyecto del Barrio, Inc.
Child Development Program
Schedule of Reimbursable Equipment Expenditures
Year ended June 30, 2019**

There were no reimbursable equipment expenditures for the year ended June 30, 2019.

See report of independent auditors.

El Proyecto del Barrio, Inc.
Child Development Program
Schedule of Reimbursable Expenditures for Renovation and Repairs
Year ended June 30, 2019

	<u>CSP8188</u>	<u>Total CDE CD Contracts</u>
General Repair and Maintenance	\$ <u>62,526</u>	\$ <u>62,526</u>

See report of independent auditors.

El Proyecto del Barrio, Inc.
Child Development Program
Schedule of Reimbursable Administrative Costs
Year ended June 30, 2019

	<u>CSPP8188</u>	<u>Total CDE CD Contracts</u>
Indirect Costs	\$ <u>121,486</u>	\$ <u>121,486</u>

See report of independent auditors.

**El Proyecto del Barrio, Inc.
Child Development Program
Schedule of Reimbursable Start-Up Expenses
Year ended June 30, 2019**

There were no reimbursable start-up expenses for the year ended June 30, 2019.

See report of independent auditors.

**El Proyecto del Barrio, Inc.
Child Development Program
Schedule of Reimbursable Budget Impasse Credit Expenses
Year ended June 30, 2019**

There were no reimbursements for budget impasse credit expenses for the year ended June 30, 2019.

See report of independent auditors.

**El Proyecto del Barrio, Inc.
Child Development Program
Audited Attendance and Fiscal Reports
For California State Preschool Programs
Year ended June 30, 2019**

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CALIFORNIA STATE PRESCHOOL PROGRAMS

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Fiscal Year Ending
Contract Number
Vendor Code

Full Name of Contractor

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time	46,627	-60	46,567	0.6193	28,838.9431
Exceptional Needs Full-time-plus				1.6166	0
Exceptional Needs Full-time				1.3700	0
Exceptional Needs Three-quarters-time				1.0275	0
Exceptional Needs One-half-time	1,272		1,272	0.6193	787.7496
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0

El Proyecto del Barrio, Inc.
Child Development Program
Audited Attendance and Fiscal Reports
For California State Preschool Programs (Continued)
Year ended June 30, 2019

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE & FISCAL REPORT FOR
 CALIFORNIA STATE PRESCHOOL PROGRAMS
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Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				2.0237	0
Severely Disabled Full-time				1.7150	0
Severely Disabled Three-quarters-time				1.2863	0
Severely Disabled One-half-time				0.6193	0
TOTAL DAYS OF ENROLLMENT	47,899	-60	47,839	N/A	29,626.6927
DAYS OF OPERATION	177	0	177	N/A	N/A
DAYS OF ATTENDANCE	47,101	-60	47,041	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3-5) and continue to Revenue Section on page 6.

**El Proyecto del Barrio, Inc.
Child Development Program
Audited Attendance and Fiscal Reports
For California State Preschool Programs (Continued)
Year ended June 30, 2019**

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE & FISCAL REPORT FOR
CALIFORNIA STATE PRESCHOOL PROGRAMS
A U D 8501 Page 3 of 9 (06/19)

Fiscal Year Ending
Contract Number
Vendor Code

Full Name of Contractor

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Toddlers (18 up to 36 months) Full-time-plus				1.8880	0
Toddlers (18 up to 36 months) Full-time				1.6000	0
Toddlers (18 up to 36 months) Three-quarters-time	Text			1.2000	0
Toddlers (18 up to 36 months) One-half-time				0.6193	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.6193	0
Exceptional Needs Full-time-plus				1.6166	0
Exceptional Needs Full-time				1.3700	0
Exceptional Needs Three-quarters-time				1.0275	0
Exceptional Needs One-half-time				0.6193	0

**El Proyecto del Barrio, Inc.
Child Development Program
Audited Attendance and Fiscal Reports
For California State Preschool Programs (Continued)
Year ended June 30, 2019**

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CALIFORNIA STATE PRESCHOOL PROGRAMS

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Fiscal Year Ending

Contract Number

Vendor Code

Full Name of Contractor

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0

**El Proyecto del Barrio, Inc.
Child Development Program
Audited Attendance and Fiscal Reports
For California State Preschool Programs (Continued)
Year ended June 30, 2019**

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CALIFORNIA STATE PRESCHOOL PROGRAMS

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Fiscal Year Ending	June 30, 2019	
Contract Number	CSPP	8188
Vendor Code	Z520	

Full Name of Contractor El Proyecto del Barrio Inc.

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Severely Disabled Full-time-plus				2.0237	0
Severely Disabled Full-time				1.7150	0
Severely Disabled Three-quarters-time				1.2863	0
Severely Disabled One-half-time				0.6193	0
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT				N/A	0

El Proyecto del Barrio, Inc.
Child Development Program
Audited Attendance and Fiscal Reports
For California State Preschool Programs (Continued)
Year ended June 30, 2019

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE AND FISCAL REPORT FOR
 CALIFORNIA STATE PRESCHOOL PROGRAMS
 A U D 8501 Page 6 of 9 (06/19)

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 3 - Revenue	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Income - Child Nutrition Programs	65,915.29		65,915.29
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other: County of Los Angeles Special Program		60,583.48	60,583.48
Restricted Income - Subtotal	65,915.29	60,583.48	126,498.77
Transfer from Reserve - General			
Transfer from Reserve - Professional Development			
Transfer from Reserve Total			
Family Fees for Certified Children			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income: Fees for Non-Certified Children			
Unrestricted Income: Head Start			
Unrestricted Income - Other: LA UP Block Grant	14,000		14,000
Total Revenue	79,915.29	60,583.48	140,498.77

El Proyecto del Barrio, Inc.
Child Development Program
Audited Attendance and Fiscal Reports
For California State Preschool Programs (Continued)
Year ended June 30, 2019

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE AND FISCAL REPORT FOR
 CALIFORNIA STATE PRESCHOOL PROGRAMS

Fiscal Year Ending

Contract Number

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Vendor Code

Full Name of Contractor

Section 4 - Reimbursable Expenses	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	696,020	-7,858.56	688,161.44
2000 Classified Salaries	85,654		85,654
3000 Employee Benefits	276,367	-583.64	275,783.36
4000 Books and Supplies	48,261		48,261
5000 Services and Other Operating Expenses	400,812	19,899	420,711
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (Include in Administrative Cost)	120,569	917	121,486
Non-Reimbursable (State Use Only)			
Total Reimbursable Expenses	1,627,683	12,373.8	1,640,056.8
Total Administrative Cost (included in section 4 above)	120,569	917	121,486

Approved Indirect Cost Rate:

Comments:

NO SUPPLEMENTAL REVENUE Check this box and omit Page 8.

Page

See report of independent auditors.

**El Proyecto del Barrio, Inc.
Child Development Program
Audited Attendance and Fiscal Reports
For California State Preschool Programs (Continued)
Year ended June 30, 2019**

CALIFORNIA DEPARTMENT OF EDUCATION AUDITED ATTENDANCE AND
FISCAL REPORT FOR CALIFORNIA STATE PRESCHOOL PROGRAMS
A U D 8501 Page 9 of 9 (06/19)

Fiscal Year Ending
Contract Number
Vendor Code

Full Name of Contractor

Section 7 - Summary	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Total Certified Days of Enrollment	47,899	-60	47,839
Days of Operation	177	0	177
Days of Attendance	47,101	-60	47,041
Total Non-Certified Days of Enrollment			
Restricted Program Income	65,915.29	60,583.48	126,498.77
Transfer from Reserve			
Family Fees for Certified Children			
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	1,627,683	12,373.8	1,640,056.8
Total Administrative Cost	120,569	917	121,486

Total Certified Adjusted
Days of Enrollment

Total Non-Certified
Adjusted
Days of Enrollment

Independent Auditor's Assurances on Agency's Compliance with the Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Learning and Care Division:

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

Yes
 No

Reimbursable expenses claimed on page 7 are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

Yes
 No

Include any comments in the Comments box on page 7. If necessary, attach additional sheets to explain adjustments.

**El Proyecto del Barrio, Inc.
Child Development Program
Audited Reserve Account Activity Reports
Year ended June 30, 2019**

Not applicable.

The Organization did not open a reserve account since there were no CDE funds held in reserve as deferred revenue during the year ended June 30, 2019. CDE funds received by the Organization were fully spent during the year.

See report of independent auditors.

**El Proyecto del Barrio, Inc.
Child Development Program
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

Nothing to report.

See report of independent auditors.

**El Proyecto del Barrio, Inc.
Child Development Program
Schedule of Corrective Action on Prior Year Audit Findings
Year ended June 30, 2019**

Not applicable.

See report of independent auditors.



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El Proyecto del Barrio



Single Audit Report
El Proyecto del Barrio, Inc.
Year ended September 30, 2019
with Report of Independent Auditors

Single Audit Report
El Proyecto del Barrio, Inc.
Year ended September 30, 2019
with Report of Independent Auditors

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

**Board of Directors
El Proyecto del Barrio, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of El Proyecto del Barrio, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 9, 2020.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Proyecto del Barrio, Inc.'s consolidated 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*.

Purpose of this Report

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

**Glendale, California
June 9, 2020**

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

**Board of Directors
El Proyecto del Barrio, Inc.**

Report on Compliance for Each Major Federal Program

We have audited El Proyecto del Barrio, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on El Proyecto del Barrio, Inc.'s major federal program for the year ended September 30, 2019. El Proyecto del Barrio, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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



Opinion on Each Major Federal Program

In our opinion, El Proyecto del Barrio, Inc. 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 program for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2019-001. Our opinion on the major federal program is not modified with respect to this matter.

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

Report of Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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.

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

We have audited the consolidated financial statements of El Proyecto del Barrio, Inc. as of and for the year ended September 30, 2019, and have issued our report thereon dated June 9, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Vaqueria & Company LLP".

**Glendale, California
June 9, 2020**

El Proyecto del Barrio, Inc.
Schedule of Expenditures of Federal Awards
Year ended September 30, 2019

Federal Grantor/ Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor's Number	Grant Period	Audit Period	Program Award Amount	Passed Through to Subrecipients	Expenditures
Major Program							
<u>U.S. Department of Health and Human Services</u>							
<u>Health Resources and Services Administration</u>							
<u>Direct Programs:</u>							
Health Center Cluster	93.224	H80CS06647	01/01/18-12/31/18	01/01/18-09/30/18	\$ 4,070,921	\$ -	\$ 1,090,168
Health Center Cluster	93.224	H80CS06647	01/01/19-12/31/19	10/01/19-09/30/19	4,012,342	-	2,699,601
				Total CFDA 93.224	8,083,263	-	3,789,769
				Total Major Program	8,083,263	-	3,789,769
Non-Major Programs							
<u>U.S. Department of Agriculture</u>							
<u>Passed through the State of California Department of Educations</u>							
Child and Adult Care Food Program	10.558	05187-CACFP-19-NP-CS	10/01/18-09/30/19	10/01/18-09/30/19	64,784	-	64,784
				Total CFDA 10.558	64,784	-	64,784
				Subtotal - Department of Agriculture - Passed through the State of California - Department of Educations	64,784	-	64,784
<u>U.S. Department of Labor</u>							
<u>Passed through the City of Los Angeles - Community Development Department:</u>							
WIOA One Stop Career Center Adult	17.258	129706	07/01/18-06/30/19	10/01/18-06/30/19	558,432	-	430,741
WIOA One Stop Career Center Adult	17.258	133681	07/01/19-06/30/20	07/01/19-09/30/19	503,468	-	98,673
				Total CFDA 17.258	1,061,900	-	529,414
WIOA/ YouthSource Center - North Valley	17.259	131576	07/01/18-06/30/19	10/01/18-06/30/19	665,045	-	492,895
WIOA/ YouthSource Center - North Valley	17.259	133463	07/01/19-06/30/20	07/01/19-09/30/19	605,045	-	108,203
				Total CFDA 17.259	1,270,090	-	601,098
WIOA One Stop- Trade & Economic Transition	17.277	133281	05/01/19-09/30/20	07/01/19-09/30/19	135,000	-	13,265
				Total CFDA 17.277	135,000	-	13,265
WIOA One Stop Career Center Dislocated Worker	17.278	129706	07/01/18-06/30/19	10/01/18-06/30/19	334,254	-	265,479
WIOA One Stop Career Center Dislocated Worker	17.278	133681	07/01/19-06/30/20	07/01/19-09/30/19	339,220	-	63,283
				Total CFDA 17.278	673,474	-	328,762
LA County Youth Jobs - CalWorks TANF	93.558	131686	07/01/18-06/30/19	10/01/18-06/30/19	375,829	-	217,185
LA County Youth Jobs - CalWorks TANF	93.558	133641	07/01/19-06/30/20	07/01/19-09/30/19	322,056	-	184,560
				Total CFDA 93.558	697,885	-	401,745
				Subtotal - Department of Labor - Passed through the City of Los Angeles - Community Development Department	3,838,349	-	1,874,284
<u>U.S. Department of Labor</u>							
<u>Passed through UAW- Labor Employment and Training Corporation</u>							
H-1B TechHire Partnership Grant	17.268	HG-29366-16-60-6A	08/01/19-06/30/22	10/01/18-09/30/19	150,000	-	113,496
				Total CFDA 17.268	150,000	-	113,496
				Subtotal - Department of Labor - Passed through UAW- Labor Employment and Training Corporation	150,000	-	113,496
<u>U.S. Department of Labor</u>							
<u>Passed through County of San Bernardino Workforce Development Department</u>							
WIOA Youth Activities	17.259	18-333	07/01/18-06/30/19	10/01/18-06/30/19	221,940	-	169,452
WIOA Youth Activities	17.259	18-333	07/01/19-06/30/20	07/01/19-09/30/19	160,000	-	35,882
				Total CFDA 17.259	381,940	-	205,334
				Subtotal - Department of Labor - Passed through the County of San Bernardino - Workforce Development Department	\$ 381,940	\$ -	\$ 205,334

See Notes to Schedule of Expenditures of Federal Awards.

El Proyecto del Barrio, Inc.
Schedule of Expenditures of Federal Awards
Year ended September 30, 2019 (continued)

Federal Grantor/ Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor's Number	Grant Period	Audit Period	Program Award Amount	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services							
Health Resources and Services Administration							
Direct Programs:							
Ryan White Part C Outpatient EIS Program	93.918	H76HA00659	05/01/18-04/30/19	05/01/18-04/30/19	\$ 193,967	\$ -	\$ 112,044
Ryan White Part C Outpatient EIS Program	93.918	H76HA00659	05/01/19-04/30/20	05/01/19-09/30/19	198,736	-	80,205
				Total CFDA 93.918	392,703	-	192,249
Subtotal - Department of Health and Human Services - Health Resources and Services Administration - Direct Programs					392,703	-	192,249
U.S. Department of Health and Human Services							
Passed through the County of Los Angeles Department of Health Services:							
HIV DHSP Medical Outpatient	93.914	PH-002379-SCH-30	3/01/18-02/28/19	10/01/18-02/28/19	210,077	-	93,646
HIV DHSP Medical Outpatient	93.914	PH-002379-SCH-1	3/01/19-02/29/20	03/01/19-09/30/19	210,109	-	108,119
HIV DHSPDental Care	93.914	PH-002382-SCH-6	3/01/18-02/28/19	10/01/18-02/28/19	100,612	-	26,742
HIV DHSPDental Care	93.914	PH-002382-SCH-8	3/01/19-06/30/19	03/01/19-06/30/19	100,612	-	7,457
HIV DHSPDental Care	93.914	PH-003804-SCH-1	7/01/19 -02/29/20	07/01/19-09/30/19	133,333	-	9,578
HIV DHSP Medical Care Coordination	93.914	PH-002361-SCH-7	3/01/18-02/28/19	10/01/18-02/28/19	182,813	-	43,341
HIV DHSP Medical Care Coordination	93.914	PH-003750-SCH-1	3/01/19-02/29/20	03/01/19-09/30/19	182,813	-	78,188
				Total CFDA 93.914	1,120,369	-	367,071
HIV Mpowerment	93.940	PH-001038-SCH-26	07/01/18-06/30/19	10/01/18-06/30/19	180,000	-	48,572
HIV Mpowerment	93.940	PH-001038-SCH-28	07/01/19-06/30/20	07/01/19-09/30/19	180,000	-	116,698
HIV Store Front	93.940	PH-000812-SCH-18	01/01/18-12/31/18	10/01/18-12/31/18	60,000	-	13,237
HIV Store Front	93.940	PH-000812-SCH-20	01/01/19-12/31/19	01/01/19-09/30/19	60,000	-	45,096
HIV FFSS StoreFront	93.940	PH-000812-SCH-19	01/01/18-12/31/18	10/01/18-12/31/18	40,000	-	11,096
HIV FFSS StoreFront	93.940	PH-000812-SCH-21	01/01/19-12/31/19	01/01/19-09/30/19	40,000	-	31,165
Healthy Relationship	93.940	PH-001038-SCH-25	07/01/19-12/31/18	07/01/19-12/31/19	90,000	-	39,979
Healthy Relationship	93.940	PH-001038-SCH-27	01/01/19-12/31/19	00/01/19-09/30/19	180,000	-	109,510
				Total CFDA 93.940	830,000	-	415,353
Subtotal - Department of Health and Human Services - Passed through the County of Los Angeles - Department of Health and Human Services					1,950,369	-	782,424
U.S. Department of Justice							
Passed through the City of Los Angeles - Community Development Department:							
Second Chance Act Grant	16.812	131267	10/01/17-09/30/19	10/01/18-09/30/19	86,064	-	61,011
				Total CFDA 16.812	86,064	-	61,011
Subtotal - Department of Justice - Passed through the City of Los Angeles - Community Development Department					86,064	-	61,011
U.S. Department of Health and Human Services							
Passed through the County of Los Angeles Public Health Substance Abuse Prevention and Control:							
Drug Medi-Cal (DMC)	93.778	PH003067	07/01/18-06/30/19	10/01/18-06/30/19	100,000	-	92,580
				Total CFDA 93.778	100,000	-	92,580
Subtotal - Department of Health and Human Services - Passed through the County of Los Angeles Public Health Substance Abuse Prevention and Control					100,000	-	92,580
Total Non-Major Programs					6,964,209	-	3,386,162
Total Federal Programs					\$ 15,047,472	\$ -	\$ 7,175,931

See Notes to Schedule of Expenditures of Federal Awards.

El Proyecto del Barrio, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year ended September 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of El Proyecto del Barrio, Inc., (El Proyecto) under programs of the federal government for the year ended September 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 El Proyecto, it is not intended to and does not present the financial position, changes in net assets, or cash flows of El Proyecto.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. El Proyecto has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 NON-FEDERAL EXPENDITURES

Non-federal expenditures reimbursed by the City of Los Angeles for the period October 1, 2018 to September 30, 2019 under contracts are as follows:

<u>Contract</u>	<u>Funding Source</u>	<u>Program Year</u>	<u>Non-Federal Expenditures</u>
131686	LA County Other Underserved Youth Fund (OUY)	07/01/18-06/30/19	\$ 155,856
131686	LA County Foster Youth Fund	07/01/18-06/30/19	24,355
131686	LA County JJCPA Probation Fund	07/01/18-06/30/19	110,162
131686	LA County System Involved Youth	07/01/19-06/30/20	81,347
131573	City General Fund SYEP	07/01/18-06/30/19	27,252
131863	LA RISE 4.0 County Measure H	07/01/18-06/30/19	274,591
133641	LA County Other Underserved Youth Fund (OUY)	07/01/19-06/30/20	132,360
133641	LA County Foster Youth Fund	07/01/19-06/30/20	26,252
133641	LA County JJCPA Probation Fund	07/01/19-06/30/20	12,578
133641	LA County System Involved Youth	07/01/19-06/30/20	50,651
134043	City General Fund SYEP	07/01/19-06/30/20	107,939
133724	LA Rise 5.0 County Measure H	07/01/19-06/30/20	66,652
131869	LA Rise 4.0 City General Fund	07/01/18-06/30/19	24,339
	Total		\$ 1,094,335

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors’ report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Section 2 CFR 200.516(a)?	Yes (Finding 2019-001)

Identification of Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Center Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II – Financial Statement Findings

No matters were reported.

Section III – Findings and Questioned Costs for Federal Awards

Finding No. 2019-001 – inaccurate Sliding Fee Amount

Federal Program Information

<i>Federal Catalog Number:</i>	93.224
<i>Federal Program Title:</i>	Consolidated Health Centers
<i>Federal Agency:</i>	Department of Health and Human Services
<i>Pass-Through Entity:</i>	N/A
<i>Contract Number:</i>	H80CS06647
<i>Compliance Requirement:</i>	Special Test and Provision - Sliding Fee Discounts

Criteria

Under the OMB Compliance Supplement, health centers are required to have a schedule of fees or payments for the provision of their health services consistent with locally prevailing rates or charges and designed to cover their reasonable costs of operation. They are also required to have a corresponding schedule of discounts applied and adjusted based on the patient's ability to pay (42 USC 254b(k)(3)(G)(i)). The patient's ability to pay is determined based on the official poverty guidelines, as revised annually by HHS (42 CFR sections 51c.107(b)(5), 56.108(b)(5), and 56.303(f)). The poverty guidelines are issued each year in the Federal Register and HHS maintains a web page that provides the poverty guidelines.

Condition

The Organization determines the amount of fees to be charged to patients based on a participant's income, expense and number of dependents in conjunction with the sliding fee.

Of the 25 sample patients that were tested, we noted one patient was not charged the correct amount of sliding fee.

Cause

Corresponding sliding fees are charged on the basis of the date of service, family size and annual income. The sliding fee that was charged to the patient was lower than the sliding fee amount indicated in the Organization's sliding fee schedule. The error was not detected because the sliding fee determination was not reviewed by a supervisor for accuracy.

Effect

Lack of an effective review process may lead to determination of sliding fees that are not consistent with the Organization's sliding fee schedule.

Questioned Costs

\$65

Recommendation

We recommend that the Organization ensure that the existing policies and procedures on sliding fee determination are consistently implemented. Staff personnel should review the Patient Information Form for accuracy and completeness and properly fill out the review section. Furthermore, immediately following registration, staff personnel should place a copy of all applicable sliding fee discount forms in the patient's file. In addition, management should train employees in charge of assessing sliding fees on the specific requirements. The Organization should enhance or develop monitoring controls to ascertain accuracy and completeness of policy implementation.

Views of Responsible Officials and Planned Corrective Action

Ricardo Ornelas, Chief Financial Officer, reviewed the said patient's application for the Sliding Fee Discount Program. There is a space for the Patient to write their Family Size. In this space, the Patient's writing was such that the number appeared to be a two (2) instead of the actual Family Size of one (1). Therefore, using the misread Family Size of 2, staff obtained the incorrect sliding fee discount amount. In other words, the underlying error resulted from misreading the patient's writing on the application.

Executive Management will be updating the Sliding Fee Discount Program Application Form so that the Patient must individually list the Family Members by name. This should avoid the issue of misreading the Family Size number as staff will simply count the number of people listed on the application.

In addition, Management will adopt the said recommendations above.

There were no findings reported in prior year.



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