Family Health Centers of San Diego, Inc.

San Diego, California

Consolidated Financial Statements with Supplementary Information and Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Family Health Centers of San Diego, Inc.

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Family Health Centers of San Diego, Inc.
San Diego, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Family Health Centers of San Diego, Inc. ("Health Center"), a California not-for-profit organization, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

4365 Executive Drive, Suite 710, San Diego, California 92121
Tel: 858-242-5100 • Fax: 858-242-5150
www.pungroup.com

Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise Health Center's basic financial statements as a whole. The accompanying consolidating schedule of financial position, consolidating schedule of activities, consolidating schedule of cash flows, schedule of expenditures of federal awards, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The consolidating schedule of financial position, consolidating schedule of activities, consolidating schedule of cash flows, schedule of expenditures of federal awards, and other supplementary information are the responsibility of management and were derived from and relate 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 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of the Health Center'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 the Health Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control over financial reporting and compliance.

The Pun Group, LLP

San Diego, California
October 25, 2019

CONSOLIDATED FINANCIAL STATEMENTS

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Family Health Centers of San Diego, Inc.
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 104,910,443	$ 94,974,533
Restricted cash and cash equivalents	2,461,146	2,540,999
Investments	1,243,940	817,001
Patient accounts receivable, net of contractual allowances of $11,681,390 and $8,990,621 at June 30, 2019 and 2018, respectively	14,813,858	15,703,737
Grants and contracts receivable	4,912,667	3,101,030
Other receivables	6,257,518	3,476,882
Estimated third-party payor settlements	1,623,214	1,623,214
Inventories	497,939	348,796
Prepaid expense	1,621,460	1,527,716
Loans receivable, current portion	150,349	68,124
Total current assets	138,492,534	124,182,032
Noncurrent assets:		
Loans receivable	28,484,628	28,255,560
Deposits	6,389,121	379,930
Property and equipment, net	128,400,792	125,409,720
Total noncurrent assets	163,274,541	154,045,210
Total assets	$ 301,767,075	$ 278,227,242
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 3,391,117	$ 4,452,472
Accrued expenses	11,633,862	10,281,531
Claims payable	5,793,723	-
Estimated third-party payor settlements	941,059	1,108,638
Accrued tax liabilities	45,000	-
Deferred revenue	2,164,865	2,436,904
Long-term debt, current portion	2,253,813	2,071,902
Total current liabilities	26,223,439	20,351,447
Noncurrent liabilities:		
Long-term debt less unamortized debt issuance costs, net of current portion	43,751,773	44,700,483
Total noncurrent liabilities	43,751,773	44,700,483
Total liabilities	69,975,212	65,051,930
Net Assets:		
Without donor restrictions	230,358,473	211,996,211
With donor restrictions	1,433,390	1,179,101
Total net assets	231,791,863	213,175,312
Total liabilities and net assets	$ 301,767,075	$ 278,227,242

See accompanying Notes to the Consolidated Financial Statements.

Family Health Centers of San Diego, Inc.
Consolidated Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenue and other support:		
Net patient service revenue	$ 145,063,957	$ 135,451,995
Grant revenue:		
Federal	24,144,647	23,786,447
State	811,128	1,051,065
County	10,730,825	10,799,792
City	295,088	147,820
Other	2,027,252	2,497,307
Total grant revenue	38,008,940	38,282,431
Net assets released from restrictions - programs	2,376,393	1,201,369
Donated services and materials	236,254	493,280
Pharmacy income	25,894,856	21,930,099
Other	2,999,798	2,080,868
Total other revenues	31,507,301	25,705,616
Total unrestricted revenue and other support	214,580,198	199,440,042
Expenses:		
Salaries and benefits	133,575,122	125,240,993
Contractual medical services	8,264,245	7,592,850
Medical and pharmaceutical supplies	24,790,718	22,745,431
Space costs	5,802,354	5,016,797
Lab fees	232,750	200,798
Other expenses	11,309,052	4,828,991
Interest expense	1,036,724	924,152
Taxes on unrelated business income	45,000	59,096
Depreciation	6,274,007	6,042,155
Office and educational supplies	1,490,887	1,472,929
Communication	962,116	995,473
Minor equipment	1,760,337	2,232,991
Insurance	674,624	586,677
Total expenses	196,217,936	177,939,333
Change in unrestricted net assets	18,362,262	21,500,709
CHANGE IN DONOR RESTRICTED NET ASSETS:		
Contributions	2,630,682	1,622,826
Net assets released from restrictions - programs	(2,376,393)	(1,201,369)
Changes in donor restricted assets	254,289	421,457
Changes in net assets	18,616,551	21,922,166
NET ASSETS:		
Beginning of year	213,175,312	191,253,146
End of year	$ 231,791,863	$ 213,175,312

See accompanying Notes to the Consolidated Financial Statements.

Family Health Centers of San Diego, Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 18,616,551	$ 21,922,166
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,274,007	6,042,155
Change in operating assets and liabilities:		
Patient accounts receivable	889,879	(468,878)
Grants and contracts receivable	(1,811,637)	274,318
Other receivable	(2,780,636)	(799,906)
Inventories	(149,143)	355,134
Prepaid items	(9,484)	(91,581)
Deposits	(6,009,191)	(112,253)
Deferred charges, net	(931,587)	-
Accounts payable	(1,061,355)	611,528
Accrued expenses	2,242,658	1,108,416
Settlement payable	5,793,723	-
Estimated third-party payor settlements	(167,579)	-
Accrued tax liabilities	45,000	-
Deferred revenue	(315,039)	(1,403,375)
Net cash provided by operating activities	20,626,167	27,437,724
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(9,265,079)	(10,695,478)
Acquisition of investments	(426,939)	(204,925)
Issuance of loans receivable	(311,293)	(67,228)
Net cash (used in) investing activities	(10,003,311)	(10,967,631)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	1,000,000	-
Payment of debt issuance costs	-	(61,767)
Amortization of debt issuance costs	341,219	288,718
Repayment of long-term debt	(2,108,018)	(2,053,791)
Net cash (used in) financing activities	(766,799)	(1,826,840)
Change in cash and cash equivalents	9,856,057	14,643,253
CASH, RESTRICTED CASH AND CASH EQUIVALENTS:		
Beginning of year	97,515,532	82,872,279
End of year	$ 107,371,589	$ 97,515,532
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 695,506	$ 644,681
Unrelated Business Income Taxes Paid	$ 45,000	$ 59,096

See accompanying Notes to the Consolidated Financial Statements.

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Family Health Centers of San Diego, Inc.
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2019 and 2018

	2019								
	Program Services								
	Adults, Specialties & General Medicine	Pediatrics	Family Planning & OB/GYN	Vision Care	Pediatric Development Services	Pharmacy	Laboratory	Radiology	Mental Health
Expenses:									
Salaries and benefits	$ 39,817,683	$ 5,519,228	$ 11,347,732	$ 1,161,355	$ 5,015,044	$ 266,610	$ 4,381,514	$ 38,881	$ 16,041,241
Contractual medical services	1,357,830	472,647	189,381	1,326	1,608,792	34,257	15,702	19,320	1,091,652
Medical and pharmaceutical supplies	17,710,828	481,229	1,065,612	138,937	2,182	245,287	3,145,447	1,665	1,120,835
Space costs	120,185	7,176	56,002	13,291	200,435	337	204,913	(59)	156,256
Lab fees	-	-	-	-	-	-	232,750	-	-
Other expenses	3,591,727	323,892	449,205	172,978	547,761	41,080	497,261	66	661,146
Interest expense	-	-	-	-	-	-	-	-	-
Taxes on unrelated business income	-	-	-	-	-	-	-	-	-
Depreciation	86,169	-	33,386	46,712	2,971	21,582	104,129	-	22,503
Office and educational supplies	278,404	42,270	56,860	5,932	58,280	8,947	54,734	270	81,898
Communication	26,794	1,569	30,685	-	38,035	-	92	-	40,598
Minor equipment	393,152	41,777	44,195	9,011	40,825	694	110,757	39	(28,429)
Insurance	-	-	-	-	-	-	-	-	-
Total expenses	$ 63,382,772	$ 6,889,788	$ 13,273,058	$ 1,549,542	$ 7,514,325	$ 618,794	$ 8,747,299	$ 60,182	$ 19,187,700

(Continued)

See accompanying Notes to the Consolidated Financial Statements.

Family Health Centers of San Diego, Inc.
Consolidated Statements of Functional Expenses (Continued)
For the Years Ended June 30, 2019 and 2018

	2019								
	Program Services						Management & General		
	Dental	Health Education	Homeless	Health Information Management	Registration	Total Program Services	Facility	Admin	Total Management & General
Expenses:									
Salaries and benefits	$ 6,778,234	$ 5,636,625	$ 2,428,730	$ 2,170,627	$ 3,195,636	$ 103,799,140	$ 2,715,134	$ 26,532,440	$ 29,247,574
Contractual medical services	30,683	952,214	-	8,539	-	5,782,343	1,606,315	640,670	2,246,985
Medical and pharmaceutical supplies	648,109	193,807	27,255	-	-	24,781,193	-	-	-
Space costs	66,623	341,983	7,831	26,749	7,539	1,209,261	3,674,269	494,042	4,168,311
Lab fees	-	-	-	-	-	232,750	-	-	-
Other expenses	690,478	1,477,395	935,206	7,221	5,273	9,400,689	574,771	1,230,458	1,805,229
Interest expense	-	-	-	-	-	-		251,202	251,202
Taxes on unrelated business income	-	-	-	-	-	-		45,000	45,000
Depreciation	210,931	-	-	19,828	-	548,211	3,268,745	819,029	4,087,774
Office and educational supplies	42,096	112,077	6,821	22,344	98,398	869,331	121,418	489,756	611,174
Communication	7,801	26,964	9,239	8,993	-	190,770	618,615	143,959	762,574
Minor equipment	116,536	33,845	18,325	18,305	15,196	814,228	179,788	634,688	814,476
Insurance	-	-	-	-	-	-	467,317	197,333	664,650
Total expenses	$ 8,591,491	$ 8,774,910	$ 3,433,407	$ 2,282,606	$ 3,322,042	$ 147,627,916	$ 13,226,372	$ 31,478,577	$ 44,704,949

(Continued)

($5,793,723)

See accompanying Notes to the Consolidated Financial Statements.

Family Health Centers of San Diego, Inc.
Consolidated Statements of Functional Expenses (Continued)
For the Years Ended June 30, 2019 and 2018

	2019							
	FHCSD Community Services	HITEC	FHCSD Growth Fund	FCC2	FHCSD El Cajon	Fundraising	PACE	Total
Expenses:								
Salaries and benefits	$ 2,479	$ 4,669	$ 2,479	$ 16,985	$ 6,037	$ 49,981	$ 445,778	$ 133,575,122
Contractual medical services	84,660	96,250	-	9,220	9,068	-	35,719	8,264,245
Medical and pharmaceutical supplies	-	-	-	-	-	-	9,525	24,790,718
Space costs	-	-	-	-	-	-	424,782	5,802,354
Lab fees	-	-	-	-	-	-	-	232,750
Other expenses	20	3,300	20	1,900	1,700	22,238	73,956	11,309,052
Interest expense	132,798	283,710	-	228,536	140,478	-	-	1,036,724
Taxes on unrelated business income	-	-	-	-	-	-	-	45,000
Depreciation	330,781	662,080	-	231,661	251,981	-	161,519	6,274,007
Office and educational supplies	-	-	-	-	-	246	10,136	1,490,887
Communication	-	-	-	-	-	-	8,772	962,116
Minor equipment	-	-	-	8,933	-	292	122,408	1,760,337
Insurance	-	-	-	-	-	-	9,974	674,624
Total expenses	$ 550,738	$ 1,050,009	$ 2,499	$ 497,235	$ 409,264	$ 72,757	$ 1,302,569	$ 196,217,936

(Concluded)

See accompanying Notes to the Consolidated Financial Statements.

Family Health Centers of San Diego, Inc.
Consolidated Statements of Functional Expenses (Continued)
For the Years Ended June 30, 2019 and 2018

	2018								
	Program Services								
	Adults, Specialties & General Medicine	Pediatrics	Family Planning & OB/GYN	Vision Care	Pediatric Development Services	Pharmacy	Laboratory	Radiology	Mental Health
Expenses:									
Salaries and benefits	$ 36,856,330	$ 5,498,840	$ 10,760,069	$ 1,171,739	$ 4,815,426	$ 270,057	$ 4,179,098	$ 71,520	$ 14,444,608
Contractual medical services	1,355,109	239,333	193,914	18,159	1,812,498	28,860	4,371	19,920	682,711
Medical and pharmaceutical supplies	15,668,955	440,509	900,632	115,011	976	192,902	3,490,944	461	1,056,733
Space costs	134,863	6,678	53,259	5,939	187,150	130	143,144	2,617	145,453
Lab fees	5,850	7,457	95	-	-	-	158,105	-	29,291
Other expenses	3,651,725	298,410	532,317	164,428	523,981	47,918	472,877	1,200	699,397
Interest expense									
Taxes on unrelated business income									
Depreciation	96,742	-	45,260	46,719	3,696	15,741	100,261	28,201	19,320
Office and educational supplies	252,172	28,101	67,622	5,145	71,593	8,215	42,889	3,271	80,888
Communication	31,315	1,373	23,911	-	23,835	-	86	-	39,529
Minor equipment	594,552	50,479	44,804	18,909	52,211	158	65,434	2	118,011
Insurance	-	-	-	-	-	-	-	-	-
Total expenses	$ 58,647,613	$ 6,571,180	$ 12,621,883	$ 1,546,049	$ 7,491,366	$ 563,981	$ 8,657,209	$ 127,192	$ 17,315,941

(Continued)

See accompanying Notes to the Consolidated Financial Statements.

Family Health Centers of San Diego, Inc.
Consolidated Statements of Functional Expenses (Continued)
For the Years Ended June 30, 2019 and 2018

	2018								
	Program Services						Management & General		
	Dental	Health Education	Homeless	Health Information Management	Registration	Total Program Services	Facility	Admin	Total Management & General
Expenses:									
Salaries and benefits	$ 6,158,717	$ 5,506,186	$ 2,389,837	$ 1,996,135	$ 3,188,358	97,306,920	$ 2,712,286	$ 25,113,282	$ 27,825,568
Contractual medical services	22,008	908,756	247	-	54	5,285,940	1,437,681	687,926	2,125,607
Medical and pharmaceutical supplies	695,151	153,769	28,584	-	-	22,744,627	-	-	-
Space costs	54,791	68,640	7,326	8,661	6,342	824,993	3,497,954	596,012	4,093,966
Lab fees	-	-	-	-	-	200,798	-	-	-
Other expenses	619,551	1,555,218	993,993	6,492	4,968	9,572,475	576,306	(5,375,417)	(4,799,111)
Interest expense						-	-	252,900	252,900
Taxes on unrelated business income						-	-	59,096	59,096
Depreciation	241,300	-	-	34,672	-	631,912	3,068,767	1,005,973	4,074,740
Office and educational supplies	57,828	144,495	5,439	21,218	89,112	877,988	124,672	468,706	593,378
Communication	8,350	17,037	7,670	-	-	153,106	639,719	202,648	842,367
Minor equipment	288,794	54,390	7,333	26,438	13,779	1,335,294	446,300	445,010	891,310
Insurance	-	-	-	-	-	-	408,399	178,278	586,677
Total expenses	$ 8,146,490	$ 8,408,491	$ 3,440,429	$ 2,093,616	$ 3,302,613	$ 138,934,053	$ 12,912,084	$ 23,634,414	$ 36,546,498

(Continued)

See accompanying Notes to the Consolidated Financial Statements.

Family Health Centers of San Diego, Inc.
Consolidated Statements of Functional Expenses (Continued)
For the Years Ended June 30, 2019 and 2018

	2018							
	FHCSD Community Services	HITEC	FHCSD Growth Fund	FCC2	FHCSD El Cajon	Fundraising	PACE	Total
Expenses:								
Salaries and benefits	$ 2,279	$ 4,424	$ 2,279	$ 11,125	$ 5,764	$ 76,582	$ 6,052	$ 125,240,993
Contractual medical services	84,470	82,396	-	5,603	8,834	-	-	7,592,850
Medical and pharmaceutical supplies	-	-	-	-	-	-	804	22,745,431
Space costs	28,812	-	-	30	-	-	68,996	5,016,797
Lab fees	-	-	-	-	-	-	-	200,798
Other expenses	60	3,886	52	2,404	3,584	49,638	(3,997)	4,828,991
Interest expense	132,798	283,709	-	114,267	140,478			924,152
Taxes on unrelated business income	-	-	-	-	-			59,096
Depreciation	331,426	662,300		102,967	238,810	-	-	6,042,155
Office and educational supplies	-	-	-	-	-	1,095	468	1,472,929
Communication	-	-	-	-	-	-	-	995,473
Minor equipment	-	-	-	-	-	47	6,340	2,232,991
Insurance	-	-	-	-	-	-	-	586,677
Total expenses	$ 579,845	$ 1,036,715	$ 2,331	$ 236,396	$ 397,470	$ 127,362	$ 78,663	$ 177,939,333

(Concluded)

See accompanying Notes to the Consolidated Financial Statements.

Note 1 – Organization

Family Health Centers of San Diego, Inc. ("Health Center"), a California not-for-profit organization was organized and incorporated in May 1973, for the purpose of providing affordable, high quality health care services to all persons in San Diego. The Health Center, formerly known as the Logan Heights Family Health Center, serves individuals at all income levels, with a special commitment to low income, uninsured individuals.

The Health Center provides health services at the following locations:

1. Beach Area Family Health Center
2. Chase Avenue Family Health Center
3. Chula Vista Family Health Center
4. Chula Vista Family Counseling Center
5. City Heights Family Health Center
6. Diamond Neighborhoods Family Health Center
7. DTFHC at Connections
8. Elm Street Family Health Center
9. El Cajon Family Health Center
10. Family Health at City College
11. Family Health on Commercial
12. Grossmont Spring Valley Family Health Center
13. Hillcrest Family Health Center
14. Ibarra Family Health Center
15. Lemon Grove Family Health Center
16. Logan Heights Family Counseling Center I & II
17. Logan Heights Family Health Center
18. North Park Family Health Center
19. Oak Park Family Health Center
20. Rice Family Health Center
21. Sherman Heights Family Health Center
22. Teen Health Center
23. North Park Behavior Health Center
24. National City Family Health Center
25. Family Health Center for Older Adults

In 1998, the mobile medical unit, referred to as KidCare Express, commenced operations at various school sites and parks. Currently, the Health Center operates four mobile medical units.

The Health Center derives its support through grants and contracts with the U.S. Department of Health and Human Services, the State of California, the County of San Diego, and other grantors. Additionally, revenues are derived from patient fees and third-party charges.

<u>FHCSD Community Services, LLC</u>

On December 14, 2012 the Health Center created the FHCSD Community Services, LLC ("Community Services") as an Internal Revenue Code ("IRC") Section 509(a)(3) supporting organization. The specific purpose of Community Services is to support the charitable and educational activities of the Health Center. All transactions performed by Community Services are consolidated with the Health Center. Certain inter-entity transactions have been eliminated.

Note 1 – Organization (Continued)

<u>FHCSD HITEC, LLC</u>

On September 4, 2014 the Health Center created the FHCSD HITEC, LLC ("HITEC") as an Internal Revenue Code ("IRC") Section 509(a)(3) supporting organization. The specific purpose of HITEC is to support the charitable and educational activities of the Health Center. All transactions performed by HITEC are consolidated with the Health Center. Certain inter-entity transactions have been eliminated.

<u>FHCSD Growth Fund, Inc.</u>

On September 4, 2014, the Health Center created the FHCSD Growth Fund, Inc. ("Growth") as an Internal Revenue Code ("IRC") Section 501(c)(3) supporting organization. The specific purpose of Growth is to support the charitable and educational activities of the Health Center. All transactions performed by Growth are consolidated with the Health Center. Certain inter-entity transactions have been eliminated.

<u>FHCSD El Cajon, LLC</u>

On August 15, 2016, the Health Center formed FHCSD El Cajon, LLC ("El Cajon") a California limited liability company, as a wholly owned subsidiary of the Health Center. The specific purpose of El Cajon is to facilitate financing, development and construction of a new federally qualified health center being operating by the Health Center. All transactions performed by El Cajon are consolidated with the Health Center. Certain inter-entity transactions have been eliminated.

<u>FHCSD FCC2, LLC</u>

On September 23, 2016, the Health Center formed FHCSD FCC2, LLC ("FCC2") a California limited liability company, as a wholly owned subsidiary of the Health Center. The specific purpose of FCC2 is to facilitate financing, development and construction of a new federally qualified health center being operating by the Health Center. All transactions performed by FCC2 are consolidated with the Health Center. Certain inter-entity transactions have been eliminated.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board ("FASB"), commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of Accounting

The accompanying consolidated financial statements include the Health Center, and its wholly-owned subsidiaries, FHCSD Community Services, LLC, FHCSD HITEC, LLC, FHCSD Growth Fund, Inc., FHCSD FCC2, LLC, and FHCSD El Cajon, LLC. are referred to collectively as the Family Health Centers of San Diego. All significant intercompany transactions and account balances have been eliminated in consolidation. The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Reporting the financial statements on the consolidated follows the, *Accounting for Health Care Entities Guide*.

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

Investments

The Health Center accounts for investments according to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320-10, *Investments – Debt and Equity Securities*. As such, investments in equity securities and debt securities held by the Health Center at June 30, 2019 and 2018, are classified as available-for-sale, and stated at their fair market value based on quoted prices. Unrealized gain or loss in fair value of investments is included in other income in the statement of activities. Realized gains or losses from the sale of these investments are computed based on specific identification of historical cost.

Receivables, Contractual Allowances, and Uncollectible Accounts

Accounts receivable are recorded on the accrual basis at full billing rates for all classes of patients. Contractual allowances reduce receivables and revenues to net realizable amounts based on Medicare and Medi-Cal regulations and based on the management's valuation of the private accounts. The Health Center also estimates an allowance for doubtful accounts related to patients who do not have the ability to pay.

Inventories

The Health Center's inventories are comprised of medical, dental, laboratory, pharmaceutical, and office supplies. Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Prepaid Expense

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid expense.

Property and Equipment

Property and equipment are recorded at cost. The Health Center capitalizes all acquisitions equal to or greater than $5,000. Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

Asset Class	Years
Buildings	15 - 30
Improvements	15 - 30
Equipment, furniture and fixtures	3 - 10

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets are classified as net assets without donor restrictions and net assets with donor restrictions based upon the following criteria:

> *Net assets without donor restrictions* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Health Center's management and the board of directors.
>
> *Net assets with donor restrictions* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Health Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Net Patient Service Revenue

Net patient service revenue is reported at the Health Center’s established rates adjusted for sliding fee discounts at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Revenue recognized for services rendered to Medicare program beneficiaries is recorded and paid based on a cost-per-visit. The administrative procedures related to this program generally preclude final determination of amounts due to or from the Health Center until an annual cost report, filed by the Heath Center, is audited or otherwise reviewed and approved by the applicable administrative agency. Normal estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of the current year’s net patient service revenue. In the opinion of management, adequate provision has been made for adjustments, if any, that might result from subsequent review.

Revenue reported for services to Medi-Cal program covered patients is based upon the Prospective Payment System (PPS), which has been adopted by the State of California since 2001. The Health Center’s initial rate for PPS in July 2001 was its cost per visit rate as of June 30, 2000, subsequently adjusted by the Medical Economic Index (MEI) annually and any approved change-in-scope requests.

Contributions

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Note 2 – Summary of Significant Accounting Policies (Continued)

Grant Revenue and Deferred Revenue

The policy of the Health Center is to recognize revenue from all contracts to the extent of eligible costs incurred up to an amount not to exceed the total contract authorized. Deferred revenues result from revenue received from contracts that are applicable to a subsequent period.

Charity Care

The Center is a nonprofit health care provider established to meet the health care needs of its community. The Center has a policy of providing charity care to uninsured patients who meet certain criteria under its policy at amounts less than its established rates, or without charge. However, all patients are requested to pay a minimum fee for each visit, although no patient is denied services because of inability to pay. The Center maintains records to identify and record the level of charity care it provides. Since management does not expect payment for this care, the services that are discounted from the established rates are excluded from revenue. During the years ended June 30, 2019 and 2018, the cost of charity care provided was approximately $7,387,227 and $5,937,432, respectively.

Donated Services and Materials

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Health Center. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria was not met.

340B pharmacy

Pharmacy revenue is generated through the 340B program that the Center operates through its agreement with unaffiliated local pharmacies. Under this program, the Center uses the pharmacy as its administrative agent for the purpose of managing the pharmacy program. This program allows the Center to offer discounted medications to eligible patients. The Center recognizes pharmacy revenue as prescriptions are filled for the self-pay population and upon adjudication from other third party payors. For the year ended June 30, 2019 and 2018, the Center recognized revenue from the 340B program amounting to $25,894,858 and $21,930,099, which is recorded in pharmacy revenue in the consolidated statement of activities and changes in net assets.

Functional Expenses

The financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest, and other occupancy costs, are allocated to a function based on a square-footage or units-of-service basis. Allocated healthcare services costs not allocated on a units-of-service basis are otherwise allocated based on revenue.

Income Taxes

The Health Center has been recognized as a not-for-profit organization under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701(d) and is exempt from Federal and California income taxes on related income. For the years ended June 30, 2019 and 2018, the Health Center generated revenue from an unrelated business activity and was taxed accordingly.

Note 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Under the guidance on *Accounting for Uncertainty in Income Taxes*, the Health Center utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement.

The Health Center did not recognize an increase or decrease in the liability for unrecognized tax benefits related to tax positions taken in prior periods; therefore, there was no corresponding adjustment to unrestricted net assets. The Health Center considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

There were no accruals for interest and penalties related to uncertain tax positions at the inception date or for the years ended June 30, 2019 and 2018.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments and, with none being held for trading purposes, approximate the carry values of such amounts.

Accounting principles generally accepted in the United States of America define fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurements. Assets and liabilities recorded at fair value in the Statements of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Investments in equities, exchange traded funds, and cash and money funds are valued using market prices on similar active markets and valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Use of Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement

ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*

On August 18, 2016, FASB issued the new pronouncement that addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Health Center has adjusted the presentation of these 2019 and 2018 statements accordingly.

The main provisions of the update are:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the year, rather than the current three classes.
- Present on the face of the statement of operations the amount of the change in each of the two classes of net assets.
- Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting.

The standard no longer require the cash flow presentation or disclosure of the indirect method reconciliation, if using the direct method. The ASU has been applied retrospectively to all periods presented.

Upcoming Financial Accounting Standards Implementation

ASU 2014-09, *Revenue from Contracts with Customers*

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods.

The standard will be effective for The Health Center for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Health Center is evaluating the effect this standard will have on its financial statements.

ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.*

In June 2018, the FASB issued ASU No. 2018-08 *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this update clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction. Additional guidance about when a contribution should be recognized is also included in the amendments. These amendments apply to both resources received by a recipient and given by a resource provider. The standard will be effective for The Health Center for annual periods beginning after December 15, 2018.

Note 2 – Summary of Significant Accounting Policies (Continued)

Upcoming Financial Accounting Standards Implementation (Continued)

ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*

In January 2016, the FASB issued ASU No. 2016-01 *Financial Instruments – Overall (Subtopic 825-10)*. The standard requires entities to measure equity investments that are not accounted for under the equity method or do not result in consolidation to be recorded at fair value and recognize any changes in fair value to net income. Investments that qualify for a practicability exception would not require a change in accounting. The disclosure of fair value of investments held at amortized cost will no longer be required. The standard will be effective for The Health Center for annual periods beginning after December 15, 2018.

ASU 2016-02, *Leases*

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of The Health Center's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Health Center is evaluating the effect this standard will have on its financial statements.

Reclassifications

Certain accounts from prior year has been reclassified to be consistent with current year presentation. There is no impact to the Statements of Activities and Cash Flows.

Note 3 – Cash and Investments

Cash and investments are reported in the accompanying consolidated statements of financial position as follows:

	2019	2018
Cash and cash equivalents	$ 104,910,443	$ 94,974,533
Restricted cash and cash equivalents	2,461,146	2,540,999
Investments	1,243,940	817,001
Total cash and investments	$ 108,615,529	$ 98,332,533

Cash and investments consisted of the following:

	2019	2018
Cash and cash equivalents:		
Demand deposits	$ 37,371,589	$ 27,515,532
Money market funds	70,000,000	70,000,000
Total cash and cash equivalents	107,371,589	97,515,532
Equities	1,243,940	817,001
Total investments	1,243,940	817,001
Total cash and investments	$ 108,615,529	$ 98,332,533

Note 3 – Cash and Investments (Continued)

Cash Deposits

Cash, restricted cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of less than three months at purchase. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The carrying amounts of cash deposits were $37,371,589 and $27,515,532 at June 30, 2019 and 2018, respectively, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the Health Center's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Health Center's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Health Center's name.

The fair value of pledged securities must equal at least 110% of the Health Center's cash deposits. California law also allows institutions to secure the Health Center's deposits by pledging first trust deed mortgage notes having a value of 150% of the Health Center's total cash deposits. The Health Center may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The Health Center, however, has not waived the collateralization requirements.

Investments

At June 30, 2019 and 2018, investments, at fair value, consisted of the following:

	2019			2018		
	Amount Invested	Percentage of Investments	Measurement Input	Amount Invested	Percentage of Investments	Measurement Input
Equities	$ 1,243,940	100.00%	Level 1	$ 817,001	100.00%	Level 1
Total investments	$ 1,243,940	100.00%		$ 817,001	100.00%	

Financial instruments potentially subjecting the Health Center to concentration of credit risk consist of cash held in investment securities accounts in excess of the Securities Investor Protection Corporation ("SIPC") insurance threshold for equity securities. Investment securities are exposed to various risks, such as credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Note 4 – Patient Accounts Receivable

Patient accounts receivable consisted of the following:

	2019			2018		
	Receivable	Contractual Allowance	Net	Receivable	Contractual Allowance	Net
Fee for service	$ 9,017,620	$ (6,352,611)	$ 2,665,009	$ 7,837,920	$ (5,420,437)	$ 2,417,483
Medi-Cal	12,066,152	(1,976,668)	10,089,484	11,364,388	26,636	11,391,024
Patients	3,004,590	(2,256,638)	747,952	2,438,517	(1,835,570)	602,947
SOFP	800,265	(318,131)	482,134	421,798	(89,931)	331,867
Medicare	1,606,621	(777,342)	829,279	2,631,735	(1,671,319)	960,416
Total	$ 26,495,248	$ (11,681,390)	$ 14,813,858	$ 24,694,358	$ (8,990,621)	$ 15,703,737

Note 5 – Grants and Contracts Receivable

Grants and contracts receivable consisted of the following:

	2019	2018
Federal grants	$ 1,061,401	$ 457,034
State grants	560,760	338,852
County grants	2,447,203	2,027,441
Other grants and contracts	843,303	277,703
Total grants and contracts receivable	$ 4,912,667	$ 3,101,030

Note 6 – Other Receivables

Other receivables consisted of the following:

	2019	2018
340B Pharmacy receivables	$ 5,106,913	$ 3,303,531
Other receivables	1,150,605	173,351
Total other receivable	$ 6,257,518	$ 3,476,882

Note 7 – Loans Receivable

Loans receivable consisted of the following:

	2019	2018
Chase NMTC FHCSD Investment Fund	$ 6,197,000	$ 6,197,000
FHC Investment Fund, LLC	10,932,670	10,932,670
Twain Investment Fund 183,LLC	5,649,100	5,649,100
USBCDC Investment Fund 144, LLC	5,316,800	5,316,800
Physician retention loans	539,407	228,114
Total loans receivable	28,634,977	28,323,684
Less current portion	(150,349)	(68,124)
Total long-term loans receivable	$ 28,484,628	$ 28,255,560

Loans Receivable – Chase NMTC FHCSD Investment Fund, LLC

As a result of the NMTC financing structure described in Note 14, the Center is the holder of a Promissory Note between Chase NMTC FHCSD Investment Fund, LLC (the “Investment Fund”) and the Health Center (the “Leverage Lender”) dated April 2, 2013, the Leverage Lender made a loan to the Investment Fund in the principal amount of $6,197,000. The Investment Fund agreed to repay the principal amount, plus interest in the amount of 1.0% on the unpaid principal balance from April 2, 2013, until the loan is due and payable on March 31, 2043 (the “Leverage Loan Maturity Date”). Interest is payable in quarterly installments commencing June 10, 2013, and on the 10th day of each March, June, September and December of each year thereafter until and including March 10, 2020. Beginning March 1, 2020, and continuing until and including the quarterly installment due immediately prior to the Maturity Date, the principal balance of the loan accrues interest at 1.0%, and principal and accrued interest through the end of the immediately preceding calendar month are payable by the Investment Fund in arrears in consecutive quarterly installments commencing June 10, 2020 and on the 10th day of each March, June, September and December thereafter. The amount of the quarterly installment of principal and interest payable will fully amortize the unpaid principal balance as of the Maturity Date. As of June 30, 2019, and 2018, the loan receivable principal balance was $6,197,000.

Note 7 – Loans Receivable (Continued)

Loans Receivable – Loan to FHC Investment Fund, LLC

As a result of the NMTC financing structure described in Note 14, the Center is the holder of a Promissory Note between FHC Investment Fund, LLC (the "Investment Fund") and the FHC Growth Fund, Inc. (the "Leverage Lender") dated November 20, 2014, the Leverage Lender made a loan to the Investment Fund in the principal amount of $10,932,670. The Investment Fund agreed to repay the principal amount, plus interest in the amount of 1.4614% on the unpaid principal balance from November 20, 2014, until the loan is due and payable on December 31, 2044 (the "Leverage Loan Maturity Date"). Interest is payable in quarterly installments commencing December 10, 2014, and on the 10th day of each March, June, September and December of each year thereafter until and including December 10, 2022. Commencing January 1, 2022, each payment date thereafter, principal and interest of $140,136 will be paid until December 31, 2044. The final payment will be pro-rated to fully amortize the unpaid principal balance as of the Maturity Date. As of June 30, 2019, and 2018, the loan receivable principal balance was $10,932,670.

Loans Receivable – Loan to Twain Investment Fund 183, LLC

As a result of the NMTC financing structure described in Note 14, the Center is the holder of a Promissory Note between Twain Investment Fund 183, LLC (the "Investment Fund") and the FHC Growth Fund, Inc. (the "Leverage Lender") dated September 15, 2016, the Leverage Lender made a loan to the Investment Fund in the principal amount of $5,649,100. The Investment Fund agreed to repay the principal amount, plus interest in the amount of 1.0000% on the unpaid principal balance from September 15, 2016, until the loan is due and payable on December 31, 2046 (the "Leverage Loan Maturity Date"). Interest is payable in quarterly installments commencing December 10, 2016, and on the 10th day of each March, June, September and December of each year thereafter until and including December 10, 2023. Commencing January 1, 2024, each payment date thereafter, principal and interest of $68,811 will be paid until December 31, 2046. The final payment will be pro-rated to fully amortize the unpaid principal balance as of the Maturity Date. As of June 30, 2019, and 2018, the loan receivable principal balance was $5,649,100.

Loans Receivable – Loan to USBCDC Investment Fund 144, LLC

As a result of the NMTC financing structure described in Note 14, the Center is the holder of a Promissory Note between USBCDC Investment Fund 144, LLC (the "Investment Fund") and the FHC Growth Fund, Inc. (the "Leverage Lender") dated December 1, 2016, the Leverage Lender made a loan to the Investment Fund in the principal amount of $5,316,800. The Investment Fund agreed to repay the principal amount, plus interest in the amount of 1.6828% on the unpaid principal balance from December 1, 2016, until the loan is due and payable on December 1, 2051 (the "Leverage Loan Maturity Date"). Interest is payable in annual installments commencing December 10, 2016, and on the 10th day of December of each year thereafter until and including December 10, 2022. Commencing January 1, 2023, each payment date thereafter, principal and interest of $233,206 will be paid until December 31, 2051. The final payment will be pro-rated to fully amortize the unpaid principal balance as of the Maturity Date. As of June 30, 2019 and 2018, the loan receivable principal balance was $5,316,800.

Note 8 – Property and Equipment

Property and equipment consisted of the following:

	2019	2018
Land	$ 39,026,679	$ 38,394,908
Land improvements	2,210,363	2,138,508
Construction in progress	4,846,573	7,729,152
Works of art	77,585	39,585
Buildings	100,080,815	94,057,124
Equipment	11,257,677	10,585,071
Software	5,914,123	5,844,569
Automobiles	947,097	583,389
Leasehold improvements	8,575,353	4,298,880
	172,936,265	163,671,186
Accumulated depreciation	(44,535,473)	(38,261,466)
Total property and equipment, net	$ 128,400,792	$ 125,409,720

Depreciation expense was $6,274,007 and $6,042,155 for the years ended June 30, 2019 and 2018, respectively.

Note 9 – Estimated Third-Party Payor Settlements

The Center has recorded an estimated receivable of $1,623,214 and $1,623,214 as of June 30, 2019 and 2018, respectively, and estimated liabilities of $941,059 and $1,108,638 as of June 30, 2019 and 2018, respectively. These balances comprise estimated settlements due to PPS Reconciliation Requests as well as a Rate Setting Cost Reports and Change in Scope of Service Requests. Management periodically evaluates estimated third-party payor settlements based on the current information available and believes the final settlements will not materially affect the financial statements of the Center.

Note 10 – Long-Term Debt

Long-term debt consisted of the following:

	2019	2018
Forgivable Notes Payable:		
Scripps Mercy Hospital Mercy Clinic Note $1.0M	$ 963,885	$ -
Notes Payable:		
US Bank Term Note $10M	3,452,380	4,880,951
US Bank Term Note $4.5M	1,984,683	2,628,015
ESIC New Markets Partners LIV Ltd. Partnership note payable	8,730,000	8,730,000
Civic San Diego Economic Growth and Neighborhood Investment Fund note payable	15,978,750	15,978,750
PCDC Health Opportunities Fund XIV, LLC note payable	8,245,000	8,245,000
LCD New Markets Fund XX,LLC note payable	7,680,000	7,680,000
Less unamortized debt issuance costs	(1,029,112)	(1,370,331)
Total	46,005,586	46,772,385
Less current portion	(2,253,813)	(2,071,902)
Total long-term debt	$ 43,751,773	$ 44,700,483

<u>Forgivable Notes Payable</u>

Scripps Mercy Hospital Mercy Clinic Note $1.0M

On October 1, 2018, the Health Center entered into an agreement with Scripps Health to provide clinical Internal Medicine services at the Hillcrest facility. Funding for the required site improvements was provided by Scripps Health in the form of a $1,000,000 promissory note. The note is a ten year note at 6.5% interest. As each monthly payment becomes due, Scripps shall forgive that payment and consider it paid if the Health Center is and has continually been in compliance with the terms and conditions of the agreement. As of June 30, 2019, the remaining balance of the note was, $963,885.

The annual debt service requirements for the note outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 75,838	$ 60,420	$ 136,258
2021	80,917	55,341	136,258
2022	86,336	49,921	136,257
2023	92,118	44,139	136,257
2024	98,288	37,970	136,258
Thereafter	530,388	82,771	613,159
Total	$ 963,885	$ 330,562	$ 1,294,447

Note 10 – Long-Term Debt (Continued)

Notes Payable

US Bank Term Note $10M

On November 5, 2014, the Health Center issued a promissory note to U.S. Bank in the amount of $10,000,000. The note bears an interest rate of 2.93%. The purpose of the note was to fund the HITEC Project and to consolidate former Union Bank notes.

The annual debt service requirements for the note outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 1,428,571	$ 81,970	$ 1,510,541
2021	1,428,571	40,113	1,468,684
2022	595,238	4,069	599,307
Total	$ 3,452,380	$ 126,152	$ 3,578,532

US Bank Term Note $4.5M

On May 7, 2015, the Health Center issued a promissory note to U.S. Bank in the amount of $4,500,000. The note bears an interest rate of 2.82%. The purpose of the note was to purchase property for the 4094 4th Avenue, San Diego property.

The annual debt service requirements for the note outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 661,967	$ 48,132	$ 710,099
2021	681,075	29,024	710,099
2022	641,641	9,225	650,866
Total	$ 1,984,683	$ 86,381	$ 2,071,064

ESIC New Markets Partners LIV Limited Partnership Promissory Note Payable

On April 2, 2013, FHCSD Community Services, LLC ("Community Services") issued a promissory note to ESIC New Market Partners LIV Limited Partnership in the amount of $8,730,000. The maturity date of the note is March 31, 2043 and it bears an interest rate of 0.71%. The purpose of the note was to pay closing costs associated with issuing the note, fund reserve accounts, and fund a construction account in order to purchase property and finance construction for the Diamond Neighborhoods Clinic location. The note is guaranteed by the Health Center.

Note 10 – Long-Term Debt (Continued)

Notes Payable (Continued)

The annual debt service requirements for the note outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 87,437	$ 61,983	$ 149,420
2021	351,304	60,428	411,732
2022	353,805	57,927	411,732
2023	356,323	55,409	411,732
2024	358,860	52,872	411,732
Thereafter	7,222,271	497,800	7,720,071
Total	$ 8,730,000	$ 786,419	$ 9,516,419

Civic San Diego Economic Growth and Neighborhood Investment Fund Note Payable

On November 20, 2014, FHCSD HITEC, LLC ("HITEC") issued promissory notes to Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE II, LLC totaling $15,978,750. The maturity date of the notes are December 31, 2044 and bears an interest rate of 1.00%. The purpose of the note was to pay closing costs associated with issuing the note, fund reserve accounts, and fund a construction account in order to purchase property and finance construction for the HITEC administration and Oak Park Clinic location. The note is guaranteed by the Health Center.

The annual debt service requirements for the note outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ -	$ 159,788	$ 159,788
2021	-	159,788	159,788
2022	309,765	159,401	469,166
2023	624,190	154,354	778,544
2024	630,455	148,089	778,544
Thereafter	14,414,340	409,130	14,823,470
Total	$ 15,978,750	$ 1,190,550	$ 17,169,300

PCDC Health Opportunities Fund XIV, LLC Note Payable

On September 15, 2016, the Health Center entered into a loan in the form of an $8,245,000 note payable with PCDC Health Opportunity Fund XIV, LLC. (the "Lender"). As a result of making the loans, the Lender is eligible for federal income tax credits under the New Markets Tax Credits ("NMTC") implemented by Congress in December 2000. The purpose of the note was to pay closing costs associated with issuing the note, fund reserve accounts, and fund a construction account in order to purchase property and finance construction for the El Cajon Clinic Location. The note is guaranteed by the Health Center.

Note 10 – Long-Term Debt (Continued)

PCDC Health Opportunities Fund XIV, LLC Note Payable (Continued)

The annual debt service requirements for the note outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ -	$ 98,996	$ 98,996
2021	-	98,996	98,996
2022	-	98,996	98,996
2023	-	98,996	98,996
2024	-	98,763	98,763
Thereafter	8,245,000	431,987	8,676,987
Total	$ 8,245,000	$ 926,734	$ 9,171,734

LCD New Markets Fund XX, LLC Note Payable

On December 1, 2017, the Health Center entered into a loan in the form of a $7,680,000 note payable with LCD New Markets Fund XX, LLC. (the "Lender"). As a result of making the loans, the Lender is eligible for federal income tax credits under the New Markets Tax Credits ("NMTC") implemented by Congress in December 2000. The purpose of the note was to pay closing costs associated with issuing the note, fund reserve accounts, and fund a construction account in order to purchase property and finance construction for the Family Health Youth Counseling Center. The note is guaranteed by the Health Center.

The annual debt service requirements for the note outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ -	$ 123,533	$ 123,533
2021	-	123,533	123,533
2022	-	123,533	123,533
2023	-	123,533	123,533
2024	-	123,533	123,533
Thereafter	7,680,000	1,805,186	9,485,186
Total	$ 7,680,000	$ 2,422,851	$ 10,102,851

Note 11 – Risk Management

General Liability and Workers' Compensation

The Health Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; job-related illnesses or injuries to employees; and natural disasters for which the Health Center carries commercial insurance. The Health Center purchases commercial insurance to cover the risk of loss for property, business liability, and medical payments.

At June 30, 2019, the Health Centers has accrued $5,793,723 as a liability for Claims Payable.

Note 11 – Risk Management (Continued)

Medical Malpractice Claims

The U.S. Department of Health and Human Services has deemed the Health Center and its practicing physicians 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. FTCA coverage is comparable to an occurrence policy without a monetary cap. There are no known claims being managed by the Department of Justice.

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 Health Center's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 12 – Commitments and Contingencies

Grants and Contracts

The Health Center has grants and contracts with government agencies which are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits would not be material.

Lease Commitments

The Health Center has commitments under operating lease agreements. The aggregate future rental costs for which the Health Center is obligated under the agreements are as follows:

Year Ending June 30,	Amount
2020	$ 1,036,470
2021	1,009,406
2022	906,881
2023	709,868
2024	625,606
Thereafter	1,345,335
Total	$ 5,633,566

Rent expense under various operating leases with external entity totaled $1,097,969 and $895,015 for the years ended June 30, 2019 and 2018, respectively.

Construction Contracts

The Health Center has signed contracts with various contractors for construction projects. As of June 30, 2019, balances remaining on the contracts consisted of the following:

Location	Contract Amount	Paid through June 30, 2019	Remaining Balance
Chula Vista	$ 1,009,746	$ 860,369	$ 149,377
El Cajon	958,684	23,502	935,182
Total	$ 1,968,430	$ 883,871	$ 1,084,560

Note 13 – Retirement Plan

In 1992, the Board of Directors approved a defined contribution retirement plan for the Health Center's employees under Internal Revenue Code 403(b). The plan is designed to provide an incentive for substantially all employees to contribute to a retirement program, as well as provide a benefit to all employees. Plan eligibility begins immediately upon hire.

The Health Center shall make matching contributions for employees in an amount equal to 50% of elective deferral contributions. Elective deferral contributions in excess of 10% will not be matched. Vesting in Health Center matching funds occurs in increments of 25% per year; Year 1 – 25%, Year 2 – 50%, Year 3 – 75%, Year 4 – 100%. During the years ended June 30, 2019 and 2018, the Health Center contributed $2,911,078 and $2,690,764, respectively, on behalf of participating employees.

Note 14 – Concentration of Credit Risk

The Health Center is reimbursed for services provided to patients under certain programs administrated by governmental agencies. Revenue from Medicare, Medi-Cal, and other federal, state or county funding sources amounted to approximately 65% and 68% of total revenue for 2019 and 2018, respectively. Laws and regulations governing these programs are complex. The Health Center believes it is in compliance with all the applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from participating in these programs.

	2019	2018
Medicare	$ 5,890,903	$ 5,115,090
Medi-Cal	28,294,850	32,012,373
Federal, State & County Grants	35,981,688	35,814,433
Other governmental funding	70,233,378	62,690,056
Subtotal	$ 140,400,819	$ 135,631,952
Total unrestricted revenue	$ 214,580,198	$ 199,440,042
Percentage	65%	68%

Note 15 – New Market Tax Credit Financing

New Market Tax Credit-CHASE Investment Fund

On April 2, 2013, the Health Center entered into a loan in the form of a note payable with Chase NMTC FHCSD Investment Fund, LLC (the "Lender"). As a result of making the loan, the Lender is eligible for federal income tax credits under the New Markets Tax Credits ("NMTC") implemented by Congress in December 2000.

Note 15 – New Market Tax Credit Financing (Continued)

New Market Tax Credit-CHASE Investment Fund (Continued)

Pursuant to the Qualified Active Low-Income Community Businesses (the "QALICB") Unconditional Guaranty of the NMTCs, Put Price & Environmental Indemnification (the "Indemnification Agreement") dated April 2, 2013, in the occurrence of an event or condition that results in a recapture of all or any portion of NMTCs ("Recapture Event"), the Health Center, shall pay the NMTC Recapture Amount, as defined in the Indemnification Agreement, to the NMTC Investor, but only if and to the extent that such recapture event is the result of:

i. The Health Center not being or ceasing to be a QALICB;
ii. A redemption by the Community Development Entity ("CDE") caused directly or indirectly by the Health Center;
iii. The failure of any tenant or subtenant of the Health Center to be classified as a Qualified Business;
iv. The failure of the CDE to meet the substantially all requirements attributable to a prepayment of the loan by the Health Center in violation of the loan agreement; or
v. Any gross negligence, fraud, willful misconduct, malfeasance, material violation of any law by the Health Center; or
vi. Any inaccuracy in or misrepresentation of amounts represented by the Health Center to the NMTC Investor leads, directly or indirectly, to recapture of disallowance of NMTC.

New Market Tax Credit-Civic San Diego Economic Growth and Neighborhood Investment Fund

On November 20, 2014, the Health Center entered into a loan in the form of a note payable with Civic San Diego Economic Growth and Neighborhood Investment Fund Sub.CDE II, LLC. (the "Lender"). As a result of making the loan, the Lender is eligible for federal income tax credits under the New Markets Tax Credits ("NMTC") implemented by Congress in December 2000.

Pursuant to the Qualified Active Low-Income Community Businesses (the "QALICB") Unconditional Guaranty of the NMTCs, Put Price & Environmental Indemnification (the "Indemnification Agreement") dated November 20, 2013, in the occurrence of an event or condition that results in a recapture of all or any portion of NMTCs ("Recapture Event"), the Health Center, shall pay the NMTC Recapture Amount, as defined in the Indemnification Agreement, to the NMTC Investor, but only if and to the extent that such recapture event is the result of:

i. The Health Center not being or ceasing to be a QALICB;
ii. The redemption by the CDE of any portion of the Equity Investment caused directly or indirectly by the Health Centers violation of the CDE Loan Documents;
iii. The failure of any tenant or subtenant of the Health Center to be classified as a Qualified Business;
iv. The failure of the CDE to maintain substantially all of the Equity Investment invested in QLICIs attributable to a prepayment (whether voluntary or involuntary or as a result of acceleration, foreclosure or otherwise) of any of the Qualified Low Income Community Investment (the "QLICI") Loans by the Health Center in violation of the CDE Loan Documents or as a result of the exercise of any rights or remedies of the CDE following a default by the Health Center under the CDE Loan Documents;
v. The Health Centers gross negligence, fraud, willful misconduct, malfeasance, material violation of any law;
vi. Any other act or omission by or within the control of the Health Center;
vii. The breach by the Health Center of any warranty or covenant as contained in any of the Transaction Documents;
viii. Any representation of the Health Center as contained in any Transaction Document shall prove to be false or misleading in any respect; or

Note 15 – New Market Tax Credit Financing (Continued)

New Market Tax Credit-Civic San Diego Economic Growth and Neighborhood Investment Fund (Continued)

ix. A determination by the Community Development Financial Institution Fund (the "CDFI Fund") or the Internal Revenue Service that the use of QLICI proceeds:
(A) constituted an inappropriate or abusive use of such proceeds or

x. (B) is inconsistent with the purposes of Section 45D of the Code and the related Treas. Reg., as provided in Treas. Reg. Section 1.45D-1(g), respectively.

New Market Tax Credit-PCDC Health Opportunities Fund

On September 15, 2016, the Health Center entered into a loan in the form of a note payable with PCDC Health Opportunities Fund XIV, LLC. (the "Lender"). As a result of making the loan, the Lender is eligible for federal income tax credits under the New Markets Tax Credits ("NMTC") implemented by Congress in December 2000.

Pursuant to the Qualified Active Low-Income Community Businesses (the "QALICB") Unconditional Guaranty of the NMTCs, Put Price & Environmental Indemnification (the "Indemnification Agreement") dated September 15, 2016, in the occurrence of an event or condition that results in a recapture of all or any portion of NMTCs ("Recapture Event"), the Health Center, shall pay the NMTC Recapture Amount, as defined in the Indemnification Agreement, to the NMTC Investor, but only if and to the extent that such recapture event is the result of:

i. The Health Center not being or ceasing to be a QALICB;
ii. The redemption by the CDE of any portion of the Equity Investment caused directly or indirectly by the Health Centers violation of the CDE Loan Documents;
iii. The failure of any tenant or subtenant of the Health Center to be classified as a Qualified Business;
iv. The failure of the CDE to maintain substantially all of the Equity Investment invested in QLICIs attributable to a prepayment (whether voluntary or involuntary or as a result of acceleration, foreclosure or otherwise) of any of the Qualified Low Income Community Investment (the "QLICI") Loans by the Health Center in violation of the CDE Loan Documents or as a result of the exercise of any rights or remedies of the CDE following a default by the Health Center under the CDE Loan Documents;
v. The Health Centers gross negligence, fraud, willful misconduct, malfeasance, material violation of any law;
vi. Any other act or omission by or within the control of the Health Center;
vii. The breach by the Health Center of any warranty or covenant as contained in any of the Transaction Documents;
viii. Any representation of the Health Center as contained in any Transaction Document shall prove to be false or misleading in any respect; or
ix. A determination by the Community Development Financial Institution Fund (the "CDFI Fund") or the Internal Revenue Service that the use of QLICI proceeds:
(A) constituted an inappropriate or abusive use of such proceeds or
(B) is inconsistent with the purposes of Section 45D of the Code and the related Treas. Reg., as provided in Treas. Reg. Section 1.45D-1(g), respectively.

New Market Tax Credit- LCD New Markets Fund

On December 1, 2016, the Health Center entered into a loan in the form of a note payable with LCD New Markets Fund XX, LLC. (the "Lender"). As a result of making the loan, the Lender is eligible for federal income tax credits under the New Markets Tax Credits ("NMTC") implemented by Congress in December 2000.

Note 15 – New Market Tax Credit Financing (Continued)

New Market Tax Credit- LCD New Markets Fund (Continued)

Pursuant to the Qualified Active Low-Income Community Businesses (the "QALICB") Unconditional Guaranty of the NMTCs, Put Price & Environmental Indemnification (the "Indemnification Agreement") dated December 1, 2016, in the occurrence of an event or condition that results in a recapture of all or any portion of NMTCs ("Recapture Event"), the Health Center, shall pay the NMTC Recapture Amount, as defined in the Indemnification Agreement, to the NMTC Investor, but only if and to the extent that such recapture event is the result of:

i. The Health Center not being or ceasing to be a QALICB;
ii. The redemption by the CDE of any portion of the Equity Investment caused directly or indirectly by the Health Centers violation of the CDE Loan Documents;
iii. The failure of any tenant or subtenant of the Health Center to be classified as a Qualified Business;
iv. The failure of the CDE to maintain substantially all of the Equity Investment invested in QLICIs attributable to a prepayment (whether voluntary or involuntary or as a result of acceleration, foreclosure or otherwise) of any of the Qualified Low Income Community Investment (the "QLICI") Loans by the Health Center in violation of the CDE Loan Documents or as a result of the exercise of any rights or remedies of the CDE following a default by the Health Center under the CDE Loan Documents;
v. The Health Centers gross negligence, fraud, willful misconduct, malfeasance, material violation of any law;
vi. Any other act or omission by or within the control of the Health Center;
vii. The breach by the Health Center of any warranty or covenant as contained in any of the Transaction Documents;
viii. Any representation of the Health Center as contained in any Transaction Document shall prove to be false or misleading in any respect; or
ix. A determination by the Community Development Financial Institution Fund (the "CDFI Fund") or the Internal Revenue Service that the use of QLICI proceeds:
(A) constituted an inappropriate or abusive use of such proceeds or
(B) is inconsistent with the purposes of Section 45D of the Code and the related Treas. Reg., as provided in Treas. Reg. Section 1.45D-1(g), respectively.

Note 16 – Net Assets

Net assets with donor restrictions were as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Satisfaction of Purpose Restrictions		
Medical and dental equipment	$ 88,830	$ 65,313
Health education	399,810	234,586
Operations improvement program	544,488	559,318
Healthcare for uninsured and underinsured	339,712	269,796
Other program restrictions		
(less than $50,000 individually)	60,550	50,088
Total	$ 1,433,390	$ 1,179,101

Due to the implementation of ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, the Health Center restated $1,179,101 from temporarily restricted net assets to net assets with donor restrictions.

Note 16 – Net Assets (Continued)

Net assets without donor restrictions for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Undesignated	$ 230,358,473	$ 211,996,211
	$ 230,358,473	$ 211,996,211

Net assets released from net assets with donor restrictions for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Satisfaction of Purpose Restrictions		
Purchase of medical and dental equipment	$ 345,651	$ 301,712
Health education	459,556	361,087
Operations improvement program	1,367,223	283,571
Healthcare for uninsured and underinsured	84,107	69,260
Other program restrictions (less than $50,000 individually)	119,856	185,739
Total	$ 2,376,393	$ 1,201,369

Due to the implementation of ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, the Health Center restated $1,179,101 from temporarily restricted net assets to net assets with donor restrictions.

Note 17 – Components of Changes in Net Assets Without Donor Restrictions

For the years ended June 30, 2019 and 2018, changes in net assets without donor restrictions were $18,362,263 and $21,500,709, respectively. The changes in net assets without donor restrictions were generated from the following components:

	2019	2018
From operations	$ 9,233,005	$ 12,636,180
From non-operational settlements, performance payments or community benefit program	8,990,944	8,822,438
From grants for purchase of long-lived assets	138,313	42,091
Change in unrestricted net assets	$ 18,362,262	$ 21,500,709

Note 18 – Availability and Liquidity

The following represents The Health Center's financial assets at June 30, 2019 and 2018:

Financial assets at year end:		2019		2018
Cash and cash equivalents	$	104,910,443	$	94,974,533
Patient accounts receivable, net of contractual allowances		14,813,858		15,703,737
Grants and contracts receivable		4,912,667		3,101,030
Other receivables		6,257,518		3,476,882
Total financial assets		130,894,486		117,256,182
Less amounts not available to be used within one year:				
Net assets with donor restrictions		1,433,390		1,179,101
Less net assets with purpose restrictions to be met in less than a year		(1,044,790)		(848,988)
		388,600		330,113
Financial assets available to meet general expenditures over the next twelve months	$	130,505,886	$	116,926,069

The Health Center's regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Health Center has various sources of liquidity at its disposal, including cash and cash equivalents, investments, various receivables, and a line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Health Center considers all expenditures related to its ongoing activities of providing healthcare-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Note 19 – Unrelated Business Income

The Health Center purchased tenant-occupied properties. As a stipulation of the property purchase agreements, the Health Center agreed to honor previously existing lease contracts with the tenants of the purchased properties and generated unrelated business income. The following is a condensed summary of the unrelated business income tax calculation for the years ended June 30, 2019 and 2018:

		2019		2018
Unrelated rental income	$	144,652	$	170,881
Deduct: associated expenses		-		82,089
Taxable unrelated business income	$	144,652	$	88,792
Tax Liability Expense	$	45,000	$	59,096

Note 20 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Health Center recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing the financial statements. The Health Center's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Health Center has evaluated subsequent events through October 25, 2019, which is the date the financial statements are available to be issued.

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SUPPLEMENTARY INFORMATION

Family Health Centers of San Diego, Inc.
Consolidating Schedule of Financial Position
June 30, 2019

	FHCSD	FHCSD Community Services	HITEC	FHCSD Growth Fund
ASSETS				
Current assets:				
Cash and cash equivalents	$ 104,910,443	$ -	$ -	$ -
Investments	1,243,940	-	-	-
Restricted cash and cash equivalents	-	392,975	500,297	691,769
Patient accounts receivable, net of contractual allowance	14,813,858	-	-	-
Grants and contracts receivable	4,912,667	-	-	-
Other receivables	6,257,518	-	-	-
Estimated third-party payor settlements	1,623,214	-	-	-
Due from other entities	94,927	-	-	-
Inventories	497,939	-	-	-
Prepaid items	1,614,460	-	7,000	-
Loans receivable, current	150,349	-	-	-
Total current assets	136,119,315	392,975	507,297	691,769
Noncurrent assets:				
Loans receivable	6,586,058	-	-	21,898,570
Deposits	6,389,121	-	-	-
Property and equipment, net	91,933,937	9,614,770	11,965,126	-
Deferred charges, net	-	-	1,926,446	-
Investment in FHCSD Community Services	2,796,965	-	-	-
Investment in HITEC	513,344	-	-	-
Investment in FHCSD Growth Fund	21,959,148	-	-	-
Investment in FHCSD FCC II	227,426	-	-	-
Investment in FHCSD El Cajon	1,261,657	-	-	-
Total noncurrent assets	131,667,656	9,614,770	13,891,572	21,898,570
Total assets	$ 267,786,971	$ 10,007,745	$ 14,398,869	$ 22,590,339
LIABILITIES AND NET ASSETS (DEFICIT)				
Current liabilities:				
Accounts payable	$ 3,386,317	$ 4,800	$ -	$ -
Accrued expenses	14,386,730	27,500	-	-
Claims payable	5,793,723	-	-	-
Estimated third-party payor settlements	941,059	-	-	-
Accrued tax liabilities	45,000	-	-	-
Due to FHCSD	-	4,778	13,894	6,963
Deferred revenue	2,164,865	-	-	-
Long-term debt, current	2,166,376	87,437	-	-
Total current liabilities	28,884,070	124,515	13,894	6,963
Noncurrent liabilities:				
Long-term debt less unamortized debt issuance costs, non-current	4,234,573	8,559,971	15,576,002	-
Total noncurrent liabilities	4,234,573	8,559,971	15,576,002	-
Total liabilities	33,118,643	8,684,486	15,589,896	6,963
Net assets (deficit):				
Without donor restrictions (deficit)	232,314,938	(1,473,706)	(1,234,371)	1,074,228
With donor restrictions (deficit)	2,353,390	2,796,965	43,344	21,509,148
Total net assets (deficit)	234,668,328	1,323,259	(1,191,027)	22,583,376
Total liabilities and net assets (deficit)	$ 267,786,971	$ 10,007,745	$ 14,398,869	$ 22,590,339

Family Health Centers of San Diego, Inc.
Consolidating Schedule of Financial Position (Continued)
June 30, 2019

	FCC2	FHCSD El Cajon	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ -	$ -	$ 104,910,443
Investments	-	-	-	1,243,940
Restricted cash and cash equivalents	581,813	294,292	-	2,461,146
Patient accounts receivable, net of contractual allowance	-	-	-	14,813,858
Grants and contracts receivable	-	-	-	4,912,667
Other receivables	-	-	-	6,257,518
Estimated third-party payor settlements	-	-	-	1,623,214
Due from other entities	-	-	(94,927)	-
Inventories	-	-	-	497,939
Prepaid items	-	-	-	1,621,460
Loans receivable, current	-	-	-	150,349
Total current assets	581,813	294,292	(94,927)	138,492,534
Noncurrent assets:				
Loans receivable	-	-	-	28,484,628
Deposits	-	-	-	6,389,121
Property and equipment, net	6,538,989	8,347,970	-	128,400,792
Deferred charges, net	308,680	607,008	(2,842,134)	-
Investment in FHCSD Community Services	-	-	(2,796,965)	-
Investment in HITEC	-	-	(513,344)	-
Investment in FHCSD Growth Fund	-	-	(21,959,148)	-
Investment in FHCSD FCC II	-	-	(227,426)	-
Investment in FHCSD El Cajon	-	-	(1,261,657)	-
Total noncurrent assets	6,847,669	8,954,978	(29,600,674)	163,274,541
Total assets	$ 7,429,482	$ 9,249,270	$ (29,695,601)	$ 301,767,075
LIABILITIES AND NET ASSETS (DEFICIT)				
Current liabilities:				
Accounts payable	$ -	$ -	$ -	$ 3,391,117
Accrued expenses	61,766	-	(2,842,134)	11,633,862
Claims payable	-	-	-	5,793,723
Estimated third-party payor settlements	-	-	-	941,059
Accrued tax liabilities	-	-	-	45,000
Due to FHCSD	51,161	18,131	(94,927)	-
Deferred revenue	-	-	-	2,164,865
Long-term debt, current	-	-	-	2,253,813
Total current liabilities	112,927	18,131	(2,937,061)	26,223,439
Noncurrent liabilities:				
Long-term debt less unamortized debt issuance costs, non-current	7,312,491	8,068,736	-	43,751,773
Total noncurrent liabilities	7,312,491	8,068,736	-	43,751,773
Total liabilities	7,425,418	8,086,867	(2,937,061)	69,975,212
Net assets (deficit):				
Without donor restrictions (deficit)	(223,362)	(99,254)	-	230,358,473
With donor restrictions (deficit)	227,426	1,261,657	(26,758,540)	1,433,390
Total net assets (deficit)	4,064	1,162,403	(26,758,540)	231,791,863
Total liabilities and net assets (deficit)	$ 7,429,482	$ 9,249,270	$ (29,695,601)	$ 301,767,075

Family Health Centers of San Diego, Inc.
Consolidating Schedule of Activities
For the Year Ended June 30, 2019

	FHCSD	FHCSD Community Services	HITEC	FHCSD Growth Fund
CHANGE IN UNRESTRICTED NET ASSETS:				
REVENUES AND OTHER SUPPORT:				
Patient service revenue, net	$ 145,063,957	$ -	$ -	$ -
Grant revenue	38,008,940	-	-	-
Pharmacy Income	25,894,856	-	-	-
Other	2,693,529	110,536	649,722	305,732
Donations	236,254	-	-	-
Net assets released from restriction	2,376,393	-	-	-
Total revenues and other support	214,273,929	110,536	649,722	305,732
EXPENSES:				
Salaries and benefits	133,542,473	2,479	4,669	2,479
Contractual medical services	8,065,047	84,660	96,250	-
Medical and pharmaceutical supplies	24,790,718	-	-	-
Space costs	7,290,854	-	-	-
Lab fees	232,750	-	-	-
Other expenses	11,302,112	20	3,300	20
Interest expense	251,202	132,798	283,710	-
Taxes on unrelated business income	45,000	-	-	-
Depreciation	4,797,504	330,781	662,080	-
Office and educational supplies	1,490,887	-	-	-
Communication	962,116	-	-	-
Minor equipment	1,751,404	-	-	-
Insurance	674,624	-	-	-
Total expenses	195,196,691	550,738	1,050,009	2,499
Changes in unrestricted net assets	19,077,238	(440,202)	(400,287)	303,233
CHANGE IN DONOR RESTRICTED NET ASSETS:				
Contributions	2,630,682	-	60,509	-
Net assets released from restrictions	(2,376,393)	(196,519)	(75,687)	-
Change in donor restricted net assets	254,289	(196,519)	(15,178)	-
Change in net assets	19,331,527	(636,721)	(415,465)	303,233
NET ASSETS (DEFICIT):				
Beginning of year	215,336,801	1,959,980	(775,562)	22,280,143
End of year	$ 234,668,328	$ 1,323,259	$ (1,191,027)	$ 22,583,376

Family Health Centers of San Diego, Inc.
Consolidating Schedule of Activities (Continued)
For the Year Ended June 30, 2019

	FCC2	FHCSD El Cajon	Eliminations	Total
CHANGE IN UNRESTRICTED NET ASSETS:				
REVENUES AND OTHER SUPPORT:				
Patient service revenue, net	$ -	$ -	$ -	$ 145,063,957
Grant revenue	-	-	-	38,008,940
Pharmacy Income	-	-	-	25,894,856
Other	365,867	362,912	(1,488,500)	2,999,798
Donations	-	-	-	236,254
Net assets released from restriction	-	-	-	2,376,393
Total revenues and other support	365,867	362,912	(1,488,500)	214,580,198
EXPENSES:				
Salaries and benefits	16,985	6,037	-	133,575,122
Contractual medical services	9,220	9,068	-	8,264,245
Medical and pharmaceutical supplies	-	-	-	24,790,718
Space costs	-	-	(1,488,500)	5,802,354
Lab fees	-	-	-	232,750
Other expenses	1,900	1,700	-	11,309,052
Interest expense	228,536	140,478	-	1,036,724
Taxes on unrelated business income	-	-	-	45,000
Depreciation	231,661	251,981	-	6,274,007
Office and educational supplies	-	-	-	1,490,887
Communication	-	-	-	962,116
Minor equipment	8,933	-	-	1,760,337
Insurance	-	-	-	674,624
Total expenses	497,235	409,264	(1,488,500)	196,217,936
Changes in unrestricted net assets	(131,368)	(46,352)	-	18,362,262
CHANGE IN DONOR RESTRICTED NET ASSETS:				
Contributions	-	-	(60,509)	2,630,682
Net assets released from restrictions	(42,038)	(629,777)	944,021	(2,376,393)
Change in donor restricted net assets	(42,038)	(629,777)	883,512	254,289
Change in net assets	(173,406)	(676,129)	883,512	18,616,551
NET ASSETS (DEFICIT):				
Beginning of year	177,470	1,838,532	(27,642,052)	213,175,312
End of year	$ 4,064	$ 1,162,403	$ (26,758,540)	$ 231,791,863

Family Health Centers of San Diego, Inc.
Consolidating Schedule of Cash Flows
For the Year Ended June 30, 2019

	FHCSD	FHCSD Community Services	HITEC	FHCSD Growth Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Changes in net assets	$ 19,331,527	$ (636,721)	$ (415,465)	$ 303,233
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	4,797,504	330,781	662,080	-
Change in operating assets and liabilities:				
Patient accounts receivable	889,879	-	-	-
Grants and contracts receivable	(1,811,637)	-	-	-
Other receivable	(2,780,636)	-	-	-
Due from other entities	(70,842)	-	-	-
Inventories	(149,143)	-	-	-
Prepaid items	(9,484)	-	-	-
Deposits	(6,009,191)	-	-	-
Deferred charges, net	-	-	(513,719)	-
Accounts payable	(1,061,355)	-	-	-
Accrued expenses	2,256,417	-	(13,750)	-
Settlement payable	5,793,723	-	-	-
Estimated third-party payor settlements	(167,579)	-	-	-
Accrued tax liabilities	45,000	-	-	-
Due to FHCSD	-	2,499	33,666	2,499
Deferred revenue	(272,039)	-	-	-
Net cash provided by (used in) operating activities	20,782,144	(303,441)	(247,188)	305,732
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property and equipment	(9,883,496)	-	-	-
Acquisition (sale) of investments	(426,939)	-	-	-
Issuance of loans receivable	(311,293)	-	-	-
Investments in FHCSD Community Services LLC	196,520	-	-	-
Investments in HITEC	15,178	-	-	-
Investments in FCC2	42,037	-	-	-
Investments in FHCSD El Cajon Fund	629,777	-	-	-
Net cash provided by (used in) investing activities	(9,738,216)	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of long-term debt	1,000,000	-	-	-
Amortization of debt issuance costs	-	70,814	123,922	-
Repayment of long-term debt	(2,108,018)	-	-	-
Net cash provided by (used in) by financing activities	(1,108,018)	70,814	123,922	-
Changes in cash, restricted cash and cash equivalents	9,935,910	(232,627)	(123,266)	305,732
CASH, RESTRICTED CASH AND CASH EQUIVALENTS:				
Beginning of year	94,974,533	625,602	623,563	386,037
End of year	$ 104,910,443	$ 392,975	$ 500,297	$ 691,769
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Interest paid	$ 251,202	$ 61,983	$ 159,792	$ -
Taxes paid on unrelated business income	$ 45,000	$ -	$ -	$ -

Family Health Centers of San Diego, Inc.
Consolidating Schedule of Cash Flows (Continued)
For the Year Ended June 30, 2019

	FCC2	FHCSD El Cajon	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Changes in net assets	$ (173,406)	$ (676,129)	$ 883,512	$ 18,616,551
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	231,661	251,981	-	6,274,007
Change in operating assets and liabilities:				
Patient accounts receivable	-	-	-	889,879
Grants and contracts receivable	-	-	-	(1,811,637)
Other receivable	-	-	-	(2,780,636)
Due from other entities	-	-	70,842	-
Inventories	-	-	-	(149,143)
Prepaid items	-	-	-	(9,484)
Deposits	-	-	-	(6,009,191)
Deferred charges, net	(194,956)	(222,912)	-	(931,587)
Accounts payable	-	-	-	(1,061,355)
Accrued expenses	-	-	(9)	2,242,658
Accrued expenses	-	-	-	5,793,723
Estimated third-party payor settlements	-	-	-	(167,579)
Accrued tax liabilities	-	-	-	45,000
Due to FHCSD	26,132	6,037	(70,833)	-
Deferred revenue	(8,000)	(35,000)	-	(315,039)
Net cash provided by (used in) operating activities	(118,569)	(676,023)	883,512	20,626,167
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property and equipment	(11,360)	629,777	-	(9,265,079)
Acquisition (sale) of investments	-	-	-	(426,939)
Issuance of loans receivable	-	-	-	(311,293)
Investments in FHCSD Community Services LLC	-	-	(196,520)	-
Investments in HITEC	-	-	(15,178)	-
Investments in FCC2	-	-	(42,037)	-
Investments in FHCSD El Cajon Fund	-	-	(629,777)	-
Net cash provided by (used in) investing activities	(11,360)	629,777	(883,512)	(10,003,311)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payment of debt issuance costs	-	-	-	1,000,000
Amortization of debt issuance costs	105,003	41,480	-	341,219
Repayment of long-term debt	-	-	-	(2,108,018)
Net cash provided by (used in) by financing activities	105,003	41,480	-	(766,799)
Changes in cash, restricted cash and cash equivalents	(24,926)	(4,766)		9,856,057
CASH, RESTRICTED CASH AND CASH EQUIVALENTS:				
Beginning of year	606,739	299,058	-	97,515,532
End of year	$ 581,813	$ 294,292	$ -	$ 107,371,589
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Interest paid	$ 123,533	$ 98,996		$ 695,506
Taxes paid on unrelated business income	$ -	$ -		$ 45,000

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SINGLE AUDIT

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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 Auditors' Report

To the Board of Directors
of the Family Health Centers of San Diego, Inc.
San Diego, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Family Health Centers of San Diego, Inc. ("Health Center"), a California not-for-profit organization, which comprise the consolidated statements of financial position as of June 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, and have issued our report thereon dated October 25, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Center'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 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*.

4365 Executive Drive, Suite 710, San Diego, California 92121
Tel: 858-242-5100 • Fax: 858-242-5150
www.pungroup.com

Purpose of this Report

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

The Pun Group, LLP

San Diego, California
October 25, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Board of Directors
of the Family Health Centers of San Diego, Inc.
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited the Family Health Centers of San Diego, Inc. (the "Health Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Health Center's major federal programs for the year ended June 30, 2019. The Health Center'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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Health Center 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.

4365 Executive Drive, Suite 710, San Diego, California 92121
Tel: 858-242-5100 • Fax: 858-242-5150
www.pungroup.com

Report on Internal Control Over Compliance

Management of the Health Center's 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 Health Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control over compliance.

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

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

Purpose of this Report

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.

The Pun Group, LLP

San Diego, California
October 25, 2019

Family Health Centers of San Diego, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Program Title	CFDA Number	Grant Number/ Contract Number	Federal Expenditures	Pass-through Awards to Subrecipients
U.S. Department of Health and Human Services:				
Direct Programs:				
Health Center Program Cluster:				
Health Centers Cluster - Section 330	93.224	H80CS00224-18	$ 17,377,353	$ 38,135
	Health Center Program Cluster Total		17,377,353	38,135
FGC Community Centered Health Care & Prevention	93.088	1 ASTWH160039-01-00	333,000	156,102
SAMHSA - Nexus Comprehensive Patient Navigation Prog	93.243	1H79TI026231-01	115,953	-
SAMHSA - Home to Health (H2H) San Diego - CSAT & CMHS	93.243	1 H79SM063356-01	408,356	69,388
	93.243 Total		524,309	69,388
Nurse Education, Practice, Quality & Retention - Interprofessional Collborative Practice	93.359	UD7HP29867	476,383	106,000
Ryan White Part C Outpatient EIS Program	93.918	2 H76HA00150-29	658,269	-
RWIII HIV Capacity Development & Planning	93.918	1 P06HA29263-01-00	145,382	-
	93.918 Total		803,651	-
SPNS - HIV Expansion Services	93.928	6 H97HA27423-04	36,059	8,217
SPNS - Coordinated Services Intervention (SPNS)	93.928	H97HA31427	147,841	66,474
	93.928 Total		183,900	74,691
SPNS - Coordinated Services Intervention (AETC)	93.145	H97HA31427	144,019	64,215
Comprehensive High-Impact HIV Prevention Project for Young Men of Color Who Have Sex with Men Serving San Diego County's Central and North	93.939	6 NU65PS923647-01	354,722	107,626
Comprehensive High-Impact HIV Prevention Projects for Community-Based Organizations	93.939	5 U65PS004910-03	752,594	374,995
	93.939 Total		1,107,316	482,621
Passed Through Essential Access Health:				
Title X Family Planning Program - All Sites	93.217	2500-5320-71209-17-	545,330	-
Title X Family Planning Program - Chlamydia Data Expansion	93.977	SSuN-PS13-1306	1,500	-
Passed Through Centers for Disease Control and Prevention:				
Let's Prevent Diabetes/Prevengamos la Diabetes	93.261	1219-06-18	68,563	-
Nuestras Voces: National Hispanic Network to Reduce Tobacco Related and Cancer Health Disparities	93.283	1511-09-17	14,452	-
Nuestras Voces (Our Voices) Network Program	93.431	1-GHC-2111-01-18	10,398	-
National HIV Behavioral Surveillance	93.944	17-10828	419,782	-
CDOC - HPB Cancer Implementation Project	93.898	18-10800	36,106	-
Passed Through National Institute of Hispanic Health				
SDSU/UCSD Cancer Center Comprehensive Partnership & Project FAST	93.397	67884433	197,355	-
Passed Through National Council on Aging				
NCOA - San Diego Benefits Enrollment Center	93.071	n/a	70,000	-

See accompanying Notes to the Schedule of Federal Awards

Family Health Centers of San Diego, Inc.
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2019

Federal Grantor/Program Title	CFDA Number	Grant Number/ Contract Number	Federal Expenditures	Pass-through Awards to Subrecipients
U.S. Department of Health and Human Services, Continued:				
Passed Through the NHI National Institute of Mental Health				
Developing a Patient Navigation Intervention for PrEP Continuum of Care among Young Latino MSM	93.242	1R34MH114699	73,722	-
Digital Health Feedback System (UCSD)	93.242	112070477	47,393	-
	93.242 Total		121,115	-
Passed Through the National Institute of Minority Health and Health Disparities				
SDSU HealthLINK Center for THDR-Project Pain	93.307	SA0000672	17,637	-
SDSU HealthLINK Center for THDR-Community Eng/Core	93.307	SA0000676	67,856	-
	93.307 Total		85,493	-
Medicaid Cluster:				
Passed Through HHS CMS Centers for Medicare and Medicaid:				
Medical Assistance Program - EPSDT-Family Mental Health Initiative Central, East & Innovations	93.778	535558	501,855	-
PATH - Whole Person Wellness Pilot Project	93.778	557339	88,549	-
	93.778 Total		590,404	-
		Medicaid Cluster Total	590,404	-
Passed Through SAMHSA - Odessa Crocker Office of Financial Resources				
CA Hub and Spoke System - MAT Acadia	93.788	n/a	51,496	-
Passed Through County of San Diego:				
HIV Emergency Relief Project - Outreach Services	93.914	550562	91,726	-
HIV Emergency Relief Project - Case Management	93.914	537488	320,427	28,729
HIV Emergency Relief Project - Minority AIDS Initiative & QM	93.914	541722	158,705	9,000
HIV Emergency Relief Project - Home and Community Based Health Services	93.914	554292	217,222	24,470
HIV Emergency Relief Project - Coord. HIV & Targeted Srvs Central & East	93.914	559094	689,536	155,070
HIV Emergency Relief Project - RW Outpatient Ambulatory Health Services	93.914	556172	614,809	-
	93.914 Total		2,092,425	217,269
Passed Through County of San Diego:				
HIV Care Formula - Supplemental Expanded HIV Testing	93.917	552651	107,027	-
HIV Care Formula - RW Outpatient Ambulatory Health Services	93.917	556172	124,085	-
Passed Through California Department of Public Health				
HIV Care Formula - ADAP Access, Adherence and Navigation Program	93.917	17-10628	96,161	-
	93.917 Total		327,273	-
Passed Through California Department of Public Health				
WISEWOMAN Program	93.094	14-10401	20,450	-
Passed Through County of San Diego:				
HIV Prevention Activities - Counseling & Testing	93.940	550562	109,616	-
HIV Prevention Activities - Health Department Based	93.940	547300	82,665	-
HIV Prevention Activities - Health Department Based	93.940	547305	293,840	26,037
HIV Prevention Activities - Health Department Based	93.940	551011	135,915	18,498
	93.940 Total		622,036	44,535
Total U.S. Department of Health and Human Services			26,224,109	1,252,956

See accompanying Notes to the Schedule of Federal Awards

Family Health Centers of San Diego, Inc.
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2019

Federal Grantor/Program Title	CFDA Number	Grant Number/ Contract Number	Federal Expenditures	Pass-through Awards to Subrecipients
U.S. Department of Housing and Urban Development:				
CDBG - Entitlement Grants Cluster:				
Passed Through Interfaith Shelter Network:				
Rotational Shelter Program - Case Management	14.218	n/a	4,145	-
Passed Through City of San Diego:				
CDBG - Safe Point San Diego	14.218	n/a	94,842	-
Passed Through City of Chula Vista:				
CDBG - KidCare Express Mobile Medical Unit	14.218	1074	27,000	-
CDBG - Entitlement Grants Cluster Total			125,987	-
Total U.S. Department of Housing and Urban Development			125,987	-
Total Expenditures of Federal Awards			$ 26,350,096	$ 1,252,956
Federal award excluded from coverage under 2 CFR 200, Subpart F - Audit Requirements:				
ACA-THCGME Teaching Health Center Graduate Medical Education	93.530	T91HP27236	$ 2,646,991	$ -

See accompanying Notes to the Schedule of Federal Awards

Family Health Centers of San Diego, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal grant activity of the Family Health Centers of San Diego, Inc. ("Health Center") 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 2 CFR 200. Because the Schedule presents only a selected portion of the operations of the Health Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Health Center.

Note 2 – Summary of Significant Accounting Policies

Expenditures are recognized following the cost principles contained in 2 CFR 200, 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. Pass-through entity identifying numbers are presented where available.

Note 3 – Indirect Cost Rate

The Health Center has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

Family Health Centers of San Diego, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

Types of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516	No

Identification of major programs:

Major Program	CFDA Number	Federal Expenditures
Health Center Program Cluster	93.224	$ 17,377,353
Nurse Education, Practice, Quality & Retention - Interprofessional Collborative Practice	93.359	476,383
Total Major Program Expenditures		$ 17,853,736
Total Expenditures of Federal Awards		$ 26,350,096
Percentage of Total Federal Expenditures		67.76%

Dollar threshold used to distinguish between type A and type B program	$790,503
Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520?	Yes

Section II – Financial Statement Findings

Current Year Findings – Financial Statement Audit

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

Prior Year Findings – Financial Statement Audit

No financial statement findings were noted for the year ended June 30, 2018.

Section III – Federal Award Findings

Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the Health Center's Major Programs for the year ended June 30, 2019.

Prior Year Audit Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the Health Center's Major Programs for the year ended June 30, 2018.