Reports of Independent Auditors and
Financial Statements with
Supplementary Information

Mendocino Community Health Clinic, Inc.

June 30, 2019 and 2018

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Report of Independent Auditors

To the Board of Trustees
Mendocino Community Health Clinic, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Mendocino Community Health Clinic, Inc. (the "Organization"), which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities.* The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

Other Matter

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of Mendocino Community Health Clinic, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Mendocino Community Health Clinic, Inc.'s internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
November 27, 2019

Financial Statements

Mendocino Community Health Clinic, Inc.
Balance Sheets
June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,039,951	$ 3,927,408
Patient accounts receivable, net of allowances of $3,245,519 in 2019 and $3,102,949 in 2018	3,140,791	2,844,051
Grants and other receivables	2,133,262	2,569,583
Estimated amounts due from third-party payors	771,139	1,832,571
Supplies inventory	82,043	77,061
Prepaid expenses and other	201,334	426,865
Total current assets	12,368,520	11,677,539
ASSETS LIMITED AS TO USE	229,980	229,980
PROPERTY AND EQUIPMENT, net	14,834,436	15,391,330
Total assets	$ 27,432,936	$ 27,298,849
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 1,161,133	$ 1,070,662
Accrued expenses	2,826,871	2,849,282
Current portion of long-term debt	377,994	412,855
Total current liabilities	4,365,998	4,332,799
LONG-TERM DEBT, net of current portion	6,908,354	7,286,628
Total liabilities	11,274,352	11,619,427
NET ASSETS		
Without donor restrictions	16,151,084	15,671,922
With donor restrictions	7,500	7,500
Total net assets	16,158,584	15,679,422
Total liabilities and net assets	$ 27,432,936	$ 27,298,849

See accompanying notes.

	2019	2018
REVENUES, GAINS, AND OTHER SUPPORT		
Patient service revenue, net of contractuals and allowances	$ 31,662,492	$ 31,053,908
Provision for uncollectible accounts	(142,571)	(536,997)
Patient service revenue, net	31,519,921	30,516,911
Grant revenue	6,130,045	5,964,056
Contributions	578,778	475,052
Pay for performance quality improvement program	1,593,573	1,907,620
Other revenue	2,178,013	1,739,141
Net assets released from restrictions	-	31,883
Total revenues, gains, and other support	42,000,330	40,634,663
EXPENSES		
Salaries and wages	23,435,007	21,306,158
Employee benefits	5,289,212	5,058,032
Purchased services and professional fees	1,513,179	1,675,184
Supplies and other	9,593,400	9,189,273
Rent	218,822	217,019
Depreciation	1,108,752	967,151
Interest	365,755	308,363
Total expenses	41,524,127	38,721,180
Operating income	476,203	1,913,483
OTHER INCOME		
Investment income, net	2,959	3,050
Excess of revenues over expenses	479,162	1,916,533
Increase in net assets without donor restrictions	$ 479,162	$ 1,916,533

See accompanying notes.

Mendocino Community Health Clinic, Inc.
Statements of Changes in Net Assets
Years Ended June 30, 2019 and 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of revenues over expenses	$ 479,162	$ 1,916,533
Increase in net assets without donor restrictions	479,162	1,916,533
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	-	7,500
Net assets released from restriction	-	(31,883)
Increase (decrease) in net assets with donor restrictions	-	(24,383)
CHANGE IN NET ASSETS	479,162	1,892,150
NET ASSETS, beginning of year	15,679,422	13,787,272
NET ASSETS, end of year	$ 16,158,584	$ 15,679,422

See accompanying notes.

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 479,162	$ 1,892,150
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation of property and equipment	1,108,752	967,151
Provision for uncollectible accounts	142,571	536,997
Loss (gain) on disposal of property and equipment	12,917	(6,152)
Changes in operating assets and liabilities		
Patient accounts receivable, net of allowance	(439,311)	(705,713)
Grants and other receivables	436,321	53,570
Estimated amounts due from and to third-party payors	1,061,432	(1,435,437)
Supplies inventory	(4,982)	(2,039)
Prepaid expenses and other	225,531	(43,749)
Accounts payable	90,471	(53,450)
Accrued expenses	(22,411)	416,735
Net cash provided by operating activities	3,090,453	1,620,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(564,775)	(2,817,433)
Proceeds from disposal of property and equipment	-	11,173
Net cash used in investing activities	(564,775)	(2,806,260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	2,209,980
Principal payments on long-term debt	(413,135)	(1,421,360)
Net cash (used in) provided by financing activities	(413,135)	788,620
CHANGE IN CASH AND CASH EQUIVALENTS	2,112,543	(397,577)
CASH AND CASH EQUIVALENTS, beginning of year	3,927,408	4,324,985
CASH AND CASH EQUIVALENTS, end of year	$ 6,039,951	$ 3,927,408
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 365,760	$ 308,360
Accounts payable incurred for property and equipment	$ 7,258	$ 171,190

NOTE 1 – DESCRIPTION OF ORGANIZATION

Organization – Mendocino Community Health Clinic, Inc. (the "Organization"), a non-profit organization, was incorporated in 1992 for the purpose of providing health care services to socially and economically depressed sectors of Ukiah, Willits, and Lakeport, California.

The Organization was designated as a Federally Qualified Health Center for Medicare and Medi-Cal reimbursement. The Organization derives support through grants and contracts with the U.S. Department of Health and Human Services and the California Health and Human Services Agency. The majority of the revenue is derived from patients and the remainder from the aforementioned grants and contracts, as well as other state and local grants.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include all liquid investments, other than those limited as to use, with original maturities of three months or less. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market deposit accounts.

Concentration of risk – Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance thresholds, and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past.

At June 30, 2019 and 2018, the Organization's cash accounts exceeded federally insured limits by approximately $5,789,951 and $3,677,408, respectively.

Assets limited as to use – Assets limited as to use include cash restricted by loan requirements. Amounts required to meet current liabilities of the Organization are included in current assets.

At June 30, 2019 and 2018, the Organization had $229,980 of assets limited as to use which are externally restricted by the lender.

Investment return, net – Investment return, net is comprised of interest income, net of investment expenses, and is reported in the statements of operations as a component of net assets without donor restrictions.

For the years ended June 30, 2019 and 2018, the Organization recorded investment income, net in the amounts of $2,959 and $3,050, respectively.

Patient accounts receivable, net – Accounts receivable are recorded at gross value along with a corresponding contractual allowance and allowance for doubtful accounts. Allowance accounts are estimated for each type of receivable based on the Organization's experience in collecting receivables. Receivables are not collateralized. The Organization does not refuse service to patients based on an individual's ability to pay. In evaluating the collectability of patient accounts receivable, the Organization analyzes its past history and identified trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for unexpected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records provision for bad debts in the period of services on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Supplies inventory – Supplies inventory consists of medical supplies and is stated at lower of cost determined using the first-in, first-out method, or net realizable value.

Grants and other receivables – Grants receivable, less an allowance for uncollectible amounts, are recognized as revenues in the period received. The Organization uses the allowance method to record uncollectible accounts and grants receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2019 and 2018, the allowance for uncollectible grants receivable was $0.

Property and equipment, net – Property and equipment acquisitions are carried at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. The Organization capitalizes all acquisitions greater than $5,000 and with an economic useful life greater than on year. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	5 - 25 years
Building and leasehold improvements	5 - 40 years
Equipment	3 - 15 years

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services. Such items may be reclaimed by the federal government if not used to further the grant's objective.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Long-lived asset impairment – The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate that the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor imposed stipulations. This includes contributions without donor restrictions, income earned on net assets with or without donor restrictions, and amounts for which donor restrictions have become available for use by the Organization in accordance with the intentions of the donors. As of June 30, 2019 and 2018, there were no board designated net assets without donor restrictions.

With donor restrictions – Net assets subject to donor imposed stipulations. This includes resources with a specific purpose or based on a time restriction, and also those that are subject to gift instrument restrictions that require the principal to be invested in perpetuity. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intent of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions.

Net patient service revenue – The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

340B revenue – The Organization participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (“HRSA”) Office of Pharmacy Affairs (“OPA”). The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangements with the Organization.

	2019	2018
Internal pharmacy receipts	$ 176,955	$ 159,364
Internal pharmacy cost of goods sold	(213,098)	(149,747)
Internal pharmacy other operating expenses	(215,002)	(288,338)
Internal pharmacy net revenue	(251,145)	(278,721)
Contract pharmacy receipts	6,471,453	5,707,263
Contract pharmacy drug replenishment costs	(1,617,589)	(1,370,033)
Contract pharmacy administrative and filling fees	(1,186,574)	(1,081,901)
Contract pharmacy net revenue	3,667,290	3,255,329
Net revenue	$ 3,416,145	$ 2,976,608

The 340B gross receipts are included in net patient service revenue on the statements of operations. Internal pharmacy cost of goods sold and contract pharmacy drug replenishment costs and administrative and filling fees are included in supplies and other on the statements of operations. The net 340B revenue from this program is used to furtherance of the Organization's mission.

Pay for performance quality improvement program – The pay for performance ("PCP") quality improvement program ("QIP") is designed in collaboration with the Organization's Medi-Cal Management Care Organization to offer substantial financial incentives and technical assistance to primary care providers who serve the capitated Medi-Cal members. These incentives are provided to help the Organization make improvements in a variety of health care areas such as prevention and screening, chronic disease management, access, patient experience and health care planning.

In 2019 and 2018, the Organization recorded PCP QIP revenue of $1,593,573 and $1,907,620, respectively, which is included in the statements of operations.

PCP QIP revenue for the years ended June 30, 2019 and 2018, included $958,786 and $1,582,740, respectively, resulting from changes in estimates related to the PCP QIP for dates of service prior to June 30, 2019 and 2018.

Government grant revenue – Support funded by grants is recognized as the Organization performed the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

In-kind contributions – In addition to receiving cash contributions, the Organization receives in-kind contributions of vaccines and pharmaceuticals from various private donors. It is the policy of the Organization to record the estimated fair value of certain in-kind contributions as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2019 and 2018, $578,638 and $474,442, respectively, were received in in-kind contributions, which is included in the statements of operations.

Contributions – Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts received with donor stipulations are reported as net assets with donor restrictions support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified and reported as an increase in net assets without donor restrictions. Donor-restricted contributions, the restrictions of which are met within the same year as received, are reported as contributions without donor restrictions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Performance indicator – The statements of operations included excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions and grants of long-lived assets (including assets acquired using contributions or grants which by donor or granting agency restriction were to be used for the purpose of acquiring such assets).

Income taxes – The Organization is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt status by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2019 and 2018, the Organization had no unrecognized tax positions or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the financial statements.

New accounting pronouncements – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfied a performance obligation. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date* (“ASU 2015-14”), which deferred the effective date of ASU 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (“ASU 2016-08”), which clarifies the implementation guidance on principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, *Identifying Performance Obligations and Licensing* (“ASU 2016-10”), which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance in ASU 2014-09, while retaining the related principles for those areas. In May 2016, the FASB issued ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* (“ASU 2016-12”), which provides narrow-scope improvements and practical expedients to ASU 2014-09. ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 are effective for the Organization beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 on the financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This update will address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The adoption of ASU 2016-01 is effective for the Organization beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-01 on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for the Organization beginning July 1, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit-Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit-Entities* ("ASU 2016-14"), which changes the current net asset classification requirements and the information presented in the financial statements and notes about an entity's liquidity, financial performance, and cash flows. The update replaces the requirement to present three classes of net assets with two classes: net assets with donor restrictions, and net assets without donor restrictions. The Organization adopted ASU 2016-14 for the year ended June 30, 2019, and has adjusted the presentation of these financial statements accordingly, including changes to the presentation of net asset classification, inclusion of information about liquidity and availability of resources, and inclusion of information provided about expenses. In accordance with ASU 2016-14, net assets as of June 30, 2018, have been reclassified as follows:

	Without Donor Restrictions	With Donor Restrictions
Unrestricted	$ 15,671,922	$ -
Temporarily restricted	-	7,500
Permanently restricted	-	-
	$ 15,671,922	$ 7,500

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing diversity in practice. The adoption of ASU 2016-15 is effective for the Organization beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-15 on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash* ("ASU 2016-18"), which amends (Topic 230), *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the reporting period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 is effective for the Organization beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-18 on the financial statements.

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*. ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit-Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 is effective for the Organization beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2018-08 on the financial statements.

Reclassifications – Certain 2018 amounts have been reclassified to conform to the 2019 presentation. The reclassifications have no impact on the previously reported changes in net assets.

NOTE 3 – GRANT REVENUE

The Organization is the recipient of a Health Center Program Clusters (“HCP”) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery for the medically underserved population in Ukiah, California, and surrounding areas. Terms of the grant generally provide for funding of the Organization’s operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended June 30, 2019 and 2018, the Organization recognized $5,481,723 and $5,397,132, respectively, in HCP grant funds, which is included in grant revenue on the statements of operations. Funding for the grant year ended December 31, 2019, is approved at $5,172,353.

In addition to the above grant, the Organization received additional financial support from other federal, state, local, and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

NOTE 4 – NET PATIENT SERVICE REVENUE

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

Medicare – Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules. Effective July 1, 2015, covered FQHC services rendered to Medicare program beneficiaries will be paid on a prospective payment system (“PPS”). Medicare payment under the FQHC PPS will be 80% of the lesser of the Organization’s actual charge or the applicable PPS rate (patient coinsurance will be 20% of the lesser of the Organization’s actual charge or the applicable PPS rate). Accordingly, to the extent the Organization’s charge is below the applicable PPS rate, Medicare FQHC reimbursement will be limited.

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

Patient service revenue, net (but before the provision of uncollectible accounts), recognized in the years ended June 30, 2019 and 2018, was:

	2019	2018
Medi-Cal	$ 18,667,675	$ 18,917,607
Medicare	4,842,534	3,037,603
Other third-party payors	7,216,210	7,872,374
Self-pay	936,073	1,226,324
	$ 31,662,492	$ 31,053,908

Approximately 74% and 71% of patient service revenue, net is from participation in the Medicare and Medi-Cal programs for the years ended June 30, 2019 and 2018, respectively. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2019 and 2018, was:

	2019	2018
Medi-Cal	60%	58%
Medicare	5%	6%
Other third-party payors	30%	32%
Self-pay	5%	4%
	100%	100%

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net as of June 30, 2019 and 2018, are comprised of the following:

	2019	2018
Land improvements	$ 1,372,496	$ 1,091,423
Building and leasehold improvements	18,216,205	15,919,289
Equipment	3,906,273	3,948,830
	23,494,974	20,959,542
Less accumulated depreciation	(10,603,391)	(9,633,549)
	12,891,583	11,325,993
Construction in progress	24,488	2,146,972
Land	1,918,365	1,918,365
Property and equipment, net	$ 14,834,436	$ 15,391,330

Depreciation expenses for the years ended June 30, 2019 and 2018, were $1,108,752 and $967,151, respectively.

NOTE 7 – MEDICAL MALPRACTICE CLAIMS

The U.S. Department of Health and Human Services has deemed the Organization, and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. The Organization also has supplemental professional liability coverage for individual claims up to $1,000,000 and aggregate annual claims up to $6,000,000 based upon occurrence.

Claim liabilities are determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization’s claim experience, no accrual has been made for the Organization’s medical malpractice cost as of June 30, 2019 and 2018. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future medical claim.

NOTE 8 – LINE OF CREDIT

The Organization has a $1,500,000 revolving bank line of credit that expires December 1, 2020. The Organization had no borrowings against the line at June 30, 2019 and 2018. The line is collateralized by substantially all of the Organization's assets. The line of credit has a stated interest rate of 1.25% over the bank's prime rate with a floor of 6.50% on unpaid principal, and is payable monthly.

NOTE 9 – LONG-TERM DEBT

	2019	2018
United States Department of Agriculture, Hillside (A)	$ 1,139,293	$ 1,202,076
United States Department of Agriculture, Lakeview (B)	560,245	605,003
United States Department of Agriculture, Little Lake (C)	533,264	558,120
Rural Community Assistance Corporation (D)	615,060	636,275
California Department of Health Services, Hillside (E)	71,558	132,810
California Department of Health Services, Lakeview (F)	2,554	35,599
California Department of Health Services, Little Lake (G)	4,528	28,872
Savings Bank of Mendocino County, Dora (H)	4,359,846	4,500,728
	7,286,348	7,699,483
Less: current portion	377,994	412,855
Long-term portion	$ 6,908,354	$ 7,286,628

(A) Due July 2032; payable $9,633 monthly including interest at 4.50%; secured by certain real estate and the gross income and revenue derived from the operation of the rest estate.

The loan agreement requires that certain funds be established with the lender. Accordingly, these funds are included as assets limited as to use, externally restricted by lender in the financial statements. The loan agreement also requires the Organization to comply with certain restrictive covenants including minimum insurance coverage and restrictions of additional debt.

(B) Due April 2029; payable $5,923 monthly including interest at 4.50%; secured by certain real estate and the gross income and revenue derived from the operation of the rest estate.

The loan agreement requires that certain funds be established with the lender. Accordingly, these funds are included as assets limited as to use, externally restricted by lender in the financial statements. The loan agreement also requires the Organization to comply with certain restrictive covenants including minimum insurance coverage and restrictions of additional debt.

(C) Due May 2034; payable $4,065 monthly including interest at 4.375%; secured by certain real estate and the gross income and revenue derived from the operation of the rest estate.

The loan agreement requires that certain funds be established with the lender. Accordingly, these funds are included as assets limited as to use, externally restricted by lender in the financial statements. The loan agreement also requires the Organization to comply with certain restrictive covenants including minimum insurance coverage and restrictions of additional debt.

(D) Due July 2034; payable $5,685 monthly including interest at 7.50%; secured by certain real estate.

(E) Due August 2020; payable $5,278 monthly including interest at 1.995%; secured by Medi-Cal billings.

(F) Due July 2019; payable $2,785 monthly including interest at 1.859%; secured by Medi-Cal billings.

(G) Due September 2019; payable $2,058 monthly including interest at 1.95%; secured by Medi-Cal billings.

(H) Due June 2033. Beginning in July 2018, payments of $15,018, including interest at a rate of 5.25%, are due monthly. Beginning in July 2023, the interest rate will be adjusted based on the bank's prime rate plus a margin of 1.00%. In July 2033, outstanding principal and interest is due.

Future principal payments of long-term debt are as follows:

2020	$ 377,994
2021	334,024
2022	341,314
2023	358,690
2024	376,318
Thereafter	5,498,008
	$ 7,286,348

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are to be used for the following purpose:

	2019	2018
Health care services	$ 7,500	$ 7,500
	$ 7,500	$ 7,500

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amount of $0 and $31,883, respectively.

NOTE 11 – FUNCTIONAL EXPENSES

The Organization provides health care services primarily to residents within its geographic area. Expenses related to providing these services were as follows in the years ended June 30, 2019 and 2018:

	2019	2018
Health care services	$ 30,763,571	$ 28,222,114
General and administrative	10,673,041	10,415,383
Tenant-occupied facilities	87,515	83,683
	$ 41,524,127	$ 38,721,180

The expenses for providing program services and supporting services activities of the Organization the can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among program services and supporting services activities benefited based upon employee time and effort recorded on functions related to the specific activity, or in the case of shared expenses, using an allocation based on personnel costs, space usage, or other relevant bases.

Expenses by function and nature consist of the following for the year ended June 30, 2019:

	Health Care Services	General and Administrative	Tenant-Occupied Facilities	Total Expenses
Salaries and wages	$ 17,786,313	$ 5,648,694	$ -	$ 23,435,007
Employee benefits	3,747,374	1,541,838	-	5,289,212
Purchased services and professional fees	951,397	561,321	461	1,513,179
Supplies and other	7,361,220	2,232,180	-	9,593,400
Rent	140,422	63,730	14,670	218,822
Depreciation	716,379	319,989	72,384	1,108,752
Interest	60,466	305,289	-	365,755
	$ 30,763,571	$ 10,673,041	$ 87,515	$ 41,524,127

NOTE 12 – RETIREMENT PLANS

The Organization has a 401(k) savings plan covering substantially all employees. The Board of Trustees annually determines the amount, if any, of the Organization’s contributions to the plan. The Organization made $435,252 and $650,988 in contributions for 2019 and 2018, respectively.

The Organization also has a 403(b) plan covering substantially all employees. The Organization does not contribute to the 403(b) plan.

NOTE 13 – RELATED-PARTY TRANSACTIONS

The Organization is a member entity of Alliance for Rural Community Health ("ARCH"), and the Chief Executive Officer of the Organization is a Voting Director of the Board of Directors of ARCH. ARCH is the sole member of Community Health Resource Network, LLC ("CHRN"). CHRN's sole purpose is to facilitate member participation in the managed Medi-Cal contract with Partnership Health Plan (the "MCO") through the provisions of management and support services.

During the years ended June 30, 2019 and 2018, the Organization recognized $1,473,218 and $1,396,563, respectively, in other revenue on the statements of operations for amounts received from CHRN. At June 30, 2019 and 2018, the Organization had receivables due from CHRN of $753,471 and $725,427, respectively, included in grants and other receivables on the balance sheets.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Construction in progress – As of June 30, 2019 and 2018, the Organization had recorded $24,488 and $2,146,972, respectively, as construction in progress representing cost capitalized for various remodeling, major repair, and expansion projects on the Organization's premises. Estimated cost to complete all projects as of June 30, 2019, is approximately $18,000.

Litigation – The Organization is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, it is management's opinion that the liability, if any, from these actions will not have a material adverse effect on the Organization's financial position.

340B Drug Pricing Program – The Organization participates in the 340B Drug Pricing Program ("340B Program") enabling the Organization to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the HRSA Office of Pharmacy Affairs ("OPA"). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B program are complex and subject to interpretation and change.

Regulatory environment – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have a material adverse effect on the Organization's financial position or changes in net assets.

NOTE 15 – HEALTH CARE REFORM

The Patient Protection and Affordable Care Act ("PPACA") allowed for the expansion of Medicaid members in the State of California. Any further federal or state changes funding could have an impact on the Organization. With the changes in the executive branch, the future of PPACA and impact of future changes in Medicaid to the Organization is uncertain at this time.

NOTE 16 – LIQUIDITY AND FUNDS AVAILABLE

Financial assets available for general expenditure, within one year of June 30, 2019, comprise the following:

Cash and cash equivalents	$	6,039,951
Patient accounts receivable, net of allowances		3,140,791
Grants and other receivables		2,133,262
		11,314,004
Less: net assets with donor restrictions		(7,500)
	$	11,306,504

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization also has available for general expenditures the $1,500,000 revolving bank line of credit (See Note 8).

NOTE 17 – 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 Organization 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 the estimates inherent in the process of preparing the financial statements. The Organization'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 Organization has evaluated subsequent events through November 27, 2019, which is the date the financial statements are available to be issued.

Supplementary Information

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through or Award Number	Pass Through to Subreceipients	Federal Expenditures
U.S. Department of Health and Human Services				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS00628	$ -	$ 1,478,005
Grants for New and Expanded Services under the Health Center Program	93.527	H80CS00628	-	4,003,718
Total Health Center Program Cluster			-	5,481,723
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	86,840	339,596
Total U.S. Department of Health and Human Services			86,840	5,821,319
Total Expenditures of Federal Awards			$ 86,840	$ 5,821,319

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Mendocino Community Health Clinic, Inc. (the “Organization”) under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (“OMB”) Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, results of operations, changes in net assets or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Trustees
Mendocino Community Health Clinic, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mendocino Community Health Clinic, Inc., (the "Organization") which comprise the balance sheet as of June 30, 2019, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

San Francisco, California
November 27, 2019

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance

To the Board of Trustees
Mendocino Community Health Clinic, Inc.

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 Organization's internal control over compliance.

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

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

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

Moss Adams LLP

San Francisco, California
November 27, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of Major Federal Program and Type of Auditor's Report Issued on Compliance for Major Federal Program:

CFDA Number	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Program*
93.224 & 93.527	*Health Center Program Cluster*	*Unmodified*

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

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

There were no findings noted in the prior audit.

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