

Clinica Sierra Vista

Independent Auditor's Reports and Consolidated Financial Statements

March 31, 2019

Clinica Sierra Vista
March 31, 2019

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Independent Auditor's Report

Board of Directors
Clinica Sierra Vista
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Clinica Sierra Vista (the "Organization"), which comprise the consolidated balance sheet as of March 31, 2019, and the related consolidated statements of operations, changes in net assets, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Clinica Sierra Vista as of March 31, 2019, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The 2018 financial statements, before they were restated for the matters discussed in *Note 16*, were audited by other auditors, and their report thereon, dated August 29, 2018, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

As discussed in *Note 17* to the financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Also as discussed in *Note 17* to the financial statements, in 2019, the Organization changed its method of financial presentation. Our opinion is not modified with respect to these matters.

Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated December 31, 2019, on our consideration of the Clinica Sierra Vista'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 Clinica Sierra Vista'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 Clinica Sierra Vista's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
December 31, 2019

Clinica Sierra Vista
Consolidated Balance Sheet
March 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 5,371,002
Short-term investments	75,733,685
Patient accounts receivable, net of allowance of \$2,175,000	5,397,953
Estimated amounts due from third-party payers	5,204,421
Grants and other receivables	7,468,969
Prepaid expenses and other	262,964
Notes receivable	<u>1,053,750</u>

Total current assets	<u>100,492,744</u>
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Assets Limited As To Use

Deferred compensation plan assets	<u>1,638,409</u>
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Estimated Amounts Due From Third-Party Payers

	7,785,659
Less current portion	<u>5,204,421</u>
	<u>2,581,238</u>

Property and Equipment, At Cost

Land and land improvements	3,781,689
Buildings and leasehold improvements	37,748,042
Equipment	9,737,257
Construction in progress	<u>2,390,913</u>
	53,657,901
Less accumulated depreciation	<u>17,917,059</u>

35,740,842

Other Assets

Notes receivable	3,526,250
Goodwill	<u>50,000</u>

3,576,250

Total assets	<u><u>\$ 144,029,483</u></u>
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Liabilities and Net Assets

Current Liabilities

Current maturities of long-term debt	\$ 296,342
Accounts payable	4,128,313
Accrued expenses	9,341,225
Estimated amounts due to third-party payers	29,417,775
Deferred grant revenue	<u>52,972</u>

Total current liabilities 43,236,627

Long-Term Debt 245,666

Other Long-Term Liability 305,422

Deferred Compensation 1,638,409

Total liabilities 45,426,124

Net Assets

Without donor restrictions	98,392,958
With donor restrictions	<u>210,401</u>

Total net assets 98,603,359

Total liabilities and net assets \$ 144,029,483

Clinica Sierra Vista
Consolidated Statement of Operations
Year Ended March 31, 2019

Revenues, Gains and Other Support Without Donor Restrictions

Patient service revenue (net of contractual discounts and allowances)	\$ 62,651,486
Provision for uncollectible accounts	<u>719,547</u>
Net patient service revenue less provision for uncollectible accounts	61,931,939
Grant revenue	50,168,106
Contributions	860,878
Other revenue	8,624,674
Net assets released from restrictions used for operations	<u>304,774</u>
 Total revenues, gains and other support without donor restrictions	 <u>121,890,371</u>

Expenses and Losses

Program Services	
Medical	73,920,123
Dental	11,913,835
Nutrition education	6,155,132
Health education	228,347
Outreach and case management	5,211,380
Behavioral health	<u>10,449,176</u>
 Total program services expenses	 107,877,993
 Supporting Services	
Management and general	<u>24,420,412</u>
 Total expenses and losses	 <u>132,298,405</u>

Operating Loss (10,408,034)

Other Income (Expense)

Investment return, net	1,793,318
Loss on investment in equity investee	<u>(528,655)</u>
 Total other income (expense)	 <u>1,264,663</u>

Deficiency of Revenues Over Expenses (9,143,371)

Grants of or for acquisition of property and equipment	<u>486,597</u>
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Decrease in Net Assets Without Donor Restrictions \$ (8,656,774)

Clinica Sierra Vista
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2019

Net Assets Without Donor Restrictions	
Deficiency of revenues over expenses	\$ (9,143,371)
Grant of or for acquisition of property and equipment	<u>486,597</u>
Decrease in net assets without donor restrictions	<u>(8,656,774)</u>
Net Assets With Donor Restrictions	
Contributions	515,175
Net assets released from restriction	<u>(304,774)</u>
Increase in net assets with donor restrictions	<u>210,401</u>
Change in Net Assets	<u>(8,446,373)</u>
Net Assets, Beginning of Year, as Previously Reported	111,692,335
Adjustments Applicable to Prior Years	<u>(4,642,603)</u>
Net Assets, Beginning of Year, as Restated	<u>107,049,732</u>
Net Assets, End of Year	<u><u>\$ 98,603,359</u></u>

Clinica Sierra Vista
Consolidated Statement of Functional Expenses
Year Ended March 31, 2019

	Medical Services	Dental Services	Nutrition Education Services	Health Education Services	Outreach & Case Mgmt Services	Behavioral Health Services	Supporting & General Services	Total
Salaries	\$ 39,628,587	\$ 6,625,163	\$ 3,834,501	\$ 165,199	\$ 3,301,244	\$ 6,237,643	\$ 11,295,894	\$ 71,088,231
Fringe benefits	7,962,867	1,462,727	1,158,725	41,185	916,458	1,446,442	3,028,847	16,017,251
Total salaries and benefits	<u>47,591,454</u>	<u>8,087,890</u>	<u>4,993,226</u>	<u>206,384</u>	<u>4,217,702</u>	<u>7,684,085</u>	<u>14,324,741</u>	<u>87,105,482</u>
Consultants/contractual	14,830,815	1,844,205	316,892	-	100,540	1,196,605	3,221,725	21,510,782
Equipment	1,202,113	74,414	13,559	260	127,494	248,827	1,048,281	2,714,948
Medical supplies	2,810,909	402	5,779	-	-	393	10,954	2,828,437
Office supplies	355,260	18,979	42,864	469	47,013	113,068	163,607	741,260
Laboratory supplies	320,903	-	-	-	2,944	15,259	-	339,106
Dental supplies	-	852,961	-	-	-	-	-	852,961
X-ray supplies	3,800	-	-	-	-	-	-	3,800
Housekeeping supplies	78,107	7,536	12,215	-	4,158	9,330	3,141	114,487
Other supplies	152,171	96,859	2,018	-	1,790	40,074	30,374	323,286
Durable supplies	41,616	3,970	137	-	285	91,024	63,675	200,707
Pharmacy supplies	1,480,948	724	-	-	-	-	-	1,481,672
Rent/lease	780,074	31,303	338,920	8,955	159,914	551,444	633,145	2,503,755
Utilities	757,686	122,042	147,357	-	44,453	82,235	234,765	1,388,538
Maintenance and repairs	311,208	251,937	26,243	-	22,448	80,292	1,007,138	1,699,266
Property tax	64	538	103	-	46	-	12,443	13,194
Interest	1,037	-	-	-	-	-	15,944	16,981
Hazardous waste	46,069	8,620	-	-	-	390	-	55,079
Telephone	473,149	49,803	128,106	21	62,190	96,352	299,730	1,109,351
Postage	48,770	2,829	2,392	188	1,440	1,094	92,554	149,267
Publicity/promotions	30,799	2,476	10,167	-	161	12	181,963	225,578
Pagers and answering service	32,403	4,652	-	-	-	3,624	525	41,204
Printing and publications	198,031	41,237	5,974	128	13,776	12,736	130,041	401,923
Travel	150,658	25,350	35,500	9,947	127,638	113,775	396,210	859,078
Licenses and dues	84,921	7,933	4,932	-	1,173	5,992	68,972	173,923
Insurance	230,897	40,138	29,957	3	15,219	18,660	77,667	412,541
Training and education	200,543	33,032	17,381	790	7,099	30,435	777,680	1,066,960
Recruitment	463,753	54,651	2,399	597	5,181	37,023	124,891	688,495
Other expenses	476,523	-	6,582	605	245,214	1,510	196,802	927,236
Total expenses before depreciation	<u>73,154,681</u>	<u>11,664,481</u>	<u>6,142,703</u>	<u>228,347</u>	<u>5,207,878</u>	<u>10,434,239</u>	<u>23,116,968</u>	<u>129,949,297</u>
Loss on disposal of property and equipment	29,811	500	-	-	-	-	25,293	55,604
Depreciation	735,631	248,854	12,429	-	3,502	14,937	1,278,151	2,293,504
Total expenses	<u>\$ 73,920,123</u>	<u>\$ 11,913,835</u>	<u>\$ 6,155,132</u>	<u>\$ 228,347</u>	<u>\$ 5,211,380</u>	<u>\$ 10,449,176</u>	<u>\$ 24,420,412</u>	<u>\$ 132,298,405</u>

Clinica Sierra Vista
Consolidated Statement of Cash Flows
Year Ended March 31, 2019

Operating Activities

Change in net assets	\$ (8,446,373)
Items not requiring (providing) operating cash flow	
Loss on disposal of property and equipment	55,604
Depreciation	2,293,504
Net gain on investments	(513,680)
Debt forgiveness	(8,333)
Note receivable forgiveness	1,046,250
Loss on disposal of investment in equity investee	528,655
Grants for acquisition of property and equipment	(486,597)
Changes in	
Patient accounts receivable, net	595,044
Grants and other receivables	1,211,261
Estimated amounts due from and to third-party payers	10,761,813
Notes receivable	(1,300,000)
Prepaid assets	(20,064)
Accounts payable and accrued expenses	2,814,689
Deferred revenue	(818,975)
Net cash provided by operating activities	<u>7,712,798</u>

Investing Activities

Purchase of investments	(116,929,361)
Proceeds from disposition of investments	95,494,995
Proceeds from disposition of investment in equity investee	100,000
Purchase of assets limited as to use	(325,361)
Proceeds from disposition of assets limited as to use	300,726
Purchase of property and equipment	(3,063,199)
Proceeds from disposition of property and equipment	<u>96,876</u>
Net cash used in investing activities	<u>(24,325,324)</u>

Financing Activities

Proceeds from grant for acquisition of property and equipment	362,280
Principal payments on long-term debt	<u>(294,687)</u>
Net cash provided by financing activities	<u>67,593</u>

Decrease in Cash and Cash Equivalents (16,544,933)

Cash and Cash Equivalents, Beginning of Year 21,915,935

Cash and Cash Equivalents, End of Year \$ 5,371,002

Supplemental Cash Flows Information

Interest paid	\$ 16,981
Accounts payable incurred for property and equipment	\$ 241,616

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Clinica Sierra Vista (the “Health Center”) primarily earns revenues by providing quality medical, dental, behavioral health and supportive services to the population of the San Joaquin Valley of California. The underlying philosophy and objective are to provide high quality comprehensive health care to the people of the area, regardless of income.

Clinica Sierra Vista Foundation (the “Foundation”) is a 501(c)(3) nonprofit organization formed in May 2015. The Health Center is the controlling entity of the Foundation as it operates exclusively for the benefit of the Health Center.

Principles of Consolidation

The consolidated financial statements include the accounts and transactions of the Health Center and Foundation (collectively, the “Organization”). All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2019, cash equivalents consisted primarily of money market accounts with brokers.

At March 31, 2019, the Organization’s cash accounts exceeded federally insured limits by approximately \$7,800,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expense.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets limited as to use include deferred compensation plan assets.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible 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 uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers 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 a significant provision for uncollectible accounts in the period of service 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 (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Organization's allowance for uncollectible accounts for self-pay was 94 percent of self-pay accounts receivable at March 31, 2019. The Organization's write-offs were approximately \$2,366,000 for the year ended March 31, 2019.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

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

Land improvements	10-28 years
Buildings and leasehold improvements	5-45 years
Equipment	3-20 years

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

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.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill are not recognized in the financial statements. There were no additions to or impairment of goodwill during the year ended March 31, 2019.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate 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 year ended March 31, 2019.

Investment in Equity Investee

During the year ending March 31, 2019, the Organization sold their 33.33 membership interest in California Healthcare Management Partners, Inc. (CMHP) for \$100,000. The Organization recognized a loss of \$528,655 on the sale of the membership interest during the year ended March 31, 2019.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue

The Organization has agreements with third-party payers 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 payers 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 Pricing Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. Reported 340B revenue consists of reimbursements from the network of participating pharmacies, net of the initial purchase price of the drugs and is included in other operating revenue in the accompanying statements of operations.

Gross receipts	\$ 2,108,805
Drug replenishment costs	(615,394)
Administrative and filling fees	<u>(180,830)</u>
Net 340B revenue	<u><u>\$ 1,312,581</u></u>

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-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 statement of operations as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

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.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Donor-restricted conditional gifts in which the condition and restriction is met in the same period the gift is received are reported as revenue and net assets without donor restrictions.

Government Grant Revenue

Supported funded by grants is recognized as the Organization performs 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.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Deficiency of Revenues Over Expenses

The consolidated statement of operations includes deficiency of revenues over expenses. Changes in net assets without donor restrictions which are excluded from deficiency of revenues over expenses, consistent with industry practice, include contributions 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).

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Self-insurance

The Organization has elected to self-insure certain costs related to employee health and unemployment benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Organization has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to \$90,000.

Note 2: Grant Revenue

The Organization is the recipient of a Health Center Program Cluster (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of this grant is to provide expanded health care services in San Joaquin Valley of California. 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 year ended March 31, 2019, the Organization recognized \$23,103,485 in CHC grant revenues. Funding for the grant year ending on March 31, 2020, has been approved at \$22,915,991.

In addition to this grant, the Organization receives additional financial support from other federal, state 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 3: Net Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Organization's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for uncollectible accounts related to uninsured patients who do not qualify for the sliding fee program in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

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

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are under a prospective payment system (PPS). Medicare payment, including patient coinsurance, is paid based on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

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

The Organization is required to submit annual Medi-Cal Reconciliation Request Forms to the California Department of Health Care Services (the "Department") for purposes of determining whether it was paid appropriately for certain Medi-Cal visits. These annual reconciliations result in the determination of any underpayment or overpayment by the Medi-Cal program for the affected visits. Following submission of the Medi-Cal Reconciliation Request Form, the Organization will generally receive a tentative settlement from the Medi-Cal program with a final settlement made within three years of the date of submission. The Medi-Cal Reconciliation Request Forms for the years ended March 31, 2016 through 2019 are still pending final settlement from the state. The Organization has recorded either a receivable or payable for estimated settlements expected to be received or paid for Medi-Cal Reconciliation Request Forms for these years. Such amounts are recorded on the balance sheet as amounts due from or to third-party payers. Due to the timing of the interim and final settlement processes, the Organization has classified a portion of the amount as a noncurrent. The Organization has also recorded a payable for certain amounts that are expected to be repaid to the state for Medi-Cal Reconciliation Request Forms for years ended March 31, 2011 through 2015 (see *Note 16*).

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. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the year ended March 31, 2019, was approximately:

Medicare	\$ 4,127,523
Medi-Cal	39,021,448
Other third-party payers	5,855,016
Self-pay	<u>13,647,499</u>
	<u><u>\$ 62,651,486</u></u>

Note 4: 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 payer agreements. The mix of net receivables from patients and third-party payers at March 31, 2019, is:

Medicare	7%
Medi-Cal	74%
Other third-party payers	16%
Self-pay	<u>3%</u>
	<u><u>100%</u></u>

Note 5: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use, at March 31, include:

Deferred compensation plan assets	
Mutual funds	<u><u>\$ 1,638,409</u></u>

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Short-Term Investments

Short-term investments, at March 31, include:

U.S. Treasury securities	\$ 60,196,656
Corporate bonds	10,952,213
Certificates of deposit	2,921,302
Mutual funds	<u>1,663,514</u>
	<u><u>\$ 75,733,685</u></u>

Total investment return is comprised of the following:

Interest and dividend income	\$ 1,416,073
Unrealized gains on trading securities	627,181
Realized losses on trading securities	(113,501)
Investment expenses	<u>(136,435)</u>
	<u><u>\$ 1,793,318</u></u>

Note 6: Notes Receivable

The Organization provides financial assistance to providers for the purchase of a residence. The Organization enters into agreements with providers in which the Organization will provide partial funding of the purchase of a home in exchange for a certain number of years of service. The Organization forgives the note receivable over the agreed-upon number of years of service, typically five years, as long as the provider maintains employment with the Organization. At March 31, 2019, the Organization's outstanding notes receivable amounted to \$4,580,000. During the year ended March 31, 2019, the Organization issued \$1,300,000 of new notes receivable and forgave \$1,046,250 of notes receivable. Interest accrues on the notes receivable at a rate of 2.00 percent per annum and is payable annually on the anniversary date of each note receivable. The notes receivable are secured by the providers' residences.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Note 7: Medical Malpractice Claims

The U.S. Department of Health and Human Services has deemed the Organization and its practicing providers are 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.

Claim liabilities are determined without consideration for insurance recoveries. Expected recoveries are presented separately. Based on the Organization's claim experience, no such accrual has been made for the Organization's medical malpractice cost for the year ended March 31, 2019. 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 malpractice claim.

Note 8: Other Long-Term Liability

During 2019, the Organization became aware of an unpaid invoice in the amount of \$687,200 for contracted professional services that were performed from June 2015 through December 2018. The Organization has agreed to pay the \$687,200 through eighteen monthly installments of \$38,178 beginning in June 2019. The liability is not secured and bears no interest. The Organization has included \$305,422 of this balance as a long-term liability on the balance sheet at March 31, 2019. The remaining balance of \$381,778 is included in accrued expenses on the balance sheet at March 31, 2019.

Note 9: Long-Term Debt

Note payable, City of Bakersfield (A)	\$ 61,111
Note payable, Terra Nova Properties, LLC (B)	29,250
Notes payable, Pacific Gas and Electric (C)	252,894
Capital lease obligation (D)	198,753
	542,008
Less current maturities	296,342
	\$ 245,666

- (A) Due July 2026; forgivable \$8,333 annually; bears no interest and is unsecured.
- (B) Due January 2022; payable \$898 monthly, including interest at 3.00 percent and is unsecured.
- (C) Notes payable due at various dates through June 2022; payable monthly at various amounts ranging from \$104 to \$1,541; bear no interest and are unsecured.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

(D) Due September 2020; payable \$11,458 monthly; imputed interest of 4.704 percent; secured by certain property and equipment. Property and equipment include the following property under capital leases:

Equipment	\$ 631,586
Less accumulated depreciation	<u>221,055</u>
	<u><u>\$ 410,531</u></u>

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at March 31, 2019, are:

	Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2020	\$ 165,401	\$ 137,491
2021	115,440	68,748
2022	26,302	-
2023	8,333	-
2024	8,333	-
Thereafter	<u>19,446</u>	<u>-</u>
	<u><u>\$ 343,255</u></u>	<u>206,239</u>
Less amount representing interest		<u>7,486</u>
Present value of future minimum lease payments		<u>198,753</u>
Less current maturities		<u>130,941</u>
Noncurrent portion		<u><u>\$ 67,812</u></u>

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Note 10: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

Subject to expenditure for health care services	
Teen clinic	\$ 98,714
Health care	77,406
Preventive care	23,521
WIC Dietic intern	10,760
	<u>210,401</u>
	<u>\$ 210,401</u>

Net Assets Released from Restrictions

During 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of \$304,774. During 2019, net assets of \$205,067 were released for healthcare and \$99,707 was released for teen clinic.

Note 11: Operating Leases

Noncancelable operating leases for primary care outpatient office space, other office space and office equipment expire in various years through 2034.

Future minimum lease payments at March 31, 2019, were:

2020	\$ 1,625,074
2021	1,394,629
2022	666,893
2023	527,315
2024	512,256
Thereafter	1,930,100
Future minimum lease payments	<u>\$ 6,656,267</u>

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Note 12: Liquidity and Availability

The Organization's financial assets available within one year of the balance sheet date for general expenditures are:

Financial assets at year end	
Cash and cash equivalents	\$ 5,371,002
Investments	75,733,685
Patient accounts receivable, net	5,397,953
Estimated amounts due from third-party payers	7,785,659
Grants and other receivables	7,468,969
Notes receivable	4,580,000
Assets limited as to use	1,638,409
Total financial assets	<u>107,975,677</u>
Less amounts not available to be used within one year	
Notes receivable	4,580,000
Assets limited as to use	1,638,409
Estimated amounts due from third-party payers	<u>2,581,238</u>
Financial assets not available to be used within one year	<u>8,799,647</u>
Financial assets available to meet general expenditures within one year	<u>\$ 99,176,030</u>

The Organization's notes receivable due from various providers are expected to be forgiven over periods of five years. The balance of the notes receivable have been excluded from financial assets that are available to be used within one year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

Note 13: Pension Plan

The Organization has a 403(b) defined contribution pension plan covering substantially all employees. The Organization makes employer matching contributions equal to 100 percent of each participant's deferral up to 2.00 percent of eligible compensation. The Organization also makes employer nonelective contributions between 2.00 percent and 4.00 percent of eligible compensation, based on years of service. The Organization also has a 457(b) retirement plan which covers select highly compensated employees. Retirement plan expense was \$2,243,032 for 2019.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted 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 term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2019:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury securities	\$ 60,196,656	\$ 60,196,656	\$ -	\$ -
Corporate bonds	10,952,213	10,952,213	-	-
Cerificates of deposit	2,921,302	2,921,302	-	-
Mutual funds	3,301,923	3,301,923	-	-

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended March 31, 2019.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grant Revenues

Concentration of revenues related to grant awards and other support is described in *Note 2*.

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *3*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *7*.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Note 16: Adjustments Applicable to Prior Years

In 2018, the Health Center transferred certain buildings and land to the Foundation. The Organization did not properly record the transfer at historical carrying cost, but rather recorded the transfer at fair market value. In addition, the Organization did not report the activity of the Health Center and Foundation in consolidated financial statements. During 2019, the Organization corrected these errors to conform to the requirements of accounting principles generally accepted in the United States of America. An adjustment of \$17,630,655 applicable to 2018 has been included in the restated beginning net assets balance. This adjustment increased the previously reported 2018 change in net assets by \$17,401,936.

In 2018 and prior, the Organization's balances due from and due to third-party payers were misstated due to errors in the preparation of the annual Medi-Cal reconciliation forms. In addition, the Organization did not record the Medi-Cal settlement related to fiscal year 2018 at March 31, 2018. During 2019, the Organization corrected these errors to conform to the requirements of accounting principles generally accepted in the United States of America. An adjustment of \$22,830,909 applicable to 2018 and prior has been included in the restated beginning net assets balance. Of this amount, \$6,577,579 is applicable to Medi-Cal reconciliation forms for fiscal years 2011-2015. The remaining adjustment of \$16,253,330 is applicable to fiscal years 2016-2018. This adjustment decreased the previously reported 2018 change in net assets by \$8,705,719.

In 2018 and prior, the Organization's estimated self-insurance liability was overstated. During 2019, the Organization corrected this error to conform to the requirements of accounting principles generally accepted in the United States of America. An adjustment of \$2,757,651 applicable to 2018 and prior has been included in the restated beginning net assets balance. This adjustment had no impact on the previously reported 2018 change in net assets.

The 2018 and prior, the Organization's net patient accounts receivable was overstated due to not using an accurate methodology to calculate the allowance for uncollectible accounts. During 2019, the Organization corrected this error to conform to the requirements of accounting principles generally accepted in the United States of America. An adjustment of \$2,200,000 applicable to 2018 and prior has been included in the restated beginning net assets balance. This adjustment decreased the previously reported 2018 change in net assets by \$700,000.

Note 17: Changes in Accounting Principles

In 2019, the Organization changed its method of financial statement presentation from reporting as a voluntary health and welfare organization to reporting as a health care organization. The Organization has determined that reporting as a health care organization better reflects the nature of its operations and activities. As a result of the change, the consolidated financial statements consist of a balance sheet, a statement of operations, a statement of changes in net assets, a statement of functional expenses and a statement of cash flows instead of the statements of financial position, activities, functional expenses and cash flows presented in prior years. This change had no effect on the previously reported net assets at March 31, 2018, and also had no effect on the change in net assets for the year ended March 31, 2019.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

In 2019, the Organization also adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Consolidated Balance Sheet

- The consolidated balance sheet distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required two classes of net assets—unrestricted and temporarily restricted.

Consolidated Statement of Operations

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Consolidated Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the balance sheet.
- Expenses are reported by both nature and function in one location.

This change had no impact on previously reported total change in net assets.

Note 18: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition with the issuance of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for the Organization's annual period beginning March 1, 2019, and any interim periods therein. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Clarifying Accounting for Contributions

The FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to clarify existing guidance on determining whether a transfer of assets (or the reduction, settlement or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how the recipient organization determines whether a resource provider (including a foundation, a government agency or other) is receiving commensurate value in return for the resources transferred and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional. The standard should be applied on a modified prospective basis for the Organization's annual period beginning March 1, 2019, and any interim periods therein. Retrospective application is permitted. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019 (2018 for not for profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2020 (2018 for not for profits that are conduit debt obligors). The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Clinica Sierra Vista
Notes to Consolidated Financial Statements
March 31, 2019

Note 19: Subsequent Events

In November 2019, the Organization entered into a lease agreement for approximately 27,000 square feet of space which will be used to establish a new clinic location in Bakersfield, California. The commencement date of the lease will be determined upon the substantial completion of construction of the new building and tenant improvements. The lease term will be for ten years with two options to renew for an additional five years. Monthly payments under the lease will be determined based on the total development costs of the leased space. Per the terms of the agreement, the Organization will be responsible to fund a portion of the tenant improvements. The cost of these improvements is still pending the finalization of design plans, but are anticipated to be approximately \$7,500,000 which the Organization plans to fund with either Organization reserves, debt financing or a combination of both.

Subsequent events have been evaluated through December 31, 2019, which is the date the consolidated financial statements were available to be issued.

Other Information

Clinica Sierra Vista
Consolidating Schedule – Balance Sheet Information
March 31, 2019

Assets

	Clinica Sierra Vista	Clinica Sierra Vista Foundation	Consolidating Adjustments and Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 5,371,002	\$ -	\$ -	\$ 5,371,002
Short-term investments	75,733,685	-	-	75,733,685
Patient accounts receivable, net of allowance of \$2,175,000	5,397,953	-	-	5,397,953
Estimated amounts due from third-party payers	5,204,421	-	-	5,204,421
Grants and other receivables	7,468,969	-	-	7,468,969
Prepaid expenses and other	262,964	-	-	262,964
Notes receivable	1,053,750	-	-	1,053,750
	<u>100,492,744</u>	<u>-</u>	<u>-</u>	<u>100,492,744</u>
Assets Limited As To Use				
Deferred compensation plan assets	1,638,409	-	-	1,638,409
Estimated Amounts Due From Third-Party Payers				
	7,785,659	-	-	7,785,659
Less current portion	5,204,421	-	-	5,204,421
	<u>2,581,238</u>	<u>-</u>	<u>-</u>	<u>2,581,238</u>
Property and Equipment, At Cost				
Land and land improvements	3,781,689	-	-	3,781,689
Buildings and leasehold improvements	37,748,042	-	-	37,748,042
Equipment	9,737,257	-	-	9,737,257
Construction in progress	2,390,913	-	-	2,390,913
	53,657,901	-	-	53,657,901
Less accumulated depreciation	17,917,059	-	-	17,917,059
	<u>35,740,842</u>	<u>-</u>	<u>-</u>	<u>35,740,842</u>
Other Assets				
Notes receivable	3,526,250	-	-	3,526,250
Goodwill	50,000	-	-	50,000
	<u>3,576,250</u>	<u>-</u>	<u>-</u>	<u>3,576,250</u>
Total assets	<u>\$ 144,029,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,029,483</u>

Liabilities and Net Assets

	Clinica Sierra Vista	Clinica Sierra Vista Foundation	Consolidating Adjustments and Eliminations	Total
Current Liabilities				
Current maturities of long-term debt	\$ 296,342	\$ -	\$ -	\$ 296,342
Accounts payable	4,128,313	-	-	4,128,313
Accrued expenses	9,341,225	-	-	9,341,225
Estimated amounts due to third-party payers	29,417,775	-	-	29,417,775
Deferred revenue	52,972	-	-	52,972
Total current liabilities	43,236,627	-	-	43,236,627
Long-Term Debt	245,666	-	-	245,666
Other Long-Term Liability	305,422	-	-	305,422
Deferred Compensation	1,638,409	-	-	1,638,409
Total liabilities	45,426,124	-	-	45,426,124
Net Assets				
Without donor restrictions	98,392,958	-	-	98,392,958
With donor restrictions	210,401	-	-	210,401
Total net assets	98,603,359	-	-	98,603,359
Total liabilities and net assets	\$ 144,029,483	\$ -	\$ -	\$ 144,029,483

Clinica Sierra Vista
Consolidating Schedule – Statement of Operations Information
Year Ended March 31, 2019

	Clinica Sierra Vista	Clinica Sierra Vista Foundation	Consolidating Adjustments and Eliminations	Total
Revenues, Gains and Other Support				
Without Donor Restrictions				
Patient service revenue (net of contractual discounts and allowances)	\$ 62,651,486	\$ -	\$ -	\$ 62,651,486
Provision for uncollectible accounts	719,547	-	-	719,547
Net patient service revenue less provision for uncollectible accounts	61,931,939	-	-	61,931,939
Grant revenue	50,168,106	-	-	50,168,106
Contribution	860,878	-	-	860,878
Other revenue	8,624,674	-	-	8,624,674
Net assets released from restrictions used for operations	304,774	-	-	304,774
Total revenues, gains and other support without donor restrictions	<u>121,890,371</u>	<u>-</u>	<u>-</u>	<u>121,890,371</u>
Expenses and Losses				
Program Services				
Medical	73,920,123	-	-	73,920,123
Dental	11,913,835	-	-	11,913,835
Nutrition education	6,155,132	-	-	6,155,132
Health education	228,347	-	-	228,347
Outreach and case management	5,211,380	-	-	5,211,380
Behavioral health	10,449,176	-	-	10,449,176
Total program services expenses	<u>107,877,993</u>	<u>-</u>	<u>-</u>	<u>107,877,993</u>
Supporting Services				
Management and general	24,285,250	135,162	-	24,420,412
Total expenses and losses	<u>132,163,243</u>	<u>135,162</u>	<u>-</u>	<u>132,298,405</u>
Operating Loss	<u>(10,272,872)</u>	<u>(135,162)</u>	<u>-</u>	<u>(10,408,034)</u>
Other Income (Expense)				
Investment return, net	1,793,318	-	-	1,793,318
Loss on investment in equity investees	(528,655)	-	-	(528,655)
Total other income (expense)	<u>1,264,663</u>	<u>-</u>	<u>-</u>	<u>1,264,663</u>
Deficiency of Revenues Over Expenses	<u>(9,008,209)</u>	<u>(135,162)</u>	<u>-</u>	<u>(9,143,371)</u>
Grants of or for acquisition of property and equipment	486,597	-	-	486,597
Transfer from Clinica Sierra Vista Foundation	17,495,493	-	(17,495,493)	-
Transfer to Clinica Sierra Vista	-	(17,495,493)	17,495,493	-
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>\$ 8,973,881</u>	<u>\$ (17,630,655)</u>	<u>\$ -</u>	<u>\$ (8,656,774)</u>

Supplementary Information

Clinica Sierra Vista

Schedule of Functional Expenses Kern County – Mental Health

Year Ended March 31, 2019

	CalWorks Outreach Delano	Substance Abuse SAPT	Substance Abuse Drug Medi- Cal	CalWorks Substance Abuse	CalWorks Outreach Lamont	MHSA Delano	Ebony CalWorks
Salaries	\$ 84,724	\$ 119,676	\$ 98,773	\$ 8,733	\$ 31,687	\$ 318,778	\$ 21,080
Fringe Benefits	20,286	17,730	17,425	2,489	8,682	70,781	5,502
Total Salaries & Benefits	105,010	137,406	116,198	11,222	40,369	389,559	26,582
Operating Expenses							
Contractual/Psychiatrist/Psychologist	6,393	1,896	3,323	51	1,129	46,368	46
Contractual / Outside Lab	31	-	-	-	-	10	-
Contractual/Professional Services	-	-	-	-	-	429	-
Contractual/MFCC	2,822	-	-	-	-	2,822	-
Contractual / Pharmacy	-	-	-	-	-	6,960	-
Contractual / Employment Svs (Temp)	1,594	-	2,127	-	-	5,139	774
Security	1,974	1,974	1,974	1,184	541	14,606	1,358
Rent	2,269	2,269	2,269	1,362	-	16,792	3,259
Rent / Storage Space	-	-	423	-	-	-	-
Custodial Services	422	422	422	253	447	3,121	980
Pest Control	26	26	26	16	-	192	-
Courier Service	64	64	64	38	9	470	51
Glad Interpreter	-	-	-	-	-	-	-
Utilities	650	650	650	390	172	4,813	415
Water	-	-	-	-	-	-	-
Red Waste Disposal	-	-	-	-	-	-	-
Telephone	171	171	171	103	9	1,266	102
Answering Service	-	-	-	-	-	-	-
Communication Lines	550	550	550	330	36	4,073	322
Cell Phones	-	-	-	-	-	-	38
Insurance	59	59	59	35	53	435	94
Malpractice	-	-	-	-	-	-	-
Auto Insurance	27	20	16	17	6	22	4
Maintenance Agreement	25	27	27	15	9	203	120
Repairs/Auto	-	-	-	-	-	-	-
Maintenance/Recycling	28	28	28	17	-	204	10
Maintenance/Facility	283	283	283	170	47	2,096	86
Computer Maintenance/MIS	688	917	688	229	688	1,146	-
Maintenance/Relocation	-	-	-	-	-	-	-
Equipment	-	1,837	2,091	506	-	3,995	-
Equipment/Lease	73	73	73	44	61	540	82
Equipment Rental	24	24	24	14	9	178	19
Equip/Computer Hardware/Software	-	-	-	-	-	1,370	-
Mileage	1,092	2,161	2,392	46	372	9,990	85
Gasoline & Oil	-	-	-	-	-	-	-
Travel/Seminars/Other	-	2	16	3	-	72	-
Patient Transportation	-	-	-	-	-	-	-
Office Supplies	-	812	109	-	-	3,796	-
Office Furniture	-	-	-	-	-	3,066	-
Medical Supplies	-	-	-	-	-	-	-
Lab Supplies	-	591	1,896	-	-	-	-
Janitorial Supplies	31	31	31	18	27	226	74
MIS Supplies	-	-	-	-	-	-	-
Education/Training	46	148	346	5	-	1,124	130
Group Meetings	-	-	-	-	-	-	-
Staff Recruitment	90	97	418	40	14	693	10
Employee Drug Testing	119	4	-	-	-	490	-
Professional Licenses	26	-	-	-	-	175	-
Subscriptions	-	-	-	-	-	-	-
Licenses/Permits	12	12	12	7	6	85	11
Publicity/Promotions	-	-	-	-	-	-	-
Patient Incentives	-	-	-	-	-	-	-
Postage	-	-	-	-	-	3	-
Printing/Duplicating	3	20	20	2	4	153	-
Depreciation/Building	-	-	-	-	-	-	-
Depreciation/Housekeeping	-	-	-	-	-	-	-
Depreciation/Office	-	-	-	-	-	-	-
Adm Indirect	21,001	27,480	23,238	2,244	8,072	77,912	5,315
Total Operating Expenses	40,593	42,648	43,766	7,139	11,711	215,035	13,385
TOTAL EXPENSES	\$ 145,603	\$ 180,054	\$ 159,964	\$ 18,361	\$ 52,080	\$ 604,594	\$ 39,967

Clinica Sierra Vista

Schedule of Functional Expenses Kern County – Mental Health

Year Ended March 31, 2019

	Ebony Drug/ Medi-Cal	Ebony SAPT	Ebony Perinatal	Ebony KCMH Gang Sup	Delano MHSA- PEI Project Care	MHCS MHSA-PEI YBTP	GSA 10 MHSA- PEI YBTP
Salaries	\$ 316,441	\$ 151,166	\$ 74,000	\$ -	\$ 77,540	\$ 312,173	\$ 459,388
Fringe Benefits	85,533	34,182	19,617	-	19,501	79,028	106,320
Total Salaries & Benefits	401,974	185,348	93,617	-	97,041	391,201	565,708
Operating Expenses							
Contractual/Psychiatrist/Psychologist	11,293	4,371	20	-	-	668	3,668
Contractual / Outside Lab	18	18	-	-	-	-	-
Contractual/Professional Services	-	-	-	-	147	-	-
Contractual/MFCC	-	-	-	-	5,285	-	7,056
Contractual / Pharmacy	-	-	-	-	-	-	-
Contractual / Employment Svs (Temp)	11,604	2,321	774	-	-	-	-
Security	17,992	8,147	6,450	-	224	702	13,186
Rent	43,178	19,552	15,479	-	316	12,185	39,852
Rent / Storage Space	423	-	-	-	-	-	-
Custodial Services	12,986	5,880	4,655	-	497	2,404	4,922
Pest Control	-	-	-	-	-	55	50
Courier Service	673	305	241	-	52	152	254
Glad Interpreter	1,574	-	170	-	-	-	-
Utilities	5,580	2,491	1,945	-	149	1,088	4,638
Water	-	-	-	-	-	91	-
Red Waste Disposal	-	-	-	-	-	-	-
Telephone	1,354	613	485	-	16	239	-
Answering Service	-	-	-	-	-	-	-
Communication Lines	4,261	1,929	1,527	-	53	1,678	2,116
Cell Phones	113	113	113	-	32	167	(8)
Insurance	1,241	562	445	-	30	305	698
Malpractice	-	-	-	-	-	-	-
Auto Insurance	9	9	6	-	-	17	33
Maintenance Agreement	1,623	736	581	-	-	75	489
Repairs/Auto	-	-	-	-	-	-	-
Maintenance/Recycling	135	61	48	-	-	36	118
Maintenance/Facility	1,137	515	408	-	2	696	632
Computer Maintenance/MIS	-	-	-	-	2,143	459	917
Maintenance/Relocation	-	-	-	-	-	1,538	-
Equipment	952	595	244	-	-	1,328	445
Equipment/Lease	1,090	494	391	-	129	108	597
Equipment Rental	254	115	91	-	5	76	89
Equip/Computer Hardware/Software	174	109	152	-	-	709	35
Mileage	775	702	229	-	1,141	2,585	3,176
Gasoline & Oil	-	-	-	-	-	-	-
Travel/Seminars/Other	46	11	25	-	-	22	2
Patient Transportation	330	-	-	-	-	-	-
Office Supplies	5,947	4,252	3,058	19	-	9,246	3,479
Office Furniture	1,251	530	-	-	-	136	-
Medical Supplies	-	-	105	-	-	-	-
Lab Supplies	4,246	5,469	-	-	-	28	-
Janitorial Supplies	981	444	352	-	21	196	372
MIS Supplies	5	3	594	-	-	1,154	947
Education/Training	1,479	990	575	-	284	527	2,335
Group Meetings	-	-	-	-	-	-	-
Staff Recruitment	537	275	265	-	2	386	477
Employee Drug Testing	26	-	9	-	-	33	35
Professional Licenses	-	-	-	-	-	165	528
Subscriptions	-	-	-	-	-	-	50
Licenses/Permits	144	65	52	-	3	11	47
Publicity/Promotions	-	-	-	-	12	-	-
Patient Incentives	-	-	-	-	-	-	-
Postage	51	51	51	-	-	-	-
Printing/Duplicating	305	48	-	-	48	237	99
Depreciation/Building	-	-	-	-	-	28	-
Depreciation/Housekeeping	-	-	-	-	-	-	670
Depreciation/Office	-	-	-	-	1,187	-	775
Adm Indirect	80,393	37,071	18,723	-	19,407	78,238	113,138
Total Operating Expenses:	214,180	98,847	58,263	19	31,185	117,768	205,917
TOTAL EXPENSES:	\$ 616,154	\$ 284,195	\$ 151,880	\$ 19	\$ 128,226	\$ 508,969	\$ 771,625

Clinica Sierra Vista

Schedule of Functional Expenses Kern County – Mental Health

Year Ended March 31, 2019

	GSA 10 MHSA	Delano Behavioral Health	MHCS	GSA 10 Mental Health	MHSA	Totals
Salaries	\$ 150,746	\$ 209,455	\$ 814,422	\$ 820,466	\$ 602,253	\$ 4,671,501
Fringe Benefits	33,569	52,385	217,711	200,280	133,616	1,124,637
Total Salaries & Benefits	184,315	261,840	1,032,133	1,020,746	735,869	5,796,138
Operating Expenses						
Contractual/Psychiatrist/Psychologist	13,822	105,745	111,657	145,335	207,476	663,260
Contractual / Outside Lab	-	5	36	46	34	199
Contractual/Professional Services	-	429	1,005	1,005	1,005	4,019
Contractual/MFCC	1,411	-	-	25,954	173	45,524
Contractual / Pharmacy	-	6,960	-	-	28,080	42,000
Contractual / Employment Svs (Temp)	-	5,317	-	-	-	29,648
Security	3,296	17,764	2,009	49,447	14,600	157,429
Rent	9,963	20,423	73,317	149,445	8,130	420,060
Rent / Storage Space	-	423	1,253	1,253	423	4,196
Custodial Services	1,231	3,795	11,053	18,458	15,036	86,984
Pest Control	13	234	518	188	291	1,635
Courier Service	64	572	2,286	953	849	7,158
Glad Interpreter	-	-	-	180	-	1,924
Utilities	1,159	5,853	5,763	17,391	6,275	60,073
Water	-	-	1,057	-	-	1,148
Red Waste Disposal	-	170	-	-	220	390
Telephone	-	1,540	2,784	-	266	9,290
Answering Service	-	906	906	906	906	3,624
Communication Lines	529	4,954	15,414	7,937	4,693	51,504
Cell Phones	(2)	552	1,860	1,545	553	5,076
Insurance	174	528	2,445	2,616	1,685	11,520
Malpractice	-	498	776	828	472	2,574
Auto Insurance	13	72	200	226	88	785
Maintenance Agreement	122	243	762	1,834	431	7,322
Repairs/Auto	-	-	-	-	255	255
Maintenance/Recycling	30	248	421	443	-	1,854
Maintenance/Facility	146	2,684	3,875	2,369	2,683	18,394
Computer Maintenance/MIS	1,376	1,376	22,928	12,840	42,875	89,268
Maintenance/Relocation	-	-	4,404	-	-	5,942
Equipment	214	237	11,950	1,667	2,486	28,546
Equipment/Lease	162	707	1,965	2,427	2,110	11,126
Equipment Rental	22	216	545	333	608	2,647
Equip/Computer Hardware/Software	9	643	6,380	1,670	140	11,390
Mileage	1,912	4,268	16,496	6,240	15,226	68,887
Gasoline & Oil	-	-	-	-	73	73
Travel/Seminars/Other	14	231	108	159	1,012	1,723
Patient Transportation	-	-	-	990	-	1,320
Office Supplies	2,805	7,084	12,466	5,621	5,589	64,283
Office Furniture	-	-	1,006	-	1,003	6,992
Medical Supplies	-	-	-	-	49	154
Lab Supplies	-	-	-	227	856	13,313
Janitorial Supplies	93	275	862	1,395	934	6,361
MIS Supplies	-	79	11,352	75	2,169	16,378
Education/Training	385	1,350	7,435	2,550	4,571	24,278
Group Meetings	-	100	100	100	100	400
Staff Recruitment	287	5,474	6,217	6,123	6,215	27,618
Employee Drug Testing	25	26	89	207	23	1,085
Professional Licenses	248	49	735	275	405	2,605
Subscriptions	-	-	-	50	187	287
Licenses/Permits	12	104	237	176	391	1,385
Publicity/Promotions	-	-	-	-	-	12
Patient Incentives	-	-	-	-	900	900
Postage	-	157	168	159	236	875
Printing/Duplicating	86	676	2,176	1,140	934	5,952
Depreciation/Building	-	-	1,796	-	206	2,030
Depreciation/Housekeeping	69	-	371	634	-	1,743
Depreciation/Office	516	-	-	430	1,699	4,608
Adm Indirect	36,861	52,367	206,423	204,145	147,174	1,159,224
Total Operating Expenses:	77,067	255,334	555,606	677,992	532,795	3,199,250
TOTAL EXPENSES:	\$ 261,382	\$ 517,174	\$ 1,587,739	\$ 1,698,738	\$ 1,268,664	\$ 8,995,388

Clinica Sierra Vista
Schedule of Functional Expenses Kern County – Other Programs
Year Ended March 31, 2019

	SELPA	Ebony Gang Prevention	Ebony Outreach & Enrollment	Ebony Medi-Cal Renewal	KMC CPSP	TCM Lamont
Salaries	\$ 453,075	\$ 39,917	\$ 11,372	\$ 14,532	\$ 93,153	\$ -
Fringe Benefits	105,948	10,161	3,087	4,496	26,689	-
Total Salaries & Benefits	559,023	50,078	14,459	19,028	119,842	-
Operating Expenses						
Contractual/Psychiatrist/Psychologist	720	-	-	-	-	-
Contractual/Outside Lab	-	-	-	-	-	-
Contractual/MFCC	2,822	-	-	-	-	-
Security	478	11	-	-	-	-
Rent	11,077	2,737	-	-	-	-
Rent/Storage Space	-	608	-	-	-	-
HOA Fees	-	-	-	-	-	-
Custodial Services	1,639	542	-	-	-	-
Pest Control	38	20	-	-	-	-
Courier Service	-	-	-	-	-	-
Utilities	2,501	82	-	-	-	-
Telephone	-	-	-	-	-	-
Communication Lines	11,813	902	-	-	-	-
Cell Phones	6,819	-	-	-	-	-
Insurance	114	14	-	-	-	-
Malpractice	-	-	-	-	-	-
Auto Insurance	23	4	-	-	-	-
Maintenance Agreement	400	45	-	-	-	-
Repairs/Facility	-	-	-	-	-	-
Repairs/Auto	-	-	-	-	-	-
Maintenance/Recycling	-	-	-	-	-	-
Maintenance/Facility	1,237	1	-	-	-	-
Computer Maintenance/MIS	-	601	-	60	-	-
Equipment	1,049	-	-	-	-	-
Equipment	828	-	-	-	-	-
Equipment/Lease	-	168	-	-	-	-
Equipment Rental	49	18	-	-	-	-
Equip/Computer Hardware/Software	55	-	-	-	-	-
Mileage	21,129	314	-	369	-	-
Gasoline & Oil	-	-	-	-	-	-
Travel/Seminars/Other	38	18	-	-	-	-
Patient Transportation	-	-	-	-	-	-
Office Supplies	5,290	978	318	143	-	-
Office Furniture	1,026	-	-	-	-	-
Lab Supplies	-	-	-	-	-	-
Janitorial Supplies	133	11	-	-	-	-
MIS Supplies	91	-	-	-	-	401
Education/Training	2,354	495	-	-	-	-
Staff Recruitment	458	157	-	-	-	-
Employee Drug Testing	-	-	-	-	-	-
Professional Licenses	655	-	-	-	-	-
Licenses/Permits	2,000	-	-	-	-	-
Patient Incentives	-	460	-	149	-	-
Client Services	-	-	-	-	-	-
Postage	27	-	-	-	-	-
Printing/Duplicating	305	80	-	338	-	-
Emergency Needs	-	-	-	-	-	-
HOPWA Client Services	-	-	-	-	-	-
Title II Services/KLL	-	-	-	-	-	-
Dental Expense Allocation	-	-	-	-	-	-
Adm Indirect	111,804	4,008	1,157	1,522	-	-
Total Operating Expenses	186,972	12,274	1,475	2,581	-	401
TOTAL EXPENSES	\$ 745,995	\$ 62,352	\$ 15,934	\$ 21,609	\$ 119,842	\$ 401

Clinica Sierra Vista
Schedule of Functional Expenses Kern County – Other Programs
Year Ended March 31, 2019

	TCM Ridgecrest	TCM SENP	HOPWA	Ryan White Part B	Total
Salaries	\$ 9,068	\$ 4,255	\$ 41,183	\$ 243,107	\$ 909,662
Fringe Benefits	1,384	655	13,987	57,223	223,630
Total Salaries & Benefits	10,452	4,910	55,170	300,330	1,133,292
Operating Expenses					
Contractual/Psychiatrist/Psychologist	-	-	-	3,460	4,180
Contractual / Outside Lab	-	-	-	6,906	6,906
Contractual/MFCC	-	-	-	-	2,822
Security	-	79	-	1,983	2,551
Rent	-	2,216	-	-	16,030
Rent / Storage Space	-	487	-	-	1,095
HOA Fees	-	-	42	1,401	1,443
Custodial Services	-	3,073	208	7,649	13,111
Pest Control	-	115	-	87	260
Courier Service	-	-	3	94	97
Utilities	-	462	111	4,665	7,821
Telephone	1,705	-	38	421	2,164
Communication Lines	2,646	-	62	826	16,249
Cell Phones	191	-	779	1,571	9,360
Insurance	134	-	34	619	915
Malpractice	-	-	-	104	104
Auto Insurance	1,262	-	110	-	1,399
Maintenance Agreement	334	-	-	250	1,029
Repairs/Facility	-	-	3	-	3
Repairs/Auto	2,316	444	-	-	2,760
Maintenance/Recycling	104	-	-	-	104
Maintenance/Facility	220	8	-	93	1,559
Computer Maintenance/MIS	1,605	-	414	1,859	4,539
Equipment	-	-	-	-	1,049
Equipment	-	-	-	-	828
Equipment/Lease	796	260	-	666	1,890
Equipment Rental	-	102	8	222	399
Equip/Computer Hardware/Software	-	-	-	-	55
Mileage	4,111	362	85	1,022	27,392
Gasoline & Oil	234	-	-	-	234
Travel/Seminars/Other	-	-	-	9	65
Patient Transportation	-	-	750	-	750
Office Supplies	3,119	1,021	934	2,660	14,463
Office Furniture	-	-	-	-	1,026
Lab Supplies	-	-	-	2,944	2,944
Janitorial Supplies	-	61	28	488	721
MIS Supplies	-	-	-	-	492
Education/Training	245	1,449	-	-	4,543
Staff Recruitment	22	-	-	210	847
Employee Drug Testing	70	-	-	70	140
Professional Licenses	-	-	-	-	655
Licenses/Permits	143	-	-	-	2,143
Patient Incentives	-	-	291	2,000	2,900
Client Services	-	-	1,200	5,543	6,743
Postage	156	-	-	-	183
Printing/Duplicating	128	49	48	404	1,352
Emergency Needs	63	-	-	341	404
HOPWA Client Services	-	-	61,415	-	61,415
Title II Services/KLL	-	-	-	22,849	22,849
Dental Expense Allocation	-	-	-	3,120	3,120
Adm Indirect	-	-	2,399	790	121,680
Total Operating Expenses:	19,604	10,188	68,962	75,326	377,783
TOTAL EXPENSES:	\$ 30,056	\$ 15,098	\$ 124,132	\$ 375,656	\$ 1,511,075

Clinica Sierra Vista
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total 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)/Health Center Program Cluster	93.224	N/A	\$ -	\$ 6,793,879
U.S. Department of Health and Human Services/ Grants for New and Expanded Services under the Health Center Program/Health Center Program Cluster	93.527	N/A	-	16,309,606
Total Health Center Program Cluster			-	23,103,485
U.S. Department of Health and Human Services/ California Department of Public Health/ Medical Assistance Program/Medicaid Cluster	93.778	16-10045	-	24,204
U.S. Department of Health and Human Services/ Kern County Mental Health Department/ Medical Assistance Program/Medicaid Cluster	93.778	246-2018	-	759,825
U.S. Department of Health and Human Services/ Kern County Mental Health Department/ Medical Assistance Program/Medicaid Cluster	93.778	208-2018	-	2,397,916
U.S. Department of Health and Human Services/ Kern County Mental Health Department/ Medical Assistance Program/Medicaid Cluster	93.778	745-2018	-	228,124
U.S. Department of Health and Human Services/ Kern County Mental Health Department/ Medical Assistance Program/Medicaid Cluster	93.778	405-2018	-	634,035
Total Medicaid Cluster			-	4,044,104
U.S. Department of Health and Human Services/ Kern County Network for Children/Temporary Assistance for Needy Families/TANF Cluster	93.558	None	-	501,427
U.S. Department of Health and Human Services/ California Department of Public Health/Maternal and Child Health Services Block Grant to the States	93.994	17-1034 A017	-	510,469
Total forward			-	28,159,485

Clinica Sierra Vista
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Total forward			\$ -	\$ 28,159,485
U.S. Department of Health and Human Services/ Kern County Mental Health Department/Block Grants for Prevention and Treatment of Substance Abuse	93.959	404-2018	-	436,075
U.S. Department of Health and Human Services/ Kern County Mental Health Department/Block Grants for Prevention and Treatment of Substance Abuse	93.959	405-2018	-	26,651
Total Block Grants for Prevention and Treatment of Substance Abuse			-	462,726
U.S. Department of Health and Human Services/ Grants for Capital Development in Health Centers	93.526	N/A	-	486,597
U.S. Department of Health and Human Services/ Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	-	212,498
U.S. Department of Health and Human Services/ Kern County Department of Public Health/HIV Care Formula Grants	93.917	421-2017	-	313,584
U.S. Department of Health and Human Services/ Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	94,039
U.S. Department of Health and Human Services/ Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	N/A	-	96,592
U.S. Department of Education/Kern Regional Center/ Special Education - Grants for Infants and Families	84.181	PK4506	-	113,291
U.S. Department of Housing and Urban Development/ Continuum of Care Program	14.267	N/A	-	227,084
Total forward			-	30,165,896

Clinica Sierra Vista
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2019

Federal Grantor/Pass- Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Total forward			\$ -	\$ 30,165,896
U.S. Department of Housing and Urban Development/ Kern County Department of Public Health/ Housing Opportunities for Persons with AIDS	14.241	736-2017	-	117,835
U.S. Department of Housing and Urban Development/ Fresno County Department of Public Health/ Housing Opportunities for Persons with AIDS	14.241	17-10964	-	181,303
Total Housing Opportunities for Persons with AIDS			-	299,138
U.S. Department of Agriculture/California Department of Public Health/WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15-10062	-	7,047,965
			\$ -	\$ 37,512,999

Clinica Sierra Vista
Notes to the Schedule of Expenditures of Federal Awards
Year Ended March 31, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Clinica Sierra Vista under programs of the federal government for the year ended March 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clinica Sierra Vista, it is not intended to and does not present the financial position, results of operations, changes in net assets or cash flows of Clinica Sierra Vista.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Clinica Sierra Vista has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Clinica Sierra Vista did not have any federal loan programs during the year ended March 31, 2019.

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

Independent Auditor's Report

Board of Directors
Clinica Sierra Vista
Bakersfield, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Clinica Sierra Vista, which comprise the consolidated balance sheet as of March 31, 2019, and the related consolidated statements of operations, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 31, 2019, which contained "Emphasis of Matters" paragraphs regarding changes in accounting principles and restatement of previously issued financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clinica Sierra Vista'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 Clinica Sierra Vista's internal control. Accordingly, we do not express an opinion on the effectiveness of Clinica Sierra Vista'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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Board of Directors
Clinica Sierra Vista

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinica Sierra Vista'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

Clinica Sierra Vista's Responses to Findings

Clinica Sierra Vista's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Clinica Sierra Vista's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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

BKD, LLP

Springfield, Missouri
December 31, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Directors
Clinica Sierra Vista
Bakersfield, California

Report on Compliance for Each Major Federal Program

We have audited Clinica Sierra Vista's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clinica Sierra Vista's major federal programs for the year ended March 31, 2019. Clinica Sierra Vista's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clinica Sierra Vista'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 Clinica Sierra Vista'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 Clinica Sierra Vista's compliance.

Opinion on Each Major Federal Program

In our opinion, Clinica Sierra Vista 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 March 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of Clinica Sierra Vista 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 Clinica Sierra Vista'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 Clinica Sierra Vista'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.

Board of Directors
Clinica Sierra Vista

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-003, that we consider to be a significant deficiency.

Clinica Sierra Vista's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Clinica Sierra Vista's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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.

BKD, LLP

Springfield, Missouri
December 31, 2019

Clinica Sierra Vista
Schedule of Findings and Questioned Costs
Year Ended March 31, 2019

7. The Organization's major programs were:

Cluster/Program	CFDA Number
Health Center Program Cluster	93.224 and 93.527
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557

8. The threshold used to distinguish between Type A and Type B programs was \$1,125,390.

9. The Organization qualified as a low-risk auditee? Yes No

Clinica Sierra Vista
Schedule of Findings and Questioned Costs
Year Ended March 31, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2019-001	<p>Criteria or Specific Requirement – The Organization is required to submit annual Medi-Cal Reconciliation Request Forms to the California Department of Health Care Services (the “Department”) for purposes of determining whether it was paid appropriately for certain Medi-Cal visits. These annual reconciliations are to be prepared using accurate financial information following the guidance provided by the Department.</p> <p>Condition – The Organization determined that annual Medi-Cal Reconciliation Request Forms submitted to the Department in years prior to 2018 were misstated due to errors made in the preparation of the forms.</p> <p>Effect – The Organization was over reimbursed for certain Medi-Cal visits due to these preparation errors.</p> <p>Cause – Certain payments received from Medi-Cal managed plans were understated on the annual Medi-Cal Reconciliation Request Forms. During management turnover at the Organization, the matter was identified and the Organization has self-reported the noncompliance.</p> <p>Recommendation – Management should continue to monitor the preparation of the annual Medi-Cal Reconciliation Request Forms to verify that all required information is reported accurately in accordance with Department regulations.</p> <p>Views of Responsible Officials and Planned Corrective Action – Management agrees with the recommendation of the auditor and has implemented new workflows and procedures to verify that all required information is reported accurately and in accordance with Department regulations. The CFO will ensure that those preparing the report have the needed accurate information and knowledge to prepare the reports in accordance with Department Regulations.</p> <p>Compliance Date - 03/31/2020</p>

Clinica Sierra Vista
Schedule of Findings and Questioned Costs
Year Ended March 31, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2019-002	<p>Criteria or Specific Requirement – Management is responsible for preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The Organization’s financial statements required adjustments, including adjustments applicable to prior years, to be in conformity with the accounting principles generally accepted in the United States of America (GAAP). Areas in which adjustments were proposed, including those which management recorded, include:</p> <ul style="list-style-type: none"> • Patient accounts receivable and net patient service revenue • Estimated amounts due from and to third-party payers • Grants receivable and grant revenue • Property and equipment, accumulated depreciation and depreciation expense • Deferred compensation plan assets and liabilities • Accounts payable, supplies and construction in progress • Accrued expenses and employee benefits expense • Transfers to and from the Foundation • Beginning net assets without donor restrictions <p>Effect – Adjusting journal entries, including adjustments applicable to prior years, were proposed during the financial statement audit.</p> <p>Cause – The Organization did not identify certain necessary adjustments required to present the financial statements in accordance with GAAP.</p> <p>Recommendation – Management should modify monthly and year-end closing procedures to ensure sufficient controls are in place to assure financial statements are prepared in accordance with GAAP.</p> <p>Views of Responsible Officials and Planned Corrective Action – Management agrees with the recommendation of the auditor and the CFO will ensure that the Organization will modify monthly and year-end closing procedures to ensure sufficient controls are in place to assure financial statements are prepared in accordance with GAAP. Among the actions will be a reassessment of relevant estimates for reasonableness and supportability, along with appropriate supervisory review.</p> <p>Compliance Date - 03/31/2020</p>

Clinica Sierra Vista
Schedule of Findings and Questioned Costs
Year Ended March 31, 2019

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-003	<p style="text-align: center;">U.S. Department of Health and Human Services Health Center Program Cluster CFDA Numbers 93.224 and 93.527 Program Year 2018 – 2019</p> <p>Criteria or specific requirement – Reporting in accordance with 45 CFR Sections 75.341 and 75.342.</p> <p>Condition – The Organization is required to prepare and submit an annual Uniform Data System (UDS) report for each calendar year, an annual Federal Financial Report (FFR) for each grant year and quarterly Federal Cash Transactions Reports (FCTR) for each grant budget period. These reports are to be prepared using accurate financial information.</p> <p>Questioned costs – None</p> <p>Context – One report for each report type listed above was selected for testing with specific data from each report selected for testing. The sampling methodology used is not and is not intended to be statistically valid. Out of a population of 19 inputs tested on the UDS, FFR and FCTR, 2 of those inputs contained errors resulting in program income and unexpended program income being underreported on the annual FFR and 1 of those inputs contained errors resulting in grant drawdowns being underreported on the UDS.</p> <p>Effect – Errors were made on the annual UDS and FFR reports.</p>

Clinica Sierra Vista
Schedule of Findings and Questioned Costs
Year Ended March 31, 2019

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-003 (Continued)	<p>Cause – The Organization miscalculated program income earned during the program year. This error caused the unexpended program income to also be miscalculated. These errors related to the annual FFR. The Organization also miscalculated the total health center program grant drawdowns during the program year. This error related to the annual UDS.</p> <p>Identification as repeat finding – Not a repeat finding.</p> <p>Recommendation – The Organization should revise its policies and procedures over federal reporting to ensure reports are prepared using accurate information.</p> <p>Views of Responsible Officials and Planned Corrective Action – Management agrees with the auditor recommendation and will revise its policies and procedures over federal reporting to ensure reports are prepared using accurate information. The CFO will ensure that staff are properly trained to properly obtain and utilize accurate data and that reports are prepared accurately and reviewed prior to submission.</p> <p>Compliance Date 03/31/2020</p>

Clinica Sierra Vista
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2019

Reference Number	Summary of Finding	Status
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No matters are reportable.



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Corporate Office

1430 Truxtun Avenue, Suite 400, Bakersfield, CA 93301
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Fresno Division

1945 N. Fine, Suite 116, Fresno, CA 93727

To whom it may concern:

Attached is a brief description of the audit findings along with Management's response and corrective actions to be taken.

Corrective Action Plans

Audit Finding Reference Number 2019-001

Criteria or Specific Requirement- The Organization is required to submit annual Medi-Cal Reconciliation Request Forms to the California Department of Health Care Services--(the "Department") for purposes of determining whether it was paid appropriately for certain Medi-Cal visits. These annual reconciliations are to be prepared using accurate financial information following the guidance provided by the Department.

Condition - The Organization determined that annual Medi-Cal Reconciliation Request Forms submitted, to the Department in years prior to 2018 were misstated due to errors in the preparation of the forms.

Effect - The Organization was over reimbursed for certain Medi-Cal visits due to these preparation errors.

Cause - Certain payments received from Medi-Cal managed plans were understated on the annual Medi-Cal Reconciliation Request Forms. During management turnover at the Organization, the matter was identified and the Organization has self-reported the non-compliance.

Recommendation -Management should continue to monitor the preparation of the annual Medi-Cal Reconciliation Request Forms to verify that all required information is reported accurately in accordance with Department regulations.

Views of Responsible Officials and Planned Corrective Action – Management agrees with the recommendation of the auditor and has implemented new workflows and procedures to verify that all required information is reported accurately and in accordance with Department regulations. The CFO will ensure that those preparing the report have the needed accurate information and knowledge to prepare the reports in accordance with Department Regulations.

Compliance Date – 03/31/2020

PROGRAMS INCLUDING:

WIC (30 locations) • BEHAVIOR HEALTH • PERINATAL CARE (CPSP) • CHDP • FAMILY PLANNING • CDP • AFLP • ADOLESCENT SERVICES • MEDICALLY VULNERABLE INFANTS • MOBILE MEDICAL/DENTAL • HIV/AIDS SUPPORT SERVICES • NEIGHBORHOOD PARTNERSHIPS • HEALTH INSURANCE ASSISTANT PROGRAM

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Greenfield Community Health Center / Dental

Kern River Health Center

Kern Valley Medical Center

Lamont Community Health Center / Dental

McFarland Community Health Center

North of the River Community Health Center

Old Town Kern Community Health Center

South Bakersfield Community Health Center

West Delano Dental Center

34th Street Community Health Center

Fresno County

Easton Community Health Center

Elm Community Health Center

Elm Dental Center

Elm Women's & Peds Community Health Center

Garland Community Health Center

Gaston Middle School Health Center

Health Care for the Homeless

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Audit Finding Reference Number 2019-002

Criteria or Specific Requirement – Management is responsible for preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and establishing and maintaining effective internal control over financial reporting.

Condition - The Organization's financial statements required adjustments, including adjustments applicable to prior years, to be in conformity with the accounting principles generally accepted in the

United States of America (GAAP). Areas in which adjustments were proposed, including those which management recorded, include:

- Patient accounts receivable and net patient service revenue
- Estimated amounts due from and to third-party payers
- Grants receivable and grant revenue
- Property and equipment, accumulated depreciation and depreciation expense
- Deferred compensation plan assets and liabilities
- Accounts payable, supplies and construction in progress
- Accrued expenses and employee benefits expense
- Transfers to and from the Foundation
- Beginning net assets without donor restrictions

Effect – Adjusting journal entries, including adjustments applicable to prior years, were proposed during the financial statement audit.

Cause - The Organization did not identify certain necessary adjustments required to present the financial statements in accordance with GAAP.

Recommendation - Management should modify monthly and year-end closing procedures to ensure sufficient controls are in place to assure financial statements are prepared in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action – Management agrees with the recommendation of the auditor and the CFO will ensure that the Organization will modify monthly and year-end closing procedures to ensure sufficient controls are in place to assure financial statements are prepared in accordance with GAAP. Among the actions will be a reassessment of relevant estimates for reasonableness and supportability, along with appropriate supervisory review.

Compliance Date – 03/31/2020

PROGRAMS INCLUDING:

WIC (30 locations) • BEHAVIOR HEALTH • PERINATAL CARE (CPSP) • CHDP • FAMILY PLANNING • CDP • AFLP • ADOLESCENT SERVICES • MEDICALLY VULNERABLE INFANTS • MOBILE MEDICAL/DENTAL • HIV/AIDS SUPPORT SERVICES • NEIGHBORHOOD PARTNERSHIPS • HEALTH INSURANCE ASSISTANT PROGRAM

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Audit Finding Reference Number 2019-003

U.S. Department of Health and Human Services
Health Center Program Cluster
CFDA Numbers 93.224 and 93.527
Program Year 2018-2019

Criteria or specific requirement – Reporting in accordance with 45 C.F.R. Sections 75.341 and 75.342.

Condition – The Organization is required to prepare and submit an annual Uniform Data System (UDS) report for each calendar year, an annual Federal Financial Report (FFR) for each grant year and quarterly Federal Cash Transactions Reports (FCTR) for each grant budget period. These reports are to be prepared using accurate financial information.

Questioned costs - None
Effect – Errors were made in the annual UDS and FFR reports.

Cause – The Organization miscalculated program income earned during the program year. This error caused the unexpended program income to also be miscalculated. These errors related to the annual FFR. The Organization also miscalculated the total health center program grant drawdowns during the program year. This error related to the annual UDS.

Identification as repeat finding – Not a repeat finding.

Recommendation – The Organization should revise its policies and procedures over federal reporting to ensure reports are prepared using accurate information

Views of Responsible Officials and Planned Corrective Action – Management agrees with the auditor recommendation and will revise its policies and procedures over federal reporting to ensure reports are prepared using accurate information. The CFO will ensure that staff are properly trained to properly obtain and utilize accurate data and that reports are prepared accurately and reviewed prior to submission.

Compliance Date 03/31/2020

Kind Regards,
Marko Horvat
Chief Financial Officer

PROGRAMS INCLUDING:
WIC (30 locations) • BEHAVIOR HEALTH • PERINATAL CARE (CPSP) • CHDP • FAMILY PLANNING • CDP •
AFPL • ADOLESCENT SERVICES • MEDICALLY VULNERABLE INFANTS • MOBILE MEDICAL/DENTAL •
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