

**VENICE FAMILY CLINIC**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

# VENICE FAMILY CLINIC

## CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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# VENICE FAMILY CLINIC

## CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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WE ARE AN INDEPENDENT MEMBER OF  
THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK

**AUDIT  
AND  
ASSURANCE**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Venice Family Clinic

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Venice Family Clinic and affiliate (collectively, the Clinic), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated 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 consolidated financial position of the Clinic as of June 30, 2021, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Venice Family Clinic

### **Report on Summarized Comparative Information**

We have previously audited the Clinic's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 13, 2020. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived, except as outlined in Note 16 to these consolidated financial statements.

### **Other Matters - Supplementary Schedules**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities, consolidated Schedule of Expenditures of Federal and Nonfederal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the child development program supplementary information as required by the *CDE Audit Guide* issued by the California Department of Education are presented for purposes of additional analysis and are 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 supplementary schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2021 on our consideration of the Clinic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinic's internal control over financial reporting and compliance.

*Green Hasson & Janks LLP*

December 11, 2021  
Los Angeles, California

# VENICE FAMILY CLINIC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

With Summarized Totals at June 30, 2020

	2021	(Restated) 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 13,567,506	\$ 19,133,164
Short-Term Investments	14,688,009	10,328,575
Net Patient Services Accounts Receivable	3,523,912	2,498,500
Estimated Amounts Due from Third-Party Payors (Net)	1,084,271	-
Government Grants	3,703,086	2,236,506
Grants and Contributions Receivable - Short-Term	8,310,814	4,069,720
Other Receivables	759,029	196,550
Pharmaceutical Inventories	271,857	270,027
Prepaid Expenses and Other Assets	381,709	330,230
<b>TOTAL CURRENT ASSETS</b>	46,290,193	39,063,272
<b>OTHER ASSETS:</b>		
Long-Term Investments (Endowments)	7,283,350	5,667,486
Estimated Amounts Due from Third-Party Payors - Long-Term (Net)	1,689,625	295,368
Grants and Contributions Receivable - Long-Term (Net)	387,376	1,147,402
Beneficial Interest in Charitable Remainder Trusts	62,589	155,352
Property and Equipment (Net)	7,843,278	7,506,109
<b>TOTAL OTHER ASSETS</b>	17,266,218	14,771,717
<b>TOTAL ASSETS</b>	<u>\$ 63,556,411</u>	<u>\$ 53,834,989</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable and Accrued Expenses	\$ 1,557,814	\$ 1,380,422
Estimated Amounts Due to Third-Party Payors (Net)	-	2,874,575
<b>TOTAL CURRENT LIABILITIES</b>	1,557,814	4,254,997
<b>OTHER LIABILITY:</b>		
Deferred Revenue	3,075,828	-
Paycheck Protection Program Loan	6,672,100	6,672,100
<b>TOTAL OTHER LIABILITIES</b>	9,747,928	6,672,100
<b>TOTAL LIABILITIES</b>	11,305,742	10,927,097
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS:</b>		
Without Donor Restrictions	32,370,041	28,507,845
With Donor Restrictions	19,880,628	14,400,047
<b>TOTAL NET ASSETS</b>	52,250,669	42,907,892
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 63,556,411</u>	<u>\$ 53,834,989</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

# VENICE FAMILY CLINIC

## CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

With Summarized Totals for the Year Ended June 30, 2020

	2021			(Restated) 2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE:</b>				
<b>OPERATING REVENUE AND SUPPORT:</b>				
Net Patient Service Revenues	\$ 28,694,912	\$ -	\$ 28,694,912	\$ 28,346,989
Government Support	17,227,792	-	17,227,792	15,713,937
Private and Community Support	4,871,078	12,791,009	17,662,087	14,552,775
Special Events (Net of Direct Donor Benefit of \$288,010)	505,813	-	505,813	2,252,197
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	51,299,595	12,791,009	64,090,604	60,865,898
<b>OTHER REVENUE:</b>				
Investment Return (Net)	1,240,920	1,868,129	3,109,049	261,615
Change in Value of Beneficial Interest in Charitable Remainder Trusts	-	14,455	14,455	3,998
Net Assets Released from Restrictions	8,311,059	(8,311,059)	-	-
<b>TOTAL OTHER REVENUE</b>	9,551,979	(6,428,475)	3,123,504	265,613
<b>TOTAL REVENUE</b>	60,851,574	6,362,534	67,214,108	61,131,511
<b>EXPENSES:</b>				
<b>PROGRAM SERVICES:</b>				
Health Care	37,363,904	-	37,363,904	36,026,943
Children First Program	6,524,430	-	6,524,430	5,703,092
Education and Outreach	2,232,926	-	2,232,926	1,928,842
Common Ground	1,842,196	-	1,842,196	2,207,307
<b>TOTAL PROGRAM SERVICES</b>	47,963,456	-	47,963,456	45,866,184
<b>SUPPORTING SERVICES:</b>				
Management and General	7,048,222	-	7,048,222	8,264,264
Fundraising	2,877,537	-	2,877,537	2,845,533
<b>TOTAL SUPPORTING SERVICES</b>	9,925,759	-	9,925,759	11,109,797
<b>TOTAL EXPENSES</b>	57,889,215	-	57,889,215	56,975,981
<b>IN-KIND CONTRIBUTIONS:</b>				
Revenue	7,302,762	19,260	7,322,022	4,630,400
Net Assets Released from Restrictions	1,376	(1,376)	-	-
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	7,304,138	17,884	7,322,022	4,630,400
<b>IN-KIND EXPENSES:</b>				
Program Services:				
In-Kind Laboratory and X-Ray Services	2,745,438	-	2,745,438	2,573,763
In-Kind Food	1,929,257	-	1,929,257	-
Physician and Other Clinical Volunteers	1,105,800	-	1,105,800	1,439,375
Other In-Kind Supplies and Services	861,230	-	861,230	233,215
In-Kind Insurance	652,700	-	652,700	368,284
Children First Program Volunteer	8,337	-	8,337	15,763
In-Kind Pharmaceutical and Laboratory Supplies	1,376	-	1,376	12,889
<b>TOTAL IN-KIND EXPENSES</b>	7,304,138	-	7,304,138	4,643,289
<b>NET IN-KIND CONTRIBUTIONS (EXPENSES)</b>	-	17,884	17,884	(12,889)
Change in Net Assets Before Net Assets Released for Capital Expenditure	2,962,359	6,380,418	9,342,777	4,142,641
Net Assets Released for Capital Expenditure	899,837	(899,837)	-	-
<b>CHANGE IN NET ASSETS</b>	3,862,196	5,480,581	9,342,777	4,142,641
Net Assets - Beginning of Year, as Restated	28,507,845	14,400,047	42,907,892	38,765,251
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 32,370,041</u>	<u>\$ 19,880,628</u>	<u>\$ 52,250,669</u>	<u>\$ 42,907,892</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

# VENICE FAMILY CLINIC

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2021 With Summarized Totals for the Year Ended June 30, 2020

	2021									2020
	Health Care	Children First Program	Education and Outreach	Common Ground	Total Program	Management and General	Fundraising	Total Supporting Services	Total	Total
Salaries	\$ 20,292,452	\$ 3,525,961	\$ 1,294,949	\$ 857,904	\$ 25,971,266	\$ 3,582,663	\$ 1,643,370	\$ 5,226,033	\$ 31,197,299	\$ 30,800,045
Employee Benefits	8,297,285	1,601,706	587,597	374,687	10,861,275	1,387,325	675,664	2,062,989	12,924,264	13,328,573
<b>TOTAL PERSONNEL COSTS</b>	28,589,737	5,127,667	1,882,546	1,232,591	36,832,541	4,969,988	2,319,034	7,289,022	44,121,563	44,128,618
Building - Maintenance	470,276	107,184	14,999	41,654	634,113	22,693	7,952	30,645	664,758	615,352
Building - Other	336,585	33,060	11,161	26,169	406,975	16,976	4,171	21,147	428,122	406,098
Building - Rent	489,790	256,099	2,137	5,542	753,568	169,039	60,852	229,891	983,459	970,134
Child Care	-	121,589	-	-	121,589	-	-	-	121,589	174,756
Equipment	70,291	13,266	3,237	1,351	88,145	71,053	9,693	80,746	168,891	602,249
Insurance	139,334	37,558	16,900	8,158	201,950	20,320	10,489	30,809	232,759	470,213
Interest	-	-	-	-	-	66,721	-	66,721	66,721	11,306
Laboratory and X-Ray Services	1,885	-	-	11,075	12,960	-	-	-	12,960	17,546
Licenses, Fees and Dues	213,148	6,236	910	55	220,349	61,016	31,826	92,842	313,191	838,455
Medical Supplies and Medical Waste Removal	379,555	34	34,950	23,781	438,320	5,106	-	5,106	443,426	544,505
Miscellaneous	10,496	8,820	8,317	20,727	48,360	35,165	171,244	206,409	254,769	204,325
Office Supplies	82,775	183,293	16,466	5,028	287,562	47,948	7,658	55,606	343,168	188,841
Participant Supplies/Activities/Incentives	2,069,143	117,700	112,396	9,810	2,309,049	2,427	-	2,427	2,311,476	280,211
Pharmaceutical and Pharmacy Supplies	2,009,051	-	-	386,249	2,395,300	-	-	-	2,395,300	2,715,194
Postage, Printing and Subscriptions	31,996	30,767	3,895	-	66,658	16,590	76,890	93,480	160,138	121,299
Professional and Contractual Fees	786,342	259,394	46,226	27,360	1,119,322	637,440	79,463	716,903	1,836,225	1,751,836
Repairs and Maintenance	40,751	14,302	105	-	55,158	57,983	-	57,983	113,141	118,692
Technology Expenses	494,674	27,734	4,310	6,866	533,584	545,258	70,335	615,593	1,149,177	1,065,866
Telephone	466,953	32,473	4,502	483	504,411	86,632	-	86,632	591,043	513,474
Transportation of Patients/Clients	33,577	509	45,120	13,583	92,789	14	7	21	92,810	28,208
Travel, Training and Workshops	61,131	79,624	4,239	1,097	146,091	43,192	18,988	62,180	208,271	321,415
<b>TOTAL BEFORE DEPRECIATION AND AMORTIZATION</b>	36,777,490	6,457,309	2,212,416	1,821,579	47,268,794	6,875,561	2,868,602	9,744,163	57,012,957	56,088,593
Depreciation and Amortization	586,414	67,121	20,510	20,617	694,662	172,661	8,935	181,596	876,258	887,388
<b>TOTAL FUNCTIONAL EXPENSES, EXCLUDING IN-KIND</b>	37,363,904	6,524,430	2,232,926	1,842,196	47,963,456	7,048,222	2,877,537	9,925,759	57,889,215	56,975,981
In-Kind Expenses	6,586,510	406,557	56,496	26,872	7,076,435	193,152	34,551	227,703	7,304,138	4,643,289
<b>TOTAL 2021 FUNCTIONAL EXPENSES</b>	<u>\$ 43,950,414</u>	<u>\$ 6,930,987</u>	<u>\$ 2,289,422</u>	<u>\$ 1,869,068</u>	<u>\$ 55,039,891</u>	<u>\$ 7,241,374</u>	<u>\$ 2,912,088</u>	<u>\$ 10,153,462</u>	<u>\$ 65,193,353</u>	
	66%	11%	4%	3%	84%	11%	5%	16%	100%	
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<u>\$ 40,176,226</u>	<u>\$ 5,952,070</u>	<u>\$ 2,145,547</u>	<u>\$ 2,235,630</u>	<u>\$ 50,509,473</u>	<u>\$ 8,264,264</u>	<u>\$ 2,845,533</u>	<u>\$ 11,109,797</u>		<u>\$ 61,619,270</u>
	65%	10%	3%	4%	82%	13%	5%	18%		100%

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements



# VENICE FAMILY CLINIC

## CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2021 With Summarized Totals for the Year Ended June 30, 2020

	2021	(Restated) 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 9,342,777	\$ 4,142,641
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	876,258	887,388
Realized and Unrealized Gains on Investments (Net)	(2,967,705)	(93,412)
Change in Value of Beneficial Interest in Charitable Remainder Trusts	(14,455)	(3,998)
Contributions to Endowment Funds	(50,000)	(50,000)
Contributions Restricted for Property and Equipment	(7,000,000)	-
Contributions of Investment Securities	(162,777)	-
Changes in Operating Assets and Liabilities:		
Net Patient Services Accounts Receivable	(1,025,412)	755,489
Estimated Amounts Due from/to Third-Party Payors (Net)	(5,353,103)	1,879,094
Government Grants	(1,466,580)	(957,087)
Grants and Contributions Receivable	2,018,932	(1,658,942)
Other Receivables	(562,479)	4,164
Pharmaceutical Inventories	(1,830)	16,877
Prepaid Expenses and Other Assets	(51,479)	(101,389)
Deferred Revenue	3,075,828	-
Accounts Payable and Accrued Expenses	177,392	459,422
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(3,164,633)</b>	<b>5,280,247</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(1,213,427)	(738,576)
Purchase of Investments	(4,157,743)	(5,292,440)
Proceeds from Sale of Investments	1,312,927	2,543,803
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(4,058,243)</b>	<b>(3,487,213)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Paycheck Protection Program Loan	-	6,672,100
Contributions to Endowment Funds	50,000	50,000
Contributions Restricted for Property and Equipment	1,500,000	-
Distribution of Beneficial Interest in Charitable Remainder Trusts	107,218	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,657,218</b>	<b>6,722,100</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,565,658)</b>	<b>8,515,134</b>
Cash and Cash Equivalents - Beginning of Year	19,133,164	10,618,030
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 13,567,506</b>	<b>\$ 19,133,164</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid during the Year for Interest	\$ 66,721	\$ 11,306

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

# **VENICE FAMILY CLINIC**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021

### **NOTE 1 - NATURE OF OPERATIONS**

Venice Family Clinic (VFC) is a private, nonprofit, community-based clinic founded in 1970 to meet the health care needs of the low-income residents of Venice, California and the surrounding community. VFC's mission is to "provide quality primary health care to people in need."

The consolidated financial statements include the accounts of VFC and the Venice Family Clinic Foundation (the Foundation), collectively, the Clinic.

VFC serves as a medical home, providing coordinated and comprehensive primary care, specialty care, and enabling services for low-income, uninsured, and homeless families and individuals. It serves everyone from infants, children, and teens to adults and seniors. VFC offers a variety of services including: medical primary and specialty care, dental, integrative medicine, vision services, pharmacy, substance use services, behavioral health, and food programming. VFC also provides treatment, counseling, and case management services to patients living with HIV through its Common Ground program. VFC provides health care on six days and four evenings per week. VFC's primary service area includes Venice, Santa Monica, Palms, Mar Vista, Inglewood, Culver City and West Los Angeles, all in Los Angeles County.

VFC trains medical residents from multiple programs and disciplines. Approximately 942 people volunteered in fiscal year 2021 (unaudited), including approximately 384 physicians (unaudited). The Clinic estimates that it received 37,455 (unaudited) total volunteer hours, including 1,837 (unaudited) general and administrative volunteer hours; such general and administrative hours are not represented in the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

VFC has an Early Head Start grant (The Children First Program). The Early Head Start grant is contingent upon the availability of federal funds and satisfactory performance under the terms and conditions of the Early Head Start grant in the current budget period. The goals of the program are to strengthen the development of the child and promote the social and economic self-sufficiency of the family.

The Foundation's specific purpose is to support the mission of the VFC, to provide quality primary health care to people in need.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) BASIS OF PRESENTATION**

The consolidated financial statements are presented utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

All significant intercompany transactions between VFC and the Foundation have been eliminated in consolidation.

# VENICE FAMILY CLINIC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) NET ASSETS

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for special projects.
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### (c) CASH AND CASH EQUIVALENTS

For consolidated financial statement purposes, the Clinic considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Highly liquid financial instruments held in the Regents' Short-Term Investment Pool (Regents' STIP) are excluded from cash and cash equivalents.

The carrying value of cash equivalents approximates its fair value at June 30, 2021.

The Clinic maintains its cash and cash equivalents with highly rated financial institutions in bank deposit and money market accounts which, at times, may exceed federally insured limits. The Clinic has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### (d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices, in the consolidated statement of financial position. Investments in the Endowed Investment Pool (EIP) are valued based on an estimate using the net asset value per share of the investments. The current carrying value of investments in the Regents' STIP approximates fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities. Investments received through gifts are recorded at estimated fair value at the date of donation.

## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(d) INVESTMENTS (continued)**

Dividend and interest income is accrued when earned. Dividend and interest income earned from investments in all net asset classifications is allocated based on the individual investment asset as a percentage of total investment assets. Income from investments required to be held in perpetuity is recorded as with donor restrictions, except where the instructions of the donor specify otherwise.

Investments in the EIP comprise funds held for endowments and are classified as long-term investments. Other investments, exclusive of cash equivalents, represent highly liquid funds available to be used in current operations and are classified as short-term investments.

Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statement of financial position.

The Clinic holds significant investments in the form of short-term and long-term investment pools held by the UCLA Foundation. Counterparty risk is the failure of another party to perform in accordance with the contract terms. The Clinic is exposed to risk for the amount of the investments. The Clinic has never sustained a loss on any investment due to nonperformance and does not anticipate any nonperformance by the holders of the securities.

##### **(e) NET PATIENT SERVICES ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

Net patient services accounts receivable reflects the outstanding amount of consideration to which the Clinic expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. In evaluating the collectability of accounts receivable, the Clinic regularly analyzes its past history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in accounts receivable.

For receivables associated with services provided to patients who have third-party coverage, the Clinic analyzes contractually due amounts and provides additional implicit and explicit price concessions, if necessary, based upon historical collection history of deductibles and copayments on accounts for which the third-party payor had not been paid, or for remaining payor balances.

## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) NET PATIENT SERVICES ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**  
(continued)

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 Clinic records a significant implicit price concession 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 sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in accounts receivable.

Other receivables are recorded when billed or accrued and represent claims against third-parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due.

At June 30, 2021, net patient services accounts receivable were deemed to be collectible, and no allowance for doubtful accounts was established.

**(f) GRANTS AND CONTRIBUTIONS RECEIVABLE AND REVENUE RECOGNITION**

The Clinic recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest with a value that can be estimated is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded at fair value, and in the case of pledges, are recorded at the present value of their estimated future cash flows.

# **VENICE FAMILY CLINIC**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **June 30, 2021**

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(f) GRANTS AND CONTRIBUTIONS RECEIVABLE AND REVENUE RECOGNITION** (continued)

A portion of the Clinic's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Clinic has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Clinic received cost-reimbursable grants of \$20,102,527 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred. The Clinic received \$3,075,828 of this amount in advance, and this amount is included in deferred revenues at June 30, 2021 in the accompanying consolidated statement of financial position.

Revenues from other non-cost reimbursement government and private grants are recognized when received absent measurable performance barriers and rights of return according to the provisions of the grants.

The Clinic evaluated the collectability of contributions and grants receivable at June 30, 2021. At June 30, 2021, the Clinic has established an allowance for uncollectible accounts receivable in the amount of \$25,000.

Contributions that impose restrictions that are met in the same fiscal year the contribution is received are reported as increases in net assets without donor restrictions. Expirations of donor restrictions in subsequent years are reported as "Net assets released from donor restrictions" in the consolidated statement of activities. The Clinic has adopted a similar policy for conditional contributions whereby revenue from conditional restricted contributions is reported in the net assets without donor restrictions when the conditions are met in the same period that the contribution is received and there are no further donor-imposed restrictions.

#### **(g) PHARMACEUTICAL INVENTORIES**

Purchased inventories are stated at the lower of cost or market value. Donated inventories are stated at acquisition prices at the date of contribution. Acquisition prices are based on the federal 340B Drug Pricing Program, which provides access to reduced price prescription drugs to eligible Federally Qualified Health Center (FQHC) entities such as the Clinic.

# **VENICE FAMILY CLINIC**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **June 30, 2021**

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(h) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS**

The Clinic has been designated as the beneficiary of assets held in charitable remainder trusts administered by other trustees. The Clinic recognizes contribution revenue with donor restrictions and a receivable which represents the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the lifetime beneficiaries are recognized in the consolidated statement of activities as a change in value of beneficial interest in charitable remainder trusts.

#### **(i) PROPERTY AND EQUIPMENT**

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

Building and Improvements	30 Years
Leasehold Improvements	Shorter of Initial Lease Period or Useful Life of Asset
Furniture and Equipment, Including Software	5 Years

Expenditures for repairs and maintenance are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

#### **(j) LONG-LIVED ASSETS**

The Clinic evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated realizable value. No impairment losses were recognized during the year ended June 30, 2021.

## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **June 30, 2021**

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(k) CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT**

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, and increased limitations on qualified charitable contributions. The CARES Act also appropriates funds for the Small Business Administration Paycheck Protection Program ("PPP"). In addition, specifically for the healthcare entities, the Act authorized \$100 billion to eligible healthcare providers to prevent, prepare for and respond to coronavirus. This funding is intended to support COVID-19 related expenses and lost revenue. To alleviate further strain, the Centers for Medicare and Medicaid Services (CMS) is providing additional relief to healthcare entities, both through expansion of the Medicare Accelerated and Advance Payment Program and through certain provisions of the CARES Act. Healthcare entities may also receive funds from the Federal Emergency Management Agency's (FEMA) Public Assistance program or directly through other state or local grants. The Clinic continues to monitor the terms and conditions of the awards received under the CARES Act to ensure compliance as well as analyzing other provisions of the CARES Act, including all related interpretations, rules, and regulations as they are issued by the appropriate federal agencies.

During the year ended June 30, 2021, the Clinic received awards under the CARES Act totaling \$5,252,607, \$1,802,463 of which was expended during the year ended June 30, 2021 and recognized as government support revenues, and the remaining amount is conditional on incurring qualifying expenditures.

In addition, during the year ended June 30, 2021, as part of the American Rescue Plan Act (ARPA), the Clinic was awarded federal grants for approximately \$7,352,573 for a budget period of April 2021 through March 2023, \$91,306 of which was expended during the year ended June 30, 2021 and recognized in government support revenues, and the remaining amount is conditional on incurring qualifying expenditures.

These awards have specific terms and conditions that must be followed when utilizing the funding. Grant revenue will be recognized, and grant funds drawn down, as the Clinic meets the conditions prescribed by the grant agreements, which require incurring qualifying expenditures over the grant periods.



## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(l) PAYCHECK PROTECTION PROGRAM LOAN**

Management has elected to account for the forgivable loan received under the PPP provisions of the CARES Act as debt instruments and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Clinic has been 'legally released' or (2) the Clinic repays the loan to the lender.

##### **(m) NET PATIENT SERVICE REVENUES**

Patient care service revenue is recognized as the Clinic satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Clinic expects to be entitled in exchange for providing patient care. The Clinic determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third party payors, discounts provided to uninsured patients in accordance with the Clinic's policies and implicit price concessions provided to uninsured patients.

The Clinic determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Clinic determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

##### **(n) ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM**

The American Recovery and Reinvestment Act of 2009 established the Electronic Health Records (EHR) Incentive Program for Medicaid and Medicare providers. The Program provides incentive payments to providers within the eligible health centers that demonstrate meaningful use of certified EHR technology. In April 2018, the Program was renamed to the Promoting Interoperability Program as part of the new phase of EHR measurement with an increased focus on interoperability and improving patient access to health information. Payments under the Program are based upon a statutory formula, as determined by the state, which is approved by CMS, and are contingent on the health center continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **June 30, 2021**

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(n) ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM (continued)**

The Clinic recognizes revenue starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period. During the year ended June 30, 2021, meaningful use incentive revenue totaling \$25,500 is included in net patient service revenues in the consolidated statement of activities.

##### **(o) CHARITY CARE**

The Clinic defines "charity care" as services rendered for which the patient shall not be held liable. The Clinic is committed to providing quality health care for certain members of its community, including the poor and underserved who cannot afford health insurance, copays and deductibles. During the year ended June 30, 2021, the Clinic provided charity care of approximately \$15,255,500 to its patients, which has been calculated as the difference between total health care costs less net patient service revenues.

##### **(p) IN-KIND CONTRIBUTIONS**

In-kind contributions are recorded at their estimated fair value at the time services are pledged or rendered or when goods are received. They include donations of laboratory and diagnostic services provided primarily by hospitals and laboratory service providers, time donated by physicians and other health care volunteers, drugs for clinical activities and donations of goods and services in connection with the operations of the Clinic.

##### **(q) INCOME TAXES**

VFC and the Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC) Topic No. 740, *Uncertainty in Income Taxes*, the Clinic recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2020, the Clinic performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(r) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Clinic's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit, such as the proportionate number of full-time employees or square footage.

##### **(s) CONCENTRATIONS**

The Clinic received approximately 93% of its net patient service revenues from providing services to Medi-Cal patients during the year ended June 30, 2021. Reimbursement for such services is currently based on prospective payment system (PPS) rates with final settlement after submission of annual reconciliation reports to the state.

A portion of the Clinic's annual funding, \$17,227,792 or approximately 27%, of total operating revenues is derived from grant agreements with federal and nonfederal government agencies during the year ended June 30, 2021. The Clinic has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Clinic's ability to finance ongoing operations.

##### **(t) USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

##### **(u) COMPARATIVE TOTALS**

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Clinic's consolidated financial statements for the year ended June 30, 2020 from which the summarized information was derived.

## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (v) RECLASSIFICATIONS

For comparability, certain June 30, 2020 amounts have been reclassified, where appropriate, to conform to the consolidated financial statement presentation used at June 30, 2021.

##### (w) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. The Clinic adopted the ASU and the subsequent amendments during the year ended June 30, 2021.

The Clinic applied ASC 606 using the modified-retrospective method of adoption to all contracts with customers not completed at July 1, 2020. Adoption of ASC 606 resulted in changes in presentation of the consolidated financial statements and related disclosures in the notes to the consolidated financial statements, but did not result in a change of the timing of revenue recognition.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements providing additional information about the amounts recorded in the financial statements. For the Clinic, the ASU will be effective for the year ending June 30, 2023.

# VENICE FAMILY CLINIC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (w) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For the Clinic, the ASU will be effective for the year ending June 30, 2022.

#### (x) SUBSEQUENT EVENTS

The Clinic has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2021 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through December 11, 2021, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred except as noted in Note 18.

### NOTE 3 - INVESTMENTS

The Clinic's investments consisted of the following at June 30, 2021:

Money Market Funds	\$ 3,137,392
Equity Index Funds	4,169,821
Corporate Obligations	2,047,559
Regents' STIP	5,333,237
EIP	<u>7,283,350</u>
<b>TOTAL</b>	<u><u>\$ 21,971,359</u></u>

### NOTE 4 - FAIR VALUE MEASUREMENTS

The Clinic has implemented the accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

# VENICE FAMILY CLINIC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

### NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about the Clinic's assets that are measured at fair value on a recurring basis at June 30, 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2021	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)	Net Asset Value (NAV) Per Share or Its Equivalent
Money Market Funds	\$ 3,137,392	\$ 3,137,392	\$ -	\$ -	\$ -
Equity Index Funds:					
Domestic	2,667,022	2,667,022	-	-	-
Foreign	1,502,799	1,502,799	-	-	-
Corporate Obligations	2,047,559	-	2,047,559	-	-
Regents' STIP	5,333,237	-	-	-	5,333,237
EIP	7,283,350	-	-	-	7,283,350
<b>TOTAL INVESTMENTS</b>	21,971,359	7,307,213	2,047,559	-	12,616,587
Beneficial Interest in Charitable Remainder Trusts	62,589	-	-	62,589	-
<b>TOTAL</b>	\$ 22,033,948	\$ 7,307,213	\$ 2,047,559	\$ 62,589	\$ 12,616,587

The fair values of marketable securities within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair values of corporate obligations were determined by discounting the related cash flows based on current yields of similar instruments with comparable durations.

The current carrying value of investments in the Regents' STIP approximates fair value and is measured using the NAV method. The Regents' STIP allows fund participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a larger pool and investing in a broader range of maturities. The Regents' STIP invests primarily in marketable, publicly traded, investment grade short term fixed income instruments, notes and debentures denominated in U.S. dollars.

# VENICE FAMILY CLINIC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The EIP has a long-term investment horizon and consists principally of equity securities, bonds, mutual funds and alternative investments, which are managed in a unitized investment pool. The alternative instruments include hedge funds, private equity and venture capital. Monthly investment income and realized and unrealized gains and losses are allocated equitably based on the units owned by each participant at the beginning of each month. The fair values of the investments in this category have been estimated using the net asset value (NAV) per share of the investments. At each month end, a fair value unit price is established based on the value of endowed pool assets (end of month) divided by the total number of pool units at the beginning of the month. Investors who wish to purchase units or sell existing units can only do so at month end at the aforementioned fair value price. There are no restrictions on the redemptions of these investments, but the redemption must be approved by the UCLA Foundation board of directors.

The Clinic has a beneficial interest in three trusts and two annuities that have been presented at the net present value using an estimated discount rate and annual yield over the remaining life expectancy of the donors.

The following table summarizes the Clinic's financial assets that are valued using the NAV method.

	Fair Value June 30, 2021	Redemption Frequency	Redemption Notice Period
Regents' STIP	\$ 5,333,237	Monthly	N/A
EIP	7,283,350	Monthly	10 Days

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) consist of the following:

	Beneficial Interest in Charitable Remainder Trusts
Beginning - June 30, 2020	\$ 155,352
Distributions	(107,218)
Change in Value	14,455
<b>TOTAL - JUNE 30, 2021</b>	<b>\$ 62,589</b>

# VENICE FAMILY CLINIC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

### NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The following table represents the Clinic's Level 3 financial instruments, the valuation technique used to measure the fair value of the financial instrument, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value June 30, 2021	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
		Net Present Value of		Discount Rates of 3.3%, 3.8%, 4.5%, and 6.1%
Beneficial Interest in Charitable Remainder Trusts <sup>(a)</sup>	\$ 62,589	Expected Cash Flows	N/A	Donor Life Expectancies

(a) Beneficial interest in charitable remainder trusts held by the Clinic.

### NOTE 5 - GRANTS AND CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as grants and contributions receivable. Promises to give due in one year or more are recorded after discounting to the present value of the future cash flows at rates ranging from 0.05% to 2.00% at June 30, 2021.

Unconditional promises to give are expected to be realized in the following periods:

Amounts Due:	
In Less Than One Year	\$ 8,310,814
In One to Five Years	347,240
In More Than Five Years	<u>100,000</u>
<b>TOTAL GRANTS AND CONTRIBUTIONS RECEIVABLE - GROSS</b>	8,758,054
Less: Present Value Discount	(34,864)
Less: Allowance for Doubtful Accounts	<u>(25,000)</u>
<b>TOTAL CONTRIBUTIONS RECEIVABLE - NET</b>	8,698,190
Less: Current Portion of Contributions Receivable - Net	<u>(8,310,814)</u>
<b>CONTRIBUTIONS RECEIVABLE - NET OF CURRENT PORTION</b>	<u>\$ 387,376</u>



## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 6 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Clinic is the beneficiary of several charitable remainder trusts administered by other trustees. Assets held in charitable remainder trusts totaled \$62,589 at June 30, 2021, representing the portion of the net present value of the charitable remainder trusts for which the Clinic is the designated beneficiary.

#### NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2021:

Land	\$ 1,116,512
Buildings and Improvements	8,768,386
Leasehold Improvements	9,091,315
Furniture and Equipment, Including Software	<u>3,204,155</u>
<b>TOTAL</b>	22,180,368
Less: Accumulated Depreciation and Amortization	<u>(14,337,090)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>\$ 7,843,278</u>

Depreciation and amortization expense for the year ended June 30, 2021 amounted to \$876,258.

#### NOTE 8 - LINE OF CREDIT

The Clinic has a line of credit with a bank with a limit of \$4,000,000. The line of credit bears interest at the prime reference rate less 0.25% per annum with a maturity date of December 1, 2024. The prime rate at June 30, 2021 was 3.25%. A portion of the Clinic's assets serves as collateral on the line of credit. The loan contains certain restrictive covenants with which the Clinic was in compliance at June 30, 2021. As of June 30, 2021, there were no amounts outstanding on the line of credit with \$4,000,000 available for borrowing.

#### NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN

On May 8, 2020, the Clinic received a PPP loan in the amount of \$6,672,100. The PPP loan, administered by the SBA, bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the amount of forgiveness applied for by the borrower is approved by the SBA. If the Clinic does not apply for forgiveness within 10 months after the last day of the covered period (defined, at the Clinic's election, as either 8 weeks or 24 weeks), such payments will be due that month.

## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN (continued)

The Clinic applied for forgiveness of the PPP loan with respect to the eligible expenses incurred during the covered period and is awaiting approval from the SBA. To the extent that all or part of the PPP loan is not forgiven, the Clinic will be required to pay interest on the PPP loan at a rate of 1.0% per annum. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

At June 30, 2021 the total outstanding balance of the PPP loan was \$6,672,100.

#### NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at June 30, 2021:

Undesignated	\$ 30,270,041
Board Designated:	
Special Projects	<u>2,000,000</u>
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u><b>\$ 32,270,041</b></u>

The Board of Directors designated, from net assets without donor restrictions, certain funds for special projects to be spent over the next two years.

#### NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions included the following at June 30, 2021:

Subject to the Passage of Time:	
Beneficial Interest in Charitable	
Remainder Trusts	\$ 62,589
Pledges Receivable Not Available until Due	1,010,000
Subject to Expenditure for Specified Purpose:	
Drugs and Dispensary Supplies	17,884
Capital Improvement Funds	6,112,163
Operating Program Funds	5,394,642
Subject to Endowment Spending	
Policy and Appropriation:	
Donor-Restricted Endowment Corpus	5,122,057
Accumulated Endowment Earnings	<u>2,161,293</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<u><b>\$ 19,880,628</b></u>

## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Operating program funds are restricted either by purpose or time for the Clinic's specific programs and are released from restrictions once the purpose of the donor restriction is satisfied or a stipulated time restriction expires.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2021:

Expiration of Specific Time Period:	
Beneficial Interest in Charitable Remainder Trusts	\$ 107,218
Pledges Receivable Not Available until Due	327,792
Satisfaction of Purpose Restrictions:	
Drugs and Dispensary Supplies	1,376
Capital Improvement Funds	899,837
Operating Program Funds	7,573,784
Appropriation in Accordance With the Endowment Spending Policy	<u>302,265</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<u>\$ 9,212,272</u>

#### NOTE 12 - ENDOWMENTS

The net assets required to be held in perpetuity consist of several donor-restricted perpetual endowment funds with a total amount of \$5,122,057 at June 30, 2021. In accordance with the donors' stipulations and in accordance with the provisions of ASC Topic No. 958, the historic value of \$5,122,057 must be maintained in the funds, while all interest income, dividend income and net appreciation is restricted until it is used for the purpose of the funds.

The balances of the endowment funds required to be held in perpetuity consisted of the following at June 30, 2021:

The Colen Physician Endowment Fund	\$ 862,334
The Milken Physician Endowment Fund	637,329
The Lee Physician Endowment Fund	914,207
The Skirball Physician Endowment Fund	750,000
The Weisman Psychosocial Endowment Fund	745,510
The Karsten Endowment Fund	112,677
The Resnick Endowment Fund	500,000
The Sandy Segal Youth Health Center Endowment	500,000
The Milgrom Endowment Fund	<u>100,000</u>
<b>TOTAL</b>	<u>\$ 5,122,057</u>

## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 12 - ENDOWMENTS (continued)

- The Colen Physician Endowment Fund - established to provide for a permanent family practice physician and receives contributions from various individuals. During the fiscal year of 2007, the Clinic received tribute gifts to continue Irma Colen's legacy; family members established these gifts as additions to the Colen Physician Endowment Fund.
- The Milken Physician Endowment Fund - established to fund salary of a permanent family practice physician.
- The Lee Physician Endowment Fund - established to fund salary of a permanent family practice physician.
- The Skirball Physician Endowment Fund - established to fund salary of the Clinic's medical director.
- The Weisman Psychosocial Endowment Fund - established to provide ongoing support to the mental health programs.
- The Karsten Endowment Fund - established to provide for a domestic violence program.
- The Resnick Endowment Fund - established to provide mental health care services.
- The Sandy Segal Youth Health Center Endowment - established to support The Sandy Segal Youth Health Center.
- The Milgrom Endowment Fund - established to provide an annual recognition to a Venice Family Clinic staff member for providing truly humanistic and compassionate caregiving, and who teaches or serves as a mentor to those pursuing careers in community health.

	<u>With Donor Restrictions</u>
Balance - Beginning of Year	\$ 5,667,486
Investment Return (Net)	1,868,129
Contributions	50,000
Net Assets Released from Restrictions	<u>(302,265)</u>
<b>BALANCE - END OF YEAR</b>	<b><u>\$ 7,283,350</u></b>

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the Clinic to retain as a fund of perpetual duration. In accordance with the provisions of ASC Topic No. 958, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2021, there were no deficiencies in the endowment funds.

Effective in fiscal year 2010, the Clinic adopted the UCLA Foundation's endowment policy. The following is a description of the UCLA Foundation's endowment policy.

## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

#### **NOTE 12 - ENDOWMENTS** (continued)

The purpose of the UCLA Foundation's Endowment is to support the educational mission of the University of California, Los Angeles by providing a reliable source of funds for current and future use. The income/payout from each individual endowment fund is used to support the purpose established by the donor in the gift instrument. However, endowment funds are commingled for investment purposes in the UCLA Foundation's Endowment Pool to maximize returns and minimize investment and administrative costs.

The Endowment seeks to maximize long-term total returns consistent with prudent levels of risk. Investment returns are expected to preserve or enhance the real value of the endowment to provide adequate funds to sufficiently support designated University activities. The Endowment Investment Pool assets have an indefinite time horizon that runs concurrently with the endurance of the University in perpetuity. As such, the investment portfolio assumes a time horizon that may extend beyond a normal market cycle and therefore may assume an appropriate level of risk as measured by the standard deviation of annual returns.

The Endowment's portfolio is expected to generate a total annualized rate of return, net of fees and spending, that is greater than the rate of inflation as measured by the National Consumer Price Index over a rolling five-year period. The UCLA Foundation accomplishes these objectives by engaging a number of professional managers who are assigned specific investment mandates for equities, fixed income and alternative investments.

The UCLA Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California in January 2009. UPMIFA does not set specific expenditure limits; instead, a charity can spend the amount the charity deems prudent after considering the donor's intent that the endowment continues permanently, the purpose of the fund and relevant economic factors. The UCLA Foundation's spending policy governs the rate at which funds are released to fund holders for current spending. The UCLA Foundation's spending policy is based on a target rate set as a percentage of a 36-month rolling average market value. The current rate is 5.0% for the fiscal year 2021.

The Board of Directors of the UCLA Foundation reviews and approves this rate annually. Investment returns earned in excess of the approved spending rate are retained in the endowment principal to protect from the effects of inflation and to allow for growth.

## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021

#### **NOTE 12 - ENDOWMENTS** (continued)

Endowments are managed in a unitized investment pool. Transactions within each individual endowment in the pool are based on the unit market value at the end of the month during which the transaction takes place for withdrawals and additions. It is the goal of the UCLA Foundation that the total return from endowment investments should be adequate to meet the following objectives:

- Preserve investment capital and its purchasing power,
- Generate sufficient resources to meet spending needs (payout),
- Attain reasonable capital appreciation through prudent acceptance of risk to enhance the future purchasing power of the investment capital.

#### **NOTE 13 - NET PATIENT SERVICE REVENUES**

Patient care service revenue is reported at the amount that reflects the consideration to which the Clinic expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Clinic bills the patients and third-party payors several days after the services are performed. Revenue is recognized as the performance obligations are satisfied.

##### **(a) PERFORMANCE OBLIGATIONS**

Performance obligations are determined based on the nature of the services provided by the Clinic. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Clinic believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to medical, dental, visual and behavioral health services provided at the Clinic sites. The Clinic measures the performance obligation from the commencement of a visit, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the visit.

Revenue for performance obligations satisfied at a point in time relates to sales of pharmaceuticals through in-house pharmacies and is generally recognized when pharmaceuticals are provided to our patients and customers in a retail setting, and the Clinic does not believe it is required to provide additional goods or services related to that sale.

## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021

#### **NOTE 13 - PATIENT CARE SERVICE REVENUE (continued)**

##### **(b) TRANSACTION PRICE**

The Clinic determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Clinic's policy, or implicit price concessions provided to uninsured patients. The Clinic determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with uninsured patients.

In relation to the sales of pharmaceuticals, the Clinic participates in the 340B Drug Pricing Program (340B Program) which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Drug Pricing Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur in the near term.

##### **(c) THIRD-PARTY PAYORS**

The Clinic is approved as an FQHC for both Medicare and Medi-Cal reimbursement purposes. Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Medi-Cal.** Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed at a negotiated all-inclusive encounter rate, for each clinic site, for all services provided under the program per occasion of service. The Clinic also participates in the Medi-Cal managed care program, pursuant to the terms of which the Clinic is paid at a negotiated fixed fee on a per-member-per-month basis and is entitled to additional reimbursements through a per claim wrap around rate and a reconciliation of the differences between the total of the capitation, third-party reimbursement and wrap around payments, and its all-inclusive Medi-Cal rate per visit paid by the State. The final reconciliation settlement is determined by the California Department of Health Care Services after submission of annual reconciliation reports and audits thereof by the State Financial Audits Branch. The Clinic's Medi-Cal Managed Care reconciliation reports have been audited and finalized through fiscal year 2017.

## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 13 - PATIENT CARE SERVICE REVENUE (continued)

##### (c) THIRD-PARTY PAYORS (continued)

- **Medicare.** Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's PPS for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Clinic's actual charge or the applicable PPS rate.
- **Other.** Payment agreements with My Health LA (MHLA) program with the County of Los Angeles, as well as with certain commercial insurance carriers, health maintenance and managed care organizations, and preferred provider organizations provide for payment using prospectively determined rates per unit of service, discounts from established charges, as well as capitation payments.

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Clinic's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Clinic. In addition, the contracts the Clinic has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Clinic's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.



## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **June 30, 2021**

#### **NOTE 13 - PATIENT CARE SERVICE REVENUE** (continued)

##### **(c) THIRD-PARTY PAYORS** (continued)

There is no significant financing component related to third-party settlements because it is not a result of the provision of a financing arrangement with a government payor. In addition, the timing of payment is at discretion of the payor and does not involve the patient.

During the year ended June 30, 2021, the audits of several of the Clinic's prior year PPS reconciliations were completed. Adjustments arising from a change in the transaction price are reported as adjustments in the current year's net patient service revenues. The Clinic recorded a decrease of net patient service revenues of \$679,796 from such adjustments during the year ended June 30, 2021. At June 30, 2021, the total net estimated amounts due from third-party payors were \$2,773,896, net of the \$957,375 reserve.

##### **(d) UNINSURED PATIENTS**

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Clinic estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Clinic's mission, care is provided to patients regardless of their ability to pay. Therefore, the Clinic has determined it has provided implicit price concessions to uninsured patients and other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Clinic expects to collect based on its collection history with those patients.

## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 13 - PATIENT CARE SERVICE REVENUE (continued)

##### (e) REVENUE COMPOSITION

The Clinic has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medi-Cal, managed care or other insurance, patients) have different reimbursement and payment methodologies.
- Nature of the patient's services (for example, medical, dental, visual, behavioral health, etc.)
- Method of reimbursement (fee for service or capitation)

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the year ended June 30, 2021:

Performance Obligations Satisfied over Time	\$ 23,051,521
Performance Obligations Satisfied at a Point in Time	<u>5,643,391</u>
<b>TOTAL NET PATIENT SERVICE REVENUE</b>	<b><u>\$ 28,694,912</u></b>

#### NOTE 14 - COMMITMENTS AND CONTINGENCIES

##### (a) INSURANCE

The Clinic maintains malpractice insurance through David Geffen School of Medicine at UCLA on a claims-made basis covering losses of \$5,000,000 per occurrence. Adjustments of estimated to actual expense, if any, after the policy periods, are included in the period such adjustments are determined.

##### (b) OPERATING LEASES

The Clinic has an agreement with the County of Los Angeles for the use of a building located at 2509 Pico Boulevard in Santa Monica for forty years, effective April 2000, rent-free. In exchange for free rent, the Clinic agreed to maintain, repair and obtain appropriate insurance coverage for the building and grant County of Los Angeles employees open access to the building. The Clinic is also required to achieve a minimum number of patient services for each year covered under the agreement. The Clinic did not recognize this in-kind donation due to the service requirement and the amount of leasehold improvements required to make the building habitable.

Additionally, the Clinic leases certain equipment and facilities under various non-cancelable operating leases. These leases expire at various dates through June 2026. Other rental costs were incurred for certain program sites throughout the year on a month-to-month basis.

## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

##### (b) OPERATING LEASES

Future minimum payments under the operating leases are as follows:

Years Ending June 30:	Facilities	Equipment	Total
2022	\$ 1,400,416	\$ 53,342	\$ 1,453,758
2023	1,253,385	5,243	1,258,628
2024	1,187,862	2,729	1,190,591
2025	501,325	-	501,325
2026	472,154	-	472,154
<b>TOTAL</b>	<b>\$ 4,815,142</b>	<b>\$ 61,314</b>	<b>\$ 4,876,456</b>

Facilities and equipment rent expense under operating leases for the year ended June 30, 2021 was \$1,045,805.

##### (c) GOVERNMENT GRANTS AND CONTRACTS

Government reimbursement programs are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings and government funding restrictions, all of which could materially decrease the services covered or the rates paid to the Clinic for its services.

##### (d) LITIGATION

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

## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021

#### **NOTE 15 - RELATED PARTY TRANSACTIONS**

The Clinic is affiliated with the David Geffen School of Medicine at UCLA. Pursuant to an affiliation agreement executed between the two parties, UCLA provides payroll and personnel services, personnel training services and workers' compensation insurance to the Clinic at minimal charge and medical malpractice insurance at no charge. The Clinic contributes to the University of California Retirement Plan (UCRP or the Plan) as part of its affiliation agreement between the Clinic and UCLA.

The Clinic's employees are legally employees of UCLA and work for the Clinic under an affiliation agreement. Accordingly, such employees are eligible to receive benefits under UCRP. The Plan is a defined benefit plan under which benefits are determined by formulas (factors include the member's salary, age and years of UCRP service). The Clinic contributes 15.11% of total payroll in accordance with the provisions of the Plan and the affiliation agreement. For the year ended June 30, 2021, the Clinic contributed \$4,654,589 to the Plan.

The Clinic has no plans to withdraw from the Plan as of June 30, 2021. Were the Clinic ever to withdraw from the Plan in the future, under the affiliation agreement, the Clinic would not be liable for its proportional share of any underfunded liability that might exist. Accordingly, the disclosure provisions related to the Plan do not apply. However, overall the Plan is 94.4% funded on market value basis at June 30, 2021. It is therefore possible that the Plan premiums could increase in the future so as to reduce this underfunded situation.

In addition, UCLA provides in-kind contributions of medical services, licenses and fees, insurance and various administrative support to the Clinic. During the year ended June 30, 2021 the Clinic recognized \$1,351,089 of such contributions.

During the year ended June 30, 2021 UCLA utilized several of the Clinic's staff for its programs and reimbursed the Clinic for the compensation costs related to such staff in the amount of \$565,854, all of which is included in other receivables at June 30, 2021.

# VENICE FAMILY CLINIC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### NOTE 16 - PRIOR PERIOD ADJUSTMENT

The Clinic participates in the 340B Program, which allows qualified healthcare providers to purchase and provide certain outpatient drugs to qualified patients at a discount. The 340B program is administered by the HRSA and is subject to significant regulatory oversight. The billing and reimbursement of prescription medications under the 340B Program follows a complex set of rules and regulations. During the year ended June 30, 2021, the Clinic identified certain excess payments received from payors under its qualified 340B program dating back several years.

Consequently, the Clinic repaid the excess amounts received to California Department of Health Care Services ("DHCS") during the year ended June 30, 2021. Accordingly, the summarized prior year totals presented with the consolidated financial statements have been adjusted retrospectively to reflect the correction of this misstatement. The following table summarizes the effects of the correction on the consolidated financial statements as of and for the year ended June 30, 2020:

<b>Consolidated Statement of Financial Position</b>	Balance as Previously Reported	Adjustment	Balance as Restated
Estimated Amounts			
Due to Third-Party Payors	\$ 716,278	\$ 2,158,297	\$ 2,874,575
Net Assets, Beginning of Year	40,253,249	(1,487,998)	38,765,251
Net Assets, End of Year	45,066,189	(2,158,297)	42,907,892
<b>Consolidated Statement of Activities</b>	Balance as Previously Reported	Adjustment	Balance as Restated
Net Patient Service Revenues	\$ 29,017,288	\$ (670,299)	\$ 28,346,989
Change in Net Assets	4,812,940	(670,299)	4,142,641

## VENICE FAMILY CLINIC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Clinic at June 30, 2021 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Current Financial Assets at June 30, 2021	
Cash and Cash Equivalents	\$ 13,567,506
Short-Term Investments	14,688,009
Net Patient Services	
Accounts Receivable	3,523,912
Estimated Amounts Due from	
Third-Party Payors (Net)	1,084,271
Government Grants	3,703,086
Grants and Contributions Receivable (Net)	8,310,814
Other Receivables	<u>759,029</u>
<b>TOTAL FINANCIAL ASSETS</b>	
<b>AT JUNE 30, 2021</b>	<b>45,636,627</b>
Less Amounts Not Available to Be Used	
within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held with Purpose or Time Restrictions	(4,205,991)
Pledges Restricted by Purpose or Time	(8,310,814)
Board-Imposed Designations:	
Board Designated Reserve Funds	<u>(2,000,000)</u>
<b>FINANCIAL ASSETS AVAILABLE TO</b>	
<b>MEET GENERAL EXPENDITURES</b>	
<b>WITHIN ONE YEAR</b>	<b><u>\$ 31,119,822</u></b>

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

The Clinic has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. The Clinic also has access to a \$4,000,000 line of credit, the entire amount of which was available to the Clinic at June 30, 2021. In addition, the Clinic has Board designated funds of \$2,000,000 reserved for special projects at June 30, 2021 that could be drawn upon for liquidity needs.

## **VENICE FAMILY CLINIC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021

#### **NOTE 18 - SUBSEQUENT EVENTS**

The Boards of Directors of the Clinic and South Bay Family Healthcare (SBFHC), a California nonprofit public benefit corporation and an FHQC, independently and unanimously approved a resolution to merge the two organizations, with the Clinic as the surviving entity. The merger agreement was executed in February 2021 and the formal transfer of assets, liabilities and contracts from SBFHC to the Clinic was finalized on November 1, 2021. Operating under the name of Venice Family Clinic, the new nonprofit community health center will expand the scope and comprehensiveness of its services to the 45,000 patients the two organizations have served and to people without care in their combined service areas stretching from the Santa Monica Mountains through the South Bay. Management determined that the transaction meets the definition of an acquisition, and the Clinic is currently in the process of finalizing the accounting for this transaction.

In addition, subsequent to year-end, in September 2021, the Clinic entered into a purchase agreement for real property for an amount totaling \$4,750,000. The Clinic intends to utilize the funds from its federal Comprehensive Child Development Program to finance half of the purchase price and pay the remainder of the amount due using cash and cash equivalents.

Also, subsequent to year-end, the Clinic entered into an agreement to renovate its Rose Avenue clinic site for an amount estimated to be approximately \$5,400,000. Renovations are expected to be completed within the next fiscal year.

# **VENICE FAMILY CLINIC**

SUPPLEMENTARY INFORMATION -  
CONSOLIDATING SCHEDULES

YEAR ENDED JUNE 30, 2021



# VENICE FAMILY CLINIC

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION June 30, 2021

	Venice Family Clinic	Venice Family Clinic Foundation	Eliminations	Total
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,728,595	\$ 10,838,911	\$ -	\$ 13,567,506
Short-Term Investments	14,522,720	165,289	-	14,688,009
Net Patient Services				
Accounts Receivable	3,523,912	-	-	3,523,912
Estimated Amounts				
Due from Third-Party Payors (Net)	1,084,271	-	-	1,084,271
Government Grants	3,703,086	-	-	3,703,086
Grants and Contributions				
Receivable - Short-Term (Net)	8,299,480	11,334	-	8,310,814
Other Receivables	693,154	65,875	-	759,029
Due from Affiliate	2,190,598	-	(2,190,598)	-
Pharmaceutical Inventories	271,857	-	-	271,857
Prepaid Expenses and Other Assets	380,965	744	-	381,709
<b>TOTAL CURRENT ASSETS</b>	<b>37,398,638</b>	<b>11,082,153</b>	<b>(2,190,598)</b>	<b>46,290,193</b>
<b>OTHER ASSETS:</b>				
Long-Term Investments (Endowments)	7,283,350	-	-	7,283,350
Net Patient Services				
Accounts Receivable - Long-Term	-	-	-	-
Estimated Amounts				
Due from Third-Party Payors - Long-Term (Net)	1,689,625	-	-	1,689,625
Grants and Contributions				
Receivable - Long-Term (Net)	387,376	-	-	387,376
Beneficial Interest in Charitable Remainder Trusts	62,589	-	-	62,589
Property and Equipment (Net)	7,843,278	-	-	7,843,278
<b>TOTAL OTHER ASSETS</b>	<b>17,266,218</b>	<b>-</b>	<b>-</b>	<b>17,266,218</b>
<b>TOTAL ASSETS</b>	<b>\$ 54,664,856</b>	<b>\$ 11,082,153</b>	<b>\$ (2,190,598)</b>	<b>\$ 63,556,411</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$ 1,535,912	\$ 21,902	\$ -	\$ 1,557,814
Due to Affiliate	-	2,190,598	(2,190,598)	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,535,912</b>	<b>2,212,500</b>	<b>(2,190,598)</b>	<b>1,557,814</b>
<b>OTHER LIABILITIES:</b>				
Deferred Revenue	3,075,828	-	-	3,075,828
Paycheck Protection Program Loan	6,672,100	-	-	6,672,100
<b>TOTAL OTHER LIABILITIES</b>	<b>9,747,928</b>	<b>-</b>	<b>-</b>	<b>9,747,928</b>
<b>TOTAL LIABILITIES</b>	<b>11,283,840</b>	<b>2,212,500</b>	<b>(2,190,598)</b>	<b>11,305,742</b>
<b>NET ASSETS:</b>				
Without Donor Restrictions	23,500,388	8,869,653	-	32,370,041
With Donor Restrictions	19,880,628	-	-	19,880,628
<b>TOTAL NET ASSETS</b>	<b>43,381,016</b>	<b>8,869,653</b>	<b>-</b>	<b>52,250,669</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 54,664,856</b>	<b>\$ 11,082,153</b>	<b>\$ (2,190,598)</b>	<b>\$ 63,556,411</b>

See Independent Auditor's Report

# VENICE FAMILY CLINIC

## CONSOLIDATING STATEMENT OF ACTIVITIES Year Ended June 30, 2021

	Venice Family Clinic	Venice Family Clinic Foundation	Eliminations	Total
<b>REVENUE:</b>				
<b>OPERATING REVENUE AND SUPPORT:</b>				
Net Patient Service Revenues	\$ 28,694,912	\$ -	\$ -	\$ 28,694,912
Government Support	17,227,792	-	-	17,227,792
Private and Community Support	12,258,042	5,404,045	-	17,662,087
Grants - Affiliate	2,500,000	-	(2,500,000)	-
Special Events (Net of Direct Donor Benefit of \$288,010)	-	505,813	-	505,813
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	60,680,746	5,909,858	(2,500,000)	64,090,604
<b>OTHER REVENUE:</b>				
Investment Return (Net)	3,101,038	8,011	-	3,109,049
Change in Value in Beneficial Interest in Charitable Remainder Trusts	14,455	-	-	14,455
<b>TOTAL OTHER REVENUE</b>	3,115,493	8,011	-	3,123,504
<b>TOTAL REVENUE</b>	63,796,239	5,917,869	(2,500,000)	67,214,108
<b>EXPENSES:</b>				
<b>PROGRAM SERVICES:</b>				
Health Care	37,363,904	-	-	37,363,904
Children First Program	6,524,430	-	-	6,524,430
Education and Outreach	2,232,926	-	-	2,232,926
Common Ground	1,842,196	-	-	1,842,196
<b>TOTAL PROGRAM SERVICES</b>	47,963,456	-	-	47,963,456
<b>SUPPORTING SERVICES:</b>				
Management and General	7,044,547	3,675	-	7,048,222
Fundraising	2,669,891	207,646	-	2,877,537
Grants Distributed - Affiliate	-	2,500,000	(2,500,000)	-
<b>TOTAL SUPPORTING SERVICES</b>	9,714,438	2,711,321	(2,500,000)	9,925,759
<b>TOTAL EXPENSES</b>	57,677,894	2,711,321	(2,500,000)	57,889,215
<b>IN-KIND CONTRIBUTIONS:</b>				
Revenue	7,322,022	-	-	7,322,022
<b>IN-KIND EXPENSES:</b>				
Program Services:				
In-Kind Laboratory and X-Ray Services	2,745,438	-	-	2,745,438
In-Kind Food	1,929,257	-	-	1,929,257
Physician and Other Clinical Volunteers	1,105,800	-	-	1,105,800
Other In-Kind Supplies and Services	861,230	-	-	861,230
In-Kind Insurance	652,700	-	-	652,700
Children First Program Volunteers	8,337	-	-	8,337
In-Kind Pharmaceutical and Laboratory Supplies	1,376	-	-	1,376
<b>TOTAL IN-KIND EXPENSES</b>	7,304,138	-	-	7,304,138
<b>NET IN-KIND CONTRIBUTIONS</b>	17,884	-	-	17,884
<b>CHANGE IN NET ASSETS</b>	6,136,229	3,206,548	-	9,342,777
Net Assets - Beginning of Year, As Restated	37,244,787	5,663,105	-	42,907,892
<b>NET ASSETS - END OF YEAR</b>	\$ 43,381,016	\$ 8,869,653	\$ -	\$ 52,250,669

See Independent Auditor's Report

# **VENICE FAMILY CLINIC**

SUPPLEMENTARY INFORMATION -  
SINGLE AUDIT

YEAR ENDED JUNE 30, 2021



WE ARE AN INDEPENDENT MEMBER OF  
THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK

**AUDIT  
AND  
ASSURANCE**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Venice Family Clinic

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 Venice Family Clinic and affiliate (collectively, the Clinic), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, 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 11, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

To the Board of Directors  
Venice Family Clinic

**Compliance and Other Matters**

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

**The Clinic's Response to Findings**

The Clinic's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Clinic's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

**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 result of that testing, and not to provide an opinion on the effectiveness of the Clinic'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 Clinic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Green Hasson & Janks LLP*

December 11, 2021  
Los Angeles, California



WE ARE AN INDEPENDENT MEMBER OF  
THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK

**AUDIT  
AND  
ASSURANCE**

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Venice Family Clinic

**Report on Compliance for Each Major Federal Program**

We have audited Venice Family Clinic and affiliate's (collectively the Clinic'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 the Clinic's major federal programs for the year ended June 30, 2021. The Clinic's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Clinic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

To the Board of Directors  
Venice Family Clinic

### **Report on Internal Control over Compliance**

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

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

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

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

*Green Hasson & Janks LLP*

December 11, 2021  
Los Angeles, California

# VENICE FAMILY CLINIC

## CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS Year Ended June 30, 2021

Agency - Program Grant Title	Federal Assistance Listing Number	Contract Number	Grant Period	Contract Amount	Total Expenditures
<b>FEDERAL AWARDS</b>					
<b>MAJOR AWARDS</b>					
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Health Resources and Services Administration					
Health Center Cluster	93.224	H80CS04217	May 1, 2020 - April 30, 2021	\$ 4,421,125	\$ 3,802,932
Health Center Cluster	93.224,	H80CS04217	May 1, 2021 - April 30, 2022	4,403,395	674,579
	93.527				
COVID-19 - Expanding Capacity for Coronavirus Testing (ECT)	93.224	H8ECS37655	May 1, 2020 - April 30, 2021	521,584	514,137
Pass-through Northeast Valley Health Corporation					
Health Care for the Homeless	93.224	H80CS00139	Jan 1, 2020 - Dec 31, 2020	541,960	277,848
Health Care for the Homeless	93.224	H80CS00139	Jan 1, 2021 - Dec 31, 2021	541,960	282,365
COVID-19 - Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	93.224	H8DCS35576	Mar 1, 2020 - Dec 31, 2020	110,734	57,415
COVID-19 - Expanding Capacity for Coronavirus Testing (ECT)	93.224	H8ECS38751	May 1, 2020 - Dec 31, 2020	72,964	72,964
COVID-19 - American Rescue Plan Act Funding for Health Centers	93.224	H8F04836	April 1, 2021 - Mar 31, 2023	852,064	91,306
Total 93.224, 93.527, Health Center Cluster				<u>11,465,786</u>	<u>5,773,546</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Health Resources and Services Administration					
COVID-19 - Provider Relief Fund	93.498		Jan 1, 2020 - June 30, 2021	<u>220,856</u>	<u>220,856</u>
<b>TOTAL MAJOR AWARDS</b>				<u>11,686,642</u>	<u>5,994,402</u>

See Independent Auditor's Report



# VENICE FAMILY CLINIC

## CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS Year Ended June 30, 2021

Agency - Program Grant Title	Federal Assistance Listing Number	Contract Number	Grant Period	Contract Amount	Total Expenditures
<b>NON-MAJOR AWARDS</b>					
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Administration for Children and Families - Early Head Start					
Comprehensive Child Development Program	93.600	09CH010748	Jan 1, 2020 - Dec 31, 2020	\$ 2,790,115	\$ 1,330,813
COVID-19 - Comprehensive Child Development Program	93.600	09CH010748	Jan 1, 2020 - Dec 31, 2020	158,185	5,045
Comprehensive Child Development Program	93.600	09CH010748	Jan 1, 2021 - Dec 31, 2021	2,823,422	1,156,502
Comprehensive Child Development Program	93.600	09CH010939	June 1, 2020 - May 31, 2021	4,426,686	3,124,952
Comprehensive Child Development Program	93.600	09CH010939	June 1, 2021 - May 31, 2022	4,479,687	249,230
COVID-19 - Comprehensive Child Development Program	93.600	09CH010939	June 1, 2020 - May 31, 2021	172,246	29,288
Comprehensive Child Development Program	93.600	09CH010939	June 1, 2020 - May 31, 2021	3,646,753	7,964
Total 93.600, Head Start Cluster				<u>18,497,094</u>	<u>5,903,794</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Health Resources and Services Administration					
Outpatient Early Intervention Service with Respect to HIV Disease	93.918	H76HA00207	May 1, 2020 - April 30, 2021	319,569	264,989
Outpatient Early Intervention Service with Respect to HIV Disease	93.918	H76HA00207	May 1, 2021 - April 30, 2022	319,569	55,683
COVID-19 - Ryan White HIV/AIDS Program Part C EIS COVID Response	93.918	H7CHA37317	April 1, 2020 - Mar 31, 2021	56,500	39,048
Ryan White Title III HIV Capacity Development and Planning Grants	93.918	P06HA39527	Sep 1, 2020 - Aug 31, 2021	149,867	107,689
Total 93.918				<u>845,505</u>	<u>467,409</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Health Resources and Services Administration					
School-Based Health Center Capital	93.501	C12CS32673	Feb 1, 2019 - Jan 31, 2021	80,571	21,961
Total 93.501				<u>80,571</u>	<u>21,961</u>

See Independent Auditor's Report

# VENICE FAMILY CLINIC

## CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS Year Ended June 30, 2021

Agency - Program Grant Title	Federal Assistance Listing Number	Contract Number	Grant Period	Contract Amount	Total Expenditures
<b>FEDERAL AWARDS</b>					
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Pass-through Los Angeles County - Public Health					
Division of HIV and STD Programs					
Mental Health Services for Ryan White Program Clients	93.914	PH-003366	Mar 1, 2020 - Feb 28, 2021	\$ 117,365	\$ 35,585
Mental Health Services for Ryan White Program Clients	93.914	PH-003366	Mar 1, 2021 - Feb 28, 2022	117,365	26,382
Core HIV Medical Care Coordination Services	93.914	PH-003772	Mar 1, 2020 - Feb 28, 2021	246,174	164,188
Core HIV Medical Care Coordination Services	93.914	PH-003772	Mar 1, 2021 - Feb 28, 2022	246,174	90,529
HIV/AIDS Ambulatory/Outpatient Medical Services	93.914	PH-003771	Mar 1, 2020 - Feb 28, 2021	46,519	17,923
HIV/AIDS Ambulatory/Outpatient Medical Services	93.914	PH-003771	Mar 1, 2021 - Feb 28, 2022	46,519	16,598
HIV/AIDS Benefits Specialty Services	93.914	PH002680	April 1, 2020 - Mar 31, 2021	50,823	38,029
HIV/AIDS Benefits Specialty Services	93.914	PH002680	April 1, 2021 - Mar 31, 2022	50,823	12,873
Certified Needle Exchange Program Services	93.914	PH-003634	July 1, 2020 - June 30, 2021	127,500	127,500
Total 93.914				<u>1,049,262</u>	<u>529,607</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Centers for Disease Control and Prevention					
Pass-through Los Angeles County - Public Health					
Division of HIV and STD Programs					
Storefront HIV Counseling and Testing (HCT)	93.940	PH-000411	Jan 1, 2020 - Dec 31, 2020	153,016	90,733
Storefront HIV Counseling and Testing (HCT)	93.940	PH-000411	Jan 1, 2021 - Dec 31, 2021	153,016	64,321
Storefront HIV Counseling and Testing (Pay for Performance)	93.940	PH-000411	Jan 1, 2020 - Dec 31, 2020	65,578	36,136
Storefront HIV Counseling and Testing (Pay for Performance)	93.940	PH-000411	Jan 1, 2021 - Dec 31, 2021	65,578	20,498
Total 93.940				<u>437,188</u>	<u>211,688</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Centers for Disease Control and Prevention					
Pass-through National Alliance of State and Territorial AIDS Directors					
Patient Navigation Program	93.488	20-SA-313301A-637	July 1, 2020 - June 30, 2021	100,000	74,700
Total 93.488				<u>100,000</u>	<u>74,700</u>

See Independent Auditor's Report

# VENICE FAMILY CLINIC

## CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS Year Ended June 30, 2021

Agency - Program Grant Title	Federal Assistance Listing Number	Contract Number	Grant Period	Contract Amount	Total Expenditures
<b>FEDERAL AWARDS</b>					
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Centers for Medicare and Medicaid Services					
Children's Health Insurance Program Reauthorization Act	93.767	1Y1CMS331699	July 1, 2020 - June 30, 2021	\$ 221,882	\$ 221,882
Total 93.767				<u>221,882</u>	<u>221,882</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Substance Abuse and Mental Health Services Administration					
SUD/COD Treatment for Racial/Ethnic Minority Populations at High Risk for HIV/AIDS	93.243	H79TI080688	Sept 30, 2019 - Sept 29, 2020	525,000	153,395
SUD/COD Treatment for Racial/Ethnic Minority Populations at High Risk for HIV/AIDS	93.243	H79TI080688	Sept 30, 2020 - Sept 29, 2021	525,000	425,373
Total 93.243				<u>1,050,000</u>	<u>578,768</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Substance Abuse and Mental Health Services Administration					
Pass-through Single State Agency MATRIX Institute of Addictions	93.788	17-94470	July 1, 2020 - Sept 30, 2020	28,624	28,624
Substance Abuse and Mental Health Services Administration					
Pass-through Single State Agency Advocates for Human Potential, INC (AHP)	93.788	20-10308	Oct 1, 2020 - Sept 30, 2021	701,503	525,476
Total 93.788				<u>730,127</u>	<u>554,100</u>
U.S. DEPARTMENT OF EDUCATION					
Pass-through State of California - Department of Education					
General Child Care and Development Program	93.596	CCTR-0132	July 1, 2020 - June 30, 2021	61,605	31,538
General Child Care and Development Program	93.575	CCTR-0132	July 1, 2020 - June 30, 2021	28,320	14,498
Total 93.596, 93.575, Child Care and Development Fund Cluster				<u>89,925</u>	<u>46,036</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Pass-through City of Los Angeles - Department on Disability					
Syringe Collection / IDU Services	14.218	C-132797	July 1, 2020 - June 30, 2021	75,000	75,000
Total 14.218, CDBG-Entitlement Grants Cluster				<u>75,000</u>	<u>75,000</u>
U.S. DEPARTMENT OF AGRICULTURE					
Pass-through County of L.A. Department of Public Health / CalFresh					
Nutrition Assistance Program	10.561	PH-004426	Oct 1, 2020 - Sept 30, 2021	375,000	224,972
Total 10.561, SNAP Cluster				<u>375,000</u>	<u>224,972</u>
U. S. DEPARTMENT OF TREASURY					
Pass-through Los Angeles County / California Community Foundation					
COVID-19 - Coronavirus Relief Fund	21.019	170364	Mar 1, 2020 - Jan 31, 2021	675,000	675,000
Total 21.019				<u>675,000</u>	<u>675,000</u>

See Independent Auditor's Report

# VENICE FAMILY CLINIC

## CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS Year Ended June 30, 2021

Agency - Program Grant Title	Federal Assistance Listing Number	Contract Number	Grant Period	Contract Amount	Total Expenditures
<b>NON-FEDERAL AWARDS</b>					
STATE OF CALIFORNIA, DEPARTMENT OF HEALTH SERVICES					
Pass-through Los Angeles County - Public Health					
Outreach, Enrollment, Utilization, and Retention Services	N.A.	PH-002515	July 1, 2020 - June 30, 2021	\$ 188,045	\$ 174,381
Total Pass-through Los Angeles County - Public Health				188,045	174,381
Pass-through County of L.A. Department of Mental Health/St. Joseph Center					
Integrated Mobile Health Team	N.A.	MH121157	July 1, 2020 - June 30, 2021	95,295	36,679
Medical Services Integrated Service Model (ANIMO)	N.A.	MH121157	July 1, 2020 - June 30, 2021	30,000	23,068
Total Pass-through County of L.A. Department of Mental Health/St. Joseph Center				125,295	59,747
STATE OF CALIFORNIA, DEPARTMENT OF EDUCATION					
Child Development Services - General Child Care & Development Programs	N.A.	CCTR-0132	July 1, 2020- June 30, 2021	256,525	131,324
Total Child Development Services - General Child Care & Development Programs				256,525	131,324
<b>TOTAL NON-MAJOR AWARDS</b>				24,796,419	9,950,369
<b>TOTAL FEDERAL AND NONFEDERAL AWARDS</b>				\$ 36,483,061	\$ 15,944,771

### Notes to the Consolidated Schedule of Expenditures of Federal and Nonfederal Awards for the Year Ended June 30, 2021.

1. Basis of Presentation - The accompanying consolidated schedule of expenditures of federal and nonfederal awards (Schedule) includes the federal award activity of the Clinic under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Clinic it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Clinic
2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The expenditures of federal awards reported on this schedule may in certain instances exceed the amount of awards earned. In these instances, the Clinic recognizes revenue only to the extent of the awards earned.
3. The Clinic has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
4. The Clinic has not provided any federal awards to subrecipients from the federal expenditures presented in this Schedule.

See Independent Auditor's Report

## VENICE FAMILY CLINIC

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021

#### SECTION I - SUMMARY OF AUDITOR'S RESULTS

##### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Are any material weaknesses identified? ☒ Yes ☐ No
- Are any significant deficiencies identified? ☐ Yes ☒ None reported

Is any noncompliance material to consolidated financial statements noted? ☐ Yes ☒ No

##### Federal Awards

Internal control over major federal programs:

- Are any material weaknesses identified? ☐ Yes ☒ No
- Are any significant deficiencies identified? ☐ Yes ☒ None reported

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

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

## VENICE FAMILY CLINIC

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021

#### SECTION I - SUMMARY OF AUDITOR'S RESULTS (continued)

##### Federal Awards (continued)

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.224, 93.527	U.S. Department of Health and Human Services, Health Resource and Services Administration Health Center Cluster COVID-19 - Expanding Capacity for Coronavirus Testing (ECT)
93.224	U.S. Department of Health and Human Services, Pass-Through Northeast Valley Health Corporation Health Care for the Homeless COVID-19 - Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding COVID-19 - Expanding Capacity for Coronavirus Testing (ECT) COVID-19 - American Rescue Plan Act Funding for Health Centers
93.498	U.S. Department of Health and Human Services COVID-19 - Provider Relief Fund

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

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

## **VENICE FAMILY CLINIC**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021**

#### **SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS**

##### **FINDING 2021-001: PHARMACY BILLING CYCLE PROCESSES AND CONTROLS**

*Criteria:* The Clinic participates in the 340B Drug Pricing Program (340B Program), which allows qualified healthcare providers to purchase and provide certain outpatient drugs to qualified patients at a discount. State of California Welfare and Institutions Code (WIC) section 14105.46 requires such healthcare providers to dispense 340B outpatient drugs to Medi-Cal patients, when available. In addition, WIC section 14105.46(d) provides that a 340B program covered entity, i.e., including an FQHC, "shall bill [Medi-Cal] an amount not to exceed the entity's actual acquisition cost for the drug, as charged by the manufacturer at a price consistent with Section 256b of Title 42 of the United States Code plus the professional fee pursuant to Section 14105.45 or the dispensing fee pursuant to Section 14132.01."

*Condition:* During the year ended June 30, 2021, as a result of an internal analysis conducted during the year at the request of the State of California Department of Health Care Services (DHCS), the Clinic identified certain excess payments received from DHCS associated with its qualified 340B program dating back several years totaling approximately \$2,303,000.

*Cause:* The excess payments resulted from an incorrect pharmacy billing system set-up where an incorrect billing code was assigned to DHCS. In addition, the pharmacy billing system, as currently designed, does not have the ability to produce a report of changes made to billing codes, billing rates, or drug costs. Such changes can be made only by one designated individual within the Clinic and there is no existing process in place for another individual to review them. Furthermore, there is no formalized process to review pharmacy claims billed to ensure compliance with the 340B regulations.

*Effect:* As a result, the Clinic repaid the excess payments and has restated its 2020 consolidated financial statements for the amount related to the years prior to July 1, 2020.

*Recommendation:* We recommend management review and enhance its current processes and controls over the pharmacy revenue cycle to ensure claims are billed accurately. For example, the following controls could be implemented:

- Review of claims billed on a sample basis to ensure compliance with the 340B Program regulations
- Several individuals cross-trained to update billing codes, rates and drug costs in the system for redundancy and backup
- Review of changes made to billing codes on a regular basis
- Regular training provided to staff managing the 340B Program

## **VENICE FAMILY CLINIC**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021**

#### **SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS (continued)**

##### **FINDING 2021-001: PHARMACY BILLING CYCLE PROCESSES AND CONTROLS (continued)**

*Views of Responsible Officials and Planned Corrective Action:* Although management has expressed its concerns about the classification of the control deficiency as a material weakness, we will immediately develop and implement a plan based on the external auditors' suggestions, as well as our own analyses, to reduce the risk of similar 340B adjustments occurring in the future. Some remediating steps were implemented prior to the close of the audit and additional work will include items, which were suggested in the auditors' recommendations.

- 1) We are currently conducting daily reviews of claims by pharmacy staff at each Venice Family Clinic licensed pharmacy to make sure they are coded correctly and drug prices are correct. These daily reviews will continue. Pharmacy staff were also cross trained to update billing codes, rates and drug costs in the system for redundancy and backup. These trainings will continue on an ongoing basis.
- 2) Additional steps taken prior to the recommendations by the auditors include the purchase of scanners for all terminals at all sites to ensure that picking errors are avoided and that the correct National Drug Code (NDC) is chosen.
- 3) To avoid any accidental changes to the system, permissions were changed so that only specific staff have access to critical screens.

The following additional recommendations will be implemented:

- 4) Monthly review by non-pharmacy staff of claims billed on a sample basis to ensure compliance with the 340B Program Regulations.
- 5) An independent review of pharmacy systems by an external 340B auditor.
- 6) Creation of a pharmacy task force, which will be independent of the pharmacy, consisting of designated staff with skills necessary to focus on 340B compliance and billing/revenue cycle review. The pharmacy task force will also review pharmacy processes and work flows.
- 7) Regular training will be provided to staff managing the 340B program, as well as members of the pharmacy task force.

A status report on the remediation plan and action items will be presented at the next Audit Committee meeting in February 2022.



## **VENICE FAMILY CLINIC**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021**

#### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no current year audit findings.

#### **SECTION II – SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

There were no prior year audit findings.

## **VENICE FAMILY CLINIC**

SUPPLEMENTARY INFORMATION -  
CHILD DEVELOPMENT PROGRAM

YEAR ENDED JUNE 30, 2021

## **VENICE FAMILY CLINIC**

### **GENERAL INFORMATION**

June 30, 2021

- |  |  |
|--|--|
| 1. Full Official Name of the Agency  | Venice Family Clinic   |
| 2. Provider Names and Contract Numbers:<br>General Child Care  | CCTR-0132  |
| 3. Type of Agency  | Nonprofit Corporation  |
| 4. Address of Agency Headquarters  | 604 Rose Avenue<br>Los Angeles, California 90291                           |
| 5. Name and Address of Executive Director<br>and Name of Chief Executive Officer,<br>Business Officer, or Accountant |  |
| Chief Executive Officer  | Elizabeth Benson Forer<br>604 Rose Avenue<br>Los Angeles, California 90291 |
| Chief Financial Officer  | Andrea Blackbird   |
| 6. Telephone Number  | (310) 664-7941   |
| 7. Period Covered by Examination   | July 1, 2020 through June 30, 2021   |
| 8. Number of Days of Agency's Operation  | 247  |

# California Department of Social Services

## Audited Attendance and Fiscal Report for Child Development Programs

Fiscal Year Ending **June 30, 2021**

Contract Number **CCTR0132**

Vendor Code **V419**

A U D 9500 v2 Page 1 of 8

Full Name of Contractor **Venice Family Clinic**

### Section 1 - Days of Enrollment Certified Children

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Infants (up to 18 months) Full-time-plus				2.8792	0
Infants (up to 18 months) Full-time	315		315	2.4400	768.6
Infants (up to 18 months) Three-quarters-time				1.8300	0
Infants (up to 18 months) One-half-time				1.3420	0
Toddlers (18 up to 36 months) Full-time-plus				2.1240	0
Toddlers (18 up to 36 months) Full-time	1,443		1,443	1.8000	2,597.4
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time				0.9900	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time	790		790	1.0000	790
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.5500	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.8470	0

See Independent Auditor's Report

Full Name of Contractor Venice Family Clinic

**Section 1 - Days of Enrollment Certified Children (continued)**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6050	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6050	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.0615	0
<b>TOTAL CERTIFIED DAYS OF ENROLLMENT</b>	<b>2,548</b>		<b>2,548</b>	<b>N/A</b>	<b>4,156</b>
<b>DAYS OF OPERATION</b>	<b>247</b>		<b>247</b>	<b>N/A</b>	<b>N/A</b>
<b>DAYS OF ATTENDANCE</b>	<b>2,288</b>		<b>2,288</b>	<b>N/A</b>	<b>N/A</b>

☒ NO NON-CERTIFIED CHILDREN Check this box (omit pages 3-4) and continue to Revenue Section on page 5.

See Independent Auditor's Report

Full Name of Contractor Venice Family Clinic

## Section 3 - Revenue

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs			
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
<b>Restricted Income - Subtotal</b>			
Transfer From Reserve			
Waived Family Fees for Certified Children (July and August)	1,314		1,314
Family Fees Collected for Certified Children (September - June)	5,544		5,544
Waived Family Fees for Certified Children (September - June)			
<b>Family Fees (September - June) - Subtotal</b>	<b>5,544</b>		<b>5,544</b>
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
<b>Total Revenue</b>	<b>5,544</b>		<b>5,544</b>

Comments:

See Independent Auditor's Report

Full Name of Contractor **Venice Family Clinic****Section 4 - Reimbursable Expenses**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)	121,589		121,589
1000 Certificated Salaries			
2000 Classified Salaries	31,090		31,090
3000 Employee Benefits	12,557		12,557
4000 Books and Supplies			
5000 Services and Other Operating Expenses	4,120		4,120
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)	13,548		13,548
Non-Reimbursable (State use only)			
<b>Total Reimbursable Expenses</b>	<b>182,904</b>		<b>182,904</b>
Total Administrative Cost (included in Section 4 above)	25,613		25,613
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate: **8.0%**☐ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

See Independent Auditor's Report

Full Name of Contractor Venice Family Clinic

**Section 5 - Supplemental Revenue**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding			
Other: EHS Development Fund	41,119		41,119
Other:			
<b>Total Supplemental Revenue</b>	<b>41,119</b>		<b>41,119</b>

**Section 6 - Supplemental Expenses**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries			
2000 Classified Salaries	26,472		26,472
3000 Employee Benefits	11,601		11,601
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs	3,046		3,046
Non-Reimbursable Supplemental Expenses			
<b>Total Supplemental Expenses</b>	<b>41,119</b>		<b>41,119</b>

See Independent Auditor's Report



Full Name of Contractor **Venice Family Clinic****Section 7 - Summary**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	2,548		2,548
Days of Operation	247		247
Days of Attendance	2,288		2,288
Restricted Program Income			
Transfer from Reserve			
Family Fees for Certified Children (September - June)	5,544		5,544
Interest Earned on Child Development Apportionment Payments			
Direct Payments to Providers	121,589		121,589
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	182,904		182,904
Total Administrative Cost	25,613		25,613
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment **4,156**Total Non-Certified Adjusted Days of Enrollment **0**

Independent auditor's assurances on agency's compliance with contract funding terms and conditions and program requirements of the California Department of Education, Early Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box):

**YES**

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box):

**YES**

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

See Independent Auditor's Report

# VENICE FAMILY CLINIC

## COMBINING STATEMENT OF ACTIVITIES Year Ended June 30, 2021

	General Center Child Care CTCR-0132	Other Non-CDE Sponsored Programs	Total
<b>REVENUE:</b>			
<b>OPERATING REVENUE AND SUPPORT:</b>			
<b>Government Support:</b>			
Fees and Grants from Governmental Agencies:			
General Child Care	\$ 177,360	\$ -	\$ 177,360
Other	-	17,050,432	17,050,432
<b>TOTAL GOVERNMENT SUPPORT</b>	177,360	17,050,432	17,227,792
<b>Other Operating Revenue and Support:</b>			
Net Patient Service Revenues	-	28,694,912	28,694,912
Private and Community Support	5,544	17,656,543	17,662,087
Special Events (Net of Direct Donor Benefit of \$288,010)	-	505,813	505,813
<b>TOTAL OTHER OPERATING REVENUE AND SUPPORT</b>	5,544	46,857,268	46,862,812
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	182,904	63,907,700	64,090,604
<b>OTHER REVENUE:</b>			
Investment Return (Net)	-	3,109,049	3,109,049
Change in Value of Beneficial Interest in Charitable Remainder Trusts	-	14,455	14,455
In-Kind Revenue	-	7,322,022	7,322,022
<b>TOTAL OTHER REVENUE</b>	-	10,445,526	10,445,526
<b>TOTAL REVENUE</b>	182,904	74,353,226	74,536,130
<b>EXPENSES:</b>			
Salaries	31,090	31,166,209	31,197,299
Employee Benefits	12,557	12,911,707	12,924,264
Building - Maintenance	-	664,758	664,758
Building - Other	-	428,122	428,122
Building - Rent	-	983,459	983,459
Child Care	121,589	-	121,589
Equipment	-	168,891	168,891
In-Kind Expense	-	7,304,138	7,304,138
Insurance	-	232,759	232,759
Interest	-	66,721	66,721
Laboratory and X-Ray Services	-	12,960	12,960
Licenses, Fees and Dues	-	313,191	313,191
Medical Supplies and Medical Waste Removal	-	443,426	443,426
Miscellaneous	-	254,769	254,769
Office Supplies	-	343,168	343,168
Participant Supplies/Activities/Incentives	-	2,311,476	2,311,476
Pharmaceutical and Pharmacy Supplies	-	2,395,300	2,395,300
Postage, Printing and Subscriptions	65	160,073	160,138
Professional and Contractual Fees	1,000	1,835,225	1,836,225
Repairs and Maintenance	-	113,141	113,141
Technology Expenses	3,055	1,146,122	1,149,177
Telephone	-	591,043	591,043
Transportation of Patients/Clients	-	92,810	92,810
Travel, Training and Workshops	-	208,271	208,271
<b>TOTAL BEFORE INDIRECT EXPENSES</b>	169,356	64,147,739	64,317,095
Allocation of Indirect Expenses	13,548	(13,548)	-
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	182,904	64,134,191	64,317,095
Depreciation and Amortization	-	876,258	876,258
<b>TOTAL EXPENSES</b>	182,904	65,010,449	65,193,353
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ -	\$ 9,342,777	\$ 9,342,777

See Independent Auditor's Report

# VENICE FAMILY CLINIC

## SCHEDULE OF CLAIMED EXPENDITURES FOR RENOVATIONS AND REPAIRS Year Ended June 30, 2021

Expenditures	General Center Child Care CCTR-0132
<b>UNIT COST UNDER \$10,000 ITEM:</b>	
<i>Total</i>	\$ -
<b>UNIT COST OVER \$10,000 WITH CDE APPROVAL:</b>	
<i>Total</i>	-
<b>UNIT COST OVER \$10,000 WITHOUT CDE APPROVAL:</b>	
<i>Total</i>	-
<b>TOTAL RENOVATION AND REPAIR EXPENDITURES</b>	<u>\$ -</u>

See Independent Auditor's Report

# VENICE FAMILY CLINIC

## SCHEDULE OF CLAIMED EQUIPMENT EXPENDITURES Year Ended June 30, 2021

Expenditures	General Center Child Care CCTR-0132
<b>UNIT COST UNDER \$7,500 PURCHASE:</b>	
<i>Total</i>	\$ -
<b>UNIT COST OVER \$7,500 WITH CDE APPROVAL:</b>	
<i>Total</i>	-
<b>UNIT COST OVER \$7,500 WITHOUT CDE APPROVAL:</b>	
<i>Total</i>	-
<b>TOTAL EQUIPMENT EXPENDITURES</b>	<u>\$ -</u>

See Independent Auditor's Report

# VENICE FAMILY CLINIC

## SCHEDULE OF CLAIMED ADMINISTRATIVE COSTS Year Ended June 30, 2021

Expenditures	General Center Child Care CCTR-0132
Classified Personnel Salaries	\$ 7,764
Employee Benefits	3,236
Services and Other Operating Expenses	<u>1,065</u>
<b>Total</b>	12,065
Indirect Costs:	
Indirect Services @ 8%	<u>13,548</u>
<b>TOTAL ADMINISTRATIVE COSTS</b>	<u><u>\$ 25,613</u></u>

See Independent Auditor's Report

# VENICE FAMILY CLINIC

## SCHEDULE OF EXPENDITURES BY STATE CATEGORIES Year Ended June 30, 2021

Expenditures		General Center Child Care CTTR-0132
-	Direct Payments to Providers	\$ 121,589
2000	Classified Salaries	31,090
3000	Employee Benefits	12,557
4000	Books, Supplies, and Equipment	-
5000	Services and Other Operating Expenses	4,120
-	Indirect Costs	13,548
<b>TOTAL EXPENDITURES BY STATE CATEGORIES</b>		<b>\$ 182,904</b>

See Independent Auditor's Report

## **VENICE FAMILY CLINIC**

### **CHILD DEVELOPMENT PROGRAM NOTES TO SUPPLEMENTARY INFORMATION June 30, 2021**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedules of revenues and expenditures of California Department of Education awards for the child development program present the amount of revenues and expenditures related to the child development program administered by the Clinic in connection with the grants awarded by the California Department of Education.

The revenue and expenditures included in the accompanying schedules are reported on the accrual basis of accounting.

#### **NOTE 2 - CONSOLIDATED STATEMENT OF CASH FLOWS**

ASC 958-205 (formerly SFAS No. 117) encourages organizations to use the direct method for reporting net cash flows from operating activities, but it also allows them to use the indirect method. The Clinic has elected to report net cash flows from operating activities using the indirect method.

#### **NOTE 3 - INTEREST EXPENSE**

Interest expense is only allowable as a reimbursable cost in certain circumstances when it has been preapproved by the administering state department or relates to the leases, acquisition, or repair or renovation of early learning and care facilities owned or leased by the contractor. No interest expense relating to the line of credit (Note 8 to the consolidated financial statements) or the PPP loan (Note 9 to the consolidated financial statements) was charged to the child development contract for the year ended June 30, 2021.

#### **NOTE 4 - BAD DEBT EXPENSE**

Bad debt expense is unallowable unless it relates to uncollected family fees where documentation of adequate collection attempts exists. No bad debt expense was charged to the child development contract for the year ended June 30, 2021.

# **VENICE FAMILY CLINIC**

## **CHILD DEVELOPMENT PROGRAM SCHEDULE OF FINDINGS AND QUESTIONED COSTS June 30, 2021**

### **CURRENT YEAR AUDIT FINDINGS AND QUESTIONED COSTS**

There were no current year audit findings.

### **SUMMARY OF PRIOR YEAR FINDINGS**

There were no prior year audit findings.