Reports of Independent Auditors and Consolidated Financial Statements with Supplementary Information

OLE Health and Subsidiaries

June 30, 2019 and 2018
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Report of Independent Auditors

To the Board of Directors
OLE Health and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OLE Health and Subsidiaries (the “Organization”), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, cash flows, and functional expenses for the years 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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’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 Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Organization as of June 30, 2019 and 2018, and the related changes in its net assets, its cash flows, and its functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

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

**Other Matter**

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position, and consolidating statements of operations and changes in net assets, as of and for the years ended June 30, 2019 and 2018, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.
Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2019, on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization’s internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
November 20, 2019
Consolidated Financial Statements
# OLE Health and Subsidiaries
## Consolidated Statements of Financial Position
### June 30, 2019 and 2018

## ASSETS

### CURRENT ASSETS
- Cash and cash equivalents: $7,749,682
- Investments: 14,996,305
- Patient accounts receivable, net allowance for bad debts of $788,141 and $933,253 as of June 30, 2019 and 2018, respectively: 1,525,082
- Grants, contributions, and other receivables, net: 2,647,656
- Amounts due from third-party payors: 527,969
- Prepaid expenses and other assets: 615,474
- **Total current assets**: 28,062,168

### OTHER LONG-TERM ASSETS
- Grants, contributions, and other receivables, long-term portion: 280,000
- Note receivable: 14,330,990
- Assets limited as to use: 4,852,811
- **Total other long-term assets**: 17,483,701

### PROPERTY, LAND, AND EQUIPMENT, AT COST
- Land and land improvements: 2,989,983
- Buildings and leasehold improvements: 26,682,481
- Equipment: 4,762,340
- Furniture and fixtures: 1,697,440
- Website: 37,013
- Construction in progress: 6,221
- **Total property, land, and equipment, at cost**: 36,175,478
- Less accumulated depreciation and amortization: 5,971,771
- **Property, land, and equipment, net of accumulated depreciation and amortization**: 30,203,707

### TOTAL ASSETS
- **$77,729,676**

## LIABILITIES AND NET ASSETS

### CURRENT LIABILITIES
- Accounts payable: $3,359,158
- Accrued expenses: 4,198,429
- Current portion of long-term debt, net of debt issuance costs: 109,387
- Deferred revenue: 613,781
- **Total current liabilities**: 8,280,755

### LONG-TERM DEBT, NET OF CURRENT PORTION AND DEBT ISSUANCE COSTS
- **$29,425,454**

### NET ASSETS WITHOUT DONOR RESTRICTIONS
- **$38,715,069**

### NET ASSETS WITH DONOR RESTRICTIONS
- **$1,308,398**

### TOTAL NET ASSETS
- **$40,023,467**

### TOTAL LIABILITIES AND NET ASSETS
- **$77,729,676**

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See accompanying notes.
## OLE Health and Subsidiaries
### Consolidated Statements of Operations and Changes in Net Assets
#### Years Ended June 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES, GAINS, AND OTHER SUPPORT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$16,071,698</td>
<td>$15,438,693</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>(201,876)</td>
<td>(100,000)</td>
</tr>
<tr>
<td>Net patient service revenue less provision for bad debts</td>
<td>15,869,822</td>
<td>15,338,693</td>
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<tr>
<td>Capitation revenue</td>
<td>3,220,642</td>
<td>3,169,246</td>
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<tr>
<td>Grant revenue</td>
<td>4,696,537</td>
<td>4,351,614</td>
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<tr>
<td>Contribution revenue</td>
<td>1,307,965</td>
<td>720,976</td>
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<tr>
<td>Other revenue</td>
<td>5,579,703</td>
<td>5,862,484</td>
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<tr>
<td>Net assets released from restriction used for operations</td>
<td>1,381,551</td>
<td>1,854,807</td>
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<tr>
<td><strong>Total revenues, gains, and other support</strong></td>
<td>32,056,220</td>
<td>31,297,820</td>
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<table>
<thead>
<tr>
<th><strong>EXPENDITURES</strong></th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Program services</td>
<td></td>
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<tr>
<td>Medical</td>
<td>17,302,041</td>
<td>15,936,305</td>
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<tr>
<td>Mental Health</td>
<td>844,821</td>
<td>1,090,080</td>
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<tr>
<td>Dental</td>
<td>3,048,062</td>
<td>2,432,899</td>
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<td>Fundraising</td>
<td>524,823</td>
<td>758,137</td>
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<tr>
<td>General and administrative</td>
<td>7,433,807</td>
<td>8,214,811</td>
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<tr>
<td><strong>Total expenditures</strong></td>
<td>29,153,554</td>
<td>28,432,232</td>
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</table>

<table>
<thead>
<tr>
<th><strong>OPERATING INCOME</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,902,666</td>
<td>2,865,588</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>OTHER INCOME</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment return, net</td>
<td>644,923</td>
<td>424,740</td>
</tr>
<tr>
<td><strong>Total other income</strong></td>
<td>644,923</td>
<td>424,740</td>
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<table>
<thead>
<tr>
<th><strong>EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENDITURES</strong></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,547,589</td>
<td>3,290,328</td>
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</table>

<table>
<thead>
<tr>
<th><strong>NET ASSETS RELEASED FROM RESTRICTION FOR CAPITAL PURPOSES</strong></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,244,870</td>
<td>3,070,500</td>
<td></td>
</tr>
</tbody>
</table>

| **INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS**             | $ 6,792,459 | $ 6,360,828 |

See accompanying notes.
OLE Health and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets (Continued)
Years Ended June 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS WITHOUT DONOR RESTRICTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenues, gains, and other support over expenditures</td>
<td>$3,547,589</td>
<td>$3,290,328</td>
</tr>
<tr>
<td>Net assets released from restriction for capital purposes</td>
<td>3,244,870</td>
<td>3,070,500</td>
</tr>
<tr>
<td>Increase in net assets without donor restrictions</td>
<td>6,792,459</td>
<td>6,360,828</td>
</tr>
<tr>
<td><strong>NET ASSETS WITH DONOR RESTRICTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>600,168</td>
<td>2,284,500</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>(4,626,421)</td>
<td>(4,925,307)</td>
</tr>
<tr>
<td>Decrease in net assets with donor restrictions</td>
<td>(4,026,253)</td>
<td>(2,640,807)</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>2,766,206</td>
<td>3,720,021</td>
</tr>
<tr>
<td><strong>NET ASSETS, beginning of year</strong></td>
<td>37,257,261</td>
<td>33,537,240</td>
</tr>
<tr>
<td><strong>NET ASSETS, end of year</strong></td>
<td>$40,023,467</td>
<td>$37,257,261</td>
</tr>
</tbody>
</table>

See accompanying notes.
OLE Health and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$2,766,206</td>
<td>$3,720,021</td>
</tr>
<tr>
<td>Adjustments to reconcile the change in net assets to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>774,449</td>
<td>738,459</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>(147,615)</td>
<td>(18,515)</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>201,876</td>
<td>100,000</td>
</tr>
<tr>
<td>Amortization of debt issuance costs</td>
<td>98,563</td>
<td>98,563</td>
</tr>
<tr>
<td>Changes in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patient accounts receivable</td>
<td>(276,489)</td>
<td>26,165</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>2,345,776</td>
<td>2,296,517</td>
</tr>
<tr>
<td>Amounts due from third-party payors</td>
<td>4,011</td>
<td>45,679</td>
</tr>
<tr>
<td>Prepaid assets</td>
<td>(82,112)</td>
<td>(153,201)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(672,451)</td>
<td>(451,898)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>592,740</td>
<td>(359,800)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>5,604,954</td>
<td>6,041,990</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement of assets limited as to use</td>
<td>12,078,222</td>
<td>9,600,321</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(6,956,344)</td>
<td>(8,599,875)</td>
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<tr>
<td>Proceeds from sales of investments</td>
<td>1,747,245</td>
<td>7,357,311</td>
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<tr>
<td>Purchase of property, land, and equipment</td>
<td>(11,805,088)</td>
<td>(9,101,059)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(4,935,965)</td>
<td>(743,302)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal payments on long-term debt</td>
<td>(1,830,988)</td>
<td>(995,951)</td>
</tr>
<tr>
<td>Net cash used in by financing activities</td>
<td>(1,830,988)</td>
<td>(995,951)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CHANGE IN CASH AND CASH EQUIVALENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS, beginning of year</td>
<td>8,911,681</td>
<td>4,608,944</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS, end of year</td>
<td>$7,749,682</td>
<td>$8,911,681</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SUPPLEMENTAL CASH FLOWS INFORMATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>$628,973</td>
<td>$601,832</td>
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<tr>
<td>Noncash investing activity during the year for Property, land, and equipment acquired through accounts payable</td>
<td>-</td>
<td>$1,823,988</td>
</tr>
</tbody>
</table>

See accompanying notes.
## OLE Health and Subsidiaries
### Consolidated Statements of Functional Expenses
#### Years Ended June 30, 2019 and 2018

### Medical

<table>
<thead>
<tr>
<th>Year</th>
<th>Program Services</th>
<th>General and Administrative</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Medical</td>
<td>Mental Health</td>
<td>Dental</td>
</tr>
<tr>
<td>2019</td>
<td>$11,448,696</td>
<td>$742,782</td>
<td>$2,528,406</td>
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<tr>
<td></td>
<td>$2,334,289</td>
<td>4,649</td>
<td>263,325</td>
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<tr>
<td></td>
<td>516,161</td>
<td>-</td>
<td>60,037</td>
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<tr>
<td></td>
<td>1,556,830</td>
<td>20,408</td>
<td>92,059</td>
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<td></td>
<td>143,208</td>
<td>68</td>
<td>27,989</td>
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<td></td>
<td>57,720</td>
<td>3,448</td>
<td>12,073</td>
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<tr>
<td></td>
<td>392,952</td>
<td>60,360</td>
<td>42,689</td>
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<tr>
<td></td>
<td>151,930</td>
<td>-</td>
<td>172</td>
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<tr>
<td></td>
<td>700,255</td>
<td>13,106</td>
<td>21,312</td>
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<tr>
<td></td>
<td><strong>$17,302,041</strong></td>
<td><strong>$844,821</strong></td>
<td><strong>$3,048,062</strong></td>
</tr>
</tbody>
</table>

### Program Services

<table>
<thead>
<tr>
<th>Year</th>
<th>Program Services</th>
<th>General and Administrative</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Medical</td>
<td>Mental Health</td>
<td>Dental</td>
</tr>
<tr>
<td></td>
<td>$11,836,686</td>
<td>$838,315</td>
<td>$1,985,220</td>
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<td></td>
<td>1,335,046</td>
<td>28,670</td>
<td>193,135</td>
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<td></td>
<td>499,463</td>
<td>3,320</td>
<td>70,599</td>
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<td></td>
<td>1,382,442</td>
<td>20,158</td>
<td>93,165</td>
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<td>56,599</td>
<td>590</td>
<td>31,689</td>
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<td></td>
<td>50,145</td>
<td>3,159</td>
<td>8,209</td>
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<td></td>
<td>527,844</td>
<td>183,492</td>
<td>26,933</td>
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<tr>
<td></td>
<td>248,080</td>
<td>-</td>
<td>23,929</td>
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<tr>
<td></td>
<td><strong>$15,936,305</strong></td>
<td><strong>$1,090,080</strong></td>
<td><strong>$2,432,899</strong></td>
</tr>
</tbody>
</table>

See accompanying notes.
NOTE 1 – NATURE OF OPERATIONS AND RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Nature of operations – OLE Health (the “Clinic”), is a community health center that works to improve, promote, and maintain the physical and emotional health in the communities it serves. The Clinic primarily earns revenues by providing a broad range of services to patients in the Napa, California and neighboring communities.

OLE Health Foundation (the “Foundation”), is a not-for-profit organization created solely and exclusively to support and benefit the Clinic by engaging in fundraising activities. The Clinic is the sole member of the Foundation.

OLE Health NMTC (the “NMTC”), is a California nonprofit public benefit corporation created for the specific purpose to finance the construction of the South Napa Campus. The Clinic is the sole member of the NMTC.

The Clinic, the Foundation, and the NMTC are collectively referred to as OLE Health and Subsidiaries (the “Organization”). All transactions performed by the Foundation and the NMTC are consolidated with the Clinic. Certain inter-entity transactions have been eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation – The consolidated financial statements include the accounts and transactions of the Organization. All significant intercompany transactions and balances have been eliminated in consolidation.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – The Organization considers all liquid investments, other than certificates of deposits, with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

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

Investments and investment return, net – Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Investment return, net is presented net of external and direct investment expenses, is included in net assets without donor restrictions.
The Organization's investments are classified as trading securities. The trading securities are adjusted to fair value through recognition of unrealized gains and losses in investment return – change in unrealized gains and losses on trading securities, and included in the performance indicator of excess of revenues, gains, and other support over expenditures.

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

**Grants, contributions, and other receivables, net** – Grants, contributions, and other receivables, less allowance for uncollectible amounts, are recognized as revenues in the period received or in the period when the restrictions are met. The allowance is based on the Organization's experiences in the prior years and the Organization’s management’s analysis of specific promises made. At June 30, 2019 and 2018, the allowance for uncollectible amounts was $71,110 and $141,010, respectively.

Gross grants, contributions, and other receivables as of June 30, 2019, are expected to be received as follows: $2,743,313 within one year and $280,000 within two years. Net grants, contributions, and other receivables as of June 30, 2019, before the allowance for uncollectible amount was $2,998,766, which is net of $49,250 in discount for present value. Gross grants, contributions, and other receivables as of June 30, 2018, are expected to be received as follows: $4,756,624 within one year and $900,000 within two to three years. Net grants, contributions, and other receivables as of June 30, 2018, before the allowance for uncollectible amount was $5,414,442, which is net of $242,182 in discount for present value. Discount rate used for present value was 3.50%.

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

Donations of property, land, and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property, land, and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.
The Organization periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

**Note receivable** – In June 2017, the Organization provided a promissory note to Chase NMTC OLE Health Investment Fund, LLC, of $14,330,990 in conjunction with the creation of the NMTC, as part of the Organization’s new market tax credit financing for the QLICI notes (See Note 12).

The note receivable bears a 1% interest rate and will mature on June 1, 2047. Interest is accrued at the end of each month and will be paid quarterly commencing on September 1, 2017, until June 1, 2024. Beginning on June 1, 2024, principal and interest installment of $174,436 will be payable quarterly prior to maturity date. All accrued and unpaid interest and principal will be paid in full on the maturity date.

**Assets limited as to use** – Assets limited as to use include cash and cash equivalents that are restricted by the Organization’s new market tax credit financing for the QLICI notes (Note 12). Assets limited to use are reported at fair value.

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

**Without donor restrictions** – Net assets that are not subject to donor-imposed stipulations. This includes contributions without donor restrictions, income earned on net assets with or without donor restrictions, and amounts for which donor restrictions have expired.

**With donor restrictions** – Net assets subject to donor-imposed stipulations. This includes resources from donors with a specific purpose based on a time restriction, and also represent cash and cash equivalents that are subject to gift instrument restrictions that require the principal to be invested in perpetuity.

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

**Capitation revenue** – The Organization has an agreement with Partnership Health Plan of California (the “Plan”) to provide medical services to subscribing Medi-Cal participants. Under the Plan, the Organization receives monthly capitation payments based on the number of participants, regardless of the services actually performed by the Organization. Capitation payments are recognized as capitation revenue during the period in which the Organization is obligated to provide services to participants.

The Organization also receives interim payments from the Medi-Cal program. These payments are reconciled through a third-party settlement on an annual basis to insure the Organization ultimately receives the established Medi-Cal payment rate for all visits under the Plan.
The Plan distributes cost pool savings to its member organizations based on the annual experience of all the member organizations.

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

**Deferred revenue** – Revenue from grants to provide health care services is deferred and recognized over the periods to which the eligibility requirements are met.

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

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

**In-kind contributions** – The Organization receives in-kind contributions of rent from various donors. It is the policy of the Organization to record the estimated fair value of these in-kind donations as contribution revenue and rent expense. $641,680 and $504,035 was recognized as in-kind revenue and expenses for the years ended June 30, 2019 and 2018, respectively.

**Excess of revenues, gains, and other support over expenditures** – The consolidated statements of operations and changes in net assets include excess of revenues, gains, and other support over expenditures. Changes in net assets without donor restrictions which are excluded from excess of revenues, gains, and other support over expenditures, consistent with industry practice, include unrealized gains and losses on investments other than trading securities and capital grants and contributions (including assets acquired using contributions which by donor restriction are to be used for the purpose of acquiring such assets).

**Debt issuance costs** – The Organization capitalizes certain expenses associated with obtaining new debt. Amortization is calculated using straight-line method over seven years, which is not materially different from using effective interest method over the term of the note payable. Deferred issuance costs are included as a component of long-term debt in the accompanying consolidated statements of financial position. Amortization of deferred issuance costs is included as component of interest expense debt in the accompanying consolidated statements of operations and changes in net assets (See Note 12).

**Income taxes** – The Organization is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt status by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2019 and 2018, the Organization had no unrecognized tax positions or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the consolidated financial statements.
Fair value measurements – The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements and Disclosures*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements. FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values reported in the accompanying consolidated statement of financial positions. The fair values of investments and long-term debt are disclosed in Note 6.

Functional allocation of expenses – The Organization allocated its expenses on a functional basis among its various programs (medical, mental health, dental, and outreach) and supporting services (fundraising and general and administrative). The expenses for providing program services and supporting services activities of the Organization that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among program services and supporting services activities benefited based upon employee time and effort recorded on functions related to the specific activity, or in the case of shared expenses, using an allocation based on personnel costs, space usage, or other relevant bases.

New accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a new standard on revenue recognition, and during 2015 and 2016, the FASB released several ASUs that help to clarify and aid in the implementation of Topic 606, all of which have the same effective date as Topic 606. The new standard contains principles that an entity will need to apply to determine the measurement of revenue and timing of when revenue is recognized. The underlying principle is to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard has a five-step approach that includes identifying the contract or contracts, identifying the performance obligations, determining the transaction price, allocating the transaction price, and recognizing revenue. The standard also significantly expands the quantitative and qualitative disclosure requirements for revenue, which are intended to help users of financial statements understand the nature, amount, timing, and uncertainty of revenue and the related cash flows. The standard is effective for the Organization for the year ending June 30, 2020. The Organization is currently evaluating this new standard and the impact it will have on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”), to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This update will address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The adoption of ASU 2016-01 is effective for the Organization for the year ending June 30, 2020. The Organization is currently evaluating this new standard and the impact it will have on its consolidated financial statements.
In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), and during calendar years of 2017 and 2018, the FASB released several ASUs that help to clarify and aid in the implementation of Topic 842, all of which have the same effective date as Topic 842. The standards require lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to a right-of-use asset representing the lessee’s right to use, or control the use of the given asset assumed under the lease. The standard will be effective for the Organization for the year ending June 30, 2021. Early adoption is permitted. The Organization is currently evaluating this new standard and the impact it will have on its consolidated financial statements.

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

In August 2016, the FASB issued ASU No. 2016-05, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing diversity in practice. The adoption of ASU 2016-15 is effective for the Organization beginning July 1, 2019. The Organization is currently evaluating this new standard and the impact it will have on its consolidated financial statements.

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

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”). ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit-Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the Organization for the year ending June 30, 2020. The Organization is currently evaluating this new standard and the impact it will have on its consolidated financial statements.

NOTE 3 – GRANT REVENUE

The Organization is the recipient of a Health Center Program Clusters (“HCP”) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery for the medically underserved population in the Napa and Solano counties. Terms of the grant generally provide for funding of the Organization’s operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended June 30, 2019 and 2018, the Organization received $3,170,285 and $3,129,926 in HCP grant funds, respectively.
The Organization’s present HCP grant award covers the grant year ended March 31, 2020, and is approved at $3,050,574.

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

NOTE 4 – NET PATIENT SERVICE REVENUE

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

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

Medi-Cal – Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a prospectively determined encounter rate for covered services provided.

Approximately 79% and 86% of net patient service revenue is from participation in the Medicare and Medi-Cal programs for the years ended June 30, 2019 and 2018, respectively. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. Compliance with such laws and regulations are subject to government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and/or Medi-Cal programs.

The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such significant regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and/or Medi-Cal programs.

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges.
NOTE 5 – CONCENTRATION OF CREDIT RISK

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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal</td>
<td>58%</td>
<td>63%</td>
</tr>
<tr>
<td>Medicare</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Other third-party payors</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Self pay</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

NOTE 6 – INVESTMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

Following is a description of the valuation methodology used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

**Investments** – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange-traded mutual funds and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows that are classified within Level 2. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no securities classified within Level 3 of the hierarchy.
The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th>Fair Value Measurements Using</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>$ 14,996,305</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Total</td>
<td>$ 14,996,305</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fair Value Measurements Using</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>$ 9,639,591</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Total</td>
<td>$ 9,639,591</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Investments, stated at fair value, at June 30, 2019 and 2018, include:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 5,657,332</td>
<td>$ 1,199,787</td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>706,488</td>
<td>671,403</td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>6,419,010</td>
<td>5,643,202</td>
</tr>
<tr>
<td>International equity mutual funds</td>
<td>1,179,473</td>
<td>1,077,121</td>
</tr>
<tr>
<td>Diversified mutual funds</td>
<td>1,034,002</td>
<td>1,048,078</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 14,996,305</td>
<td>$ 9,639,591</td>
</tr>
</tbody>
</table>

Total investment return, net is comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment return, net</td>
<td>$ 497,308</td>
<td>$ 406,225</td>
</tr>
<tr>
<td>Realized gains on sales of securities</td>
<td>6,849</td>
<td>6,099</td>
</tr>
<tr>
<td>Unrealized gains on trading securities</td>
<td>140,766</td>
<td>12,416</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 644,923</td>
<td>$ 424,740</td>
</tr>
</tbody>
</table>
NOTE 7 – MEDICAL MALPRACTICE CLAIMS

The U.S. Department of Health and Human Services has deemed the Organization, and its practicing providers covered under the Federal Tort Claims Act (“FTCA”) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. Management is not aware of any pending claims that exceed the limitations provided by this coverage.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

A majority of the net assets with donor restrictions is restricted for (i) general health care services, or (ii) purpose-restricted as they are pledged grants or contributions restricted for capital projects. At June 30, 2019 and 2018, the Organization had $383,398 and $1,164,781 of net assets with donor restrictions for general health care services, respectively. At June 30, 2019 and 2018, the Organization had $925,000 and $4,169,870 of net assets with donor restrictions for purpose-restrictions as they are pledged grants or contributions restricted for capital projects, respectively.

During the years ended June 30, 2019 and 2018, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or passage of time in the amounts of $4,626,421 and $4,925,307, respectively.

NOTE 9 – COMMITMENTS

Future minimum payments on noncancelable operating leases for primary care outpatient offices and other equipment are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$268,389</td>
</tr>
<tr>
<td>2021</td>
<td>196,416</td>
</tr>
<tr>
<td>2022</td>
<td>203,134</td>
</tr>
<tr>
<td>2023</td>
<td>210,158</td>
</tr>
<tr>
<td>2024</td>
<td>209,810</td>
</tr>
<tr>
<td>Thereafter</td>
<td>434,341</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,522,248</strong></td>
</tr>
</tbody>
</table>

Noncancelable rent expense for the years ended June 30, 2019 and 2018, was $1,574,249 and $1,431,775, respectively, and is included in rent expense in the consolidated statements of operations and changes in net assets.

NOTE 10 – RETIREMENT PLAN

Effective July 1, 2015, the Organization has a safe harbor plan covering substantially all employees. The Organization contributes an employer match of 100% for the first 4% of an employee’s eligible compensation. Retirement expense was $543,024 and $538,679 for the years ended June 30, 2019 and 2018, respectively.
NOTE 1 – LINE OF CREDIT

The Organization has a $3,000,000 revolving line of credit from Mechanics Bank with a prime rate of 5.50% at June 30, 2019. The line of credit will mature in November 2019 and it is secured with inventory, chattel paper, accounts, equipment, and general intangibles of the Organization. The Organization has no outstanding borrowings as of June 30, 2019.

NOTE 12 – LONG-TERM DEBT

Note payable – On September 15, 2015, the Clinic obtained a $1,000,000 note payable from CPCA Ventures. Monthly payments of $18,066 for principal and interest at a rate of 3.175% commencing April 1, 2016, are due through maturity date of March 1, 2021. Any unpaid principal and interest will be paid in full upon maturity date. The note is secured with accounts, equipment, and general intangibles of the Clinic. The Clinic has outstanding note payable of $368,440 and $569,833 as of June 30, 2019 and 2018, respectively.

Promissory note – On May 4, 2017, the Clinic and the Foundation obtained a $2,500,000 note payable from Mechanics Bank. Monthly payments of $74,497 for principal and interest at a rate of 4.52% commencing June 7, 2017, are due through maturity date of May 7, 2020. Any unpaid principal and interest will be paid in full upon maturity date. The promissory note had a outstanding balance of $1,629,595 as of June 30, 2018, and it was fully paid as of June 30, 2019.

QLICI notes – On June 1, 2017, the NMTC obtained various notes that totaled $29,651,000 from four lenders through Chase Bank. Interest is at a rate of 1.9457% and the maturity date is June 1, 2024, or June 1, 2047. Any unpaid principal and interest will be paid in full upon maturity date. The notes are secured by all of the assets of the NMTC. The Clinic and the Foundation are the guarantors of the notes. The Organization has outstanding borrowings of $29,651,000 as of June 30, 2019 and 2018.

Minimum annual payments are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30,</th>
<th>Debt Principals</th>
<th>Less: Debt Issuance Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$207,949</td>
<td>$98,562</td>
<td>$109,387</td>
</tr>
<tr>
<td>2021</td>
<td>160,491</td>
<td>98,563</td>
<td>61,928</td>
</tr>
<tr>
<td>2022</td>
<td>-</td>
<td>98,563</td>
<td>(98,563)</td>
</tr>
<tr>
<td>2023</td>
<td>-</td>
<td>98,563</td>
<td>(98,563)</td>
</tr>
<tr>
<td>2024</td>
<td>6,081,792</td>
<td>90,348</td>
<td>5,991,444</td>
</tr>
<tr>
<td>Thereafter</td>
<td>23,569,208</td>
<td>-</td>
<td>23,569,208</td>
</tr>
<tr>
<td></td>
<td>30,019,440</td>
<td>484,599</td>
<td>29,534,841</td>
</tr>
<tr>
<td>Less: current portion</td>
<td>$207,949</td>
<td>98,562</td>
<td>109,387</td>
</tr>
<tr>
<td></td>
<td>$29,811,491</td>
<td>$386,037</td>
<td>$29,425,454</td>
</tr>
</tbody>
</table>
NOTE 13 – CONTINGENCIES

In the ordinary course of business, the Organization may be a party to claims and legal actions. While the outcome cannot be determined at this time, management’s opinion is that the liability, if any, from these actions will not have a material adverse effect on the Organization’s consolidated financial position.

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

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

NOTE 14 – HEALTH CARE REFORM

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

NOTE 15 – LIQUIDITY AND FUNDS AVAILABLE

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 7,749,682</td>
</tr>
<tr>
<td>Investments</td>
<td>14,996,305</td>
</tr>
<tr>
<td>Patient accounts receivable, net of allowance for doubtful accounts</td>
<td>1,525,082</td>
</tr>
<tr>
<td></td>
<td>$ 24,271,069</td>
</tr>
</tbody>
</table>
None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. The Organization has established an operating reserve and reviews its funding level on an ongoing basis to ensure it is adequate. The Organization invests cash in excess of daily requirements in money market funds and mutual funds. The Organization also has available for general expenditures the $3,000,000 revolving line of credit with a bank (see Note 11).

NOTE 16 – SUBSEQUENT EVENTS

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

The Organization has evaluated subsequent events through November 20, 2019, which is the date the consolidated financial statements were available to be issued.
Supplementary Information
OLE Health and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>OLE Health Foundation</th>
<th>OLE Health NMTC</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 5,711,001</td>
<td>$ 1,743,576</td>
<td>295,105</td>
<td>$ -</td>
</tr>
<tr>
<td>Investments</td>
<td>9,895,935</td>
<td>5,100,370</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Patient accounts receivable, net allowance for bad debts of $240,405</td>
<td>1,525,082</td>
<td>-</td>
<td>-</td>
<td>1,525,082</td>
</tr>
<tr>
<td>Grants, contributions, and other receivables</td>
<td>2,098,313</td>
<td>573,890</td>
<td>-</td>
<td>(24,547)</td>
</tr>
<tr>
<td>Amounts due from third-party payors</td>
<td>527,969</td>
<td>-</td>
<td>-</td>
<td>527,969</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>2,505,933</td>
<td>11,676</td>
<td>15,097</td>
<td>(1,917,232)</td>
</tr>
<tr>
<td>Total current assets</td>
<td>22,264,233</td>
<td>7,429,512</td>
<td>310,202</td>
<td>(1,941,779)</td>
</tr>
<tr>
<td>OTHER LONG-TERM ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants, contributions, and other receivables, long-term portion</td>
<td>-</td>
<td>280,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Note receivable</td>
<td>14,330,990</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assets limited as to use</td>
<td>-</td>
<td>-</td>
<td>4,852,811</td>
<td>-</td>
</tr>
<tr>
<td>PROPERTY AND EQUIPMENT, at cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and land improvements</td>
<td>153,641</td>
<td>-</td>
<td>2,836,342</td>
<td>-</td>
</tr>
<tr>
<td>Buildings and leasehold improvements</td>
<td>4,269,517</td>
<td>-</td>
<td>22,412,964</td>
<td>-</td>
</tr>
<tr>
<td>Equipment</td>
<td>2,850,675</td>
<td>-</td>
<td>1,911,665</td>
<td>-</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>659,983</td>
<td>-</td>
<td>1,038,057</td>
<td>-</td>
</tr>
<tr>
<td>Website</td>
<td>37,013</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>6,221</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total property, land, and equipment, at cost</td>
<td>7,976,450</td>
<td>-</td>
<td>28,199,028</td>
<td>-</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>5,893,918</td>
<td>-</td>
<td>77,853</td>
<td>-</td>
</tr>
<tr>
<td>Property, land, and equipment, net of accumulated depreciation and amortization</td>
<td>2,082,532</td>
<td>-</td>
<td>28,121,175</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 38,677,755</td>
<td>$ 7,709,512</td>
<td>$ 33,284,188</td>
<td>(1,941,779)</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

| CURRENT LIABILITIES |                     |                |             |       |
| Accounts payable | $ 515,244 | $ 449,962 | $ 2,664,143 | (270,191) | $ 3,359,158 |
| Accrued expenses | 4,198,429 | - | - | - | 4,198,429 |
| Current portion of long-term debt, net of debt issuance costs | 207,949 | - | (98,562) | - | 109,387 |
| Deferred revenue | 613,781 | - | - | - | 613,781 |
| Total current liabilities | 5,535,403 | 449,962 | 2,565,581 | (270,191) | 8,280,755 |
| LONG-TERM DEBT, NET OF CURRENT PORTION and DEBT ISSUANCE COSTS |                     |                |             |       |
| Total liabilities | 5,695,894 | 449,962 | 31,830,544 | (270,191) | 37,706,209 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS |                     |                |             |       |
| Total net assets | 31,673,463 | 7,259,550 | 1,453,644 | (1,671,588) | 38,715,069 |
| Net assets with donor restrictions | 1,308,398 | - | - | - | 1,308,398 |
| Total net assets | 32,981,861 | 7,259,550 | 1,453,644 | (1,671,588) | 40,023,467 |
| Total liabilities and net assets | $ 38,677,755 | $ 7,709,512 | $ 33,284,188 | (1,941,779) | $ 77,729,676 |
## Consolidating Statement of Financial Position

**June 30, 2018**

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>OLE Health</th>
<th>OLE Health Foundation</th>
<th>OLE Health NMTC</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,037,235</td>
<td>$2,874,446</td>
<td>$ -</td>
<td>$ -</td>
<td>$8,911,681</td>
</tr>
<tr>
<td>Investments</td>
<td>8,020,474</td>
<td>1,619,117</td>
<td>$ -</td>
<td>$ -</td>
<td>9,639,591</td>
</tr>
<tr>
<td>Patient accounts receivable, net allowance for bad debts of $240,405</td>
<td>1,450,469</td>
<td>$ -</td>
<td>$ -</td>
<td>1,450,469</td>
<td></td>
</tr>
<tr>
<td>Grants, contributions, and other receivables</td>
<td>1,722,487</td>
<td>2,888,878</td>
<td>$ -</td>
<td>(237,933)</td>
<td>4,373,432</td>
</tr>
<tr>
<td>Amounts due from third-party payors</td>
<td>531,980</td>
<td>$ -</td>
<td>$ -</td>
<td>531,980</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>2,014,612</td>
<td>14,596</td>
<td>32,432</td>
<td>(1,528,278)</td>
<td>533,362</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>19,777,257</td>
<td>7,397,037</td>
<td>32,432</td>
<td>(1,766,211)</td>
<td>25,440,515</td>
</tr>
<tr>
<td><strong>OTHER LONG-TERM ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants, contributions, and other receivables, long-term portion</td>
<td>$ -</td>
<td>900,000</td>
<td>$ -</td>
<td>900,000</td>
<td></td>
</tr>
<tr>
<td>Note receivable</td>
<td>14,330,990</td>
<td>$ -</td>
<td>$ -</td>
<td>14,330,990</td>
<td></td>
</tr>
<tr>
<td>Assets limited as to use</td>
<td>$ -</td>
<td>16,931,033</td>
<td>$ -</td>
<td>16,931,033</td>
<td></td>
</tr>
<tr>
<td><strong>PROPERTY, LAND, AND EQUIPMENT, at cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and land improvements</td>
<td>153,641</td>
<td>$ -</td>
<td>2,732,427</td>
<td>$ -</td>
<td>2,886,068</td>
</tr>
<tr>
<td>Buildings and leasehold improvements</td>
<td>4,269,517</td>
<td>$ -</td>
<td>$ -</td>
<td>4,269,517</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>2,712,212</td>
<td>$ -</td>
<td>$ -</td>
<td>2,712,212</td>
<td></td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>659,383</td>
<td>$ -</td>
<td>$ -</td>
<td>659,383</td>
<td></td>
</tr>
<tr>
<td>Website</td>
<td>37,013</td>
<td>$ -</td>
<td>$ -</td>
<td>37,013</td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>135,204</td>
<td>$ -</td>
<td>13,806,197</td>
<td>$ -</td>
<td>13,941,401</td>
</tr>
<tr>
<td><strong>Total property, land, and equipment, at cost</strong></td>
<td>7,966,970</td>
<td>$ -</td>
<td>16,403,420</td>
<td>$ -</td>
<td>24,370,390</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>5,197,322</td>
<td>$ -</td>
<td>$ -</td>
<td>5,197,322</td>
<td></td>
</tr>
<tr>
<td>Property, land and equipment, net of accumulated depreciation and amortization</td>
<td>2,769,648</td>
<td>$ -</td>
<td>16,403,420</td>
<td>$ -</td>
<td>19,173,068</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$36,877,895</td>
<td>$8,297,037</td>
<td>$33,366,885</td>
<td>($1,766,211)</td>
<td>$76,775,606</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>OLE Health</th>
<th>OLE Health Foundation</th>
<th>OLE Health NMTC</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$232,244</td>
<td>$237,933</td>
<td>$1,823,988</td>
<td>($237,933)</td>
<td>$2,056,232</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>5,198,517</td>
<td>$975,289</td>
<td>$ -</td>
<td>6,173,806</td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>201,392</td>
<td>836,627</td>
<td>(98,563)</td>
<td>$ -</td>
<td>939,456</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>21,041</td>
<td>$ -</td>
<td>$ -</td>
<td>21,041</td>
<td></td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>5,653,194</td>
<td>1,074,560</td>
<td>2,700,714</td>
<td>(237,933)</td>
<td>9,190,535</td>
</tr>
<tr>
<td><strong>LONG-TERM DEBT, NET OF CURRENT PORTION</strong></td>
<td>368,441</td>
<td>792,968</td>
<td>29,166,401</td>
<td>$ -</td>
<td>30,327,810</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>6,021,635</td>
<td>1,867,528</td>
<td>31,867,115</td>
<td>(237,933)</td>
<td>39,518,345</td>
</tr>
<tr>
<td><strong>NET ASSETS WITHOUT DONOR RESTRICTIONS</strong></td>
<td>26,021,609</td>
<td>5,929,509</td>
<td>1,499,770</td>
<td>(1,528,278)</td>
<td>31,922,610</td>
</tr>
<tr>
<td><strong>NET ASSETS WITH DONOR RESTRICTIONS</strong></td>
<td>4,834,651</td>
<td>500,000</td>
<td>$ -</td>
<td>5,334,651</td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td>30,856,260</td>
<td>6,429,509</td>
<td>1,499,770</td>
<td>(1,528,278)</td>
<td>37,257,261</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$36,877,895</td>
<td>$8,297,037</td>
<td>$33,366,885</td>
<td>($1,766,211)</td>
<td>$76,775,606</td>
</tr>
</tbody>
</table>
OLE Health and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets
Year Ended June 30, 2019

<table>
<thead>
<tr>
<th>OLE Health Foundation</th>
<th>OLE Health NMTC</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES, GAINS, AND OTHER SUPPORT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$ 16,071,698</td>
<td>-</td>
<td>$ -</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>(201,876)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net patient service revenue less provision for bad debts</td>
<td>15,869,822</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capitation revenue</td>
<td>3,220,642</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>4,696,537</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contribution revenue</td>
<td>128,261</td>
<td>1,508,671</td>
<td>130,244</td>
</tr>
<tr>
<td>Other revenue</td>
<td>5,515,936</td>
<td>-</td>
<td>149,485</td>
</tr>
<tr>
<td>Net assets released from restriction used for operations</td>
<td>881,551</td>
<td>500,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues, gains, and other support</strong></td>
<td>30,312,749</td>
<td>2,008,671</td>
<td>279,729</td>
</tr>
</tbody>
</table>

| **EXPENDITURES** | | | |
| Program services | | | |
| Medical | 17,302,041 | - | - | - | 17,302,041 |
| Mental Health | 844,821 | - | - | - | 844,821 |
| Dental | 3,048,062 | - | - | - | 3,048,062 |
| Fundraising | 295,617 | 688,416 | - | (459,210) | 524,823 |
| General and administrative | 6,970,181 | 80,180 | 469,165 | (85,719) | 7,433,807 |
| **Total expenditures** | 28,460,722 | 768,596 | 469,165 | (544,929) | 29,153,554 |

| **OPERATING INCOME** | | | |
| | 1,852,027 | 1,240,075 | (189,436) | - | 2,902,666 |

| **OTHER INCOME** | | | |
| Investment return, net | 554,957 | 89,966 | - | - | 644,923 |
| **Total other income** | 554,957 | 89,966 | - | - | 644,923 |

| **EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENDITURES** | | | |
| | 2,406,984 | 1,330,041 | (189,436) | - | 3,547,589 |

| **CAPITAL GRANTS AND CONTRIBUTIONS** | | | |
| | - | - | - | - | - |

| **NET ASSETS RELEASED FROM RESTRICTION FOR CAPITAL PURPOSES** | | | |
| | 3,244,870 | - | - | - | 3,244,870 |

| **INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS** | | | |
| | $ 5,651,854 | $ 1,330,041 | (189,436) | - | $ 6,792,459 |
### Consolidating Statement of Operations and Changes in Net Assets
#### Year Ended June 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>OLE Health</th>
<th>OLE Health Foundation</th>
<th>OLE Health NMTC</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS WITHOUT DONOR RESTRICTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenues, gains, and other support over expenditures</td>
<td>$2,406,984</td>
<td>$1,330,041</td>
<td>$(189,436)</td>
<td>$-</td>
<td>$3,547,589</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>-</td>
<td>143,310</td>
<td>$(143,310)</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restriction for capital purposes</td>
<td>3,244,870</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,244,870</td>
</tr>
<tr>
<td>Increase (decrease) in net assets without donor restrictions</td>
<td>5,651,854</td>
<td>1,330,041</td>
<td>(46,126)</td>
<td>(143,310)</td>
<td>6,792,459</td>
</tr>
<tr>
<td><strong>NET ASSETS WITH DONOR RESTRICTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>600,168</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>600,168</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>(4,126,421)</td>
<td>(500,000)</td>
<td>-</td>
<td>-</td>
<td>(4,626,421)</td>
</tr>
<tr>
<td>Decrease in net assets with donor restrictions</td>
<td>(3,526,253)</td>
<td>(500,000)</td>
<td>-</td>
<td>-</td>
<td>(4,026,253)</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>2,125,601</td>
<td>830,041</td>
<td>(46,126)</td>
<td>(143,310)</td>
<td>2,766,206</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>30,856,260</td>
<td>6,429,509</td>
<td>1,499,770</td>
<td>(1,528,278)</td>
<td>37,257,261</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$32,981,861</td>
<td>$7,259,550</td>
<td>$1,453,644</td>
<td>$(1,671,588)</td>
<td>$40,023,467</td>
</tr>
</tbody>
</table>
## OLE Health and Subsidiaries
### Consolidating Statement of Operations and Changes in Net Assets
#### Year Ended June 30, 2018

<table>
<thead>
<tr>
<th></th>
<th>OLE Health</th>
<th>OLE Health Foundation</th>
<th>OLE Health NMTC</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES, GAINS, AND OTHER SUPPORT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$15,438,693</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$15,438,693</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>(100,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(100,000)</td>
</tr>
<tr>
<td>Net patient service revenue less provision for bad debts</td>
<td>15,338,693</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,338,693</td>
</tr>
<tr>
<td>Capitation revenue</td>
<td>3,169,246</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,169,246</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>4,351,614</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,351,614</td>
</tr>
<tr>
<td>Contribution revenue</td>
<td>550,429</td>
<td>891,672</td>
<td>-</td>
<td>(721,125)</td>
<td>720,976</td>
</tr>
<tr>
<td>Other revenue</td>
<td>5,730,749</td>
<td>-</td>
<td>131,735</td>
<td>-</td>
<td>5,862,484</td>
</tr>
<tr>
<td>Net assets released from restriction used for operations</td>
<td>1,854,807</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,854,807</td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>30,995,538</td>
<td>891,672</td>
<td>131,735</td>
<td>(721,125)</td>
<td>31,297,820</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical</td>
<td>15,936,305</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,936,305</td>
</tr>
<tr>
<td>Mental Health</td>
<td>1,090,080</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,090,080</td>
</tr>
<tr>
<td>Dental</td>
<td>2,432,899</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,432,899</td>
</tr>
<tr>
<td>Fundraising</td>
<td>597,037</td>
<td>842,674</td>
<td>-</td>
<td>(681,574)</td>
<td>758,137</td>
</tr>
<tr>
<td>General and administrative</td>
<td>7,934,752</td>
<td>178,450</td>
<td>101,609</td>
<td>-</td>
<td>8,214,811</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>27,991,073</td>
<td>1,021,124</td>
<td>101,609</td>
<td>(681,574)</td>
<td>28,432,232</td>
</tr>
<tr>
<td><strong>OPERATING INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return, net</td>
<td>407,478</td>
<td>17,262</td>
<td>-</td>
<td>-</td>
<td>424,740</td>
</tr>
<tr>
<td>Total other income</td>
<td>407,478</td>
<td>17,262</td>
<td>-</td>
<td>-</td>
<td>424,740</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENDITURES</strong></td>
<td>3,411,943</td>
<td>(112,190)</td>
<td>30,126</td>
<td>(39,551)</td>
<td>3,290,328</td>
</tr>
<tr>
<td><strong>CAPITAL GRANTS AND CONTRIBUTIONS</strong></td>
<td>3,070,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,070,500</td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</strong></td>
<td>$6,482,443</td>
<td>$(112,190)</td>
<td>$30,126</td>
<td>$(39,551)</td>
<td>$6,360,828</td>
</tr>
</tbody>
</table>
OLE Health and Subsidiaries  
Consolidating Statement of Operations and Changes in Net Assets  
Year Ended June 30, 2018

<table>
<thead>
<tr>
<th></th>
<th>OLE Health</th>
<th>OLE Health Foundation</th>
<th>OLE Health NMTC</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS WITHOUT DONOR RESTRICTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenues, gains, and other support over expenditures</td>
<td>$ 3,411,943</td>
<td>(112,190)</td>
<td>30,126</td>
<td>(39,551)</td>
<td>$ 3,290,328</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets released from restriction for capital purposes</td>
<td>3,070,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,070,500</td>
</tr>
<tr>
<td>Increase (decrease) in net assets without donor restrictions</td>
<td>6,482,443</td>
<td>(112,190)</td>
<td>30,126</td>
<td>(39,551)</td>
<td>6,360,828</td>
</tr>
</tbody>
</table>

| **NET ASSETS WITH DONOR RESTRICTIONS** |            |                       |                 |              |          |
| Contributions                         | 1,784,500  | 500,000               | -               | -            | 2,284,500 |
| Net assets released from restriction   | (4,925,307)| -                     | -               | -            | (4,925,307) |
| Increase (decrease) in net assets with donor restrictions | (3,140,807)| 500,000               | -               | -            | (2,640,807) |

**CHANGE IN NET ASSETS**

|                                      |            |                       |                 |              |          |
| Contributions                         | 3,341,636  | 387,810               | 30,126          | (39,551)     | 3,720,021 |
| Net assets, beginning of year         | 27,514,624 | 6,041,699             | 1,469,644       | (1,488,727)  | 33,537,240 |
| Net assets, end of year               | $ 30,856,260| $ 6,429,509           | $ 1,499,770     | $ (1,528,278)| $ 37,257,261 |
## Schedule of Expenditures of Federal Awards

**Year Ended June 30, 2019**

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</th>
<th>CFDA Number</th>
<th>Award Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Health and Human Services - Health Resources and Services Administration</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)</td>
<td>93.224</td>
<td>6H80CS04219</td>
<td>$815,313</td>
</tr>
<tr>
<td>Grants for New and Expanded Services under the Health Center Program</td>
<td>93.527</td>
<td>6H80CS04219</td>
<td>$2,354,972</td>
</tr>
<tr>
<td><strong>Total Health Center Program Cluster and U.S. Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td>$3,170,285</td>
</tr>
<tr>
<td><strong>Total Expenditures of Federal Awards</strong></td>
<td></td>
<td></td>
<td>$3,170,285</td>
</tr>
</tbody>
</table>

See accompanying notes to schedule of expenditures of federal awards.
NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – SUBRECIPIENTS

The Organization did not provide any federal awards to subrecipients during the year ended June 30, 2019.
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
OLE Health and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of OLE Health and Subsidiaries (the “Organization”), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of operations and changes in net assets, cash flows, and functional expenses, for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 20, 2019.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

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

Purpose of this Report

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

San Francisco, California
November 20, 2019
Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
OLE Health and Subsidiaries

Report on Compliance for the Major Federal Program

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

Management’s Responsibility

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

Auditor’s Responsibility

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Moss Adams LLP

San Francisco, California
November 20, 2019
OLE Health and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

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

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

Identification of the Major Federal Program and Type of Auditor’s Report Issued on Compliance for the Major Federal Program

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
<th>Type of Auditor’s Report Issued on Compliance for the Major Federal Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.224 &amp; 93.527</td>
<td>Health Center Program Cluster</td>
<td>Unmodified</td>
</tr>
</tbody>
</table>

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

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

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Name of Auditee: OLE Health and Subsidiaries  
Period Covered by the Audit: July 1, 2017 to June 30, 2018  
Name of Audit Firm: Moss Adams LLP

FINDING 2018-001 – CLASSIFICATION OF CAPITAL GRANTS AND CONTRIBUTIONS  
PLEDGED AND OUTSTANDING AT YEAR-END (SIGNIFICANT DEFICIENCY)

Criteria: The Organization is required to classify capital grants and contributions that are pledged by donors or grantors and are have receivable portion outstanding as of year-end as temporarily restricted net assets in accordance with U.S. generally accepted accounting principles (GAAP).

Condition: The Organization has a total of capital grants and contributions pledged and outstanding as of June 30, 2017 of $7,200,370, which should be classified as temporarily restricted net assets.

Context: $7,200,370 capital grants and contributions recognized in the consolidated statements of operations and changes in net assets for the year ended June 30, 2017 should has been classified as temporarily restricted net assets as these were pledged and outstanding as of June 30, 2017.

Status of Finding: The finding has been fully corrected.