



*Reports of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information*

OLE Health and Subsidiaries

June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in their net assets, their cash flows, and their functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2020 and 2019, 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 25, 2020, 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 25, 2020

Consolidated Financial Statements

OLE Health and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,065,726	\$ 7,749,682
Investments	15,419,535	14,996,305
Patient accounts receivable, net allowance for bad debts of \$464,175 and \$788,141 as of June 30, 2020 and 2019, respectively	1,245,310	1,525,082
Grants, contributions, and other receivables, net	1,563,496	2,647,656
Amounts due from third-party payors	283,746	527,969
Prepaid expenses and other assets	898,358	615,474
Total current assets	<u>31,476,171</u>	<u>28,062,168</u>
OTHER LONG-TERM ASSETS		
Grants, contributions, and other receivables, long-term portion	100,000	280,000
Note receivable	14,330,990	14,330,990
Assets limited as to use	1,757,177	4,852,811
PROPERTY, LAND, AND EQUIPMENT, at cost		
Land and land improvements	2,989,983	2,989,983
Buildings and leasehold improvements	27,393,757	26,682,481
Equipment	4,822,277	4,762,340
Furniture and fixtures	1,709,102	1,697,440
Website	37,013	37,013
Construction in progress	23,711	6,221
Total property, land, and equipment, at cost	<u>36,975,843</u>	<u>36,175,478</u>
Less accumulated depreciation and amortization	<u>7,490,898</u>	<u>5,971,771</u>
Property, land, and equipment, net of accumulated depreciation and amortization	<u>29,484,945</u>	<u>30,203,707</u>
Total assets	<u>\$ 77,149,283</u>	<u>\$ 77,729,676</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 273,389	\$ 3,359,158
Accrued expenses	2,801,995	4,198,429
Current portion of long-term debt, net of debt issuance costs	1,457,790	109,387
Deferred revenue	-	613,781
Total current liabilities	<u>4,533,174</u>	<u>8,280,755</u>
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEBT ISSUANCE COSTS		
	<u>31,554,136</u>	<u>29,425,454</u>
Total liabilities	<u>36,087,310</u>	<u>37,706,209</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
	39,552,674	38,715,069
NET ASSETS WITH DONOR RESTRICTIONS		
	1,509,299	1,308,398
Total net assets	<u>41,061,973</u>	<u>40,023,467</u>
Total liabilities and net assets	<u>\$ 77,149,283</u>	<u>\$ 77,729,676</u>

OLE Health and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2020 and 2019

	2020	2019
REVENUES, GAINS, AND OTHER SUPPORT		
Net patient service revenue	\$ 15,660,491	\$ 15,869,822
Capitation revenue	3,327,818	3,220,642
Grant revenue	6,233,224	4,696,537
Contribution revenue	1,783,750	1,307,965
Other revenue	8,591,096	5,579,703
Net assets released from restriction used for operations	804,770	1,381,551
Total revenues, gains, and other support	36,401,149	32,056,220
EXPENDITURES		
Program services		
Medical	19,915,983	17,297,066
Mental Health	1,349,312	844,821
Dental	3,470,622	3,048,062
Optometry	300,485	4,975
Fundraising	1,304,729	524,823
General and administrative	10,453,283	7,433,807
Total expenditures	36,794,414	29,153,554
OPERATING (LOSS) INCOME	(393,265)	2,902,666
OTHER INCOME		
Investment return, net	585,870	644,923
Total other income	585,870	644,923
EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENDITURES	192,605	3,547,589
NET ASSETS RELEASED FROM RESTRICTION FOR CAPITAL PURPOSES	645,000	3,244,870
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 837,605	\$ 6,792,459

OLE Health and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets (Continued)
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of revenues, gains, and other support over expenditures	\$ 192,605	\$ 3,547,589
Net assets released from restriction for capital purposes	<u>645,000</u>	<u>3,244,870</u>
Increase in net assets without donor restrictions	<u>837,605</u>	<u>6,792,459</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,650,671	600,168
Net assets released from restriction	<u>(1,449,770)</u>	<u>(4,626,421)</u>
Increase (decrease) in net assets with donor restrictions	<u>200,901</u>	<u>(4,026,253)</u>
CHANGE IN NET ASSETS	1,038,506	2,766,206
NET ASSETS , beginning of year	<u>40,023,467</u>	<u>37,257,261</u>
NET ASSETS , end of year	<u>\$ 41,061,973</u>	<u>\$ 40,023,467</u>

OLE Health and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 1,038,506	\$ 2,766,206
Adjustments to reconcile the change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	1,519,127	774,449
Loss on disposals	6,221	-
Net realized and unrealized gains on investments	(86,316)	(147,615)
Amortization of debt issuance costs	98,563	98,563
Changes in		
Patient accounts receivable	279,772	(74,613)
Grants receivable	1,264,160	2,345,776
Amounts due from third-party payors	244,223	4,011
Prepaid assets	(282,884)	(82,112)
Accounts payable and accrued expenses	(4,482,203)	(672,451)
Deferred revenue	(613,781)	592,740
Net cash (used in) provided by operating activities	(1,014,612)	5,604,954
INVESTING ACTIVITIES		
Purchase of investments	(238,239)	(1,299,012)
Proceeds from sales of investments	-	1,747,245
Purchase of property, land, and equipment	(806,586)	(11,805,088)
Net cash used in investing activities	(1,044,825)	(11,356,855)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	3,378,522	-
Principal payments on long-term debt	-	(1,830,988)
Net cash provided by (used in) financing activities	3,378,522	(1,830,988)
CHANGE IN CASH AND CASH EQUIVALENTS	1,319,085	(7,582,889)
CASH AND CASH EQUIVALENTS, beginning of year	18,259,825	25,842,714
CASH AND CASH EQUIVALENTS, end of year	\$ 19,578,910	\$ 18,259,825
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	\$ 12,065,726	\$ 7,749,682
Cash and cash equivalents in investments	5,756,007	5,657,332
Restricted cash in assets limited as to use	1,757,177	4,852,811
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	\$ 19,578,910	\$ 18,259,825
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	\$ 632,574	\$ 628,973

See accompanying notes.

OLE Health and Subsidiaries
Consolidated Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

2020	Program Services					General and	Total
	Medical	Mental Health	Dental	Optometry	Fundraising	Administrative	Expenses
Salaries and benefits	\$ 11,841,389	\$ 1,130,951	\$ 2,804,346	\$ -	\$ 180,097	\$ 6,869,883	\$ 22,826,666
Supplies	2,542,699	2,480	201,178	11,293	70	165,023	2,922,743
Depreciation and amortization	1,068,400	82,491	262,905	71,814	-	33,517	1,519,127
Space costs	1,626,338	22,157	88,057	5,277	4,994	899,877	2,646,700
Equipment costs	114,596	2,534	12,698	2,079	-	88,986	220,893
Insurance	68,237	5,978	14,608	-	1,329	33,931	124,083
Contractual services	429,135	60,218	-	172,875	-	2,659	664,887
Professional fees	1,845,410	3,276	57,971	33,674	8,500	484,628	2,433,459
Interest and other	379,779	39,227	28,859	3,473	1,109,739	1,874,779	3,435,856
Total expenses	\$ 19,915,983	\$ 1,349,312	\$ 3,470,622	\$ 300,485	\$ 1,304,729	\$ 10,453,283	\$ 36,794,414

2019	Program Services					General and	Total
	Medical	Mental Health	Dental	Optometry	Fundraising	Administrative	Expenses
Salaries and benefits	\$ 11,448,696	\$ 742,782	\$ 2,528,406	\$ -	\$ 279,753	\$ 5,002,555	\$ 20,002,192
Supplies	2,330,831	4,649	263,325	3,458	2,682	141,765	2,746,710
Depreciation and amortization	516,161	-	60,037	-	-	198,251	774,449
Space costs	1,556,830	20,408	92,059	-	10,790	225,994	1,906,081
Equipment costs	143,208	68	27,989	-	-	40,428	211,693
Insurance	57,720	3,448	12,073	-	1,336	37,083	111,660
Contractual services	392,002	60,360	42,689	949	-	374,919	870,919
Professional fees	151,930	-	172	-	4,000	434,259	590,361
Interest and other	699,688	13,106	21,312	568	226,262	978,553	1,939,489
Total expenses	\$ 17,297,066	\$ 844,821	\$ 3,048,062	\$ 4,975	\$ 524,823	\$ 7,433,807	\$ 29,153,554

See accompanying notes.

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 1 – NATURE OF OPERATIONS

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 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, 2020 and 2019, 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 and is included in net assets without donor restrictions.

OLE Health and Subsidiaries Notes to Consolidated Financial Statements

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 unexpected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records provision for bad debts in the period of services on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for 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, 2020 and 2019, the allowance for uncollectible amounts was \$3,992 and \$71,110, respectively.

Gross grants, contributions, and other receivables as of June 30, 2020, are expected to be received as follows: \$1,563,496 within one year and \$100,000 within two years. Net grants, contributions, and other receivables as of June 30, 2020, before the allowance for uncollectible amount was \$1,667,488, which is net of \$0 in discount for present value. Gross grants, contributions, and other receivables as of June 30, 2019, are expected to be received as follows: \$2,768,016 within one year and \$280,000 within two to three 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. 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, 2020 and 2019.

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

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). This includes the following Community Development Entity (CDE) reserves as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
NFF fee reserve	\$ 165,185	\$ 202,713
LCD fee reserve	394,379	476,644
Impact fee reserve	<u>196,195</u>	<u>241,371</u>
Total CDE reserves	<u>\$ 755,759</u>	<u>\$ 920,728</u>

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

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.

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

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. \$706,638 and \$641,680 was recognized as in-kind revenue and expenses for the years ended June 30, 2020 and 2019, 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 capital grants and contributions (including assets acquired using contributions which by donor restriction are to be used for the purpose of acquiring such assets) and net assets released from restriction for capital purposes.

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 the 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).

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

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, 2020 and 2019, 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 statements of financial position. The fair values of investments 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 optometry) 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)* (“ASU 2014-09”), 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 effective date of ASU 2014-09 was deferred for the Organization by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, to fiscal years beginning after December 15, 2019. The adoption of ASU 2014-09 is effective for the Organization beginning July 1, 2020. Management is currently evaluating the impact of the provision of ASU 2014-09 on the financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”), to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This update addressed certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The adoption of ASU 2016-01 is effective for the Organization beginning July 1, 2019. Management determined no cumulative effect adjustment was necessary as of July 1, 2019. There was no impact to change in net assets.

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The effective date of ASU 2016-02 was deferred for the Organization by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, to fiscal years beginning after December 15, 2021. The adoption of ASU 2016-02 is effective for the Organization beginning July 1, 2022. Management is currently evaluating the impact of the provision of ASU 2016-02 on the financial statements.

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. Management determined no cumulative effect adjustment was necessary as of July 1, 2019. There was no impact to change in net assets.

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 has adopted ASU 2016-18 as of July 1, 2019, and has revised the presentation of cash and cash equivalents and restricted cash on the statements of cash flows for all the periods presented.

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. The adoption of ASU 2018-08 is effective for the Organization beginning July 1, 2019. Management determined no cumulative effect adjustment was necessary as of July 1, 2019. There was no impact to change in net assets.

Reclassifications – Certain 2019 amounts have been reclassified to conform to 2020 presentation. The reclassifications have no impact on the previously reported changes in net assets.

NOTE 3 – GRANT REVENUE

The Organization is the recipient of a Health Center Program Clusters (“HCP”) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery for the medically underserved population in 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, 2020 and 2019, the Organization recognized \$3,024,245 and \$3,170,285 in HCP grant funds, respectively.

The Organization’s present HCP grant award covers the grant year ended March 31, 2021, and is approved at \$3,117,910.

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

In addition to the above grant, the Organization received additional financial support from other federal, state, local, and private sources, including additional federal grants related to COVID-19 (see Note 13). Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

NOTE 4 – NET PATIENT SERVICE REVENUE

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

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

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

Approximately 88% and 79% of net patient service revenue is from participation in the Medicare and Medi-Cal programs for the years ended June 30, 2020 and 2019, 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.

OLE Health and Subsidiaries Notes to Consolidated Financial Statements

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2020 and 2019, was:

	2020	2019
Medi-Cal	47%	58%
Medicare	2%	9%
Other third-party payors	20%	12%
Self pay	31%	21%
	100%	100%

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.

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Notes to Consolidated Financial Statements

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, 2020 and 2019:

	Fair Value Measurements Using			
	Fair Value 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 15,419,535	\$ 15,419,535	\$ -	\$ -
Total	<u>\$ 15,419,535</u>	<u>\$ 15,419,535</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value Measurements Using			
	Fair Value 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 14,996,305	\$ 14,996,305	\$ -	\$ -
Total	<u>\$ 14,996,305</u>	<u>\$ 14,996,305</u>	<u>\$ -</u>	<u>\$ -</u>

Investments, stated at fair value, at June 30, 2020 and 2019, include:

	2020	2019
Cash and cash equivalents	\$ 5,756,007	\$ 5,657,332
Equity mutual funds	957,779	706,488
Fixed income mutual funds	6,439,293	6,419,010
International equity mutual funds	1,423,957	1,179,473
Diversified mutual funds	842,499	1,034,002
	<u>\$ 15,419,535</u>	<u>\$ 14,996,305</u>

Total investment return, net, is comprised of the following:

	2020	2019
Investment return, net	\$ 499,554	\$ 497,308
Realized (losses) gains on sales of securities	(18,170)	6,849
Unrealized gains	104,486	140,766
	<u>\$ 585,870</u>	<u>\$ 644,923</u>

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

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, 2020 and 2019, the Organization had \$1,229,299 and \$383,398 of net assets with donor restrictions for general health care services, respectively. At June 30, 2020 and 2019, the Organization had \$280,000 and \$925,000 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, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or passage of time in the amounts of \$1,449,770 and \$4,626,421, respectively.

NOTE 9 – COMMITMENTS

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

Year Ending June 30,

2021	\$	205,090
2022		211,368
2023		218,777
2024		215,279
2025		124,609
Thereafter		<u>309,764</u>
	\$	<u><u>1,284,887</u></u>

Noncancelable rent expense for the years ended June 30, 2020 and 2019, was \$1,497,485 and \$1,574,249, respectively, and is included in rent expense in the consolidated statements of operations and changes in net assets.

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

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 \$609,780 and \$543,024 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 – LINE OF CREDIT

The Organization has a \$3,000,000 revolving line of credit from Mechanics Bank with a prime rate of 5.25% at June 30, 2020. The line of credit will mature during November 2020 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, 2020.

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 \$160,491 and \$368,440 as of June 30, 2020 and 2019, respectively. Subsequently, the Clinic has paid in full the outstanding amount of this note payable in October 2020 (see Note 16).

QLICI notes – On June 1, 2017, the NMTC obtained various notes that totaled \$29,651,000 from four lenders – Impact CDE 55, LLC; NFF New Markets Fund XXX, LLC; LCD New Markets Fund XXIII, LLC; and CNMC Sub-CDE 131, LLC – 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, 2020 and 2019.

Paycheck Protection Program note – On April 23, 2020, the Clinic obtained a promissory note through the Paycheck Protection Program of the U.S. Small Business Administration (SBA). The note was issued through Mechanics Bank in the amount of \$3,586,472. Principal and interest on the note is payable on the 23rd of each month commencing November 23, 2020, and will be amortized over an 18-month period. The loan bears interest at 1.0% per annum. It is the Organization's policy to account for this loan in accordance with FASB Topic 470, *Debt*, with interest accrued and expensed over the term of the loan, or until forgiveness is granted releasing the Organization from being the primary obligor.

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

Minimum annual payments are as follows:

<u>Year Ending June 30,</u>	<u>Debt Principals</u>	<u>Less: Debt Issuance Costs</u>	<u>Total</u>
2021	\$ 1,556,352	\$ 98,562	\$ 1,457,790
2022	2,190,609	98,562	2,092,047
2023	-	98,562	(98,562)
2024	6,081,792	90,349	5,991,443
2025	-	-	-
Thereafter	<u>23,569,208</u>	<u>-</u>	<u>23,569,208</u>
	33,397,961	386,035	33,011,926
Less: current portion	<u>1,556,352</u>	<u>98,562</u>	<u>1,457,790</u>
	<u>\$ 31,841,609</u>	<u>\$ 287,473</u>	<u>\$ 31,554,136</u>

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 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.

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

COVID-19 pandemic – In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their patients and customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the Organization's operations.

On March 27, 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Securities ("CARES") Act. The CARES Act included provisions for health care under the Provider Relief Fund. During April, May, and June 2020, the Organization received funds under the Provider Relief Fund administered by the U.S. Department of Health & Human Services ("HHS") of approximately \$689,900. The Organization was required to and did timely sign attestations agreeing to the terms and conditions of payment. Those terms and conditions include measures to prevent fraud and misuse. Documentation is required to ensure that these funds are to be used for health care related expenses or lost revenue attributable to COVID-19, limitations of out of pocket payments from certain patients, and the acceptance of several other reporting and compliance requirements. It is noted that anti-fraud monitoring and auditing will be performed by HHS and the Office of the Inspector General. The Organization's management is currently determining its ability to comply with these terms and conditions. For the year ended June 30, 2020, the Organization has recognized approximately \$689,900 of the Provider Relief Fund on its consolidated statements of activities and changes in net assets. As part of the CARES Act, the Organization also received additional funds under the COVID-19 Supplemental Funding under the Health Center Program.

The Organization's management has been closely monitoring the impact of COVID-19 on the Organization's operations, including the impact on its patients and employees. The duration and intensity of the pandemic is uncertain but may influence patient decisions, donor decisions, and may also negatively impact collections of the Organization's receivables.

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.

OLE Health and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 15 – LIQUIDITY AND FUNDS AVAILABLE

Financial assets available for general expenditure, within one year of June 30, 2020, and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 12,065,726	\$ 7,749,682
Investments	15,419,535	14,996,305
Patient accounts receivable, net of allowance for doubtful accounts	<u>1,245,310</u>	<u>1,525,082</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 28,730,571</u>	 <u>\$ 24,271,069</u>

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.

During the year ended June 30, 2020, the Organization was the beneficiary of a trust distribution. The trust distribution included \$600,000 that was distributed upon disposition of a first property and recognized by the Organization in March 2020 as well as an eight percent tenants-in-common interest in a second property owned by the deceased donor's family that was still being negotiated as of June 30, 2020. Subsequent to June 30, 2020, in September 2020, the Organization entered into an agreement to sell the tenants-in-common interest to the deceased donor's family for a ten percent ownership of the said property upon the sale of the property. The Organization has recorded this as an investment for \$1,540,000, which is the appraised fair value as of September 24, 2020.

In October 2020, the Organization has paid in full the outstanding note payable from CPCA Ventures.

The Organization has evaluated subsequent events through November 25, 2020, 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, 2020

ASSETS	OLE Health	OLE Health Foundation	OLE Health NMTC	Eliminations	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 10,408,955	\$ 1,450,347	206,424	\$ -	\$ 12,065,726
Investments	10,220,290	5,199,245	-	-	15,419,535
Patient accounts receivable, net allowance for bad debts of \$464,175	1,245,310	-	-	-	1,245,310
Grants, contributions, and other receivables	1,866,626	176,008	238,294	(717,432)	1,563,496
Amounts due from third-party payors	283,746	-	-	-	283,746
Prepaid expenses and other assets	2,464,869	105,077	-	(1,671,588)	898,358
Total current assets	<u>26,489,796</u>	<u>6,930,677</u>	<u>444,718</u>	<u>(2,389,020)</u>	<u>31,476,171</u>
OTHER LONG-TERM ASSETS					
Grants, contributions, and other receivables, long-term portion	-	100,000	-	-	100,000
Note receivable	14,330,990	-	-	-	14,330,990
Assets limited as to use	-	-	1,757,177	-	1,757,177
PROPERTY AND EQUIPMENT, at cost					
Land and land improvements	153,641	-	2,836,342	-	2,989,983
Buildings and leasehold improvements	4,549,033	-	22,844,724	-	27,393,757
Equipment	2,902,741	-	1,919,536	-	4,822,277
Furniture and fixtures	659,383	-	1,049,719	-	1,709,102
Website	37,013	-	-	-	37,013
Construction in progress	23,711	-	-	-	23,711
Total property, land, and equipment, at cost	<u>8,325,522</u>	<u>-</u>	<u>28,650,321</u>	<u>-</u>	<u>36,975,843</u>
Less accumulated depreciation	<u>6,419,030</u>	<u>-</u>	<u>1,071,868</u>	<u>-</u>	<u>7,490,898</u>
Property, land, and equipment, net of accumulated depreciation and amortization	<u>1,906,492</u>	<u>-</u>	<u>27,578,453</u>	<u>-</u>	<u>29,484,945</u>
Total assets	<u>\$ 42,727,278</u>	<u>\$ 7,030,677</u>	<u>\$ 29,780,348</u>	<u>\$ (2,389,020)</u>	<u>\$ 77,149,283</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 271,608	\$ 47,291	\$ 479,660	\$ (525,170)	\$ 273,389
Accrued expenses	4,287,394	-	48,294	(1,533,693)	2,801,995
Current portion of long-term debt, net of debt issuance costs	1,556,352	-	(98,562)	-	1,457,790
Deferred revenue	-	-	-	-	-
Total current liabilities	<u>6,115,354</u>	<u>47,291</u>	<u>429,392</u>	<u>(2,058,863)</u>	<u>4,533,174</u>
LONG-TERM DEBT, NET OF CURRENT PORTION and DEBT ISSUANCE COSTS	<u>2,190,611</u>	<u>-</u>	<u>29,363,525</u>	<u>-</u>	<u>31,554,136</u>
Total liabilities	<u>8,305,965</u>	<u>47,291</u>	<u>29,792,917</u>	<u>(2,058,863)</u>	<u>36,087,310</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>33,769,551</u>	<u>6,125,849</u>	<u>(12,569)</u>	<u>(330,157)</u>	<u>39,552,674</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>651,762</u>	<u>857,537</u>	<u>-</u>	<u>-</u>	<u>1,509,299</u>
Total net assets	<u>34,421,313</u>	<u>6,983,386</u>	<u>(12,569)</u>	<u>(330,157)</u>	<u>41,061,973</u>
Total liabilities and net assets	<u>\$ 42,727,278</u>	<u>\$ 7,030,677</u>	<u>\$ 29,780,348</u>	<u>\$ (2,389,020)</u>	<u>\$ 77,149,283</u>

OLE Health and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2019

	OLE Health	OLE Health Foundation	OLE Health NMTC	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 5,711,001	\$ 1,743,576	\$ 295,105	\$ -	\$ 7,749,682
Investments	9,895,935	5,100,370	-	-	14,996,305
Patient accounts receivable, net allowance for bad debts of \$788,141	1,525,082	-	-	-	1,525,082
Grants, contributions, and other receivables	2,098,313	573,890	-	(24,547)	2,647,656
Amounts due from third-party payors	527,969	-	-	-	527,969
Prepaid expenses and other assets	2,505,933	11,676	15,097	(1,917,232)	615,474
Total current assets	<u>22,264,233</u>	<u>7,429,512</u>	<u>310,202</u>	<u>(1,941,779)</u>	<u>28,062,168</u>
OTHER LONG-TERM ASSETS					
Grants, contributions, and other receivables, long-term portion	-	280,000	-	-	280,000
Note receivable	14,330,990	-	-	-	14,330,990
Assets limited as to use	-	-	4,852,811	-	4,852,811
PROPERTY, LAND, AND EQUIPMENT, at cost					
Land and land improvements	153,641	-	2,836,342	-	2,989,983
Buildings and leasehold improvements	4,269,517	-	22,412,964	-	26,682,481
Equipment	2,850,675	-	1,911,665	-	4,762,340
Furniture and fixtures	659,383	-	1,038,057	-	1,697,440
Website	37,013	-	-	-	37,013
Construction in progress	6,221	-	-	-	6,221
Total property, land, and equipment, at cost	<u>7,976,450</u>	<u>-</u>	<u>28,199,028</u>	<u>-</u>	<u>36,175,478</u>
Less accumulated depreciation	<u>5,893,918</u>	<u>-</u>	<u>77,853</u>	<u>-</u>	<u>5,971,771</u>
Property, land and equipment, net of accumulated depreciation and amortization	<u>2,082,532</u>	<u>-</u>	<u>28,121,175</u>	<u>-</u>	<u>30,203,707</u>
Total assets	<u>\$ 38,677,755</u>	<u>\$ 7,709,512</u>	<u>\$ 33,284,188</u>	<u>\$ (1,941,779)</u>	<u>\$ 77,729,676</u>
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	207,949	-	(98,562)	-	109,387
Deferred revenue	613,781	-	-	-	613,781
Total current liabilities	<u>5,535,403</u>	<u>449,962</u>	<u>2,565,581</u>	<u>(270,191)</u>	<u>8,280,755</u>
LONG-TERM DEBT, NET OF CURRENT PORTION					
Total liabilities	<u>160,491</u>	<u>-</u>	<u>29,264,963</u>	<u>-</u>	<u>29,425,454</u>
Total liabilities	<u>5,695,894</u>	<u>449,962</u>	<u>31,830,544</u>	<u>(270,191)</u>	<u>37,706,209</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>31,673,463</u>	<u>7,259,550</u>	<u>1,453,644</u>	<u>(1,671,588)</u>	<u>38,715,069</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>1,308,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,308,398</u>
Total net assets	<u>32,981,861</u>	<u>7,259,550</u>	<u>1,453,644</u>	<u>(1,671,588)</u>	<u>40,023,467</u>
Total liabilities and net assets	<u>\$ 38,677,755</u>	<u>\$ 7,709,512</u>	<u>\$ 33,284,188</u>	<u>\$ (1,941,779)</u>	<u>\$ 77,729,676</u>

OLE Health and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets
Year Ended June 30, 2020

	OLE Health	OLE Health Foundation	OLE Health NMTC	Eliminations	Total
REVENUES, GAINS, AND OTHER SUPPORT					
Net patient service revenue	\$ 15,660,491	\$ -	\$ -	\$ -	\$ 15,660,491
Capitation revenue	3,327,818	-	-	-	3,327,818
Grant revenue	6,233,224	-	-	-	6,233,224
Contribution revenue	3,133,496	666,075	-	(2,015,821)	1,783,750
Other revenue	8,441,952	-	683,553	(534,409)	8,591,096
Net assets released from restriction used for operations	573,823	230,947	-	-	804,770
Total revenues, gains, and other support	<u>37,370,804</u>	<u>897,022</u>	<u>683,553</u>	<u>(2,550,230)</u>	<u>36,401,149</u>
EXPENDITURES					
Program services					
Medical	20,409,716	-	-	(493,733)	19,915,983
Mental Health	1,406,038	-	-	(56,726)	1,349,312
Dental	3,618,681	-	-	(148,059)	3,470,622
Optometry	349,867	-	-	(49,382)	300,485
Fundraising	211,839	2,717,160	-	(1,624,270)	1,304,729
General and administrative	9,788,430	34,578	2,149,766	(1,519,491)	10,453,283
Total expenditures	<u>35,784,571</u>	<u>2,751,738</u>	<u>2,149,766</u>	<u>(3,891,661)</u>	<u>36,794,414</u>
OPERATING INCOME (LOSS)	<u>1,586,233</u>	<u>(1,854,716)</u>	<u>(1,466,213)</u>	<u>1,341,431</u>	<u>(393,265)</u>
OTHER INCOME					
Investment return, net	509,855	76,015	-	-	585,870
Total other income	<u>509,855</u>	<u>76,015</u>	<u>-</u>	<u>-</u>	<u>585,870</u>
EXCESS (DEFICIENCY) OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENDITURES	2,096,088	(1,778,701)	(1,466,213)	1,341,431	192,605
NET ASSETS RELEASED FROM RESTRICTION FOR CAPITAL PURPOSES	<u>-</u>	<u>645,000</u>	<u>-</u>	<u>-</u>	<u>645,000</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 2,096,088</u>	<u>\$ (1,133,701)</u>	<u>\$ (1,466,213)</u>	<u>\$ 1,341,431</u>	<u>\$ 837,605</u>

OLE Health and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets
Year Ended June 30, 2020

	<u>OLE Health</u>	<u>OLE Health Foundation</u>	<u>OLE Health NMTC</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Excess (deficiency) of revenues, gains, and other support over expenditures	\$ 2,096,088	\$ (1,778,701)	\$ (1,466,213)	\$ 1,341,431	192,605
Net assets released from restriction for capital purposes	-	645,000	-	-	645,000
Increase (decrease) in net assets without donor restrictions	<u>2,096,088</u>	<u>(1,133,701)</u>	<u>(1,466,213)</u>	<u>1,341,431</u>	<u>837,605</u>
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	842,187	808,484	-	-	1,650,671
Contribution from OLE Health to OLE Health Foundation	(925,000)	925,000	-	-	-
Net assets released from restriction	<u>(573,823)</u>	<u>(875,947)</u>	<u>-</u>	<u>-</u>	<u>(1,449,770)</u>
Increase (decrease) in net assets with donor restrictions	<u>(656,636)</u>	<u>857,537</u>	<u>-</u>	<u>-</u>	<u>200,901</u>
CHANGE IN NET ASSETS	1,439,452	(276,164)	(1,466,213)	1,341,431	1,038,506
NET ASSETS, beginning of year	<u>32,981,861</u>	<u>7,259,550</u>	<u>1,453,644</u>	<u>(1,671,588)</u>	<u>40,023,467</u>
NET ASSETS, end of year	<u>\$ 34,421,313</u>	<u>\$ 6,983,386</u>	<u>\$ (12,569)</u>	<u>\$ (330,157)</u>	<u>\$ 41,061,973</u>

OLE Health and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets
Year Ended June 30, 2019

	<u>OLE Health</u>	<u>OLE Health Foundation</u>	<u>OLE Health NMTC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT					
Net patient service revenue	\$ 15,869,822	\$ -	\$ -	\$ -	\$ 15,869,822
Capitation revenue	3,220,642	-	-	-	3,220,642
Grant revenue	4,696,537	-	-	-	4,696,537
Contribution revenue	128,261	1,508,671	130,244	(459,211)	1,307,965
Other revenue	5,515,936	-	149,485	(85,718)	5,579,703
Net assets released from restriction used for operations	881,551	500,000	-	-	1,381,551
Total revenues, gains, and other support	<u>30,312,749</u>	<u>2,008,671</u>	<u>279,729</u>	<u>(544,929)</u>	<u>32,056,220</u>
EXPENDITURES					
Program services					
Medical	17,297,066	-	-	-	17,297,066
Mental Health	844,821	-	-	-	844,821
Dental	3,048,062	-	-	-	3,048,062
Optometry	4,975	-	-	-	4,975
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	<u>28,460,722</u>	<u>768,596</u>	<u>469,165</u>	<u>(544,929)</u>	<u>29,153,554</u>
OPERATING INCOME (LOSS)	<u>1,852,027</u>	<u>1,240,075</u>	<u>(189,436)</u>	<u>-</u>	<u>2,902,666</u>
OTHER INCOME					
Investment return, net	554,957	89,966	-	-	644,923
Total other income	<u>554,957</u>	<u>89,966</u>	<u>-</u>	<u>-</u>	<u>644,923</u>
EXCESS (DEFICIENCY) OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENDITURES	2,406,984	1,330,041	(189,436)	-	3,547,589
CAPITAL GRANTS AND CONTRIBUTIONS	3,244,870	-	-	-	3,244,870
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 5,651,854</u>	<u>\$ 1,330,041</u>	<u>\$ (189,436)</u>	<u>\$ -</u>	<u>\$ 6,792,459</u>

OLE Health and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets
Year Ended June 30, 2019

	<u>OLE Health</u>	<u>OLE Health Foundation</u>	<u>OLE Health NMTC</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Excess (deficiency) of revenues, gains, and other support over expenditures	\$ 2,406,984	\$ 1,330,041	\$ (189,436)	\$ -	\$ 3,547,589
Capital grants and contributions	<u>3,244,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,244,870</u>
Increase (decrease) in net assets without donor restrictions	<u>5,651,854</u>	<u>1,330,041</u>	<u>(189,436)</u>	<u>-</u>	<u>6,792,459</u>
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	600,168	-	-	-	600,168
Net assets released from restriction	<u>(4,126,421)</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>(4,626,421)</u>
Increase (decrease) in net assets with donor restrictions	<u>(3,526,253)</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>(4,026,253)</u>
CHANGE IN NET ASSETS	2,125,601	830,041	(189,436)	-	2,766,206
NET ASSETS, beginning of year	<u>30,856,260</u>	<u>6,429,509</u>	<u>1,643,080</u>	<u>(1,671,588)</u>	<u>37,257,261</u>
NET ASSETS, end of year	<u><u>\$ 32,981,861</u></u>	<u><u>\$ 7,259,550</u></u>	<u><u>\$ 1,453,644</u></u>	<u><u>\$ (1,671,588)</u></u>	<u><u>\$ 40,023,467</u></u>

OLE Health and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Health and Human Services</i>			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	6H80CS04219	\$ 1,375,639
Grants for New and Expanded Services under the Health Center Program	93.527	6H80CS04219	1,582,486
COVID-19 - Health Center Program - COVID-19 Supplemental Funding	93.224	1H8CCS34485	<u>66,120</u>
Total Health Center Program Cluster			3,024,245
COVID-19 - Provider Relief Fund	93.498	N/A	<u>689,929</u>
Total U.S. Department of Health and Human Services			<u>3,714,174</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 3,714,174</u>

OLE Health and Subsidiaries
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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, 2020. 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, 2020.

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, 2020, 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 25, 2020.

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) as a basis for designing 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 financial statement. 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.

Moss Adams LLP

San Francisco, California
November 25, 2020

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, 2020. 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, 2020.

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 25, 2020

OLE Health and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

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

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

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

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

OLE Health and Subsidiaries
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

There were no findings noted in the prior audit.

