POMONA COMMUNITY HEALTH CENTER dba PARKTREE COMMUNITY HEALTH CENTER

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION INCLUDING REPORTS ON COMPLIANCE

Years Ended December 31, 2018 and 2017

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

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December 31, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pomona Community Health Center dba
ParkTree Community Health Center

Report on the Financial Statements

We have audited the accompanying financial statements of Pomona Community Health Center dba ParkTree Community Health Center (PCHC), a nonprofit organization, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

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

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

Board of Directors
Pomona Community Health Center dba
ParkTree Community Health Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PCHC as of December 31, 2018 and 2017 and the results of its operations, changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2019 on our consideration of PCHC'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 PCHC'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 PCHC's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
June 5, 2019

FINANCIAL SECTION

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS:		
Cash	$ 1,713,114	$ 1,535,120
Accounts receivable - net	895,834	253,041
Prepaid expenses and other assets	74,129	44,766
Total current assets	2,683,077	1,832,927
NONCURRENT ASSETS:		
Restricted cash	243,416	373,607
Property and equipment, net (Note 3)	3,765,300	1,195,444
Intangible asset	61,200	61,200
Total noncurrent assets	4,069,916	1,630,251
Total assets	$ 6,752,993	$ 3,463,178
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued liabilities	$ 1,575,134	$ 1,055,576
Payroll liabilities	376,980	305,450
Deferred grant revenue	257,494	424,475
Total current liabilities	2,209,608	1,785,501
NONCURRENT LIABILITIES:		
Deferred lease liabilities	93,038	57,503
Loans payable - noncurrent portion (Note 5)	2,402,017	902,017
Total noncurrent liabilities	2,495,055	959,520
Total liabilities	4,704,663	2,745,021
NET ASSETS:		
Net assets without donor restriction	2,048,330	718,157
Total liabilities and net assets	$ 6,752,993	$ 3,463,178

See accompanying notes to the financial statements.

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Net patient revenue	$ 6,149,837	$ -	$ 6,149,837
Federal sources	2,168,343	-	2,168,343
Other grant sources	860,371	-	860,371
Incentive program revenue	76,500	-	76,500
Contributions	1,520,157	-	1,520,157
Miscellaneous revenue	23,833	-	23,833
Total revenues and support	10,799,041	-	10,799,041
EXPENSES:			
Program services	7,957,143	-	7,957,143
Management and general	1,511,725	-	1,511,725
Total expenses	9,468,868	-	9,468,868
Change in net assets	1,330,173	-	1,330,173
Net assets, beginning of year	718,157	-	718,157
Net assets, end of year	$ 2,048,330	$ -	$ 2,048,330

See accompanying notes to the financial statements.

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Net patient revenue	$ 4,399,158	$ -	$ 4,399,158
Federal sources	2,061,822	-	2,061,822
Other grant sources	276,737	-	276,737
Incentive program revenue	323,065	-	323,065
Contributions	18,339	-	18,339
Miscellaneous revenue	49,270	-	49,270
Total revenue and support	7,128,391	-	7,128,391
Net assets released from restriction	20,000	(20,000)	-
Total revenues and net assets released from restriction	7,148,391	(20,000)	7,128,391
EXPENSES:			
Program services	6,169,476	-	6,169,476
Management and general	958,920	-	958,920
Total expenses	7,128,396	-	7,128,396
Change in net assets	19,995	(20,000)	(5)
Net assets, beginning of year	698,162	20,000	718,162
Net assets, end of year	$ 718,157	$ -	$ 718,157

See accompanying notes to the financial statements.

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Management and General	Total
Salaries, wages and payroll taxes	$ 5,582,534	$ 1,255,167	$ 6,837,701
Other employee benefits	94,254	21,566	115,820
Depreciation expense	189,796	7,088	196,884
Freight and delivery	5,568	983	6,551
Insurance	26,389	4,657	31,046
Interest and penalty	13,559	-	13,559
License and permits	63,831	11,264	75,095
Medical supplies	719,968	-	719,968
Occupancy	336,779	12,577	349,356
Office supplies and expense	498,659	100,509	599,168
Outside services	229,369	86,439	315,808
Professional fees	20,216	3,567	23,783
Repairs and maintenance	166,676	6,224	172,900
Telephone	9,545	1,684	11,229
	$ 7,957,143	$ 1,511,725	$ 9,468,868

See accompanying notes to the financial statements.

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Management and General	Total
Salaries, wages and payroll taxes	$ 4,393,176	$ 775,266	$ 5,168,442
Other employee benefits	41,004	7,236	48,240
Depreciation expense	101,485	17,909	119,394
Freight and delivery	6,180	1,091	7,271
Insurance	15,577	2,749	18,326
Interest and penalty	61,795	10,905	72,700
License and permits	17,353	3,062	20,415
Medical supplies	735,593	-	735,593
Occupancy	266,397	47,011	313,408
Office supplies and expense	238,373	42,066	280,439
Outside services	160,590	28,339	188,929
Professional fees	21,074	3,719	24,793
Repairs and maintenance	103,483	18,262	121,745
Telephone	7,396	1,305	8,701
	$ 6,169,476	$ 958,920	$ 7,128,396

See accompanying notes to the financial statements.

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS from OPERATING ACTIVITIES:		
Change in net assets	$ 1,330,173	$ (5)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	196,884	119,394
Noncash contribution due to loan forgiveness	(1,500,000)	-
Change in operating assets:		
Accounts receivable - net	(642,793)	306,403
Prepaid expenses and other assets	(29,363)	(39,318)
Change in operating liabilities:		
Accrued liabilities	519,558	396,274
Payroll liabilities	71,530	186,861
Deferred lease liabilities	35,535	57,503
Deferred liabilities	(166,981)	424,475
Net cash from operating activities	(185,457)	1,451,587
CASH FLOWS from INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,766,740)	(301,508)
CASH FLOWS from FINANCING ACTIVITIES:		
Loan proceeds	3,000,000	-
Net change in cash	47,803	1,150,079
Cash at the beginning of the year	1,908,727	758,648
Cash at the end of the year	$ 1,956,530	$ 1,908,727
Cash	$ 1,713,114	$ 1,535,120
Restricted cash	243,416	373,607
	$ 1,956,530	$ 1,908,727

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pomona Community Health Center dba ParkTree Community Health Center (PCHC) was incorporated in 2005 as a California tax-exempt, nonprofit public benefit corporation. The mission of the organization is, "to be the medical home for the underserved in our community by providing high quality preventive and primary care health services." To that end, PCHC provides medical, dental, and behavioral health services to the poor and underserved in Pomona, Ontario and the surrounding communities. In 2007, PCHC received its Internal Revenue Code (IRC) 501(c)(3) status.

In 2011, PCHC obtained Federally Qualified Health Center (FQHC) Look Alike status and on November 1, 2013 PCHC obtained full FQHC status. In February 2016, PCHC acquired Kids Come First Clinic and added the site to its FQHC Scope of Service. On November 8, 2016, PCHC filed a fictitious business name - dba ParkTree Community Health Center with Los Angeles County, and filed additional paper work with the Internal Revenue Service with approval on December 20, 2016. On April 15, 2017, PCHC opened a new health center in Ontario. The new center features primary care, pediatrics, prenatal, behavioral health, and dental services. Subsequent to year-end, in early 2019, the organization completed its expansion for dental services in Pomona.

Accounting Policies

The accounting policies of PCHC conform to accounting principles generally accepted in the United States of America (US GAAP).

Basis of Accounting

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. PCHC records financial transactions on the accrual basis of accounting wherein expenditures are recorded at the time liabilities are incurred and income is recorded when earned.

Use of Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Concentration of Credit Risk for Cash Held at Bank

Credit risk is the risk that in the event of a bank failure, the organization's cash balances held at banks may not be returned to it. PCHC does not have a policy for custodial credit risk for cash held at banks. PCHC maintains its cash balances at a financial institution insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, cash balances may exceed the FDIC limit. PCHC does not believe it has significant exposure to credit risk.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable, net

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection effort are written-off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2018 and 2017, management's estimate of the amount of uncollectable accounts receivable is not material to the financial statements. Accordingly, no allowance for doubtful accounts has been provided. At December 31, 2018, approximately 77% and 79%, respectively, of net receivables outstanding are from the Medi-Cal program. The credit granted to its patients are without collateral.

Sliding Fee Discount

PCHC has a policy of providing care to uninsured patients who meet certain criteria under its policy at amounts less than its established rates or without charge. However, all patients are requested to pay a nominal fee for each visit, although no patient is denied services because of an inability to pay. Since management does not expect full payment for this care, the services that are discounted from the established rates are excluded from revenue. During the years ended December 31, 2018 and 2017, PCHC provided approximately $1,832,000 and $1,399,000, respectively, of discounted services under this policy based on gross charges.

Property and Equipment

Expenditures for fixed assets are capitalized at cost. Donated assets to be used in PCHC's programs are capitalized at their fair market value on the date of the gift. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Restricted Cash

Restricted cash as of year-end consists of cash received for future expansion of its clinic services.

Net Assets Classification

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

Net Assets Without Donor Restrictions – Net Assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets Classification (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends of purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions.

Revenue Recognition

PCHC recognizes program income when services are performed and billed. Revenue recognized on contracts for which billings have not been presented or collected is included in accounts receivable in the accompanying statements of financial position. Amounts received but not yet expended for the purpose of the contract would be reflected as a refundable advance in the accompanying statements of financial position. Grants received that have conditions that have not yet been met are recorded as deferred grant revenue on the accompanying statements of financial position.

Contributions Received and Unconditional Promises to Give

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. PCHC recognizes all contributed support as income in the period received. Unconditional pledges of support are recognized as income when such pledges are made to PCHC. Contributed support is reported as with or without donor restrictions depending on the existence of donor stipulations that limit the use of the support or if the contributions are designated as support for future periods.

Income Taxes

PCHC is exempt from income taxes under Section 501(c)(3) of the IRC and by the California Revenue and Taxation Code Section 23701d. PCHC’s revenue comes from providing outpatient primary medical care to low-income uninsured members of the community and is not subject to federal or state income taxes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes (Continued)

PCHC has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to PCHC's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. PCHC files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and presented in detail in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs, including occupancy costs and building depreciation, are allocated based on square footage. Compensation and related expenses are allocated based on employees' job functions. The functional classifications are defined below:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.

- Management and general expenses consist of costs incurred in connection with overall activities of PCHC, which are not allocable to program service expenses.

Excess of Revenue Over Expenses and Change in Net Assets

The statements of activities and changes in net assets include determination of excess (deficit) revenues and support over expenses. Changes in net assets without donor restrictions which are excluded from operations, consistent with industry practice, are the effective portion of the gain or loss on cash flow hedging instruments, permanent transfers of assets to and from affiliates for other than goods and services, restriction contributions and contributions of long-lived assets (including assets acquired using contributions), which, by donor restriction, were to be used for the purposes of acquiring such assets and the related releases.

Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation. Net asset and changes in net asset are unchanged due to these reclassifications.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements – ASU 2016-14

During the year ended December 31, 2018, the Organization adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions) and various footnote disclosures. The adoption of this accounting standard did not have an impact on the PCHC's financial position or changes in its net assets.

Accounting Standard Changes

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for PCHC for annual periods beginning after December 15, 2018. Management is currently evaluating the impact of the amended revenue recognition guidance on PCHC's financial statements.

Subsequent Events

Subsequent events have been evaluated through June 5, 2019, which is the date the financial statements were available to be issued.

NOTE 2: LIQUIDITY AND AVAILABILITY

As of December 31, 2018 and 2017, PCHC had days cash on hand (based upon normal expenditures) of 67 and 80, respectively. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, compromise the following:

	2018	2017
Cash	$ 1,713,114	$ 1,535,120
Accounts receivable - other, net	895,834	253,041
Total	$ 2,608,948	$ 1,788,161

As part of PCHC's liquidity management plan, cash in excess of daily requirements is maintained in noninterest bearing checking accounts in financial institutions.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Building improvements	$ 1,694,110	$ 1,174,601
Furniture and equipment	746,669	323,219
Donated artwork	39,040	39,040
Total depreciable assets	2,479,819	1,536,860
Less: Accumulated depreciation	(633,604)	(411,544)
Construction in progress	1,919,085	70,129
Total property and equipment, net	$ 3,765,300	$ 1,195,445

Amounts recorded in construction in progress are related to the Pomona dental expansion and were substantially completed but not placed in service at December 31, 2018.

NOTE 4: INTANGIBLE ASSET

On September 24, 2014, PCHC entered into an agreement with Siemens Medical Solutions USA, Inc. for a perpetual license of NextGen software for the purposes of practice management and electronic health records. Since the perpetual license is considered to have an indefinite life, generally accepted accounting principles do not allow amortization. However, the perpetual license will be subject to an annual impairment test. The portion of the fee that is allocable to the perpetual license is $61,200 which has been capitalized as an intangible asset. As of December 31, 2018, there was no impairment of the perpetual license.

NOTE 5: LOAN PAYABLE

On April 1, 2012, PCHC obtained a three-year, unsecured and noninterest bearing $3,000,000 line of credit with Pomona Valley Hospital Medical Center (PVHMC). The agreement allows for 50% of the amounts borrowed to be forgiven at the end of each credit year. The remaining 50% of the amount borrowed will be paid back as follows: at the end of credit year three, beginning March 31, 2015. The agreement has been amended at various times through 2015 and 2016.

On July 13, 2017, PCHC reached a new agreement with PVHMC that extended the repayment terms of the 2012 line of credit and rolled the unpaid balance of $902,017 into the new agreement. In addition, PVHMC also agreed to provide a no-interest, three-year line of credit in an amount of up to $3,000,000 (the Line of Credit). PVHMC agrees that 50% of the amounts borrowed by PCHC pursuant to the Line of Credit in any Credit Quarter shall be forgiven at the end of such Credit Quarter. The remaining balance from the April 2012 Line of Credit and 50% of the amounts borrowed by PCHC pursuant to the Line of Credit, shall accrue, and be due and payable in an amount of $25,000 per month to PVHMC when the monthly agreed-upon calculation of days cash on hand exceeds 60 days. Days cash on hand in respect to this agreement excludes cash deposits from the calculation that may be utilized for repayment of the estimated amounts owed to the Medi-Cal program upon reconciliation and amounts received in advance for certain grant or program requirements. As of December 31, 2018, the Line of Credit had a balance of $2,402,017. Based on management’s most recent days cash on hand calculation, no payments are expected to be made in 2019.

NOTE 6: OPERATING LEASE

Holt Location Lease

On November 1, 2011, PCHC entered into a renewal of a sublease agreement with Valley Academies Foundation for its medical office. The sublease commenced on the date of occupancy and is for five years with an option to extend for additional years and rates may be negotiated at least two months prior to the lease expiration date. The lease requires 12 monthly payments per year of $7,875. On November 1, 2016, PCHC renewed the sublease agreement with Valley Academies Foundation for an additional five years with an option to extend for additional years and rates may be negotiated at least two months prior to the lease expiration date. The renewed lease requires 12 monthly payments per year of $8,250. Rent expense for the years ended December 31, 2018 and 2017 was $99,000 per year.

Subsequent to but prior to issuance of the financial statements for the year ended December 31, 2018, PCHC renewed the terms of its sublease with Valley Academies Foundation for the medical office to include the expansion of its dental office effective February 1, 2019 for five years. Monthly rent for the medical office remains at $8,250. Monthly rent for the dental office will be $5,901.

On January 12, 2018, PCHC obtained an addendum with Valley Academies Foundation to add to the existing sublease, effective January 1, 2018 to sublease suite 8, 953 square feet for use as an office with an additional monthly sublease payment of $1,048. And PCHC will receive an additional discount on the 5-year addendum for the expansion of $3,200 per year beginning on the effective date of subtenant's occupancy in the improved expansion mutually agreed upon by both parties.

Archibald Location Lease

On February 1, 2017, PCHC entered into a two terms lease agreement with Riverside Drive Property, LLC for a new health center opened in Ontario in April 15, 2017. The lease commenced on April 1, 2017 and is for 10 years with an option to extend for two additional 60-month periods and the rates may be negotiated at least three but not more than five months prior to the lease expiration date. The lease request monthly payment of $11,250 for medical space and $3,480 for dental space with annual increases as stipulated in the lease agreement. Rent expense for the year ended December 31, 2018 was $169,470.

Future minimum operating lease payments are as follows:

Fiscal Year	Amount
2019	$ 348,970
2020	360,331
2021	365,791
2022	371,836
2023	377,941
2024-2027	734,289
Total	$ 2,559,158

NOTE 7: MEDI-CAL RECONCILIATION

PCHC has received the notice from the State regarding the reconciliation process for payments for calendar year 2017 in the amount of $584,342, which has not been submitted to the State. PCHC has estimated liability of $529,391 to the State for calendar year 2018 using the same methodology.

PCHC has recognized and included $1,113,733 in accrued liability on the accompanying statement of financial position as of the December 31, 2018. The estimate is subject to a material change based on the State's final reconciliations of the activity to be performed.

SUPPLEMENTARY INFORMATION

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (HHS):			
Consolidated Health Center Cluster			
Consolidated Health Centers	93.224	N/A	$ 507,012
Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	1,661,331
Total Consolidated Health Center Cluster			2,168,343
Total U.S Department of Health and Human Services (HHS):			2,168,343
Total Federal Expenditures			$ 2,168,343

See accompanying notes to the supplementary information.

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of PCHC under programs of the federal governmental for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of PCHC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of PCHC.

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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

PCHC did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

OTHER INDEPENDENT AUDITORS' REPORTS

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

Board of Directors
Pomona Community Health Center dba
ParkTree Community Health Center

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pomona Community Health Center dba ParkTree Community Health Center (PCHC), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2019.

Internal Control over Financial Reporting

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
June 5, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Pomona Community Health Center dba
ParkTree Community Health Center

Report on Compliance for Each Major Federal Program

We have audited Pomona Community Health Center dba ParkTree Community Health Center's (PCHC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of PCHC's major federal programs for the year ended December 31, 2018. PCHC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, PCHC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of PCHC 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 PCHC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with 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 PCHC's internal control over compliance.

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

Board of Directors
Pomona Community Health Center dba
ParkTree Community Health Center

Purpose of this Report

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
June 5, 2019

FINDINGS AND QUESTIONED COSTS

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITORS' RESULTS
Year Ended December 31, 2018

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?		*Yes*	X	*No*

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

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

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.224, 93.527	Consolidated Health Center Cluster

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

Auditee qualified as low-risk auditee?	X	*Yes*		*No*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
December 31, 2018**

FINANCIAL STATEMENT FINDINGS

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards.*

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

POMONA COMMUNITY HEALTH CENTER dba
PARKTREE COMMUNITY HEALTH CENTER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2018

FEDERAL AWARDS FINDINGS

There were no financial statement or federal award program audit findings in the prior year.