POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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PARKTREE COMMUNITY HEALTH CENTER
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pomona Community Health Center dba:
Parktree Community Health Center
Pomona, California

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, 2020 and 2019, and the related statements of activities and changes in net assets, 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 audit 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.

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, 2020 and 2019, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2021, 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

Bellevue, Washington
July 8, 2021

POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	$ 3,407,338	$ 1,656,654
Patient Accounts Receivable	1,316,659	1,139,991
Other Accounts Receivable	308,341	250,192
Prepaid Expenses and Other Assets	129,807	91,748
Total Current Assets	5,162,145	3,138,585
NONCURRENT ASSETS		
Property and Equipment, Net	3,143,286	3,465,678
Intangible Asset	61,200	61,200
Total Noncurrent Assets	3,204,486	3,526,878
Total Assets	$ 8,366,631	$ 6,665,463
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Liabilities	$ 3,446,354	$ 2,813,396
Payroll Liabilities	736,779	485,450
Deferred Grant Revenue	205,777	5,539
Total Current Liabilities	4,388,910	3,304,385
NONCURRENT LIABILITIES		
Deferred Lease Liabilities	107,478	102,988
Loans Payable - Noncurrent Portion	2,402,017	2,402,017
Total Noncurrent Liabilities	2,509,495	2,505,005
Total Liabilities	6,898,405	5,809,390
NET ASSETS		
Net Assets Without Donor Restriction	1,381,506	856,073
Net Assets With Donor Restriction	86,720	-
Total Net Assets	1,468,226	856,073
Total Liabilities and Net Assets	$ 8,366,631	$ 6,665,463

See accompanying Notes to Financial Statements.

POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES		
Patient Services Revenue, Net	$ 5,685,797	$ 4,612,132
Capitation Revenue	2,212,836	1,621,877
Federal Grant Sources	3,440,660	2,388,463
Other Grant Sources	1,424,238	814,491
Incentive Program Revenue	-	76,500
Contributions	1,813,587	3,443
Miscellaneous Revenue	27,444	34,015
Total Revenues and Support	14,604,562	9,550,921
EXPENSES		
Program Services	11,044,400	8,682,441
Management and General	3,034,729	2,060,737
Total Expenses	14,079,129	10,743,178
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	525,433	(1,192,257)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	86,720	-
CHANGES IN NET ASSETS	612,153	(1,192,257)
Net Assets - Beginning of Year	856,073	2,048,330
NET ASSETS - END OF YEAR	$ 1,468,226	$ 856,073

See accompanying Notes to Financial Statements.

POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Total
Salaries, Wages, and Payroll Taxes	$ 7,522,810	$ 2,429,479	$ 9,952,289
Other Employee Benefits	91,505	29,130	120,635
Depreciation Expense	403,101	25,951	429,052
Freight and Delivery	7,804	2,155	9,959
Insurance	64,775	17,886	82,661
Interest and Penalties	30,504	39,520	70,024
Licenses and Permits	50,937	14,065	65,002
Medical Supplies	885,016	-	885,016
In-Kind Supplies	436,012	-	436,012
Occupancy	389,915	25,102	415,017
Office Supplies and Other	678,351	191,985	870,336
Outside Services	216,524	232,630	449,154
Professional Fees	32,706	9,031	41,737
Repairs and Maintenance	221,680	14,272	235,952
Telephone	12,760	3,523	16,283
Total	$ 11,044,400	$ 3,034,729	$ 14,079,129

See accompanying Notes to Financial Statements.

POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Total
Salaries, Wages, and Payroll Taxes	$ 6,071,964	$ 1,775,771	$ 7,847,735
Other Employee Benefits	97,552	28,197	125,749
Depreciation Expense	362,807	19,736	382,543
Freight and Delivery	6,557	1,546	8,103
Insurance	20,904	4,928	25,832
Interest and Penalties	1,941	-	1,941
Licenses and Permits	25,019	6,143	31,162
Medical Supplies	693,736	-	693,736
Occupancy	394,298	21,449	415,747
Office Supplies and Other	479,661	116,899	596,560
Outside Services	301,342	68,016	369,358
Professional Fees	19,954	4,705	24,659
Repairs and Maintenance	195,113	10,614	205,727
Telephone	11,593	2,733	14,326
Total	$ 8,682,441	$ 2,060,737	$ 10,743,178

See accompanying Notes to Financial Statements.

POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 612,153	$ (1,192,257)
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	429,052	382,543
Change in Operating Assets:		
Patient Accounts Receivable	(176,668)	(399,339)
Other Accounts Receivable	(58,149)	(95,010)
Prepaid Expenses and Other Assets	(38,059)	(17,619)
Change in Operating Liabilities:		
Accrued Liabilities	632,958	1,238,262
Payroll Liabilities	251,329	108,470
Deferred Grant Revenue	200,238	(251,955)
Deferred Lease Liabilities	4,490	9,950
Net Cash Provided (Used) by Operating Activities	1,857,344	(216,955)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(106,660)	(82,921)
NET INCREASE (DECREASE) IN CASH	1,750,684	(299,876)
Cash - Beginning of Year	1,656,654	1,956,530
CASH - END OF YEAR	$ 3,407,338	$ 1,656,654

See accompanying Notes to 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 paperwork with the Internal Revenue Service with approval on December 20, 2016. On April 15, 2017, PCHC opened a health center in Ontario. The center features primary care, pediatrics, prenatal, behavioral health, and dental services. In early 2019, PCHC 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 (U.S. 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 U.S. 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 PCHC 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 (CONTINUED)

Patient Accounts Receivable and Patient Service Revenue

Patient accounts receivable and patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. PCHC provides care to patients regardless of their ability to pay.

Patient accounts receivable are reduced for explicit and implicit price concessions. In establishing its estimate of collectibility of accounts receivable, PCHC analyzes its past history and collection patterns of its major payor revenue sources. These estimates are adjusted as appropriate for volume, service mix and rate changes.

For receivables associated with self-pay patients (which include patients without insurance who are not covered by PCHC's sliding fee discount program and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), PCHC records an implicit discount in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted are considered a change in estimate of the implicit price concession.

PCHC grants credit without collateral to its patients, most of whom are residents in the communities that it serves and are either insured under third-party payor agreements or uninsured.

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. Fixed assets acquired with costs in excess of $5,000 are capitalized. 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.

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 (CONTINUED)

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.

PCHC reports 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 and changes in net assets as net assets released from restrictions. Net assets with donor restrictions at December 31, 2020 are restricted for expansion and support of telehealth activities at PCHC.

In-Kind Contributions

Contributed goods and services are recorded at market values or the usual customary charge. During the year ended December 31, 2020, PCHC received in-kind donations of:

Pharmaceuticals	$	309,052
Supplies		126,960
Total	$	436,012

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 changes in net assets 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 (Deficit) of Revenue over Expenses

The statements of activities and changes in net assets include determination of excess (deficit) revenues 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, 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.

Upcoming Accounting Standards

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 *Leases* (Topic 842) requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. The standard will not be effective for PCHC until the year ending December 31, 2022. Management is currently in the process of evaluating the impact.

Subsequent Events

Subsequent events have been evaluated through July 8, 2021, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2020 and 2019, PCHC had days cash on hand (based upon normal expenditures) of 94 and 58, 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 comprise the following:

	2020	2019
Cash	$ 3,407,338	$ 1,656,654
Patient Accounts Receivable	1,316,659	1,139,991
Other Accounts Receivable	308,341	250,192
Total	$ 5,032,338	$ 3,046,837

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

NOTE 3 PATIENT SERVICE REVENUE

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

Performance obligations are determined based on the nature of the services provided by PCHC. Revenue for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges. PCHC believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving primary and preventive care. PCHC measures the performance obligation at the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the completion of the outpatient service. Revenue for performance obligations satisfied at a point in time, pharmacy services, is generally recognized when goods are provided to patients and PCHC does not believe it is required to provide additional goods or services related to that sale.

PCHC determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured and under-insured patients in accordance with PCHC's policy, and/or implicit price concessions provided to uninsured and under-insured patients. PCHC determines its estimates of explicit price concessions based on contractual agreements, its discount policy, and historical experience. PCHC determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

Services rendered to Medicare program beneficiaries are paid a Prospective Payment System (PPS) rate for Federally Qualified Health Centers (FQHC). Under the FQHC PPS, Medicare pays FQHCs based on the lesser of their actual charges or the PPS rate for FQHC services furnished to a beneficiary for a medically necessary, face-to-face FQHC visit. PCHC is paid 80% of the established FQHC rate, with the beneficiary being responsible for the remaining 20%, or alternatively, the remaining 20% is billed to Medicaid for qualifying patients (dual eligible). The FQHC PPS base rate is adjusted for each FQHC site by the FQHC geographic adjustment factor (GAF), based on the geographic cost indices (GPCIs) used to adjust payment under the Medicare Physician Fee Schedule (MPFS).

PCHC is reimbursed at the PPS rate with final settlement related to Medicare bad debts and vaccines provided during the Medicare year determined after submission of annual cost reports by PCHC and audits thereof by PCHC s for Medicare and Medicaid (CMS) fiscal intermediary. Historically, these settlement amounts have not been material.

Medicare Advantage

Private insurance companies administer Medicare Advantage (MA) programs. Payment rates for outpatient services provided to MA enrollees are based on contractual agreements with each MA administrator. FQHCs qualify for supplemental wrap-around payments, which is the difference between the FQHC PPS rate and the average MA per-visit rate. Wrap-around rate determination and payment is handled by the CMS Medicare fiscal intermediary.

Medicaid

Services rendered to Medicaid program beneficiaries are reimbursed under a PPS cost reimbursement method increased every calendar year by the productivity-adjusted Medicare Economic Index (MEI).

Medicaid Managed Care

A portion of the state of California's Medicaid program beneficiaries are assigned to a Medicaid managed-care program administered by private insurance companies. Medical services provided to enrollees are either paid based on a capitated rate or a fee for service schedule, depending on the contract. Because FQHC clinics qualify for enhanced payment rates and are reimbursed their costs, a final settlement is determined upon reconciliation of qualified encounters provided to eligible Medicaid managed-care enrollees as determined under their current reimbursement methodology. See Note 8 for further disclosure.

NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)

Other

PCHC has payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

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

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and PCHC's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2020 and 2019.

NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)

Generally, patients who are covered by third-party payors are responsible for related deductibles that vary in amount. PCHC also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. Specifically, PCHC has a policy of providing care to patients who meet certain criteria under its Sliding Fee Discount Program at amounts less than its established rates. However, all patients are requested to pay a nominal fee for each visit, and no patient is denied services because of inability to pay. Discounts under the Sliding Fee Discount Program are considered explicit price concessions. PCHC estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2020 and 2019.

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

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

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of patient's service
- Method of reimbursement (fee for service or capitation)
- PCHC's line of business that provided the service such as medical, dental and behavioral health visits

PCHC has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to PCHC's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, PCHC does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

For the years ended December 31, 2020 and 2019, PCHC recognized revenue of approximately $7,249,000 from goods and services that transfer to the customer over time.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2020	2019
Building Improvements	$ 3,158,827	$ 3,148,832
Furniture and Equipment	1,390,619	1,293,953
Donated Artwork	39,040	39,040
Total Depreciable Assets	4,588,486	4,481,825
Less: Accumulated depreciation	(1,445,200)	(1,016,147)
Total Property and Equipment, Net	$ 3,143,286	$ 3,465,678

NOTE 5 INTANGIBLE ASSET

On September 24, 2014, PCHC obtained 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 for 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, 2020, there was no impairment of the perpetual license.

NOTE 6 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 at the end of credit year three, beginning March 31, 2015. The agreement was 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, 2020, 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 2020.

NOTE 7 OPERATING LEASES

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.

On February 1, 2019, 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 is $5,635. Rent expense for the years ended December 31, 2020 and 2019 was approximately $167,000 and $164,000, respectively.

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, which includes 953 square feet for use as an office for an additional monthly sublease payment of $1,048. PCHC will receive an additional discount on the five-year addendum for the expansion of $3,200 per year beginning on February 1, 2019.

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. The annual increases are straight lined, and the difference is accounted for in deferred lease liabilities on the statement of financial position. Rent expense for the years ended December 31, 2020 and 2019 was approximately $182,000 and $185,000, respectively.

Future minimum operating lease payments for PCHC are as follows:

Year Ending December 31,	Amount
2021	$ 365,791
2022	371,836
2023	377,941
2024	228,642
2025	220,752
Thereafter	284,895
Total	$ 1,849,858

NOTE 8 MEDI-CAL RECONCILIATION

PCHC received notices from the State of California regarding the reconciliation process for payments related to calendar years 2017 and 2018 in the amounts of approximately $584,000 and $813,000, respectively. In May 2020, a payment plan for 2017 and 2018 was established for monthly payments, including interest, of approximately $63,000 over the course of 24 months. PCHC has estimated a liability of approximately $1,381,000 and $1,266,000 to the state for calendar years 2020 and 2019, respectively using the same methodology. A change in estimate resulted in decreases of approximately $302,000 and $1,549,000 respectively, to patient service revenue for the years ended December 31, 2020 and 2019.

PCHC has recognized and included approximately $3,300,000 in accrued liabilities on the accompanying statement of financial position as of December 31, 2020. The estimate is subject to a material change based on the State's final reconciliations of the activity to be performed.

NOTE 9 PAYCHECK PROTECTION PROGRAM

On April 22, 2020 PCHC received proceeds in the amount of $1,329,685 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program (PPP). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Management believes PCHC has satisfied and met the performance barriers and therefore, PCHC recognized the full amount as grant revenue related to this agreement during the year ended December 31, 2020. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if PCHC fails to apply for forgiveness within in 10 months after the covered period, then payment of principal and interest shall begin on that date. If the SBA determines that a portion of the PPP loan proceeds will not be forgiven PCHC would be obligated to repay those funds to the SBA at an interest rate of 1% over a period of 2 years. Subsequent to year end the SBA formally forgave PCHC's obligation under this PPP loan.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or potential loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds received by PCHC were $165,523 and are included in the balance of deferred grant revenue on the accompanying statement of financial position. PRF is subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At December 31, 2020, PCHC has not recognized any of the funds received as grant revenue in the statement of activities and changes in net assets.

NOTE 11 SUBSEQUENT EVENTS

Subsequent to year-end, PCHC received an award in the amount of $2,856,750 from the U.S. Department of Health Resources and Services Administration as part of the American Rescue Plan. The funding will be used to support and expand COVID-19 vaccination, testing, and treatment for vulnerable populations; deliver needed preventive and primary health care services to those at higher risk for COVID-19; and expand PCHC's operational capacity during the pandemic and beyond. An additional award of $640,800 was received specifically for construction and capital improvements. PCHC will be reimbursed for allowable expenditures and costs as they are incurred up to the award amounts based upon approved budgeted amounts over the two-year project period.

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
Pomona, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pomona Community Health Center dba: Parktree Community Health Center (PCHC), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 8, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

Bellevue, Washington
July 8, 2021