

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2021 AND 2020



CPAs | CONSULTANTS | WEALTH ADVISORS

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pomona Community Health Center dba: Parktree Community Health Center, a California nonprofit corporation, which comprise the statements of financial position as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parktree Community Health Center as of December 31, 2021 and 2020, and the results of their operations, changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Parktree Community Health Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Parktree Community Health Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Parktree Community Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Parktree Community Health Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

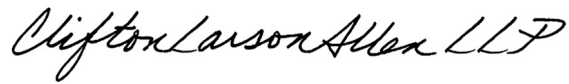
Supplementary Information

Our audit was 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2022, on our consideration of Parktree Community Health Center'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 Parktree Community Health Center'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 Parktree Community Health Center's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
September 21, 2022

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 4,023,633	\$ 3,407,338
Patient Accounts Receivable	522,076	1,316,659
Other Accounts Receivable	193,143	308,341
Prepaid Expenses and Other Assets	113,916	129,807
Total Current Assets	<u>4,852,768</u>	<u>5,162,145</u>
NONCURRENT ASSETS		
Property and Equipment, Net	3,005,366	3,143,286
Intangible Asset	61,200	61,200
Total Noncurrent Assets	<u>3,066,566</u>	<u>3,204,486</u>
Total Assets	<u>\$ 7,919,334</u>	<u>\$ 8,366,631</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Liabilities	\$ 3,929,472	\$ 3,446,354
Payroll Liabilities	771,112	736,779
Deferred Grant Revenue	187,227	205,777
Total Current Liabilities	<u>4,887,811</u>	<u>4,388,910</u>
NONCURRENT LIABILITIES		
Deferred Lease Liabilities	106,508	107,478
Loans Payable - Noncurrent Portion	2,402,017	2,402,017
Total Noncurrent Liabilities	<u>2,508,525</u>	<u>2,509,495</u>
Total Liabilities	7,396,336	6,898,405
NET ASSETS		
Net Assets Without Donor Restriction	227,974	1,381,506
Net Assets With Donor Restriction	295,024	86,720
Total Net Assets	<u>522,998</u>	<u>1,468,226</u>
Total Liabilities and Net Assets	<u>\$ 7,919,334</u>	<u>\$ 8,366,631</u>

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, 2021 AND 2020**

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES		
Patient Service Revenue	\$ 5,481,731	\$ 5,685,797
Capitation Revenue	2,175,892	2,212,836
Federal Grant Sources	4,139,472	3,440,660
Other Grant Sources	400,871	1,424,238
Contributions	458,419	1,813,587
Miscellaneous Revenue	138,322	27,444
Total Revenues and Support	12,794,707	14,604,562
NET ASSETS RELEASED FROM RESTRICTION	86,720	-
EXPENSES		
Program Services	10,974,113	11,044,400
Management and General	3,060,846	3,034,729
Total Expenses	14,034,959	14,079,129
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,153,532)	525,433
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	295,024	86,720
Net Assets Released from Restriction	(86,720)	-
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	208,304	86,720
CHANGES IN NET ASSETS	(945,228)	612,153
Net Assets - Beginning of Year	1,468,226	856,073
NET ASSETS - END OF YEAR	\$ 522,998	\$ 1,468,226

See accompanying Notes to Financial Statements.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Services	Management and General	Total
Salaries, Wages, and Payroll Taxes	\$ 7,698,443	\$ 2,525,515	\$ 10,223,958
Other Employee Benefits	124,037	40,389	164,426
Depreciation Expense	411,159	25,231	436,390
Freight and Delivery	4,410	1,412	5,822
Insurance	37,628	12,053	49,681
Interest and Penalties	121,139	-	121,139
Licenses and Permits	45,027	14,423	59,450
Medical Supplies	675,269	-	675,269
In-Kind Supplies	456,225	-	456,225
Occupancy	497,486	30,528	528,014
Office Supplies and Other	461,068	150,837	611,905
Outside Services	149,728	227,350	377,078
Professional Fees	47,838	15,323	63,161
Repairs and Maintenance	233,952	14,356	248,308
Telephone	10,704	3,429	14,133
	<u>10,974,113</u>	<u>3,060,846</u>	<u>14,034,959</u>
Total	<u>\$ 10,974,113</u>	<u>\$ 3,060,846</u>	<u>\$ 14,034,959</u>

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
	<u>11,044,400</u>	<u>3,034,729</u>	<u>14,079,129</u>
Total	<u>\$ 11,044,400</u>	<u>\$ 3,034,729</u>	<u>\$ 14,079,129</u>

See accompanying Notes to Financial Statements.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (945,228)	\$ 612,153
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	436,390	429,052
Change in Operating Assets:		
Patient Accounts Receivable	794,583	(176,668)
Other Accounts Receivable	115,198	(58,149)
Prepaid Expenses and Other Assets	15,891	(38,059)
Change in Operating Liabilities:		
Accrued Liabilities	483,118	632,958
Payroll Liabilities	34,333	251,329
Deferred Grant Revenue	(18,550)	200,238
Deferred Lease Liabilities	(970)	4,490
Net Cash Provided by Operating Activities	<u>914,765</u>	<u>1,857,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<u>(298,470)</u>	<u>(106,660)</u>
Net Cash Used by Investing Activities	(298,470)	(106,660)
NET INCREASE IN CASH	616,295	1,750,684
Cash - Beginning of Year	<u>3,407,338</u>	<u>1,656,654</u>
CASH - END OF YEAR	<u><u>\$ 4,023,633</u></u>	<u><u>\$ 3,407,338</u></u>

See accompanying Notes to Financial Statements.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 new health center in Ontario. The new 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 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.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable and Patient Service Revenue

Patient accounts receivable and patient service revenue, net are reported at the estimated transaction prices 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 collectability 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 copayments 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.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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. .

In-Kind Contributions

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

	2021	2020
Pharmaceuticals	\$ 445,032	\$ 309,052
Supplies	11,193	126,960
Total	\$ 456,225	\$ 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.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 and support over expenses. Changes in net assets without donor restrictions which are excluded from operations, consistent with industry practice are contributions with donor restrictions 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.

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 September 21, 2022, which is the date the financial statements were available to be issued.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2021 and 2020, PCHC had days cash on hand (based upon normal expenditures) of 108 and 94, 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:

	2021	2020
Cash	\$ 4,023,633	\$ 3,407,338
Patient Accounts Receivable	522,076	1,316,659
Other Accounts Receivable	193,143	308,341
Total	\$ 4,738,852	\$ 5,032,338

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 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 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 our 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.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 Medicare Part B. 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.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 2021 and 2020.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020.

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.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)

For the years ended December 31, 2021 and 2020, PCHC recognized revenue of approximately \$8,616,000 and \$7,249,000, respectively, from goods and services that transfer to the customer over time; and recognized revenue of approximately \$65,000 and \$75,000, respectively, from goods and services that transfer to the customer at a point of time.

The opening and closing contract balances were as follows:

Balance as of January 1, 2019	\$ 1,139,991
Balance as of December 31, 2020	\$ 1,316,659
Balance as of December 31, 2021	\$ 522,076

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2021	2020
Building Improvements	\$ 3,158,827	\$ 3,158,827
Furniture and Equipment	1,689,089	1,390,619
Donated Artwork	39,040	39,040
Total Depreciable Assets	4,886,956	4,588,486
Less: Accumulated Depreciation	(1,881,590)	(1,445,200)
Total Property and Equipment, Net	\$ 3,005,366	\$ 3,143,286

NOTE 5 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 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, 2021, there was no impairment of the perpetual license.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021, the line of credit had a balance of \$2,402,017. Based on management's most recent days cash on hand calculation no payments were expected to be made in 2022.

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.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 OPERATING LEASES (CONTINUED)

Holt Location Lease (Continued)

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.

On July 1, 2021, PCHC entered into a sublease with Valley Academies Foundation. Effective July 1, 2021, PCHC will sublease suite 56, which includes 2,169 square feet for use as administrative office space for an additional monthly sublease payment of \$3,254. The sublease is for a term of five years.

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.

Total rent expense for the years ended December 31, 2021 and 2020 was approximately \$362,000 and \$316,700, respectively.

Future minimum operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 407,678
2023	413,783
2024	267,418
2025	259,794
2026	247,086
Thereafter	57,330
Total	<u>\$ 1,653,089</u>

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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. Payments were accelerated in 2021 and PCHC paid the outstanding liability in full. PCHC has estimated a liability of approximately \$1,400,000, \$1,381,000 and \$960,000 to the state for calendar years 2021, 2020 and 2019, respectively using the same methodology.

PCHC has recognized and included the Medi-Cal estimates in accrued liabilities on the accompanying statement of financial position as of December 31, 2021. 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 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. The SBA formally forgave PCHC's obligation under this PPP loan in 2021. Subsequent to forgiveness the SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any future review will not have a material adverse impact on PCHC's financial position.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Provider Relief Fund

Due to the Coronavirus pandemic the United States Department of Health and Human Services (HHS) made available emergency relief grant funding to health care providers through the CARES Act Provider Relief Fund (PRF). Total funding received by PCHC during the years ended December 31, 2021 and 2020 was approximately \$104,000 and \$165,000, respectively and recorded as deferred grant revenue on the statement of financial position. Approximately \$165,000 was recognized as grant revenue on the statement of activities and changes net assets during the year ended December 31, 2021. PRF is subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Impact of COVID-19

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic in 2020. The COVID-19 pandemic had significant effects on global markets, supply chains, businesses, and communities. Specific to PCHC, COVID-19 may continue to impact various parts of its 2022 operations and financial results, including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or potential loss of revenue due to reductions in certain revenue streams. Management believes PCHC is taking appropriate actions to mitigate the negative impact.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of the following at December 31:

	2021			
	Beginning Balance	Additions	Releases	Ending Balance
Subject to Expenditure for Specified Purpose:				
Telehealth Support	\$ 86,720	\$ -	\$ (86,720)	\$ -
Purchase of Specified Capital Assets	-	51,024	-	51,024
Population Health Management	-	200,000	-	200,000
Covid-19 Programs	-	44,000	-	44,000
Total	<u>\$ 86,720</u>	<u>\$ 295,024</u>	<u>\$ (86,720)</u>	<u>\$ 295,024</u>
	2020			
	Beginning Balance	Additions	Releases	Ending Balance
Subject to Expenditure for Specified Purpose:				
Telehealth Support	\$ -	\$ 86,720	\$ -	\$ 86,720
Purchase of Specified Capital Assets	-	-	-	-
Population Health Management	-	-	-	-
Covid-19 Programs	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 86,720</u>	<u>\$ -</u>	<u>\$ 86,720</u>

SUPPLEMENTARY INFORMATION

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:				
Health Center Program Cluster:				
Health Center Program	93.224			\$ 425,198
COVID-19 Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	93.224			261,849
COVID-19 American Rescue Plan Act Funding for Health Centers	93.224			1,133,182
COVID-19 Expanding Capacity for Coronavirus Testing (ECT)	93.224			166,398
Total Assistance Listing Number 93.224				<u>1,986,627</u>
Grants for New and Expanded Services Under the Health Center Program	93.527			1,987,322
Total Health Center Cluster				<u>3,973,949</u>
COVID-19 HRSA Claims Reimbursement for the Uninsured Program and the COVID-19 Assistance Funds	93.461			19,701
COVID-19 Provider Relief Fund	93.498			<u>165,523</u>
Total U.S Department of Health and Human Services				<u>4,159,173</u>
Total Expenditures of Federal Awards				<u><u>\$ 4,159,173</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021**

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, 2021. 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 has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



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 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 financial statements of Parktree Community Health Center, which comprise the statement of financial position as of December 31, 2021, 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 September 21, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Parktree Community Health Center'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 Parktree Community Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Parktree Community Health Center'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 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 or significant deficiencies may exist that were not identified.

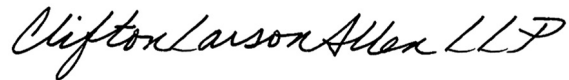
Board of Directors
Pomona Community Health Center dba:
Parktree Community Health Center

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parktree Community Health Center's 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 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

Glendora, California
September 21, 2022



**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
Pomona, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Parktree Community Health Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Parktree Community Health Center's major federal programs for the year ended December 31, 2021. Parktree Community Health Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Parktree Community Health Center complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Parktree Community Health Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Parktree Community Health Center compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Parktree Community Health Center's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Parktree Community Health Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Parktree Community Health Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Parktree Community Health Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Parktree Community Health Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Parktree Community Health Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

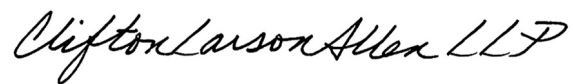
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Glendora, California
September 21, 2022

**POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. 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)

93.224
93.527

Name of Federal Program or Cluster

Health Center Program Cluster
Health Center Program
Grants for New and Expanded Services under
The Health Center Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

POMONA COMMUNITY HEALTH CENTER DBA:
PARKTREE COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

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, 2021**

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



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