

**PARTNERS IN CARE FOUNDATION, INC.
AND SUBSIDIARIES**

REPORTS REQUIRED BY
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS
(CFR) PART 200, UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT
REQUIREMENTS FOR FEDERAL AWARDS
(UNIFORM GUIDANCE)

YEAR ENDED JUNE 30, 2021

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

REPORTS REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS
(CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST
PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS
(UNIFORM GUIDANCE)

YEAR ENDED JUNE 30, 2021

CONTENTS

	Page
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	3
Schedule of Findings and Questioned Costs	5
Consolidated Financial Statements	Appendix



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

AUDIT
AND
ASSURANCE

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Partners in Care Foundation, Inc. and Subsidiaries

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 consolidated financial statements of Partners in Care Foundation, Inc. and Subsidiaries (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 29, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2021-001 to be a material weakness.

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.

To the Board of Directors
Partners in Care Foundation, Inc. and Subsidiaries

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated 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*.

The Foundation’s Response to Findings

The Foundation’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation’s response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 Foundation’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.

Green Hasson & Janks LLP

September 29, 2022
Los Angeles, California



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

AUDIT
AND
ASSURANCE

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Partners in Care Foundation, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited Partners in Care Foundation, Inc. and Subsidiaries (the Foundation) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2021. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

To the Board of Directors
Partners in Care Foundation, Inc. and Subsidiaries

Report on Internal Control over Compliance

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

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

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

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

Green Hasson & Janks LLP

September 29, 2022
Los Angeles, California

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Are any material weaknesses identified? Yes No
- Are any significant deficiencies identified? Yes None reported

Is any noncompliance material to consolidated financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Are any material weaknesses identified? Yes No
- Are any significant deficiencies identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

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

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS (continued)

Federal Awards (continued)

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	U.S. Department of Health and Human Services: Pass-through, State of California - Department of Aging Medicaid Cluster: Medical Assistance Program HCBA - Medi-Cal Waiver

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

Auditee qualified as a low-risk auditee? Yes No

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021

SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS

FINDING 2021-001: YEAR-END CLOSING AND REPORTING (REPEAT FINDING OF 2018-001, 2019-001 and 2020-001)

Criteria: Regular, timely, and accurate account balance reconciliations and timely closing of the accounting records are important controls that ensure the Foundation's management and those charged with governance have access to complete and accurate financial information on a timely basis in order to make informed operational and financial decisions. In addition, reconciled balances help ensure accurate reporting of costs incurred for federal-and state-funded programs and appropriately calculated requests for federal funds and help to identify erroneous or fraudulent transactions. Finally, timely year-end closing is critical for meeting the federal and state reporting deadlines.

Condition: Various general ledger account balances, including cash, government and non-government contract revenues and accounts receivable were not reconciled in a timely manner during the year. Additionally, in some cases, reconciling items were not resolved in a timely manner, thereby reducing the effectiveness of the reconciliation process. As a result, the accounting records for the year ended June 30, 2021 were not closed for several months after year-end. The lack of timely account reconciliation resulted in multiple adjustments during the audit to appropriate reconcile the accounts and agree the balances to the related supporting documentation.

In particular, the following consolidated financial statement areas were affected:

- **Cash Balances.** During the audit we noted several matters of concern related to the Foundation's cash account balances:
 - First, the Foundation's main operating bank general ledger account balance had several uncleared adjustments to the account balance resulting in an increase in the cash balance of approximately \$225,000. These items primarily stemmed from audit adjustments recorded as a result of the audit for the year ended June 30, 2018, that had not been cleared through subsequent payments and no longer represent valid transactions. As a result, an audit adjustment was posted to correct the cash balance.
 - Secondly, the Foundation's bank account reconciliations contained numerous stale checks dating back to the year ended June 30, 2015 totaling approximately \$20,000. While the amount is not significant, there is a risk that the Foundation might not be in compliance with the California State escheat laws that require attempts to reach out to payees to clear the outstanding payments and remitting the balances to the state after a specified period of time.

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021

SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS (continued)

FINDING 2021-001: YEAR-END CLOSING AND REPORTING (REPEAT FINDING OF 2018-001, 2019-001 and 2020-001) (continued)

- Finally, bank reconciliations are currently performed several months after year-end using Excel. At least one bank reconciliation tested was performed four months after the month-end. As a result, there is a risk that unauthorized activity in the bank accounts will not be captured and resolved timely.
- **Reconciliation of Revenues and Accounts Receivable.** The following matters were noted in relation to revenue and accounts receivable accounts:
 - There are continuing discrepancies between the accounts receivable general ledger balances and the related subledgers and supporting schedules that require time-consuming manual reconciliations to determine the accurate outstanding balances due. Items included in the accounts receivables subledger include invoices that have been outstanding for several years with a general allowance established.
 - In addition, for certain payers, transactions are recorded at times using the receivables subledger and other times - directly through the general ledger account. This process is prone to errors and increases the difficulty in analyzing the activity in such programs.
 - Finally, payments received and deposited are regularly not applied to the specific outstanding receivables balances for two to three months after the payment is received.

As a result, the accounting records consistently do not reflect the true accounts receivable balance, and there is limited visibility into the outstanding receivable balances on an ongoing basis. During the current years audit multiple adjustments were posted to decrease accounts receivable and related income resulting in a net adjustment of approximately \$200,000.

Cause: The ongoing delays in reconciling and closing accounts appear to result from insufficient staffing and oversight of the Finance team due to the significant growth in the Foundation's operations and programs.

Effect: The year-end close process was delayed, which impacted the completion of the audit. Additionally, management and those charged with governance did not have access to complete and accurate internal financial reports for several months after year-end.

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021

SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS (continued)

FINDING 2021-001: YEAR-END CLOSING AND REPORTING (REPEAT FINDING OF 2018-001, 2019-001 and 2020-001) (continued)

Recommendation: We recommend management establish appropriate policies and procedures to ensure all major general ledger accounts are reconciled on a monthly basis in a timely manner, preferably before the end of the next month, and any variances or discrepancies are researched and corrected as soon as possible. A closing process should be implemented whereby payments received are recorded and applied against open accounts receivable balances shortly after receipt, reconciling items are properly resolved in a timely manner, and bank reconciliations are completed and reviewed within a month of the month-end. Most importantly, we recommend management review the accounts receivable balances in detail and clear out any old or uncollectible balances instead of carrying a general allowance to represent the net balance of accounts receivable. In addition, stale checks should be regularly reviewed and either reissued or escheated to the state as required by California laws. Finally, we recommend the staffing of the Finance team be evaluated to ensure there are adequate and appropriate resources to ensure appropriate controls and processes are implemented.

Views of Responsible Officials and Planned Corrective Actions: The Foundation recognizes the importance of maintaining effective timely reconciliations and an effective year-end closing. Although there has been significant improvement, this is an area that management continues to strengthen.

Management's corrective action is to continue to implement and review policies that support clear timeline of ongoing reconciliations, year-end closing, and audit preparation. As noted, reconciliation delays have been impacted by insufficient staffing and as a result, management is committed to reviewing and strengthening the Finance team staffing including the addition of a new position dedicated to enhancing and prioritizing controls surrounding reconciliations of cash, revenue and accounts receivables and process improvement for stale checks and uncollectible accounts review monthly. Management would also note that due to timing of audit some improvements have not been reflected in this year and will be demonstrated in the next reporting period.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year audit findings.

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021

SECTION IV - SUMMARY OF PRIOR YEAR AUDIT FINDINGS

FINDING 2020-001: YEAR-END CLOSING AND REPORTING

Condition: General ledger account balances were not reconciled and the accounting records for the year ended June 30, 2021 were not closed for several months after year-end. Multiple adjustments were posted to the trial balance to reconcile the accounts, specifically adjustments were posted to adjust the accounts receivable, deferred revenues, and revenues by a total of \$425,000, as well as several other account balances, such as deferred compensation plan assets and liabilities and accrued liabilities. Furthermore, we noted that bank reconciliations and month-end closing are not performed until four-five months after the month-end.

Recommendation: We recommended management establish appropriate policies and procedures to ensure all major general ledger accounts are reconciled on a monthly basis, and any variances and discrepancies are researched and corrected as soon as possible. This would help streamline the year-end reconciliation and closing process. Additionally, we recommended management establish controls to ensure federal reporting deadlines are met.

Current Status: A material weakness was noted in the year ended June 30, 2021 related to the year-end closing and has been reported as finding 2021-001.

FINDING 2020-02: RECOGNITION OF CONTRIBUTION REVENUE

Condition: We noted that three unconditional donor restricted grants were not recorded in full at the time of receipt and were instead being recognized as related expenditures were incurred or services were provided. The unrecognized portions of these grants were either included in deferred revenues if received or not recorded at all.

Recommendation: We recommended management continue reviewing the terms of grant agreements to ensure revenue is recorded in the correct period.

Current Status: Finding was remediated by management during the year ended June 30, 2021.



732 Mott Street
Suite 150
San Fernando, CA 91340
Phone 818-837-3775
Fax 818-837-3799
www.picf.org

Management's Corrective Action Plan Year Ended June 30, 2021

Finding 2021-001: Timely and Appropriate Reconciliation of Account Balances.

Responsible Person: Alexandra Cisneros, VP of Finance

818-837-3775 Ext. 107

Projected Implementation Date: Immediately

Partners recognizes the importance of maintaining effective timely reconciliations and an effective year-end closing. Although there has been significant improvement this is an area that we continue to strengthen. Management concurs with finding.

Management's corrective action is to continue to implement and review policies that support clear timeline of ongoing reconciliations, year-end closing, and audit preparation. As noted, reconciliation delays have been impacted by insufficient staffing and as a result Management is committed to reviewing and strengthening Finance team staffing including the addition of a new position dedicated to enhancing and prioritizing controls surrounding reconciliations of cash, revenue and accounts receivables and process improvement for stale checks and uncollectible accounts review monthly. Management would also note that due to timing of audit some improvements have not been reflected in this year and will be demonstrated in the next reporting period.

APPENDIX

**PARTNERS IN CARE FOUNDATION, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

CONTENTS

	Page
Independent Auditor’s Report.....	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses.....	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information	23
Consolidated Schedule of Expenditures of Federal Awards.....	24



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Partners in Care Foundation, Inc. and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Partners in Care Foundation, Inc. and Subsidiaries (the Foundation), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and those 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2021, and the 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

September 29, 2022
Los Angeles, California

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

With Summarized Totals at June 30, 2020

ASSETS	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 6,664,658	\$ 4,484,943
Investments	1,282,839	945,661
Accounts Receivable (Net)	2,624,929	1,876,980
Grants and Contributions Receivable (Net)	3,046,163	2,010,453
Deferred Compensation Plan Assets	722,589	645,398
Beneficial Interest in Charitable Remainder Trust	157,248	135,046
Prepaid Expenses and Other Assets	108,225	110,813
Property and Equipment (Net)	<u>420,297</u>	<u>423,273</u>
TOTAL ASSETS	<u>\$ 15,026,948</u>	<u>\$ 10,632,567</u>
 LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 509,078	\$ 384,243
Accrued Liabilities	1,975,243	1,540,275
Refundable Advances	711,642	940,930
Paycheck Protection Program Loan	1,581,500	1,581,500
Deferred Compensation Plan Liability	<u>722,589</u>	<u>645,398</u>
TOTAL LIABILITIES	5,500,052	5,092,346
NET ASSETS:		
Without Donor Restrictions	8,727,738	5,028,265
With Donor Restrictions	<u>799,158</u>	<u>511,956</u>
TOTAL NET ASSETS	<u>9,526,896</u>	<u>5,540,221</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,026,948</u>	<u>\$ 10,632,567</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

With Summarized Totals for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
REVENUE AND SUPPORT:				
Government Contracts	\$ 9,461,476	\$ -	\$ 9,461,476	\$ 8,436,165
Direct Service Contracts Revenues	10,761,948	-	10,761,948	9,476,600
Private Grants	494,625	300,000	794,625	595,547
Contributions	321,042	-	321,042	98,913
Special Events (Net of \$210,074 Direct Special Event Expenses)	237,017	-	237,017	-
Investment Return (Net)	336,855	-	336,855	53,791
Change in Value of Beneficial Interest in Charitable Remainder Trust	-	22,202	22,202	(14,987)
Net Assets Released from Donor Restrictions	35,000	(35,000)	-	-
TOTAL REVENUE AND SUPPORT	21,647,963	287,202	21,935,165	18,646,029
EXPENSES:				
Program Services	13,829,769	-	13,829,769	12,173,628
Management and General	3,683,741	-	3,683,741	3,002,721
Fundraising	434,980	-	434,980	341,326
TOTAL EXPENSES	17,948,490	-	17,948,490	15,517,675
CHANGE IN NET ASSETS	3,699,473	287,202	3,986,675	3,128,354
Net Assets - Beginning of Year	5,028,265	511,956	5,540,221	2,411,867
NET ASSETS - END OF YEAR	\$ 8,727,738	\$ 799,158	\$ 9,526,896	\$ 5,540,221

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

With Summarized Totals for the Year Ended June 30, 2020

	Total Program Services				Total Program Services	Management and General	Fundraising	Total Expenses	
	Network Services	Long-Term Support Services	Health Self-Management	Fiscal Intermediary				2021	2020
Salaries and Wages	\$ 1,873,494	\$ 5,894,401	\$ 1,057,419	\$ -	\$ 8,825,314	\$ 1,724,063	\$ 322,388	\$ 10,871,765	\$ 8,815,624
Fringe Benefits	355,964	1,153,114	200,910	-	1,709,988	283,330	60,863	2,054,181	1,644,972
TOTAL PERSONNEL COSTS	2,229,458	7,047,515	1,258,329	-	10,535,302	2,007,393	383,251	12,925,946	10,460,596
Contract Labor	400,207	380,414	417,333	14,470	1,212,424	353,318	13,734	1,579,476	1,431,385
Purchased Services	118,928	804,635	55,670	-	979,233	41	6,658	985,932	981,271
Professional Fees	117,440	-	19,850	1,390	138,680	480,237	-	618,917	532,688
Dues, Licenses, and Subscriptions	15,316	110,282	53,832	807	180,237	216,141	13,185	409,563	288,086
Office Expense and Program Supplies	23,166	74,776	108,849	-	206,791	150,435	15,437	372,663	503,951
Telephone and Internet	95,119	90,682	17,095	708	203,604	97,638	470	301,712	180,990
Occupancy Costs	-	161,568	26,647	-	188,215	105,348	440	294,003	277,413
Bad Debt Expense	-	-	-	-	-	49,138	-	49,138	144,203
Insurance	10,000	29,274	10,978	-	50,252	81,421	-	131,673	112,096
Travel and Entertainment	11,337	16,960	45,665	-	73,962	39,241	1,062	114,265	326,967
Depreciation	-	-	-	-	-	74,269	-	74,269	117,638
Public Relations and Recruitment	17,498	31,204	1,954	-	50,656	11,758	-	62,414	54,703
Other Expenses	10,413	-	-	-	10,413	4,983	743	16,139	87,099
Bank Charges	-	-	-	-	-	12,380	-	12,380	18,589
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 3,048,882	\$ 8,747,310	\$ 2,016,202	\$ 17,375	\$ 13,829,769	\$ 3,683,741	\$ 434,980	\$ 17,948,490	
					77%	21%	2%	100%	
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 3,007,406	\$ 7,262,794	\$ 1,870,702	\$ 32,726	\$ 12,173,628	\$ 3,002,721	\$ 341,326		\$ 15,517,675
					79%	19%	2%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

With Summarized Totals for the Year Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,986,675	\$ 3,128,354
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gains on Investments	(327,123)	(31,911)
Bad Debt Expense	49,138	144,203
Depreciation	74,269	117,638
Change in Value of Beneficial Interest in Charitable Remainder Trust	(22,202)	14,987
(Increase) Decrease in:		
Accounts Receivable	(747,949)	(1,457,071)
Grants and Contributions Receivable	(1,084,848)	(107,400)
Prepaid Expenses and Other Assets	2,588	(30,933)
Increase (Decrease) in:		
Accounts Payable	124,835	(140,092)
Accrued Liabilities	434,968	436,692
Refundable Advances	(229,288)	694,681
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,261,063</u>	<u>2,769,148</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(71,293)	(70,456)
Purchases of Investments	(10,055)	(949,189)
Proceeds from Sales of Investments	-	923,108
NET CASH USED IN INVESTING ACTIVITIES	<u>(81,348)</u>	<u>(96,537)</u>
CASH FLOWS FROM FINANCING ACTIVITY:		
Proceeds from Paycheck Protection Program Loan	-	1,581,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,179,715	4,254,111
Cash and Cash Equivalents - Beginning of Year	<u>4,484,943</u>	<u>230,832</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 6,664,658</u></u>	<u><u>\$ 4,484,943</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - ORGANIZATION

Partners in Care Foundation, Inc. and Subsidiaries (the Foundation) has been in the business of bringing medicine, families, and community-based services together since its inception in 1997. The Foundation was founded to enhance healthcare by partnering with organizations, families and community leaders to better serve communities and improve quality of life. Its vision is to be both a think-tank and proving ground for shaping a new era of healthcare that integrates medical and social services for adults with chronic and disabling conditions. The Foundation develops, tests and disseminates high-impact, innovative models of home and community-based care that bring efficient and effective health and social services to diverse people and communities. The Foundation is a state and national leader in disseminating evidence-based, health-impacting, self-management programs throughout care systems and community settings. In addition to developing collaborative networks that address comprehensive and continuous quality care to older adults, the Foundation is also at the forefront of reducing hospital readmissions and nursing home placement, a leadership effort that began long before the issue gained national prominence under the Affordable Care Act.

The Foundation's model in-home and community-based programs and services have focused on improving chronic disease self-management, identifying dangerous medication errors, preventing falls, averting costly hospitalizations and readmissions, and preventing premature nursing home placement for diverse low-income populations across the southland. These programs yield high - impact health results, meeting the widely recognized Institute for Healthcare Improvement's Triple Aim model of better population health, better patient experience, and reduced per-capita cost. The Foundation was awarded a National Committee for Quality Assurance (NCQA) accreditation-the second Community Based Organization in the country to have received this prestigious honor.

The Foundation has the following programs:

(a) PARTNERS AT HOME NETWORK

Partners at Home is the culmination of years of effort to build a network of community-based organizations with the expertise, local knowledge, and cultural sensitivity to deliver services that enable people to live in the community, streamlining access to these services for health plans, hospitals and physician groups.

Partners at Home provides:

- A single point of access to a large spectrum of services, scalable for regional and state coverage;
- Coordination of resources (medication management, home services, meal delivery, etc.) provided at a competitive price;
- Continuity of services provided by culturally diverse providers with local expertise to engage patients in their own outcomes; and
- A quality-accredited provider of a full-continuum of patient centered services.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - ORGANIZATION (continued)

(b) HOME AND COMMUNITY-BASED ALTERNATIVE (“HCBA”)

The Home and Community-Based Alternatives (HCBA) Waiver allows Medi-Cal beneficiaries with high-level care needs to continue to live at home or in the community by identifying and ensuring they receive services that will sustain their health and safety outside of an institution. Services include case management services that are provided by a multidisciplinary care team comprised of a nurse and social worker, which coordinates Waiver and State Plan services (e.g., medical, behavioral health, In-Home Supportive Services, etc.), and arranges for other available long-term services and support available in the local community.

(c) HEALTH HOMES PROGRAM (“HHP”)

The Foundation as a Community Based Care Management Entity (CB-CME) for the Health Homes Programs is the frontline provider of service for Medi-Cal beneficiaries at high-risk for emergency department visits and those with three or more chronic conditions. Services include care coordination activities, engagement, and person- center health action planning.

(d) COMMUNITY-BASED ADULT SERVICES ASSESSMENTS (“CBAS”)

The Foundation is the largest provider of eligibility evaluations in California, serving four major managed care plans and more than 200 CBAS centers throughout the state. Partner’s team of multi-lingual and culturally competent registered nurses is highly experienced in undertaking “face-to-face” screening evaluations via the CBAS Eligibility Determination Tool, either at a CBAS center or at a member’s home.

(e) HOMEMEDSSM AND HOMEMEDS PLUS

Data shows that 40-50% of elders using home or community-based care are using medications inappropriately, leading to a range of preventable issues including falls, 911 calls, ER visits, and hospitalization. HomeMedsSM utilizes an evidenced-based computerized risk assessment and alert process. A social worker gathers the information in the home and a pharmacist reviews medication to identify problems and follows through with the patient, their family, and the prescriber. HomeMedsSM was awarded with the Highest Evidence Level rating by the U.S. Administration for Community Living and it is now being implemented across 45 sites in 18 states.

HomeMeds Plus adds psychosocial, functional needs and safety assessments to the evaluation. Performed by highly skilled health coaches competent in cultural and linguistic diversity, adept at patient engagement and knowledgeable about community resources, these evaluations are carried out in the home to create an individualized service plan.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - ORGANIZATION (continued)

(f) MULTIPURPOSE SENIOR SERVICES PROGRAM ("MSSP")

This program empowers the low-income frail elderly on Medi-Cal to live independently in the community for as long as possible, thus delaying or avoiding entirely the need for nursing home placement. Trained coaches visit the person at home to conduct a health and psychosocial assessment, enabling them to determine the best range of services for each individual's needs. Services may include home delivered meals, transportation, chore and personal assistance, emergency response system, home safety modifications, medical equipment, protective supervision, counseling, and caregiver respite.

(g) CHRONIC DISEASE SELF-MANAGEMENT EDUCATION

The Foundation offers a range of powerful consumer empowerment tools including the Stanford University developed and licensed Chronic Disease, Diabetes, and Chronic Pain Self-Management Programs. Each workshop is six weeks long, and guides participants through peer led sessions to develop skills and learn new tools to help them manage their conditions on a daily basis. Topics covered include healthy eating, symptom and medications management, physical activity, and communicating with medical providers. The overall Chronic Disease Self-Management Program is a cross-cutting program for any chronic condition, such as high blood pressure, arthritis, diabetes, and heart disease, while the others have specific focus for individuals with diabetes or chronic pain. Participants who attend workshops are better able to manage symptoms, exercise more, are better able to communicate with physicians, and have better self-reported health and improved exercise. They typically also spend fewer days in the hospital or have fewer outpatient visits and hospitalizations. The workshop is also available in Spanish as "Tomando Control de su Salud."

(h) EVIDENCE-BASED LEADERSHIP COUNCIL ("EBLC")

EBLC is a collaboration among twelve national partner organizations, offering 19 highly recognized evidence-based, health promotion programs delivered via a network of more than 2,000 community-based organizations. Programs include: Healthy IDEAS - designed to detect and reduce the severity of depressive symptoms in older adults with chronic conditions; Fit and Strong! - an eight-week physical activity and behavior change program for older adults with mobility and balance challenges; and A Matter of Balance - a program designed to reduce the fear of falling and increase activity levels among older adults. The team helps scale this work statewide and leads a coalition in partnership with state Department of Aging to train, share license and coordinate statewide strategies for outreach and support.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 - ORGANIZATION (continued)

(i) GERIATRIC SOCIAL WORK EDUCATION CONSORTIUM ("GSWEC")

As one of ten Centers of Excellence, the Foundation is a founding partner in the collaboration of universities and agencies facilitating the GSWEC program - the nation's first integrated network to improve social work education and field training among those working in older adult services and care.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Partners in Care Foundation, Inc. as well as those of its subsidiaries: California Health Innovation Center (CHIC), Inc., Visiting Nurse Community Services (VNCS), Partners at Home, LLC, and a fiscal sponsorship project Evidence-Based Leadership Council (EBLC). All significant inter-company transactions and balances have been eliminated on consolidation.

(c) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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-imposed restrictions.
- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or 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 in the consolidated statement of activities as net assets released from donor restrictions.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2021 approximates its fair value.

The Foundation maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts

(e) INVESTMENTS

Investments in marketable securities with readily determinable values are reported at fair value, based on quoted market prices, in the consolidated statement of financial position. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the consolidated statement of activities and represent the current year change in the difference between the cost and fair value of investments held at the end of the fiscal year. Investments received through gifts are recorded at estimated fair value at the date of donation.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

(f) ACCOUNTS RECEIVABLE AND RELATED REVENUE RECOGNITION

Accounts receivable reflects the outstanding amount of consideration to which the Foundation expects to be entitled in exchange for providing services under direct service contracts. These amounts are due from third-party payors (including health insurers and government programs) and others. In evaluating the collectability of accounts receivable, the Foundation regularly analyzes its past history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in accounts receivable.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ACCOUNTS RECEIVABLE AND REVENUE RECOGNITION

The Foundation's revenues from contracts with customers are generated from direct service contracts to coordinate or provide evidence-based healthcare to eligible members. Such contracts provide for specified rates per services provided, such as care coordination and management, patient assessments and referrals, various healthcare workshops, and other services. Certain contracts may be structured based on negotiated fixed fee on a per-member-per-month basis that are subsequently settled based on actual services provided.

Direct service contract revenue is recognized over time as the Foundation satisfies performance obligations under its contracts either by serving eligible members or performing other service requirements. The Foundation 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.

Direct service contract revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Foundation expects to be entitled in exchange for providing the related services. The Foundation determines the transaction price based on the agreed-upon contractual rates for the contracted services, net of estimates for disallowed claims.

(g) GRANTS AND CONTRIBUTIONS RECEIVABLE AND RELATED REVENUE RECOGNITION

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Intentions to give are not included as support until payments are made or enforceable promises to give are executed. The Foundation evaluated the collectability of grants and contributions receivable and established an allowance for uncollectible amounts totaling \$149,959 at June 30, 2021; \$2,963,586 of grants and contributions receivable are due within one year, with \$82,577 due within two to five years.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) GRANTS AND CONTRIBUTIONS RECEIVABLE AND RELATED REVENUE RECOGNITION (continued)

A portion of the Foundation's grants are derived from fee-for-service and cost reimbursement grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Such grants are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes. Amounts received are recognized as revenue when the Foundation has satisfied the specific performance requirements or incurred expenditures in compliance with specific contract or grant provisions. The Foundation has elected to adopt a policy whereby donor-restricted grants and contributions that were initially conditional and whose conditions and restrictions are met in the same reporting period are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as refundable contract advances in the consolidated statement of financial position.

(h) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Foundation has been designated as the beneficiary of assets held in a charitable remainder trust administered by a financial institution. The Foundation recognizes contribution revenue with donor restrictions and, as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the Foundation are recognized in the consolidated statement of activities as a change in value of beneficial interest in charitable remainder trust.

(i) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost at the date of acquisition if purchased or at estimated fair value at the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Furniture and Equipment	5 Years
Computers and Software	5 Years
Vehicles	5 Years
Leasehold Improvements	Shorter of Estimated Life or Term of the Lease

Expenditures for repairs and maintenance are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) LONG-LIVED ASSETS

The Foundation evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated realizable value. During the year ended June 30, 2021, no impairment losses were recognized.

(k) PAYCHECK PROTECTION PROGRAM (PPP) LOAN

Management has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Foundation has been legally released or (2) the Foundation repays the loan to the lender.

(l) REFUNDABLE ADVANCES

Grants and contracts are recognized as revenue in accordance with the terms of the related agreements. Payments received in advance of earnings recognition are deferred. In addition, the Foundation holds special events on an annual basis. Sponsorship amounts received for such special events in advance of the event are also deferred.

(m) CONCENTRATION OF RISK

Approximately 43% of revenue and support generated by the Foundation during the year ended June 30, 2021 was derived from government contracts. In addition, revenue and support from the Medicaid Cluster programs represented 37% of the total revenue and support during the year ended June 30, 2021.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) INCOME TAXES

Partners in Care Foundation, Inc. and VNCS are exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. EBLC is a 501(c)(3) Supporting Organization.

CHIC and Partners at Home, LLC, a for-profit subsidiaries account for income taxes in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 740 *Uncertainty in Income Taxes* (ASC 740). These principles require an asset and liability approach to the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the consolidated financial statement carrying amounts and the tax bases of assets and liabilities using enacted laws and rates currently in effect. For the year ended June 30, 2021, the Foundation has not recorded any tax asset or liability in the consolidated financial statements for these entities in the belief that these amounts would be immaterial.

In accordance with the FASB ASC 740, the Foundation recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2021, the Foundation performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

(o) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Foundation's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Foundation allocates indirect costs based on the estimated proportionate staff time spent on various activities or other method that best measures the relative degree of benefit.

(p) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) COMPARATIVE TOTALS

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

(r) RECLASSIFICATIONS

For comparability, certain June 30, 2020 amounts have been reclassified, where appropriate, to conform to the consolidated financial statement presentation used at June 30, 2021.

(s) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. The Foundation implemented this ASU during the year ended June 30, 2021. There was no significant impact to the Foundation's financial statements as a result of the implementation of this ASU, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU will also require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For the Foundation, the ASU will be effective for the year ending June 30, 2023.

(t) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2021 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through September 29, 2022, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred except as identified in Note 7.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Foundation has implemented the accounting standard for assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2021, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 608,462	\$ 608,462	\$ -	\$ -
Exchange-Traded Funds:				
Equity	403,238	403,238	-	-
Fixed Income	271,139	271,139	-	-
TOTAL INVESTMENTS	1,282,839	1,282,839	-	-
Beneficial Interest in Charitable Remainder Trust	157,248	-	-	157,248
TOTAL	\$ 1,440,087	\$ 1,282,839	\$ -	\$ 157,248

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year. These investments can be redeemed daily.

The fair value of the beneficial interest in charitable remainder trust was determined as described in Note 2(h).

The change in the beneficial interest in charitable remainder trust is as follows for the year ended June 30, 2021:

Balance - Beginning of Year	\$ 135,046
Change in Beneficial Interest	22,202
BALANCE - END OF YEAR	<u>\$ 157,248</u>

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 4 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

In 1995, a donor established an irrevocable charitable remainder trust with a financial institution naming the Foundation as the sole beneficiary. Under the terms of the trust agreement, the donor will receive distributions equal to 9% of the fair market value of the trust for the donor's lifetime. At the end of the trust's term, the remaining assets are available for the Foundation's use. The charitable remainder trust is reported at the market value of the investments of the trust, as reported by the trustee, net of the estimated present value of the benefits payable to the lead beneficiary. Beneficial interest in charitable remainder trust totaled \$157,248 at June 30, 2021.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

Leasehold Improvements	\$ 743,559
Furniture and Equipment	575,350
Computers and Software	732,389
Vehicles	<u>92,877</u>
TOTAL	2,144,175
Less: Accumulated Depreciation	<u>(1,723,878)</u>
TOTAL PROPERTY AND EQUIPMENT (NET)	<u>\$ 420,297</u>

Depreciation expense for the year ended June 30, 2021 was \$74,269.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2021 consist of the following:

Accrued Compensation	\$ 798,072
Accrued Vacation	345,439
Other Accrued Liabilities	<u>831,732</u>
TOTAL ACCRUED LIABILITIES	<u>\$ 1,975,243</u>

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Foundation received a PPP loan in the amount of \$1,581,500. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the amount of forgiveness applied for by the borrower is approved by the SBA.

During the year ended June 30, 2021, the Foundation has applied for forgiveness of the PPP loan with respect to the eligible expenses incurred during the covered period. The Foundation has received the formal notice of forgiveness of the entire balance of the PPP loan, including accrued interest in April 2022, subsequent to year-end.

At June 30, 2021, the total outstanding balance of the PPP loan was \$1,581,500.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2021:

Subject to Passage of Time:	
Beneficial Interest in Charitable Remainder Trust	\$ 157,248
Subject to Expenditure for Specified Purpose:	
Geriatric Social Work Education	300,000
Care Coordination	274,632
Home and Community-Based Alternative Program	35,000
Other Programs	<u>32,278</u>
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	<u>641,910</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 799,158</u>

Net assets totaling \$35,000 restricted for the Home and Community-Based Alternative Program were released from donor restrictions during the year ended June 30, 2021, by incurring expenses satisfying the restricted purpose.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 9 - COMMITMENTS AND CONTINGENCIES

(a) OBLIGATIONS UNDER OPERATING LEASES

The Foundation leases various facilities and equipment under operating leases with various terms through October 2028. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

Years Ending June 30

2022	\$ 309,756
2023	302,353
2024	288,836
2025	273,650
2026	281,860
Thereafter	<u>489,589</u>
TOTAL	<u>\$ 1,946,044</u>

Rental expense totaled \$280,150 for the year ended June 30, 2021.

(b) CONTRACTS

The Foundation's grants and contracts are subject to inspection and audits by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated.

(c) LITIGATION

In the normal course of business, the Foundation may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a material impact on the consolidated financial statements of the Foundation as of June 30, 2021.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 10 - RETIREMENT AND DEFERRED COMPENSATION PLANS

The Foundation has a 401(k) defined contribution plan covering all eligible employees. Eligible participants may contribute from 1% to 99% of their eligible compensation to the plan, limited to the maximum as determined by the Internal Revenue Service for each year.

The Foundation's contributions to the plan are categorized as safe harbor and are equal to 100% of the first 4% of eligible pay contributed by the participant to the plan on a pay period basis. The participant becomes immediately vested at 100% in the matching contributions. The Foundation contributed \$252,122 during the year ended June 30, 2021.

The Foundation has a nonqualified deferred compensation plan, available to one member of senior management. The plan is a legally separate entity set up as an irrevocable trust invested in annuities and is managed by a former Board member of the Foundation. Deferred compensation plan assets consist primarily of annuity contracts, which are valued based on their cash surrender values using fair value hierarchy Level 3 inputs.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Foundation at June 30, 2021 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2021:	
Cash and Cash Equivalents	\$ 6,357,748
Investments	1,282,839
Accounts Receivable (Net)	2,624,929
Grants Receivable (Net)	<u>2,711,163</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 12,976,679</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation is substantially supported by government grants, direct services contracts, and foundation grants. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and highly liquid investments. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**PARTNERS IN CARE FOUNDATION, INC.
AND SUBSIDIARIES**

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

	Federal Assistance Listing Number	Contract Number	Federal Expenditures
Federal Grantor/Passed Through Grantor/Program or Cluster Title			
MAJOR PROGRAMS			
U.S. Department of Health and Human Services			
Pass-through, State of California - Department of Aging			
Medical Assistance Program	93.778	MS-2021-40	\$ 436,987
Medical Assistance Program	93.778	MS-2021-43	1,132,679
Medical Assistance Program	93.778	MS-2021-51	330,890
Medical Assistance Program	93.778	MS-2021-54	297,710
HCBA - Medi-Cal Waiver	93.778	18-95227	<u>3,432,218</u>
Total Medicaid Cluster			<u>5,630,484</u>
TOTAL MAJOR PROGRAMS			5,630,484
U.S. Department of Health and Human Services			
Pass-through, City of Los Angeles - Department of Aging:			
Special Programs for the Aging - Title III - Part D			
Disease Prevention and Health Promotion Services	93.043	C-133939	306,002
Pass-through, County of Los Angeles			
Title III - D Disease Prevention and Health Promotion	93.043	DPHP172001	397,123
COVID-19 - Title III - D Disease Prevention and Health Promotion	93.043	DPHP172001 - CARES	<u>5,400</u>
Total 93.043			708,525
Pass-through, Administration for Community Living			
CDSMP- Health Self Management Program	93.734	90CSSG005-01-03	157,514
Chronic Disease Self Management 2020-2023	93.734	90CSSG0033-01-00	<u>301,089</u>
Total 93.734			458,603
Pass-through, Administration for Community Living			
Falls Prevention - Health Self Management Project	93.761	90FP0018-01-03	34,237
Falls Prevention - Health Self Management 2020-2023	93.761	90FPSG0034-01-00	<u>222,580</u>
Total 93.761			<u>256,817</u>
Total U.S. Department of Health and Human Services			7,054,429
U.S. Department of Housing and Urban Development			
Pass-through, City of Los Angeles - Department of Aging:			
Evidence Based Program CDBG Funds/CDBO Funds/City General Funds:			
Technical Assistance	14.218	C-137772	<u>20,934</u>
Total 14.218, CDBG-Entitlement Grants Cluster			<u>20,934</u>
TOTAL FEDERAL AWARDS			<u>\$ 7,075,363</u>

See Independent Auditor's Report

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Notes to the Consolidated Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2021

- 1.** Basis of Presentation - The accompanying consolidated schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Foundation under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Foundation.
- 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.
- 3.** The Foundation has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- 4.** The Foundation has not provided any federal awards to subrecipients from the federal expenditures presented in this Schedule.