

PRELIMINARY DRAFT
Subject to Quality Control Review
December 10, 2020

TO BE RETURNED TO GREEN HASSON & JANKS LLP
AND NOT TO BE REPRODUCED IN ANY FORM
WITHOUT PERMISSION

PARTNERS IN CARE FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

PRELIMINARY DRAFT
Subject to Quality Control Review
December 10, 2020

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the consolidated financial statements, the recent COVID-19 pandemic in the United States and worldwide has resulted in reduced economic activity and market declines. As the extent and duration of the future impact to the Foundation are uncertain, no adjustments were necessary to the consolidated financial statements, and our opinion is not modified with respect to this matter.

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 and Non-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 December ____, 2020, 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

December ____, 2020
Los Angeles, California

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES INTERIM FINANCIAL STATEMENT DRAFT
 Subject to Quality Control Review
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION December 10, 2020
 June 30, 2019

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Cash and Cash Equivalents	\$ 230,832	\$ -	\$ 230,832
Investments	666,259	221,410	887,669
Accounts Receivable (Net)	2,467,165	-	2,467,165
Beneficial Interest in Charitable Remainder Trust	-	150,033	150,033
Prepaid Expenses and Other Assets	79,880	-	79,880
Property and Equipment (Net)	470,454	-	470,454
<i>TOTAL ASSETS</i>	<u>\$ 3,914,590</u>	<u>\$ 371,443</u>	<u>\$ 4,286,033</u>
LIABILITIES AND NET ASSETS			
Accounts Payable	\$ 524,334	\$ -	\$ 524,334
Accrued Liabilities	1,103,583	-	1,103,583
Deferred Revenue	246,249	-	246,249
<i>TOTAL LIABILITIES</i>	1,874,166	-	1,874,166
NET ASSETS:			
Without Donor Restrictions	2,040,424	-	2,040,424
With Donor Restrictions	-	371,443	371,443
<i>TOTAL NET ASSETS</i>	<u>2,040,424</u>	<u>371,443</u>	<u>2,411,867</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 3,914,590</u>	<u>\$ 371,443</u>	<u>\$ 4,286,033</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES FINANCIAL STATEMENTS - PRELIMINARY DRAFT
 Subject to Quality Control Review
 CONSOLIDATED STATEMENT OF ACTIVITIES December 10, 2020
 Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Government Contracts	\$ 7,352,315	\$ -	\$ 7,352,315
Direct Service Contracts Revenues	4,931,930	38,895	4,970,825
Grants	387,614	103,750	491,364
Special Events (Net of Direct Special Event Expenses of \$147,821)	309,829	-	309,829
Contributions	67,630	-	67,630
Investment Return (Net)	88,497	-	88,497
Change in Value of Beneficial Interest in Charitable Remainder Trust	-	(5,666)	(5,666)
Net Assets Released from Purpose Restrictions	617,995	(617,995)	-
<i>TOTAL REVENUE AND SUPPORT</i>	13,755,810	(481,016)	13,274,794
EXPENSES:			
Program Services	8,983,974	-	8,983,974
Management and General	3,425,465	-	3,425,465
Fundraising	362,162	-	362,162
<i>TOTAL EXPENSES</i>	12,771,601	-	12,771,601
<i>CHANGE IN NET ASSETS</i>	984,209	(481,016)	503,193
Net Assets - Beginning of Year	1,056,215	852,459	1,908,674
<i>NET ASSETS - END OF YEAR</i>	\$ 2,040,424	\$ 371,443	\$ 2,411,867

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

PRELIMINARY DRAFT
Subject to Quality Control Review
December 10, 2020

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Total Program Services				Total Program Services	Management and General	Fundraising	Total
	Network Services	Long-Term Support Services	Health Self-Management	Fiscal Intermediary				
Salaries and Wages	\$ 1,769,914	\$ 2,623,293	\$ 948,417	\$ 1,797	\$ 5,343,421	\$ 1,373,062	\$ 242,223	\$ 6,958,706
Fringe Benefits	308,614	458,351	164,531	316	931,812	214,221	67,235	1,213,268
TOTAL PERSONNEL COSTS	2,078,528	3,081,644	1,112,948	2,113	6,275,233	1,587,283	309,458	8,171,974
Contract Labor	356,090	122,963	91,853	40,122	611,028	425,882	20,972	1,057,882
Purchased Services	-	863,368	-	-	863,368	21,115	-	884,483
Professional Fees	142,814	38,442	77,457	34,710	293,423	291,186	-	584,609
Office Expense and Program Supplies	43,272	106,802	43,171	11,173	204,418	261,602	15,917	481,937
Travel and Entertainment	77,145	67,981	107,027	12,962	265,115	66,407	12,081	343,603
Dues, Licenses, and Subscriptions	16,286	43,426	14,010	4,018	77,740	186,896	1,606	266,242
Occupancy Costs	-	130,382	25,830	-	156,212	62,618	-	218,830
Telephone and Internet	42,950	54,143	7,346	413	104,852	36,679	-	141,531
Depreciation Expense	-	-	-	-	-	129,806	-	129,806
Insurance	7,216	24,742	3,126	-	35,084	72,739	-	107,823
Other Expenses	7,195	2,612	64,180	13	74,000	5,322	-	79,322
Bad Debt Expense	-	-	-	-	-	232,031	-	232,031
Bank Charges	-	-	-	-	-	37,977	-	37,977
Public Relations and Recruitment	5,676	16,955	870	-	23,501	7,922	2,128	33,551
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 2,777,172	\$ 4,553,460	\$ 1,547,818	\$ 105,524	\$ 8,983,974	\$ 3,425,465	\$ 362,162	\$ 12,771,601
					70%	27%	3%	100%

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES INTERIM PRELIMINARY DRAFT
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 CONSOLIDATED STATEMENT OF CASH FLOWS December 10, 2020
 Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$	503,193
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gains on Investments		(72,126)
Bad Debt Provision		232,031
Depreciation Expense		129,806
Change in Value of Charitable Remainder Trust		5,666
(Increase) Decrease in:		
Accounts Receivable		(783,635)
Prepaid Expenses and Other Assets		(16,961)
Increase (Decrease) in:		
Accounts Payable		(48,239)
Accrued Liabilities		362,509
Deferred Revenue		(3,751)
		(3,751)
<i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i>	\$	308,493

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchases of Property and Equipment		(26,745)
Reinvested Interest and Dividends		(16,367)
Proceeds from Sales of Investments		8,473
		(34,639)
<i>NET CASH USED IN INVESTING ACTIVITIES</i>		(34,639)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Principal Payments on Line of Credit		(450,000)
		(450,000)
<i>NET DECREASE IN CASH AND CASH EQUIVALENTS</i>		(176,146)
Cash and Cash Equivalents - Beginning of Year		406,978
		406,978
<i>CASH AND CASH EQUIVALENTS - END OF YEAR</i>	\$	230,832

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid During the Year for Interest	\$	19,971
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The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. PRELIMINARY DRAFT
AND SUBSIDIARIES Subject to Quality Control Review

December 10, 2020

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

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
- A quality-accredited provider of a full-continuum of patient centered services

PARTNERS IN CARE FOUNDATION, INC. PRELIMINARY DRAFT
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NOTE 1 - ORGANIZATION (continued)

(b) 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.

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

Partners 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.

(d) 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.

PARTNERS IN CARE FOUNDATION, INC. PRELIMINARY DRAFT
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NOTE 1 - ORGANIZATION (continued)

(e) 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.”

(f) 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.

(g) 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.

PARTNERS IN CARE FOUNDATION, INC. PRELIMINARY DRAFT
AND SUBSIDIARIES Subject to Quality Control Review
December 10, 2020
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

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. The Board of Directors has designated, from net assets without donor restrictions, net assets for emergency needs (Refer to Note 8).
- **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 restrictions (Refer to Note 9).

(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, 2019 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.

PARTNERS IN CARE FOUNDATION, INC. PRELIMINARY DRAFT
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December 10, 2020
CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 REVENUE RECOGNITION

The Foundation receives funding under Per Participant Per Month (“PMPM”) rates, and through contract rates for direct services. Receivables under these contracts are recorded when billed or accrued and represent claims that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated fair value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2019, the allowance for doubtful accounts was \$393,452.

Revenue from contracts and direct service income are recognized when contract obligations are satisfied either by eligible members, allowable cost reimbursement to the extent of allowable expenses incurred applicable to the grant or contract, or eligible services are provided. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or deferred revenues, whichever is applicable.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional contributions, including grants, recorded at estimated fair value, are recognized as revenues when the contribution or grant is received. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met.

(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 of Terms 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.

(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, 2019, no impairment losses were recognized.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) DEFERRED REVENUE

Grant and contract funds are recognized as revenue in accordance with the term of the grant and when funds are expended for grant purposes. Deferred revenues include both amounts received in excess of funds expended to date as well as grant amounts awarded and not yet expended. In accordance with the term of the grant, each contract must be treated as a separate fund; therefore, continuing programs that accrue debts related to one contract period cannot be paid by cash advances related to another contract period.

(l) INCOME TAXES

The Foundation and VNCS is 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 subsidiary, accounts for income taxes in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 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 statements carrying amounts and the tax basis of assets and liabilities using enacted laws and rates currently in effect. For the year ended June 30, 2019, the Foundation has not recorded any tax asset or liability in the consolidated financial statements in the belief that these amounts would be immaterial.

In accordance with the FASB ASC 740 *Uncertainty in Income Taxes*, 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, 2019, The Foundation performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

(m) CONCENTRATION OF RISK

Accounts receivable balance outstanding at June 30, 2019 consists primarily of government and other funders' grants and contracts receivables due from county, state, and federal granting agencies. Credit risk with respect to these receivables is limited, as the majority of the Foundation's receivables consist of earned fees from contract programs granted by governmental agencies and grants awarded for the performance of services.

Approximately 55% of revenue and support generated by the Foundation during the year ended June 30, 2019 was derived from government contracts. In addition, revenue and support from the Medicaid Cluster programs represented 45% of the total revenue and support during the year ended June 30, 2019.

PARTNERS IN CARE FOUNDATION, INC. PRELIMINARY DRAFT
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

(p) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in consolidated financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. The Foundation implemented this ASU during the year ended June 30, 2019.

In May 2014, FASB issued 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 consolidated 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. For the Foundation, the ASU will be effective for the year ending June 30, 2021.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 consolidated statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help consolidated 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 consolidated financial statements. For The Foundation, the ASU will be effective for the year ending June 30, 2023.

In June 2018, FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For The Foundation, the ASU will be effective for the year ending June 30, 2020.

(q) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2019 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through December ____, 2020, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as disclosed in Note 12.

NOTE 3 - INVESTMENTS

At June 30, 2019, investments consist of the following:

Equities	\$ 334,058
Government Bonds	200,699
Exchange-Traded Funds:	
Fixed Income Funds	134,781
Equity Funds	218,131
	<hr/>
TOTAL INVESTMENTS	\$ 887,669
	<hr/> <hr/>

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NOTE 4 - FAIR VALUE MEASUREMENTS

The Foundation has implemented the accounting standard for those 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).

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2019	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	\$ 334,058	\$ 334,058	\$ -	\$ -
Government Bonds	200,699	-	200,699	-
Exchange-Traded Funds:				
Fixed Income Funds	134,781	134,781	-	-
Equity Funds	218,131	218,131	-	-
TOTAL INVESTMENTS	887,669	686,970	200,699	-
Beneficial Interest in Charitable Remainder Trust	150,033	-	-	150,033
TOTAL	\$ 1,037,702	\$ 686,970	\$ 200,699	\$ 150,033

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 values of government bonds within Level 2 inputs were obtained based on data points that are observable, such as quoted prices in active markets, interest rates and yield curves.

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

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NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The change in the beneficial interest in charitable remainder trust is as follows for the year ended June 30, 2019:

Balance - Beginning of Year	\$	155,699
Change in Beneficial Interest		<u>(5,666)</u>
<i>BALANCE - END OF YEAR</i>	\$	<u>150,033</u>

NOTE 5 - 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 \$150,033 at June 30, 2019.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019:

Leasehold Improvements	\$	743,559
Furniture and Equipment		575,350
Computers and Software		590,639
Vehicles		<u>92,877</u>
<i>TOTAL</i>		2,002,425
Less: Accumulated Depreciation		<u>(1,531,971)</u>
<i>TOTAL PROPERTY AND EQUIPMENT (NET)</i>	\$	<u>470,454</u>

Depreciation expense for the year ended June 30, 2019 was \$129,806.

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NOTE 7 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consist of the following:

Accrued Payroll	\$ 381,026
Accrued Vacation	196,934
Other Accrued Expenses	<u>525,623</u>
<i>TOTAL ACCRUED LIABILITIES</i>	<u>\$ 1,103,583</u>

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at June 30, 2019:

Undesignated	\$ 1,678,358
Board Designated Reserve	<u>362,068</u>
<i>TOTAL</i>	<u>\$ 2,040,424</u>

The Board designated, from net assets without donor restrictions, certain funds for emergency needs included in the Board Designated reserve fund to provide liquidity for emergency needs.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2019:

Subject to Passage of Time:	
Beneficial Interests in Charitable Remainder Trusts	\$ 150,033
Subject to Expenditure for Specified Purpose:	
Partners Caregiver Support	22,027
Care Coordination	189,132
Health Self-Management	<u>10,251</u>
<i>TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE</i>	<u>221,410</u>
<i>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</i>	<u>\$ 371,443</u>

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NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2019:

Satisfaction of Purpose Restrictions:	
Partners Caregiver Support	\$ 82,858
Care Coordination	351,924
Health Self-Management	79,463
Integration of Community-Based	
Social Services with Healthcare	103,750
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 617,995

NOTE 10 - COMMITMENTS AND CONTINGENCIES

(a) OBLIGATIONS UNDER OPERATING LEASES

The Foundation leases various facilities and equipment under operating leases with various terms. 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

2020	\$ 239,042
2021	217,404
2022	203,426
2023	208,153
2024	211,535
Thereafter	919,328
TOTAL	\$ 1,998,888

Rental expense totaled \$207,739 for the year ended June 30, 2019.

(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, 2019.

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NOTE 11 - 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 \$144,401 during the year ended June 30, 2019.

The Foundation had a nonqualified deferred compensation plan, available to one member of senior management. The Foundation made discretionary contributions to the plan based upon an amount determined by the Board of Directors. There were no contributions to the plan for the year ended June 30, 2019. The plan is a legally separate entity set up as an irrevocable trust invested in annuities and is managed by a Board member of the Foundation.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Foundation at June 30, 2019 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, 2019	
Cash and Cash Equivalents	\$ 230,832
Investments	887,669
Accounts Receivable (Net)	2,467,165
Beneficial Interest in Charitable Remainder Trust	<u>150,033</u>
TOTAL FINANCIAL ASSETS	
AT JUNE 30, 2019	3,735,699
Less Amounts Not Available to Be Used	
within One Year, Due to:	
Donor Restrictions:	
Funds Held with Donor Purpose Restrictions	(221,410)
Beneficial Interest in Charitable Remainder Trust	(150,033)
Board Designated Reserve Fund	<u>(362,068)</u>
FINANCIAL ASSETS AVAILABLE TO	
MEET GENERAL EXPENDITURES	
WITHIN ONE YEAR	<u>\$ 3,002,188</u>

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NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

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. 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.

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and highly liquid investments. In addition, the Foundation has Board designated reserve funds of \$362,068 at June 30, 2019 that could be drawn upon for liquidity needs.

Subsequent to year-end, an outbreak of a novel strain of coronavirus (COVID-19) surfaced in the United States and throughout the world, causing business disruption and significant market fluctuations, which may negatively impact the Foundation's operations and program service delivery. The Foundation offers key essential services to the most vulnerable population including older adults. As such under State of California and Health Plan regulations the Foundation's services have been authorized to temporarily transition to telephonic. This also includes assisting the State and other providers with providing essential needs like food and medical and supportive equipment to waitlist participants and expediting enrollments into waiver programs. In addition, under the City and County contracts services have been approved to be shifted to virtual versions. Although, most of the services have been transitioned, our referrals for some programs that require in person activities will be impacted. Despite these changes, the overall scope and duration of the impact of the pandemic cannot be reasonably estimated at this time.

In April 2020, the Foundation received approval from a lending institution for funding of \$1,581,528 under the Payroll Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the PPP, the loan is unsecured, has a 2 year term, accrues interest at 1% per annum, and a portion of the loan may be forgiven if proceeds are used for specific business costs, as outlined in the PPP provisions and Small Business Administration guidance.

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SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

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 CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor/Passed Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Number	Federal Expenditures
MAJOR AWARDS			
U.S. Department of Health and Human Services:			
Pass-through, State of California - Department of Aging			
Medical Assistance Program	93.778	MS-1819-40	\$ 346,665
Medical Assistance Program	93.778	MS-1819-54	283,541
Medical Assistance Program	93.778	MS-1819-43	923,315
Medical Assistance Program	93.778	MS-1819-51	296,715
HCBA - Medi-Cal Waiver	93.778	18-95227	<u>1,218,692</u>
Total Medicaid Cluster			<u>3,068,928</u>
TOTAL MAJOR AWARDS			<u>3,068,928</u>
U.S. Department of Health and Human Services			
Pass-through, State of California - Department of Aging			
Business Acumen ACL grant	93.048	90PPBA0001-01	50,000
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-132046	250,180
Pass-through, County of Los Angeles			
Title III - D Disease Prevention and Health Promotion	93.043	DPHP172001	<u>492,743</u>
Total 93.043			<u>742,923</u>
Administration for Community Living			
CDSMP- Health Self Management Program			
	93.734	90CSSG005-01-01	264,979
Falls Prevention - Health Self Management Project			
	93.761	90FP0018-01-00	183,233
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-131325	32,564
Southwestern Service Area	14.218	C-131325	72,892
West Adams	14.218	C-131325	<u>67,937</u>
Total 14.218, CDBG-Entitlement Grants Cluster			<u>173,393</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,483,456</u>

See Independent Auditor's Report

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2019

- 1.** Basis of Presentation - The accompanying 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, 2019. 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 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, as applicable, either the cost principles in Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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.

See Independent Auditor's Report