



## **Partners in Care Foundation, Inc. and Subsidiary**

Consolidated Financial Statements,  
Schedule of Expenditures of Federal and  
Non-Federal Awards and Reports Required  
by *Government Auditing Standards* and the  
Uniform Guidance

Years Ended June 30, 2018 and 2017

## **Partners in Care Foundation, Inc. and Subsidiary**

---

Consolidated Financial Statements, Schedule of Expenditures of Federal  
and Non-Federal Awards and Reports Required by *Government Auditing  
Standards* and the Uniform Guidance

Years Ended June 30, 2018 and 2017

# Partners in Care Foundation, Inc. and Subsidiary

## Contents

---

<b>Independent Auditor's Report</b>	<b>3-4</b>
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	7-8
Consolidated Statements of Activities	9-10
Consolidated Statements of Functional Expenses	11-14
Consolidated Statements of Cash Flows	15
Notes to Consolidated Financial Statements	16-30
<b>Schedule of Expenditures of Federal and Non-Federal Awards</b>	<b>32</b>
Notes to Schedule of Expenditures of Federal and Non-Federal Awards	33
<b>Independent Auditor's Reports Required by <i>Government Auditing Standards</i> and the Uniform Guidance</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	37-40
Schedule of Findings and Questioned Costs	41-60



Tel: 310-557-0300  
Fax: 310-557-1777  
www.bdo.com

515 Flower Street  
47<sup>th</sup> Floor  
Los Angeles CA 90071

## **Independent Auditor's Report**

Board of Directors  
Partners in Care Foundation, Inc. and Subsidiary  
San Fernando, CA

### **Report on Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Partners in Care Foundation, Inc. and Subsidiary ("Partners"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Partners in Care Foundation, Inc. and Subsidiary as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Emphasis of Matter - Restatement***

As described in Note 3 to the consolidated financial statements, the fiscal year 2017 consolidated financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

### ***Emphasis of a Matter - COVID-19***

As more fully described in Note 2 to the consolidated financial statements, Partners may be negatively impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Also, on March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide certain relief as a result of the COVID-19 outbreak. Partners is continuing to evaluate how the CARES Act and COVID-19 will impact its consolidated financial position, results of operations, and cash flows. Our opinion is not modified with respect to these matters.

## ***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 May 18, 2020, on our consideration of Partners in Care Foundation, Inc. and Subsidiary'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 Partners' 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 Partners in Care Foundation, Inc. and Subsidiary's internal control over financial reporting and compliance.

BDO USA, LLP

May 18, 2020

## **Consolidated Financial Statements**

---

# Partners in Care Foundation, Inc. and Subsidiary

## Consolidated Statements of Financial Position

<i>June 30,</i>	Unrestricted	Temporarily Restricted	2018
<b>Assets</b>			
Cash and cash equivalents (Note 2)	\$ 193,755	\$ 213,223	\$ 406,978
Accounts receivable net of allowance for doubtful accounts of \$301,755	1,915,561	-	1,915,561
Prepaid expenses	55,493	-	55,493
Deposits	7,426	-	7,426
Investments (Note 4)	324,112	483,537	807,649
Deferred compensation plan assets (Note 12)	767,286	-	767,286
Charitable remainder unitrust (Note 5)	-	155,699	155,699
Property and equipment, net (Note 7)	573,515	-	573,515
<b>Total assets</b>	<b>\$ 3,837,148</b>	<b>\$ 852,459</b>	<b>\$ 4,689,607</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$ 572,573	\$ -	\$ 572,573
Accrued liabilities (Note 8)	741,074	-	741,074
Deferred compensation plan liability (Note 12)	767,286	-	767,286
Contract advances	250,000	-	250,000
Line of credit (Note 9)	450,000	-	450,000
<b>Total liabilities</b>	<b>2,780,933</b>	<b>-</b>	<b>2,780,933</b>
<b>Net assets</b>			
Unrestricted	1,056,215	-	1,056,215
Temporarily restricted (Note 11)	-	852,459	852,459
<b>Total net assets</b>	<b>1,056,215</b>	<b>852,459</b>	<b>1,908,674</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,837,148</b>	<b>\$ 852,459</b>	<b>\$ 4,689,607</b>

*See accompanying notes to consolidated financial statements.*

# Partners in Care Foundation, Inc. and Subsidiary

## Consolidated Statements of Financial Position (Continued)

<i>June 30,</i>	Unrestricted, As Restated	Temporarily Restricted, As Restated	2017, As Restated
<b>Assets</b>			
Cash and cash equivalents (Note 2)	\$ 1,232,523	\$ 262,208	\$ 1,494,731
Accounts receivable net of allowance for doubtful accounts of \$250,000	2,188,316	-	2,188,316
Prepaid expenses	66,392	-	66,392
Deposits	4,150	-	4,150
Investments (Note 4)	199,843	213,721	413,564
Deferred compensation plan assets (Notes 12)	759,177	-	759,177
Charitable remainder unitrust (Note 5)	-	163,307	163,307
Property and equipment, net (Note 7)	577,999	-	577,999
<b>Total assets</b>	<b>\$ 5,028,400</b>	<b>\$ 639,236</b>	<b>\$ 5,667,636</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$ 312,406	\$ -	\$ 312,406
Accrued liabilities (Note 8)	789,765	-	789,765
Deferred compensation plan liability (Notes 12)	759,177	-	759,177
<b>Total liabilities</b>	<b>1,861,348</b>	<b>-</b>	<b>1,861,348</b>
<b>Net assets</b>			
Unrestricted	3,167,052	-	3,167,052
Temporarily restricted (Note 11)	-	639,236	639,236
<b>Total net assets</b>	<b>3,167,052</b>	<b>639,236</b>	<b>3,806,288</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,028,400</b>	<b>\$ 639,236</b>	<b>\$ 5,667,636</b>

*See accompanying notes to consolidated financial statements.*

# Partners in Care Foundation, Inc. and Subsidiary

## Consolidated Statements of Activities

<i>Year ended June 30,</i>	Unrestricted	Temporarily Restricted	2018
<b>Revenue and support</b>			
Direct service income	\$ 1,552,321	\$ -	\$ 1,552,321
Government contracts	5,260,185	-	5,260,185
Project contracts	2,359,752	293,388	2,653,140
Project income	36,000	-	36,000
Special events income	531,799	-	531,799
Less costs of direct benefit to donors	(150,629)	-	(150,629)
Net special events revenue	381,170	-	381,170
Contributions	723	-	723
Interest and dividends	16,235	-	16,235
Other revenues	45,683	-	45,683
Gain on investments	37,861	-	37,861
Change in the value of charitable remainder unitrust	-	(7,608)	(7,608)
Net assets released from purpose restrictions	72,557	(72,557)	-
<b>Total revenue and support</b>	<b>9,762,487</b>	<b>213,223</b>	<b>9,975,710</b>
<b>Expenses</b>			
Program services	8,719,917	-	8,719,917
Management and general	2,854,267	-	2,854,267
Fundraising	299,140	-	299,140
<b>Total expenses</b>	<b>11,873,324</b>	<b>-</b>	<b>11,873,324</b>
<b>Change in net assets</b>	<b>(2,110,837)</b>	<b>213,223</b>	<b>(1,897,614)</b>
<b>Net assets, beginning of year, as restated</b>	<b>3,167,052</b>	<b>639,236</b>	<b>3,806,288</b>
<b>Net assets, end of year</b>	<b>\$ 1,056,215</b>	<b>\$ 852,459</b>	<b>\$ 1,908,674</b>

*See accompanying notes to consolidated financial statements.*

# Partners in Care Foundation, Inc. and Subsidiary

## Consolidated Statements of Activities (Continued)

<i>Year ended June 30,</i>	Unrestricted, As Restated	Temporarily Restricted, As Restated	2017, As Restated
<b>Revenue and support</b>			
Direct service income	\$ 3,225,159	\$ -	\$ 3,225,159
Government contracts	4,694,497	-	4,694,497
Project contracts	2,078,395	113,899	2,192,294
Project income	36,031	-	36,031
Special events income	497,255	-	497,255
Less costs of direct benefit to donors	(152,492)	-	(152,492)
Net special events revenue	344,763	-	344,763
Contributions	13,506	-	13,506
Interest and dividends	19,431	-	19,431
Other revenues	64,065	-	64,065
Gain on investments	62,384	-	62,384
Change in the value of charitable remainder unitrust	-	33,194	33,194
Net assets released from purpose restrictions	565,927	(565,927)	-
<b>Total revenue and support</b>	<b>11,104,158</b>	<b>(418,834)</b>	<b>10,685,324</b>
<b>Expenses</b>			
Program services	10,001,599	-	10,001,599
Management and general	2,719,965	-	2,719,965
Fundraising	336,298	-	336,298
<b>Total expenses</b>	<b>13,057,862</b>	<b>-</b>	<b>13,057,862</b>
<b>Change in net assets</b>	<b>(1,953,704)</b>	<b>(418,834)</b>	<b>(2,372,538)</b>
<b>Net assets, beginning of year, as restated</b>	<b>5,120,756</b>	<b>1,058,070</b>	<b>6,178,826</b>
<b>Net assets, end of year</b>	<b>\$ 3,167,052</b>	<b>\$ 639,236</b>	<b>\$ 3,806,288</b>

*See accompanying notes to consolidated financial statements.*

## Partners in Care Foundation, Inc. and Subsidiary

### Consolidated Statements of Functional Expenses

	Network Services	Long-Term Support Services	Care Coordination	Health Self- Management	Fiscal Intermediary	Total Program Services
<b><i>Year Ended June 30, 2018</i></b>						
Salaries, payroll taxes, and benefits	\$ 2,314,831	\$ 2,460,079	\$ -	\$ 1,073,930	\$ 19,086	\$ 5,867,926
Contract labor	331,986	29,248	-	115,917	108,518	585,669
Purchased services	7,907	1,067,602	-	1,552	-	1,077,061
Travel and entertainment	83,114	49,257	-	121,034	30,346	283,751
Office supplies and expenses	78,012	48,630	-	45,437	7,545	179,624
Professional fees	163,365	-	-	84,747	-	248,112
Occupancy	-	101,944	-	7,274	-	109,218
Telephone and internet	16,071	46,084	-	8,959	-	71,114
Insurance	11,167	21,743	-	682	-	33,592
Depreciation and amortization	-	-	-	-	-	-
Dues, licenses, and subscriptions	48,859	79,526	-	10,834	-	139,219
Public relations and recruitment	9,529	15,246	-	1,360	-	26,135
Bank charges	-	-	-	-	-	-
Other expenses	46,614	51,755	-	127	-	98,496
<b>Total expenses</b>	<b>\$ 3,111,455</b>	<b>\$ 3,971,114</b>	<b>\$ -</b>	<b>\$ 1,471,853</b>	<b>\$ 165,495</b>	<b>\$ 8,719,917</b>

*See accompanying notes to consolidated financial statements.*

**Partners in Care Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Functional Expenses (Continued)**

<i>Year Ended June 30, 2018</i>	Management and General	Fundraising	Total Supporting Services	2018
Salaries, payroll taxes, and benefits	\$ 1,678,746	\$ 280,200	\$ 1,958,946	\$ 7,826,872
Contract labor	197,059	6,564	203,623	789,292
Purchased services	904	175	1,079	1,078,140
Travel and entertainment	43,734	1,336	45,070	328,821
Office supplies and expenses	52,825	7,384	60,209	239,833
Professional fees	494,381	-	494,381	742,493
Occupancy	28,980	-	28,980	138,198
Telephone and internet	38,950	(100)	38,850	109,964
Insurance	53,730	998	54,728	88,320
Dues, licenses, and subscriptions	62,023	2,233	64,256	203,475
Depreciation and amortization	144,970	-	144,970	144,970
Public relations and recruitment	1,100	350	1,450	27,585
Bank charges	38,140	-	38,140	38,140
Other expenses	18,725	-	18,725	117,221
Total expenses	\$ 2,854,267	\$ 299,140	\$ 3,153,407	\$ 11,873,324

*See accompanying notes to consolidated financial statements.*

**Partners in Care Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Functional Expenses (Continued)**

<i>Year Ended June 30, 2017</i>	Network Services	Long-Term Support Services, As Restated	Care Coordination	Health Self- Management	Fiscal Intermediary	Total Program Services
Salaries, payroll taxes, and benefits	\$ 2,006,069	\$ 2,343,814	\$ 1,571,703	\$ 895,849	\$ 117,995	\$ 6,935,430
Contract labor	286,336	61,074	111,784	150,634	227,762	837,590
Purchased services	1,335	881,141	23,942	463	18	906,899
Travel and entertainment	76,184	32,955	49,140	65,158	42,993	266,430
Office supplies and expenses	124,957	94,722	27,597	29,151	25,703	302,130
Professional fees	240,816	1,500	-	8,614	-	250,930
Occupancy	-	117,278	15,642	3,000	-	135,920
Telephone and internet	13,003	51,609	30,422	4,672	654	100,360
Insurance	17,686	36,589	10,715	-	-	64,990
Dues, licenses, and subscriptions	61,267	75,296	3,854	24,534	1,139	166,090
Depreciation and amortization	-	-	-	-	-	-
Public relations and recruitment	4,663	3,911	3,235	3,841	-	15,650
Bank charges	-	-	510	-	-	510
Other expenses	-	-	3867	14,803	-	18,670
<b>Total expenses</b>	<b>\$ 2,832,316</b>	<b>\$ 3,699,889</b>	<b>\$ 1,852,411</b>	<b>\$ 1,200,719</b>	<b>\$ 416,264</b>	<b>\$ 10,001,599</b>

*See accompanying notes to consolidated financial statements.*

**Partners in Care Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Functional Expenses (Continued)**

<i>Year Ended June 30, 2017</i>	Management and General, As Restated	Fundraising	Total Supporting Services	2017, As Restated
Salaries, payroll taxes, and benefits	\$ 1,559,495	\$ 307,007	\$ 1,866,502	\$ 8,801,932
Contract labor	427,814	15,625	443,439	1,281,029
Purchased services	901	2,417	3,318	910,217
Travel and entertainment	51,253	-	51,253	317,683
Office supplies and expenses	69,890	9,216	79,106	381,236
Professional fees	177,710	-	177,710	428,640
Occupancy	34,069	-	34,069	169,989
Telephone and internet	46,300	-	46,300	146,660
Insurance	21,981	-	21,981	86,971
Dues, licenses, and subscriptions	124,189	2,033	126,222	292,312
Depreciation and amortization	65,788	-	65,788	65,788
Public relations and recruitment	16,524	-	16,524	32,174
Bank charges	15,365	-	15,365	15,875
Other expenses	108,686	-	108,686	127,356
<b>Total expenses</b>	<b>\$ 2,719,965</b>	<b>\$ 336,298</b>	<b>\$ 3,056,263</b>	<b>\$ 13,057,862</b>

*See accompanying notes to consolidated financial statements.*

# Partners in Care Foundation, Inc. and Subsidiary

## Consolidated Statements of Cash Flows

<i>Years ended June 30,</i>	2018	2017 As Restated
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,897,614)	\$ (2,372,538)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	144,970	65,788
Allowance for bad debt	51,755	-
Gain on investments	(37,861)	(62,384)
Change in value of charitable remainder trust	7,608	(33,194)
(Increase) decrease in operating assets:		
Accounts receivable	221,000	449,651
Prepaid expenses	10,899	55,180
Deposits	(3,276)	1,002
Increase (decrease) in operating liabilities:		
Accounts payable	260,167	39,533
Accrued liabilities	(48,691)	(276,196)
Contract advances	250,000	-
<b>Net cash used in operating activities</b>	<b>(1,041,043)</b>	<b>(2,133,158)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(140,486)	(21,732)
Purchase of investments and reinvested dividends	(356,224)	(8,168)
Proceeds from sale of investments	-	117,387
<b>Net cash (used in) provided by investing activities</b>	<b>(496,710)</b>	<b>87,487</b>
<b>Cash flows from financing activities</b>		
Borrowings on line of credit	450,000	-
<b>Net cash provided by financing activities</b>	<b>450,000</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,087,753)</b>	<b>(2,045,671)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,494,731</b>	<b>3,540,402</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 406,978</b>	<b>\$ 1,494,731</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 10,987	\$ -

*See accompanying notes to consolidated financial statements.*

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

---

### 1. Organization

Partners in Care Foundation, Inc. and Subsidiary (“Partners”) has been in the business of bringing medicine, families, and community-based services together since its inception in 1997. Partners 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. Partners 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. We are 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, Partners 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.

Partners’ 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. Partners was awarded a National Committee for Quality Assurance (NCQA) accreditation-the second Community Based Organization in the country to have received this prestigious honor.

Partners has the following programs that are included within the Program Services within the Consolidated Statements of Functional Expenses:

#### ***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. and Subsidiary

## Notes to Consolidated Financial Statements

---

### ***HomeMeds<sup>SM</sup> 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. HomeMeds<sup>SM</sup> 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. HomeMeds<sup>SM</sup> 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.

### ***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. Our 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.

### ***Community-Based Care Transitions Program (“CCTP”)***

Partnering with hospitals, health plans and medical providers, this program helps individuals returning home from a hospital or nursing home to develop self-care skills, track medications, identify the red flags pointing to worsening conditions, and connect patients and their caregivers with community resources. Partners’ longstanding work in the provision of evidence-based, in-home support services and strong relationships with regional hospitals, health plans and physician networks resulted in the Centers for Medicare and Medicaid Services (“CMS”) awarding Partners one of only 72 CCTP grants nationally. Program ended in FY 2017.

### ***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. and Subsidiary

## Notes to Consolidated Financial Statements

---

### ***Chronic Disease Self-Management Education***

Partners 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.”

### ***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.

### ***Geriatric Social Work Education Consortium (“GSWEC”)***

As one of ten Centers of Excellence, Partners 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.

## **2. Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

### ***Basis of Presentation***

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Partners in Care Foundation, Inc., and California Health Innovation Center, Inc. (“CHIC”). CHIC, a for-profit corporation, became a subsidiary of Partners effective October 2010. All material inter-organization transactions have been eliminated. The two organizations are collectively referred to as “Partners” in these consolidated financial statements.

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

---

### *Basis of Accounting*

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on an accrual basis of accounting.

### *Cash and Cash Equivalents*

Partners has defined cash and cash equivalents as cash in banks and all liquid investments purchased with a maturity date of three months or less. Money market deposits are also held as part of cash and cash equivalents.

### *Accounts Receivable*

Accounts receivable balances are comprised of contracts and grants and are stated at the amount management expects to collect from outstanding balances. Partners provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on an assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to accounts receivable.

Partners established an allowance for doubtful accounts based on historical loss experience and management's evaluation of collectability. The allowance for doubtful accounts at June 30, 2018 and 2017 was \$301,755 and \$250,000, respectively.

### *Investments*

Investments consist of mutual funds and are reported at fair value. Realized and unrealized gains and losses are reflected in the consolidated statements of activities.

### *Property and Equipment*

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

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. Provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Service Lives</u>
Furniture and equipment	5 years
Computers and software	5 years
Vehicles	5 years
Leasehold improvements	Shorter of estimated life or term of the lease

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

---

### *Net Assets*

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

Unrestricted - These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted - Partners reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted - These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Partners to expend all of the income (or other economic benefits) derived from the donated assets. Partners did not have any permanently restricted assets at June 30, 2018 and 2017.

### *Revenue Recognition*

Revenue is recognized when earned. Revenue from direct service income, contracts and projects are recognized to the extent of allowable expenses incurred applicable to the grant or contract. Any difference between allowable expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a payable, receivable, unearned income or an advance, whichever is applicable. Revenue from direct service, contracts and projects are recognized on accrual basis as earned according to the provisions of the grant.

### *Contributions of Cash*

Contributions primarily include unconditional promises to give cash or other assets. Contributions, whether temporarily restricted or unrestricted, are recognized as revenue when they are received. Unconditional promises to give are reported at fair value on the date the promise is received. Conditional promises to give are reported at fair value when the conditions expire. There were no conditional promises to give for the years ended June 30, 2018 and 2017.

Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the cash or other assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

---

### *Financial Instruments and Concentration of Credit Risks*

Financial instruments that potentially subject Partners to concentrations of credit risk consist principally of cash and cash equivalents and investments held at credit worthy financial institutions. The majority of financial instruments are held in trust in the name of Partners, which protects against credit risk of the financial institutions holding the instrument. At times, such cash balances at several financial institutions may be in excess of the Federal Deposit Insurance Corporation insurance limit. Historically, Partners has not incurred losses related to these accounts and believes it is not exposed to significant credit risks on its cash and cash equivalents.

The accounts receivable balance outstanding at June 30, 2018 and 2017 consists primarily of government contract receivables due from county, state, and federal granting agencies, and receivables from reputable private foundations. Credit risk with respect to these receivables is limited, as the majority of Partners' receivables consist of earned fees from contract programs granted by governmental agencies and grants awarded for the performance of services.

Approximately 53% and 44% of revenue generated by Partners at June 30, 2018 and 2017, respectively, was derived from government contracts. In addition, for the years ended June 30, 2018 and 2017 revenue from the Multipurpose Senior Services Program contracts represents 39% and 37%, respectively, of total revenue and support.

### *Special Events*

Partners holds two special events each year. For the years ended June 30, 2018 and 2017 the direct expenses associated with these events, included within costs of direct benefit to donors in the consolidated statements of activities was \$150,629 and \$152,492, respectively.

### *Income Tax Status*

Partners in Care Foundation, Inc. is exempt from taxation under Internal Revenue Code (IRC) Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. In addition, the Internal Revenue Service (IRS) has determined that the organization is not a private foundation, as defined in Section 509(a) of the IRC.

CHIC, a for-profit subsidiary, accounts for income taxes in accordance with U.S. GAAP. 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 years ended June 30, 2018 and 2017, respectively, CHIC has not recorded any tax asset or liability in its consolidated financial statements in the belief that these amounts would be immaterial.

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Partners in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Partners' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

---

### *Functional Allocation of Expenses*

Costs of providing Partners' programs and other activities have been summarized on a functional basis in the consolidated statements of activities and 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 supporting services by a method that best measures the relative degree of benefit. Partners allocates indirect costs based on ratios determined by management.

### *Use of Estimates*

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard provides entities with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. The guidance permits entities to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of the ASU to fiscal years beginning after December 15, 2018. Partners is in the process of evaluating the impact of adoption on their consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. This ASU is effective for the Partner's consolidated financial statements beginning after December 15, 2020. Early adoption is permitted. Management is currently evaluating the impact this ASU will have on the consolidated financial statements.

*The remainder of this page intentionally left blank.*

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

---

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Partner’s financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Partners is currently evaluating the impact of this ASU on their consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction that will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Partners is currently evaluating the impact of this ASU on their consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for the Institute’s consolidated financial statements for fiscal years beginning after December 15, 2019. The Institute is currently evaluating the impact of this ASU on the consolidated financial statements.

In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*. These amendments address the following issues facing lessors when applying the leases standard: (a) sales taxes and other similar taxes collected from lessees; (2) certain lessor costs paid directly by lessees; and (c) recognition of variable payments for contracts with lease and non-lease components. The ASU is effective for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

---

### *Subsequent Events*

In March 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic. As of the date of this report the full impact of the COVID-19 outbreak continues to evolve and it is uncertain how it will impact Partner's financial condition, cash flow and liquidity, and operations of our services. Management is actively monitoring the situation and has projected the impact for the foreseeable future. Part of this evaluation included:

- Review of contracted services and effect on requirements and deliverables
- Future impact to our community and financial impact
- Impact on workforce and new accommodations
- Review of cash flow and liquidity

The following were the results; Partner's offers key essential services to the most vulnerable population including older adults. As such under State of California and Health Plan regulations our 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 our waiver programs. In addition, under our City and County contracts services have been approved to be shifted to virtual versions. Although, most of our services have been transitioned, our referrals for some programs that require in person activities will be impacted. Fiscal impact of this on a worst-case scenario is estimated at a reduction in revenue of \$542,000 over the next 6 months.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of the employer's portion of social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses, including nonprofits, harmed by COVID-19. Partners has applied for, and has received, funds under the Paycheck Protection Program after the year end in the amount of \$1,581,500. The application for these funds requires Partners to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of Partners. This certification further requires Partners to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on Partners having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria. Obtaining these funds was part of the continuing plan on liquidity for Partners during this pandemic.

Partners has evaluated subsequent events through May 18, 2020, which is the date the consolidated financial statements were available to be issued. There were no other events noted that required adjustments to, or disclosure in, these consolidating financial statements, except as noted above.

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 3. Restatement

Partners identified certain errors to its previously issued financial statements as of and for the year ended June 30, 2017. It was determined that revenue for fiscal year 2017 had been incorrectly stated in the amount of \$660,956 along with the related accounts receivable. Accounts receivable of \$740,603 was adjusted to properly reflect the balance in the consolidated financial statements. In addition, there was a correction of an error related to depreciation expense that was overstated by \$39,967. A correction of error was also recorded to adjust \$79,735 due to unreconciled items related to cash on the statement of financial position.

The impact of these items on the consolidated financial statements as of and for the year ended June 30, 2017 are as follows:

<b>Consolidated Statement of Financial Position</b>	<i>As of June 30, 2017</i>		
	As previously reported	Adjustment	As restated
Cash and cash equivalents	\$ 1,414,996	\$ 79,735	\$ 1,494,731
Accounts receivable	2,928,919	(740,603)	2,188,316
Prepaid expenses	66,393	(1)	66,392
Property and equipment	538,032	39,967	577,999
<b>Total assets</b>	<b>\$ 4,948,340</b>	<b>\$ (620,902)</b>	<b>\$ 4,327,438</b>
Accounts payable	\$ 311,440	\$ 966	\$ 312,406
Accrued liabilities	790,304	(539)	789,765
Unrestricted net assets	3,779,131	(612,079)	3,167,052
Temporarily net assets	648,486	(9,250)	639,236
<b>Total liabilities &amp; net assets</b>	<b>\$ 5,529,361</b>	<b>\$ (620,902)</b>	<b>\$ 4,908,459</b>

<b>Consolidated Statement of Activities</b>	<i>For the year ended June 30, 2017</i>		
	As previously reported	Adjustment	As restated
Total revenue and support	\$11,346,280	\$ (660,956)	\$ 10,685,324
Total expenses	13,097,489	(39,627)	13,057,862
<b>Net Assets, end of year</b>	<b>4,427,617</b>	<b>(621,329)</b>	<b>3,806,288</b>

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows	For the year ended June 30, 2017		
	As previously reported	Adjustment	As restated
Change in net assets	\$ (1,751,209)	\$ (621,329)	\$ (2,372,538)
Depreciation	105,755	(39,967)	65,788
Accounts receivable	(290,952)	740,603	449,651
Prepaid expenses	55,179	1	55,180
Accounts payable	38,567	966	39,533
Accrued liabilities	(275,657)	(539)	(276,196)
Net decrease in cash and cash equivalents	(2,125,406)	79,735	(2,045,671)
Cash and cash equivalents, end of year	\$ 1,414,996	\$ 79,735	\$ 1,494,731

### 4. Investments

Investments, at fair value, consist of the following:

June 30,	2018	2017, As Restated
Mutual funds	\$ 807,649	\$ 413,564

### 5. Charitable Remainder Unitrust

In 1995, a donor established an irrevocable charitable remainder unitrust with a local bank naming Partners 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 Partners' use. The charitable remainder unitrust is reported at the market value of the investments of the trust, as reported by the trustee, and the estimated present value of the benefits expected to be received by Partners at June 30, 2018 and 2017 was estimated to be \$155,699 and \$163,307, respectively.

### 6. Fair Value Measurements

Partners follows Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, to determine fair value for its financial assets and financial liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing the asset or liability.

ASC 820 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available.

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by Partners for financial instruments measured at fair value on a recurring basis.

The three levels of inputs are as follows:

- Level 1*      Quoted prices in active markets for identical assets or liabilities that Partners has the ability to access as of the measurement date.
- Level 2*      Inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3*      Unobservable inputs for the asset or liability. In these situations, Partners develops inputs using the best information available in the circumstances.

Partners is required to measure investments and the charitable remainder unitrusts at fair value. The specific techniques used to measure fair value for the consolidated financial statement elements are described in the notes below.

The table below presents the balances of Partners' instruments measured at fair value on a recurring basis at June 30, 2018 and 2017:

<i>June 30, 2018</i>	Level 1	Level 2	Level 3	Total
<b>Mutual funds</b>				
Equity funds:				
Large blend	\$ 406,398	\$ -	\$ -	\$ 406,398
Small blend	111,760	-	-	111,760
Mid cap growth	108,305	-	-	108,305
<b>US Government bonds</b>				
High yield bond	181,186	-	-	181,186
<b>Charitable remainder unitrust</b>	-	-	155,699	155,699
	<b>\$ 807,649</b>	<b>\$ -</b>	<b>\$ 155,699</b>	<b>\$ 963,348</b>

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

<i>June 30, 2017</i>	Level 1	Level 2	Level 3	Total
<b>Mutual funds</b>				
Equity funds:				
Large blend	\$ 148,777	\$ -	\$ -	\$ 148,777
Small blend	63,400	-	-	63,400
Mid cap growth	98,014	-	-	98,014
<b>US Government bonds</b>		-		
High yield bond	103,373		-	103,373
<b>Charitable remainder unitrust</b>	-	-	163,307	163,307
	\$ 413,564	\$ -	\$ 163,307	\$ 576,871

The fair value of mutual funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs). The fair value of the charitable remainder unitrust has been measured on a recurring basis by calculating the change in the value of Partners' beneficial interest in the trust based on the fair values of trust assets (Level 3 inputs).

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using unobservable inputs (Level 3) for the years ended June 30, 2018 and 2017:

Fair value at June 30, 2016	\$ 130,113
Change in value of beneficial interest	33,194
Fair value at June 30, 2017	163,307
Change in value of beneficial interest	(7,608)
Fair value at June 30, 2018	\$ 155,699

## 7. Property and Equipment

Property and equipment are summarized as follows:

<i>June 30,</i>	2018	2017, As Restated
Leasehold improvements	\$ 743,559	\$ 743,559
Furniture and equipment	575,350	575,350
Computers and software	563,893	423,407
Vehicles	92,878	92,878
	1,975,680	1,835,194
Less: accumulated depreciation and amortization	(1,402,165)	(1,257,195)
	\$ 573,515	\$ 577,999

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$144,970 and \$65,788, respectively.

### 8. Accrued Liabilities

Accrued liabilities are summarized as follows:

<i>June 30,</i>	<b>2018</b>	<b>2017, As Restated</b>
Accrued expenses	\$ 295,099	\$ 299,324
Accrued payroll	258,412	293,172
Accrued vacation	187,563	197,269
	<b>\$ 741,074</b>	<b>\$ 789,765</b>

### 9. Line of Credit

Partners had a revolving line of credit, with a bank, in the amount of \$1,350,000. The interest rate was 1% in excess of the Reference Rate, which means the rate announced by the Bank from time to time at its corporate headquarters. The balance due as of June 30, 2018 was \$450,000. The line of credit matured on February 28, 2019. In February 2019, the line of credit was paid in full and it has not been reinstated to date.

### 10. Commitments and Contingencies

#### *Obligations Under Operating Leases*

Partners 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:

<i>Years ending June 30,</i>	<b>Amount</b>
2019	\$ 169,306
2020	173,707
2021	172,994
2022	178,166
2023	182,893
Thereafter	1,089,781
	<b>\$ 1,966,847</b>

Rent expense under operating leases for the years ended June 30, 2018 and 2017 was \$124,790 and \$162,849, respectively.

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Contracts

Partners' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. 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 by management and, accordingly, Partners has no provision for the possible disallowance of program costs in its consolidated financial statements.

### 11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

<i>June 30,</i>	<b>2018</b>	<b>2017, As Restated</b>
Partners caregiver support	\$ 104,885	\$ 294,698
Care coordination	517,573	260,815
Health self-management	74,302	83,723
Charitable trust	155,699	-
	<b>\$ 852,459</b>	<b>\$ 639,236</b>

For years ended June 30, 2018 and 2017 net assets released from restrictions were \$72,557 and \$565,927, respectively.

### 12. Employee Profit Sharing Plan and Deferred Compensation

Partners has adopted a 401(k) plan for eligible employees. Employees of Partners become eligible participants in the plan upon reaching 21 years of age and completing a minimum of 90 days of employment. Eligible participants may contribute from 1% to 90% of their eligible compensation to the plan. The total amount to be contributed however is limited to the maximum as determined by the Internal Revenue Service for each year.

Partners' 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. Partners contributed \$120,762 and \$389,608 during the years ended June 30, 2018 and 2017, respectively.

Partners had a nonqualified deferred compensation plan, available to one member of senior management. Partners made contributions to the plan based upon an amount determined by the Board of Directors. There were no contributions to the plan for year ended June 30, 2018 and 2017. The plan financing is provided by a separate account invested in annuities with a cash value of \$767,286 and \$759,177 at June 30, 2018 and 2017. The statement of financial position also includes a deferred compensation plan liability of \$767,286 and \$759,177 and June 30, 2018 and 2017. In the third-quarter of 2018, the above annuities were transferred to a trust on behalf of the one member of senior management.

## **Schedule of Expenditures of Federal Awards**

---

**Partners in Care Foundation, Inc. and Subsidiary**  
**Schedule of Expenditures of Federal and Non-Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA Number	Provided To Subrecipients	Total Federal Expenditures	Non-Federal Expenditures	Total Expenditures
<b>U.S. Department of Health and Human Services ("DHHS"):</b>						
<b>Medicaid Cluster</b>						
Pass-through, State of California - Department of Aging:						
Medical Assistance Program	MS-1718-40	93.778	\$ -	\$ 380,189	\$ 380,189	\$ 760,377
Medical Assistance Program	MS-1718-54	93.778	-	376,892	376,892	753,784
Medical Assistance Program	MS-1718-43	93.778	-	905,100	905,100	1,810,201
Medical Assistance Program	MS-1718-51	93.778	-	325,249	325,249	650,497
Subtotal Medicaid Cluster			-	1,987,430	1,987,430	3,974,859
Pass-through, State of California - Department of Health Care Services	16-93468	93.791	-	194,383	-	194,383
Pass-through, City of Los Angeles - Department of Aging:						
Special programs for the Aging - Title III - Part D						
Disease Prevention and Health Promotion Services	C-130404	93.043	-	217,699	-	217,699
Pass-through, County of Los Angeles						
Title III - D Disease Prevention and Health Promotion	DPHP171201	93.043	-	361,525	-	361,525
Subtotal			-	579,224	-	579,224
Administration for Community Living:						
Falls Prevention - Health Self-Management Project	n/a	93.761	-	321,763	-	321,763
CDSMP - Health Self-Management Program	n/a	93.734	-	194,284	-	194,284
Advanced Business Acumen	n/a	93.048	-	32,196	-	32,196
<b>Total DHHS programs</b>			-	<b>3,309,280</b>	<b>1,987,430</b>	<b>5,296,709</b>
<b>U.S. Department of Housing and Urban Development ("HUD"):</b>						
Pass-through, City of Los Angeles - Department of Aging:						
Cluster:						
Evidence Based Program CDBG Funds/CDBO Funds/City General Funds:						
West Adams and Technical Assistance (04/2017 through 03/2018)	C-129426	14.218	-	95,671	-	95,671
West Adams and Technical Assistance (04/2018 through 03/2019)	C-131325	14.218	-	10,381	-	10,381
Southwestern Service Area (04/2017 through 03/2018)	C-129426	14.218	-	60,617	-	60,617
Southwestern Service Area (04/2018 through 03/2019)	C-131325	14.218	-	14,517	-	14,517
<b>Total HUD programs - CDBG Cluster</b>			-	<b>181,186</b>	-	<b>181,186</b>
<b>Total Expenditures of Federal and Non-Federal Awards</b>			\$ -	\$ 3,490,466	1,987,430	\$ 5,477,895

*The accompanying notes are an integral part of this schedule.*

# Partners in Care Foundation, Inc. and Subsidiary

## Notes to Schedule of Expenditures of Federal and Non-Federal Awards For the Years Ended June 30, 2018

---

### Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Non-Federal Awards (the "Schedule") includes the federal and non-federal award activity of Partners under programs of the federal government for the years ended June 30, 2018. 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 Partners, it is not intended to and does not present the financial position, changes in net assets or cash flows of Partners.

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through or other identifying numbers are presented where available.

#### *Non-Federal Matching Share*

The City and County of Los Angeles require non-federal match on certain contracts. Partners for the year ended June 30, 2018 matched with grants from non-federal resources the following contracts:

	Contract Number	CFDA Number	Match
Special programs for the Aging - Title III - Part D Disease Prevention and Health Promotion Services	C-130404	93.043	\$25,248
Title III - D Disease Prevention and Health Promotion	DPHP171201	93.043	\$55,774

### Note 3 - Indirect Cost Rate

Partners has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's Reports Required by *Government  
Auditing Standards* and the Uniform Guidance**

---



Tel: 310-557-0300  
Fax: 310-557-1777  
www.bdo.com

515 Flower Street  
47<sup>th</sup> Floor  
Los Angeles CA 90071

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

To the Board of Directors  
Partners in Care Foundation, Inc. and Subsidiary  
San Fernando, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Partners in Care Foundation, Inc. and Subsidiary ("Partners"), which comprise the consolidated statement of financial position as of June 30, 2018, 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 May 18, 2020.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control 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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 item 2018-001 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-015 to be a significant deficiency.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Partners' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2018-002.

#### ***Partners in Care Foundation, Inc. and Subsidiary's Response to Findings***

Partners' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Partners' 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

May 18, 2020



Tel: 310-557-0300  
Fax: 310-557-1777  
www.bdo.com

515 Flower Street  
47<sup>th</sup> Floor  
Los Angeles CA 90071

## **Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Partners in Care Foundation, Inc. and Subsidiary  
San Fernando, California

### ***Report on Compliance for Each Major Federal Program***

We have audited the Partners in Care Foundation, Inc. and Subsidiary's ("Partners") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Partners' major federal programs for the year ended June 30, 2018. Partners' 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 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 Partners' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Partners' 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 qualified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of Partners' compliance.



#### ***Basis for Qualified Opinion on CFDA 93.778***

As described in the accompanying schedule of findings and questioned costs, Partners did not comply with requirements for U.S. Department of Health and Human Services, pass-through from the State of California - Department of Aging - Medical Assistance Program, CFDA 93.778 as described in finding numbers 2018-010 for activities allowed or unallowed; allowable costs/cost principles and 2018-013 for cash management. Compliance with such requirements is necessary, in our opinion, for Partners to comply with the requirements applicable to that program.

#### ***Qualified Opinion on CFDA 93.778***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Partners complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.778, Medical Assistance Program for the year ended June 30, 2018.

#### ***Basis for Qualified Opinion on CFDA 93.043***

As described in the accompanying schedule of findings and questioned costs, Partners did not comply with requirements for U.S. Department of Health and Human Services, pass-through from the City and County of Los Angeles - Title III-D Disease Prevention and Health Promotion program, CFDA 93.043 as described in finding numbers 2018-010 for activities allowed or unallowed; allowable costs/cost principles and 2018-013 for cash management. Compliance with such requirements is necessary in our opinion, for Partners to comply with the requirements applicable to that program.

#### ***Qualified Opinion on CFDA 93.043***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Partners complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.043, Title III-D Disease Prevention and Health Promotion for the year ended June 30, 2018.

#### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and are described in the accompanying schedule of findings and questioned costs as items 2018-003 through 2018-009, and 2018-011, 2018-012, and 2018-014. Our opinion on each major federal program is not modified with respect to these matters.



Partner's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Partners' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of Partners 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 Partners' 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 Partners' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-010 and 2018-013 to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-003 through 2018-009, 2018-011, 2018-012 and 2018-014 to be significant deficiencies.



Partner's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Partners' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*BDO USA, LLP*

May 18, 2020

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

### Section I - Summary of Auditor's Results

#### **Financial Statements**

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported
- Noncompliance material to financial statements noted? ☒ yes ☐ no

#### **Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

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

Federal Agency and Name of Major Program	Type of opinion on Major Program
U.S. Department of Health and Human Services	
Pass-through, State of California Department of Aging - 93.778	Qualified
Pass-through, City of Los Angeles - Department of Aging CFDA 93.043 and Pass-through, County of Los Angeles - Title III-D CFDA 93.043	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Identification of Major Federal Programs:	
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program - Medicaid Cluster
93.043	Title III-D Disease Prevention and Health Promotion
Dollar threshold used to distinguish Between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### Section II - Financial Statement Findings

#### *Finding 2018-001: Financial Statement Reconciliation and Close Process*

##### *Criteria*

Partners is required to maintain effective internal control over financial reporting in accordance with *Government Auditing Standards* and U.S. GAAP.

##### *Condition*

1. Partners has restated its June 30, 2017 consolidated financial statements mainly due to the overstatement of Accounts Receivable and Revenue. It was determined that the outstanding accounts receivable from FY 2017 and prior had been incorrectly recognized and, therefore, were not true receivables and would not be collected. As such, accounts receivable was overstated by \$740,603 and corrected by the restatement. Cash and Cash Equivalents and Property and Equipment were also overstated by \$79,735 and \$39,967, respectively, and corrected by the restatement.
2. There were 25 audit adjustments to correct balances in the original trial balance for the year ended June 30, 2018 to balances that could be supported by evidential material. These adjustments affected both federal and nonfederal activity. Accounts requiring adjustment include cash, accounts receivable, net assets, revenue and expenses.
3. We also identified issues with how Partners books accounts receivable entries for transactions that are ultimately billed through a third party payer system. We observed duplication of invoices within the Organization's system. This duplication resulted in a \$867,672 overstatement of A/R and Revenue.
4. In general, there was a lack of general ledger reconciliation including reconciliation of the Schedule of Expenditures of Federal and Non-Federal Awards.
5. We noted that an invoice was issued under an expired agreement and management had not detected the issue despite the invoice being outstanding for many months due to lack of timely reconciliations.
6. A Partners' bank account was not previously recorded in the general ledger.

##### *Cause*

The financial records of Partners were incomplete and reconciliations had not been performed even well after year-end, or if performed, were not done correctly or reviewed. There was also considerable difficulty, during the audit process, in obtaining supporting documentation in a timely manner.

##### *Effect or Potential Effect*

There were numerous adjustments during the audit process to various account balances affecting certain assets, liabilities, revenues, and expenses.

In addition, the 2017 financial statements were restated to properly reflect cash, receivables, liabilities, net assets, revenues, and expenses.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Recommendation*

Monthly reconciliations performed on a timely basis and properly reviewed play a key role in the accuracy of accounting data and information included in the financial statements. The lack of timely reconciliations leads to a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system, which does not provide accurate accounting information to management and the board to use in making well informed business decisions. This can also lead to significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to exist and continue without notice.

In order to provide more accurate and timely accounting information, we strongly recommend that Partners establish more effective general ledger account reconciliation and review policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that were typically made at year-end only, and performing more frequent reviews of the general ledger throughout the year. Appropriate analysis and review of the accounts should be made on a regular basis to ensure that financial statements are prepared in accordance with generally accepted accounting principles.

### *Views of Responsible Officials*

Management concurs with this finding and has noted that the restatements were necessary after a complete reconciliation was done for prior period records and accounts receivable. Partners had to manually reconcile and validate all entries due to significant procedural weaknesses and software implementation delays over prior fiscal year.

Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes. Partner's implemented new procedures with the change in VP of Finance effective January 2019 to ensure, at a minimum, quarterly reconciliations for all accounts including accounts receivable, cash receipts and general ledger entries to be implemented.

### ***Finding 2018-002: Findings Identified from Site Review***

#### *Criteria*

Partners is required to maintain effective internal controls over financial reporting and accounting for operations in accordance with *Government Auditing Standards*, U.S. GAAP, and the Uniform Guidance.

#### *Condition*

During the course of the audit we became aware that the pass-through from the State of California Department of Aging MSSP site 40 under CFDA 93.778 was audited by the State of California for fiscal years 2014 through 2017. The audit included the financial closeout reports, accounting records, internal controls and compliance with grant requirements. Based on the report issued, the State noted that there were findings related to allowable expenditures for Care Management, Care Management Support and Waiver Services. The report noted that there were \$2,894 in potentially disallowed costs. Partners' management is currently working with both parties to reach an agreement on the potentially disallowed costs and determine the final resolution to these audits.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Cause*

Partners doesn't have procedures in place to timely reconcile amounts billed to federal entities and ensure all amounts are supported by documentation.

### *Effect or Potential Effect*

Potential disallowed costs may exist.

### *Recommendation*

In order to provide more accurate and timely accounting information, we strongly recommend that Partners establish more effective general ledger account reconciliation and review policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that were typically made at year-end only, and performing more frequent reviews of the general ledger throughout the year. Appropriate analysis and review of the accounts should be made on a regular basis to ensure that financial statements are prepared in accordance with generally accepted accounting principles.

### *Views of Responsible Officials*

Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes. Management is aware of the site review findings and has been diligent in providing corrective action. Site review reports have been updated and closed by the County with no additional action needed. The County, City and State have conducted additional audit reviews since the close of FY17-18, showing fewer or no findings on the new procedures since changes in leadership occurred in late 2019.

### ***Finding 2018-015: Segregation of Duties***

#### *Criteria*

Partners is required to design its control environment such that management or employees, in the normal course of performing their assigned functions, will likely prevent, or detect and correct, financial misstatements on a timely basis. Segregation of duties is a common and effective design feature of such a control environment.

#### *Condition*

Partners' Budget Analyst and Accounts Receivable Specialist had the ability to record revenue transactions.

#### *Cause*

The Accounts Receivable Specialist and Budget Analyst were both accruing invoices in different modules of Partners' financial system, this error was not identified due to lack of review.

#### *Effect or Potential Effect*

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

The lack of segregation creates a risk for fraud and resulted in the duplication of invoices and revenue.

### *Recommendation*

We recommend Partners segregate financial system administration rights from the finance function.

### *Views of Responsible Officials*

Management concurs with this finding and has remedied the segregation concern by making staffing changes and implementing a more thorough month-end close review by the VP of Finance effective October 1, 2018.

## Section III - Federal Award Findings and Questioned Costs

**Finding 2018-003:**     **Reporting**  
**CFDA # 93.043**        **U.S. Department of Health and Human Services**  
                             **Pass-through from City of Los Angeles - Department of Aging**  
                             **Pass-through identifying number: C-130404**

### *Criteria*

2 CFR Part 200.328 notes that the non-Federal entity must submit reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Partners should comply with certain reporting requirements in accordance with the terms and provisions of the pass-through agreement. Per the City of Los Angeles pass-through contract, monthly expenditure reports are required to be submitted within 5 days of the end of the month.

### *Condition*

We selected 3 of the twelve-monthly expenditure reports for testing and noted that two were submitted past the due date (6 and 7 days late, respectively).

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Cause*

Partners did not appear to exercise due diligence in monitoring the reporting deadlines and ensuring the accuracy of the reports being submitted to the federal agency. Further, management changes within Partners and lack of timely reconciliations also caused delays. Partners also was in the process of implementing a new software platform and reports were delayed during this implementation.

### *Effect or Potential Effect*

Not meeting reporting requirements constitutes noncompliance with the award terms.

### *Questioned Costs*

No questioned costs were noted with this finding.

### *Context*

Partners did not comply with the reporting requirement for 3 of the 12 monthly expenditure reports tested.

### *Repeat Finding*

This is a repeat finding from prior year. This was reported as finding 2017-004 in the 2017 report.

### *Recommendation*

We recommend Partners develop a formal system to ensure reports are prepared and submitted timely in accordance with the award agreement. If timely filing is not possible, Partners should request extensions in writing to substantiate the approval of late reports from the pass-through entity.

### *Views of Responsible Officials*

Management's corrective action implemented as of October 1, 2018 consists of a manual backup process to ensure reports are time stamped to prove they are submitted as grant guidelines require. In addition, a formal system has been put in place as of October 1, 2018. Program staff preparing the report must sign off on and it must be submitted to the VP of Community Wellness and a copy must be sent to the VP of Finance to monitor and track per grant requirement.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

**Finding 2018-004:**      **Reporting**  
**CFDA # 93.043**        **U.S. Department of Health and Human Services**  
                                 **Pass-through from City of Los Angeles - Department of Aging**  
                                 **Pass-through identifying number: C-130404**

### *Criteria*

2 CFR Part 200.328 notes that the non-Federal entity must submit reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Partners should comply with certain reporting requirements in accordance with the terms and provisions of the pass-through agreement. Per the City of Los Angeles pass-through contract, management information reports are required to be submitted within 5 days of the end of the month.

### *Condition*

We selected 3 of 12 management information reports for testing and noted that one was submitted 1 day past the due date.

### *Cause*

Partners did not appear to exercise due diligence in monitoring the reporting deadlines and ensuring the accuracy of the reports being submitted to the federal agency. Further, management changes within Partners and lack of timely reconciliations also caused delays. Partners also was in the process of implementing a new software platform and reports were delayed during this implementation.

### *Effect or Potential Effect*

Not meeting reporting requirements constitutes noncompliance with the award terms.

### *Questioned Costs*

No questioned costs were noted with this finding.

### *Context*

Partners did not comply with the reporting requirement for 1 of the 12 management information reports tested.

### *Recommendation*

We recommend Partners develop a formal system to ensure reports are prepared and submitted timely in accordance with the award agreement. If timely filing is not possible, Partners should request extensions in writing to substantiate the approval of late reports from the pass-through entity.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Views of Responsible Officials*

Management's corrective action implemented as of October 1, 2018 consists of a manual backup process to ensure reports are time stamped to prove they are submitted as grant guidelines require. In addition, a formal system has been put in place as of October 1, 2018. Program staff preparing the report must sign off on and it must be submitted to the VP of Community Wellness and a copy must be sent to the VP of Finance to monitor and track per grant requirement.

**Finding 2018-005:      Reporting**  
**CFDA # 93.043        U.S. Department of Health and Human Services**  
**Pass-through from City of Los Angeles - Department of Aging**  
**Pass-through identifying number: C-130404**

### *Criteria*

2 CFR Part 200.328 notes that the non-Federal entity must submit reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Partners should comply with certain reporting requirements in accordance with the terms and provisions of the pass-through agreement. Per the City of Los Angeles pass-through contract, annual closeout reports are required to be submitted within 30 days of the end of the fiscal year.

### *Condition*

We selected the annual close out report for testing and noted that it was submitted 10 days past the extended due date.

### *Cause*

Partners did not appear to exercise due diligence in monitoring the reporting deadlines and ensuring the accuracy of the reports being submitted to the federal agency. Further, management changes within Partners and lack of timely reconciliations also caused delays. Partners also was in the process of implementing a new software platform and reports were delayed during this implementation.

### *Effect or Potential Effect*

Not meeting reporting requirements constitutes noncompliance with the award terms.

### *Questioned Costs*

No questioned costs were noted with this finding.

### *Context*

Partners did not comply with the reporting requirement for the annual closeout report information reports tested.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Recommendation*

We recommend Partners develop a formal system to ensure reports are prepared and submitted timely in accordance with the award agreement. If timely filing is not possible, Partners should request extensions in writing to substantiate the approval of late reports from the pass-through entity.

### *Views of Responsible Officials*

Management's corrective action implemented as of October 1, 2018 consists of a manual backup process to ensure reports are time stamped to prove they are submitted as grant guidelines require. In addition, a formal system has been put in place as of October 1, 2018. Program staff preparing the report must sign off on and it must be submitted to the VP of Community Wellness and a copy must be sent to the VP of Finance to monitor and track per grant requirement.

**Finding 2018-006:**     **Reporting**  
**CFDA # 93.043**        **U.S. Department of Health and Human Services**  
                                 **Pass-through from County of Los Angeles**  
                                 **Pass-through identifying number: DPHP172001**

### *Criteria*

2 CFR Part 200.328 notes that the non-Federal entity must submit reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Partners should comply with certain reporting requirements in accordance with the terms and provisions of the pass-through agreement. Per the County of Los Angeles pass-through contract annual closeout reports are required to be submitted within 30 days of the end of the fiscal year.

### *Condition*

We selected the annual closeout report for testing and noted that it was submitted 29 day past the due date.

### *Cause*

Partners did not appear to exercise due diligence in monitoring the reporting deadlines and ensuring the accuracy of the reports being submitted to the federal agency. Further, management changes within Partners and lack of timely reconciliations also caused delays. Partners also was in the process of implementing a new software platform and reports were delayed during this implementation.

### *Effect or Potential Effect*

Not meeting reporting requirements constitutes noncompliance with the award terms.

### *Questioned Costs*

No questioned costs were noted with this finding.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Context*

Partners did not comply with the reporting requirement for the annual closeout report information reports tested.

### *Recommendation*

We recommend Partners develop a formal system to ensure reports are prepared and submitted timely in accordance with the award agreement. If timely filing is not possible, Partners should request extensions in writing to substantiate the approval of late reports from the pass-through entity.

### *Views of Responsible Officials*

Management's corrective action implemented as of January 2019 consists of a tracking system and a more timely year end reconciliation of accounts. Prior to this new system closeout report were not submitted timely because financials were not timely closed. A new year end process was put in place to ensure reports are time. Program staff preparing the report must sign off on and it must be submitted to the VP of Community Wellness and a copy must be sent to the VP of Finance to monitor and track per grant requirement.

**Finding 2018-007:**     **Special Tests and Provisions**  
**CFDA # 93.043**        **U.S. Department of Health and Human Services**  
                             **Pass-through from County of Los Angeles**  
                             **Pass-through identifying number: DPHP171201**

### *Criteria*

Partners should comply with certain special tests and provisions required in the terms and provisions of the pass-through agreement. Per the City of Los Angeles pass-through agreement, each subrecipients' staff/employee providing services under this subaward who is in a designated sensitive position, as determined by the County, in County's sole discretion, shall undergo and pass a background investigation to the satisfaction of the County as a condition of beginning and continuing to provide services under this subaward.

### *Condition*

We selected all employees providing services under the award for testing, a total of 18, and noted that 3 did not have the required background checks performed prior to them working on the program.

### *Cause*

There was not a proper control in place to ensure all terms and provisions of the pass-through agreement were met.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Effect or Potential Effect*

Not complying with this special tests and provisions requirement constitutes noncompliance with the pass-through agreement terms.

### *Questioned Costs*

No questioned costs were noted with this finding.

### *Context*

Partners did not comply with the background investigation provision in the pass-through agreement for 3 of the total 18 employees providing services under the agreement that were tested.

### *Repeat Finding*

This is a repeat finding from prior year. This was reported as finding 2017-006 in the 2017 report.

### *Recommendation*

We recommend background checks be performed prior to the person providing services in accordance with the pass-through agreement.

### *Views of Responsible Officials*

Management concurs with this finding. Although Partners implemented background checks on all new employees, they failed to complete the checks at the time of hire or for staff that had been previously hired and working under a different program. Partners' background screening policy has been updated to include that clearances will be conducted for all employees regardless of length of service in the organization. A review of all staff was conducted by Partners in late 2018, and all staffs' background screening were performed to current standards.

**Finding 2018-008:**     **Level of Effort**  
**CFDA # 93.778**        **U.S. Department of Health and Human Services**  
                                 **Pass-through from State of California - Department of Aging**  
                                 **Pass-through identifying number- MS -17180-40, MS-1718-43, MS-1718-51 and MS-1718-54**

### *Criteria*

Partners should comply with certain level of effort requirements in accordance with the terms and provisions of the pass-through agreement. Per the State of California - Department of Aging pass-through agreement, the contractor shall maintain a monthly active participant count equal to its budgeted waiver slots. If the Contractor's active participant count falls below 95% of the number of budgeted slots for more than three consecutive months, the Contractor shall be required to submit an enrollment plan for review, approval, and monitoring by the Department of Aging.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Condition*

We selected all 12 months to review for each of the 4 sites and noted that Partners was below its budgeted waiver slots threshold for 45 of the 48 months. Additionally, it was noted that Partners' participant count was below 95% of its budgeted waiver slots for more than three consecutive months at 2 sites, however no enrollment plan was prepared and submitted.

### *Cause*

Partners had staffing vacancies in hiring a nurse, which is required to enroll new clients into the plan. Due to the low enrollment, plan directors provided email confirmations in lieu of enrollment plan submissions to Department of Aging informing them of unfilled slots. (Kern Site)

Partners experienced staffing turnovers that delayed the enrollment of new clients at the site. In lieu of enrollment plan submission, directors provided email confirmations to Department of Aging informing them of unfilled slots. (Santa Barbara Site)

### *Effect or Potential Effect*

Not meeting level of effort requirements constitutes noncompliance with the grant terms.

### *Questioned Costs*

No questioned costs were noted with this finding.

### *Context*

There were 48 total months in the sample population to calculate eligibility based on 12 monthly reports for each of the 4 sites.

### *Repeat Finding*

This is a repeat finding from prior year. This was reported as finding 2017-010 in the 2017 report.

### *Recommendation*

We recommend that level of effort metrics be reviewed and if they fall below the required levels, communication from Partners to the State of California - Department of Aging be initiated in accordance with the pass-through agreement.

### *Views of Responsible Officials*

Management concurs with this finding. Management actively reports staffing levels in monthly and quarterly reports and the State provides guidelines if and when enrollment plans are needed. If determined by the State that only a notice in writing from the Director is necessary, Partners will request in writing a confirmation that no additional action needs to be taken from the State and will be kept for internal tracking. If an enrollment plan is required per the State agreement, management will provide according to the contract requirements.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

**Finding 2018-009:**     *Eligibility*  
**CFDA # 93.043**        U.S. Department of Health and Human Services  
                                 Pass-through from City of Los Angeles  
                                 Pass-through identifying number: C-130404

### *Criteria*

Partners should comply with certain eligibility requirements in accordance with the terms and provisions of the pass-through agreement. Per the City of Los Angeles pass-through agreement, one of the eligibility requirements is that participants in the program are required to be over 60 years of age.

### *Condition*

We selected 20 participants to test for eligibility under this agreement and noted that 2 participants did not meet the age requirement and noted no additional documentation as to how the age requirement was met.

### *Cause*

There were not proper controls in place to ensure compliance with all eligibility requirements.

### *Effect or Potential Effect*

Not meeting participant eligibility requirements constitutes noncompliance with the award terms.

### *Questioned Costs*

No questioned costs were noted with this finding.

### *Context*

No additional contextual information was identified.

### *Repeat Finding*

This is a repeat finding from prior year. This was reported as finding 2017-011 in the 2017 report.

### *Recommendation*

We recommend participant eligibility requirements be adhered to in accordance with the pass-through agreement.

### *Views of Responsible Officials*

Management concurs with this finding and shall provide a confirming validation on all client eligibility documents prior to admission to the program. A formal tracking system was put in place in October 2018 to report clients funded through additional sources that do not meet eligibility requirements under the City funding.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

<b>Finding 2018-010:</b>	<b>Activities Allowed or Unallowed; Allowable Costs/Cost Principles</b>
<b>CFDA # 93.778</b>	U.S. Department of Health and Human Services Pass-through from State of California - Department of Aging Pass-through identifying number: MS-1718-40, MS-1718-43, MS-1718-51, MS-1718-54
<b>CFDA # 93.043</b>	U.S. Department of Health and Human Services Pass-through from City and County of Los Angeles Pass-through identifying number: C-130404, DPHP171201

### *Criteria*

Partners should comply with certain allowable cost requirements per section 200.300 of the Uniform Guidance. Appropriate documentation must be retained to support expenditures incurred in the execution of federally funded programs.

### *Condition*

We selected 60 payroll selections and noted that for 3 of those selections, there was a calculated variance in cost allocated to the program when comparing the time allocated based on review of timesheets. The total net impact of the 3 selections was a potential \$5,058 of excess payroll costs. Additionally, for 8 of those selections payroll rates had not been updated to reflect the actual rate in the employees' personnel files. These errors, totaling \$287 were identified almost twelve months later. We selected 60 non-payroll selections and noted there was a variance in cost allocated to the programs based on review of underlying support for 2 of those selections. The total net impact of the 2 selections was a potential \$42 of under allocated costs. There was a lack of proper approval for 2 of the 60 non-payroll selections.

### *Cause*

Policies and procedures either did not exist or were not appropriately being implemented to ensure that supporting documentation was maintained correctly.

### *Effect or Potential Effect*

Because of the absence of appropriate documentation, we were unable to confirm the allowability, validity, and completeness of the amounts noted above.

### *Questioned Costs*

We noted \$5,303 of known potential questions costs based on the comments within the condition section noted above.

### *Context*

We selected 60 payroll and 60 non-payroll transactions that were allocated to the major programs.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Repeat Finding*

This is a repeat finding from prior year. This was reported as finding 2017-012 in the 2017 report.

### *Recommendation*

We recommend Partners revisit its procedures to ensure adequate documentation and reconciliation of federal expenditures and billings. We also recommend that accounting and designated management staff review the underlying support before submitting a payment request or invoice to the agency.

### *Views of Responsible Officials*

Management concurs with this finding and in November 2018 implemented a time management system that is appropriate. During the fiscal year under audit, the payroll and timecard system were independent of each other, which caused a discrepancy in reporting. Since then the systems are in one program and require review by supervisors and employees before submitting for payroll. System will also lock timecards after processing so additional changes can be made. Time cards will be reviewed by employees and supervisors prior to submission for processing. The VP of Finance will oversee staff and review and approve reconciliations and invoices prior to submission for payment.

**Finding 2018-011:**     **Procurement, Suspension and Debarment**  
**CFDA # 93.778**        **U.S. Department of Health and Human Services**  
                             **Pass-through from State of California - Department of Aging**  
                             **Pass-through identifying number: MS-1718-40, MS-1718-43, MS-1718-51,**  
                             **MS-1718-54**

**CFDA # 93.043**        **U.S. Department of Health and Human Services**  
                             **Pass-through from City and County of Los Angeles**  
                             **Pass-through identifying number: C-130404, DPHP171201**

### *Criteria*

Partners should comply with certain procurement, suspension and debarment requirements under Uniform Guidance sections 200.318 through 200.326. This also requires that recipients of federal awards have adequate procedures and controls in place related to procurement and that they ensure that procedures are properly documented. Procedures should provide for full and open competition supported by a cost or price analysis. They should necessitate obtaining a vendor debarment or suspension certification and also provide for retention of files and other supporting documentation that provides evidence of compliance with specified requirements.

### *Condition*

We noted that Partners does not have adequate policies and procedures to ensure that federally funded contracts are not being entered into with any suspended and/or debarred vendors. We also noted there were not written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Cause*

Partners' procurement policies and procedures do not include requirements to verify that a vendor is not suspended or debarred from doing business with the federal government.

### *Effect or Potential Effect*

An ineffective control system related to the procurement process can lead to noncompliance with laws and regulations. Partners could inadvertently contract with, or make sub-awards to, parties that are suspended or debarred from doing business with the federal government, as well as award contracts to vendors whose contract prices are unreasonable. Contracts awarded to invalid vendors may result in disallowed expenditures.

### *Questioned Costs*

No questioned costs were noted with this finding.

### *Context*

In the course of our audit no cases were noted where Partners used a disbarred contractor. This is a control matter.

### *Repeat Finding*

This is a repeat finding from prior year. This was reported as finding 2017-013 in the 2017 report.

### *Recommendation*

We recommend Partners adopt the policy of documenting that vendors are not disbarred for federal purposes, as well as adopting a written standard of conduct covering conflicts of interest. We recommend implementing procedures with a special focus on the contracting officers and their responsibilities to ensure compliance with the required procurement process, and also properly document the vendor selection process.

### *Views of Responsible Officials*

Management concurs with this finding and will implement a review of debarment for all vendor agreements as well as a policy to review compliance for requirements under the Uniform Guidance. As of January 31, 2019, a new policy will be in place for procurement and will reiterate the employee handbook policy for conflict of interest that is already in place. In addition, a review of vendor applications will be completed and requests for new vendor applications will be posted on our website for open bidding when applicable.

**Finding 2018-012:**  
**CFDA # 93.778**

**Reporting**  
**U.S. Department of Health and Human Services**  
**Pass-through from State of California - Department of Aging**  
**Pass-through identifying number: MS-1718-40, MS-1718-43, MS-1718-51,**  
**MS-1718-54**

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

CFDA # 93.043

U.S. Department of Health and Human Services  
Pass-through from City and County of Los Angeles  
Pass-through identifying number: C-130404, DPHP171201

### *Criteria*

The Single Audit must be completed and submitted with the Data Collection Form (DCF) within nine months after the end of the fiscal year.

### *Condition*

Partners did not timely complete the Single Audit and file the 2018 Data Collection Form. During our audit we also noted there were not proper controls surrounding the preparation and review of financial records including the schedule of expenditures of federal and non-federal awards (SEFA). This schedule was not reviewed by any member of management other than the person who prepared the schedule.

### *Cause*

Controls and adequate reconciliation procedures were not in place to ensure the accuracy of the financial records. Thus, timely and accurate filing was not facilitated by accounting personnel.

### *Effect or Potential Effect*

Not completing the Single Audit and not filing the Data Collection Form timely constitutes noncompliance with the Uniform Guidance.

### *Questioned Costs*

No questioned costs were noted with this finding.

### *Context*

No additional contextual information was identified.

### *Repeat Finding*

This is a repeat finding from prior year. This was reported as finding 2017-014 in the 2017 report.

### *Recommendation*

We recommend Partners implement controls surrounding the preparation, review and timely submission of financial records, including the SEFA. With regard to the SEFA, the reviewer should be someone different than who prepares the schedule and both personnel should be experienced with the federal programs. The preparation and review should incorporate review procedures to ensure a) all federal award program expenditures for the period covered are included in the total federal awards expended total, b) all federal programs are listed individually by federal agency, c) the proper presentation of federal awards received as a subrecipient, including the name of the pass-through entity and identifying number as assigned by the pass-through entity, d) the accuracy of the CFDA number and e) any noncash awards received are also reported on the face of the SEFA.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Views of Responsible Officials*

Management concurs with this finding and has implemented a system for tracking and recording of all report due dates and submissions created in November 2018. Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes. Partners will be implementing new policy after the completion of this audit to catch up with current year requirements. Implementation was contingent on prior periods being adjusted and audited for next year to be submitted correctly.

**Finding 2017-013: Cash Management**

**CFDA # 93.778**

U.S. Department of Health and Human Services

Pass-through from State of California - Department of Aging

Pass-through identifying number: MS-1718-40, MS-1718-43, MS-1718-51, MS-1718-54

**CFDA # 93.043**

U.S. Department of Health and Human Services

Pass-through from City and County of Los Angeles

Pass-through identifying number: C-130404, DPHP171201

### *Criteria*

OMB Compliance Supplement section 3.2-B-44, states that for costs to be allowable under Federal awards, they must be adequately documented.

### *Condition*

The agency set an overall budget for the MSSP program, which comprised of several categories. The agency also sets billing limits to each of those categories. Partners did not exceed to overall budget. However, during our testing, we noted that for 5 out of 12 sampled invoices submitted to the agency, the supporting documentation was not adequate and invoices submitted did not reconcile to the underlying participants served multiplied by the agreed upon rate per category. We also observed that Partners has not appropriately billed with the approved budget for amounts allowed under the categories under Care Management (CM), Care Management Support (CMS) and Waiver Services (WS). Partners also submitted and received reimbursement for expenses that exceeded allowable amounts.

### *Cause*

Policies and procedures either did not exist or were not appropriately being implemented to ensure that supporting documentation was maintained correctly.

### *Effect or Potential Effect*

Because of the absence of appropriate reconciliation, we were unable to confirm the allowability, validity, and completeness of the entire amount charged and submitted for reimbursement to the agency approved per the budget.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Questioned Costs*

Questioned costs were not determinable.

### *Context*

This is a condition identified per review of Partners' compliance with specified requirements.

### *Repeat Finding*

This is a repeat finding from prior year. This was reported as finding 2017-015 in the 2017 report.

### *Recommendation*

We recommend Partners revisit its procedures to ensure adequate documentation and reconciliation of federal expenditures and billings to the agency. We also recommend that accounting and designated management staff review the underlying support before submitting a payment request or invoice to the agency. We also recommend Partners implement internal controls to ensure claims for reimbursement do not exceed allowable amounts.

### *Views of Responsible Officials*

Management concurs with this finding and has implemented procedures to ensure adequate documentation of federal expenditures. Although Partners did not exceed the total budget by State, categories of funds were not tracked appropriately. Partners has changed the priorities of the VP of Finance to focus more on monthly accounting oversight, review and reconciliations and year end process. As of January 2019, new tracking systems were put in place, which will assist in adequate monthly tracking and timely budget adjustment requests to the State preventing exceeding allowable categorical expenditures.

**Finding 2018-014:** *Period of Performance*  
**CFDA # 93.778** U.S. Department of Health and Human Services  
Pass-through from State of California - Department of Aging  
Pass-through identifying number: MS-1718-40, MS-1718-43, MS-1718-51,  
MS-1718-54

**CFDA # 93.043** U.S. Department of Health and Human Services  
Pass-through from City and County of Los Angeles  
Pass-through identifying number: C-130404, DPHP171201

### *Criteria*

Partners should comply with certain period of performance requirements under Uniform Guidance sections 200.309. This also requires that recipients of federal awards have adequate procedures and controls in place related to ensuring costs charged to awards relate only to (a) allowable costs incurred during the period of performance or (b) costs incurred prior to the date the award was made that were authorized by the awarding agency of pass-through entity. Obligations should be liquidated within the required time period.

# Partners in Care Foundation, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

---

### *Condition*

We noted that Partners does not have adequate policies and procedures to ensure that federally funded awards are only charged for those costs that were incurred or obligated during the period of performance.

### *Cause*

Policies and procedures either did not exist or were not appropriately being implemented to ensure that costs are charged during the proper period of performance.

### *Effect or Potential Effect*

While there are no known or likely questioned costs identified, the lack of adherence to the established internal control policies and procedures with respect to review of transactions and account coding can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements, which could ultimately lead to disallowed costs for the major programs.

### *Questioned Costs*

No questioned costs were noted with this finding.

### *Context*

In the course of our audit no cases were noted where Partners charged a cost to a federal award outside the period of performance.

### *Recommendation*

We recommend Partners adopt the policy and procedures to ensure costs charged to federal awards relate only to allowable costs incurred during the period of performance or costs incurred prior to the date the award was made only when proper authorizations have been obtained by the awarding or pass-through entity.

### *Views of Responsible Officials*

Management concurs with this finding and has created a contract review policy to ensure all compliance requirements are reviewed and validated according to the Uniform Guidance requirements.

---

## **Appendix A - Management's Corrective Action Plan Year Ended June 30, 2017**

### **Segregation of Duties with Accounting System COMPLETED**

Responsible Person: Irma Shirvanian, IT Manager

Projected Implementation Date: Immediately - October 1, 2018

- IT Manager is now the sole all -inclusive administrator for the accounting system.

### **Reporting COMPLETED**

Responsible Person: Dianne Davis, VP of Health Self – Management, Anwar Zoueihid, Vice President Health Services, Alexandra Cisneros, VP of Finance

Projected Implementation Date: Immediately - October 1, 2018

- All program reports will be prepared by Health Self-Management program staff and submitted to Finance department staff
- All fiscal reports will be prepared by Finance Department staff and submitted to Program staff.
- A manual backup process is set up to time stamp reports based on when they are submitted.
- If a system issue occurs and reports are not able to be submitted a formal written request for an extension will be requested or report will be submitted via email.

### **Special Tests and Provisions- Background Checks COMPLETED**

Responsible Person: Briana Hathaway, Senior Director Human Resources

Projected Implementation Date: Immediately - October 1, 2018

- Policy now includes clearances like background check for all employees working under subawards regardless of length of service with the organization.
- An analysis of all current staff has been conducted and a list of personnel that must perform screening to meet current standards were brought up to date.

### **Level of Effort- MSSP Enrollment Levels COMPLETED**

Responsible Person: Anwar Zoueihid, Vice President Health Services

Projected Implementation Date: Immediately- October 1, 2018

- For MSSP program, program staff will actively report staffing levels in monthly and quarterly reports.

- If enrollment plans are needed program staff will submit to State of California and copy Finance department.
- If determined by the State that only a notice in writing from the Director is necessary, Partners will request in writing a confirmation that no additional action needs to be taken from the State and will be kept for internal tracking.

#### **Eligibility for EBP Workshops COMPLETED**

Responsible Person: Dianne Davis, VP of Health Self - Management

Projected Implementation Date: October 1, 2018

- Program staff will provide validation on all client's eligibility upon the initial session for EBP programs.
- If the client is to be funded by another source, workshop information will be clearly marked for internal record keeping.

#### **Payroll Activities Allowed or Unallowed; Allowable Costs/Cost Principles COMPLETED**

Responsible Person: Alexandra Cisneros, VP of Finance & Briana Hathaway, Director of Human Resources

Projected Implementation Date: November 30, 2018

- A new system for time allocation was implemented which will directly report payroll entries and once timecards are processed the pay period will be locked.
- Implementation of timecards review by supervisors and employees will be done in a timely matter. This will include employee and supervisor's approval (time stamped) before timecard is submitted for processing and locked in the system.

#### **Matching COMPLETED**

Responsible Person: Alexandra Cisneros, VP of Finance

Projected Implementation Date: November 30, 2019

-Partners will implement procedures to ensure adequate documentation of federal expenditures with regard to matching requirements.

-Procedures implemented by November 30, 2019, will include tracking of independent contractors' task related to match and appropriate allocation of FTE that report time as supportive match.

#### **Procurement, Suspension and Debarment COMPLETED**

Responsible Person: Alexandra Cisneros, VP of Finance

Projected Implementation Date: January 31, 2019

-As of January 31, 2019, a new policy will be in place for procurement and will reiterate the employee handbook policy for conflict of interest that is already in place.

-Vendor applications will be completed and requests for new vendor applications will be posted on our website for open bidding when applicable.

- Information sharing was initiated by discussing with Senior Management Council in October 2018.

**Financial Statement Reconciliation and Close Process COMPLETED**

Responsible Person: Alexandra Cisneros, VP of Finance

Projected Implementation Date: January 31, 2019

- New written processes with at a minimum quarterly reconciliation for all accounts including accounts receivable, cash receipts and general ledger.
- An enhanced review of the accounts receivable aging reconciliations will also be performed and reviewed by the VP of Finance at the close of each month to identify any uncollectable amounts with a substantial explanation of how it was calculated rather than a percentage basis to avoid adjustments and delays in the year end close process.

**MSSP Activities Allowed or Unallowed; Allowable Cost/Cost Principles COMPLETED**

Responsible Person: Alexandra Cisneros, VP of Finance

Projected Implementation Date: January 31, 2019-

- Partners will implement procedures to ensure adequate documentation of federal expenditures.
- VP of Finance will focus more on monthly accounting oversight, review and reconciliation of year end process.
- New staff member has been recruited to complete monthly reconciliations and grant and audit preparation before November 2018.
- VP of Finance will oversee staff and will review and approve reconciliation and invoices before submitted for payment.
- Quarterly the VP of Finance will analyze financials by department to ensure allowable cost and cash management for contracts and grants.

## **Appendix A - Management's Corrective Action Plan Year Ended June 30, 2018**

### **Finding 2018-001: Financial Statement Reconciliation and Close Process**

Responsible Person: Alexandra Cisneros, VP of Finance  
818-837-3775 Ext. 107

Projected Implementation Date: Prior to issuance and immediately

Partners recognizes the importance of maintaining effective internal control over financial reporting and has implemented improvements to strengthen the infrastructure of these.

Management concurs with this finding and has noted that the restatements were necessary after a complete reconciliation was done for prior period records and accounts receivable. Partners had to manually reconcile and validate all entries due to significant procedural weaknesses and software implementation delays over prior fiscal year.

Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes. Partner's implemented new procedures with the change in VP of Finance effective January 2019 to ensure at the minimum, quarterly reconciliations for all accounts including accounts receivable, cash receipts and general ledger entries to be implemented.

### **Finding 2018-002: Findings Identified form Site Review**

Responsible Person: Alexandra Cisneros, VP of Finance  
818-837-3775 Ext. 107

Projected Implementation Date: Prior to issuance and immediately

Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes. Management is aware of the site review findings and has been diligent in providing corrective action. Site review reports have been updated and closed by the County with no additional action needed. The County, City and State have conducted additional audit reviews since the close of FY17-18, showing fewer or no findings on the new procedures since changes in leadership occurred in late 2018.

### **Finding 2018-003: Reporting**

Responsible Person: Alexandra Cisneros, VP of Finance  
818-837-3775 Ext. 107

Projected Implementation Date: Prior to issuance

Under the City of Los Angeles pass-through contract, monthly financial reports are required to be submitted within 10 days of the following month. Two selected invoices which were submitted past the due date by 6 and 7 days, respectively. Partners uses a third-party reporting system that does not track initial submission of invoices but timestamps approval only.

Management's corrective action implemented as of January 2019 consisted of, a manual backup process to ensure reports are time stamped to prove they are submitted as grant guidelines require. This process has been implemented and is currently in effect and it includes a backup paper copy of the report when it is being submitted with time and date as well as an email to City contact staff with reporting progress notes as applicable. If a system issue occurs and reports are not able to be submitted a formal written request for an extension will be requested and provide written tracking of approval of delay notice.

### **Finding 2018-004: Reporting**

Responsible Person: Dianne Davis, VP of Community Wellness  
818-837-3775 Ext. 116

Projected Implementation Date: Prior to issuance

Under the City of Los Angeles pass-through contract, management information reports are required to be submitted within 5 days following the period end. One selected report was submitted past the due date by 1 day and did not meet contract requirements. The Organization uses a third-party reporting system to submit these reports.

Management's corrective action implemented as of October 1, 2018 consists of a manual backup process to ensure reports are time stamped to prove they are submitted as grant guidelines require. In addition, a formal system has been put in place as of October 1, 2018. Program staff preparing the report must sign off on and it must be submitted to the VP of Community Wellness and a copy must be sent to the VP of Finance to monitor and track per grant requirement.

### **Finding 2018-005: Reporting**

Responsible Person: Dianne Davis, VP of Community Wellness  
818-837-3775 Ext. 116

Projected Implementation Date: Prior to issuance

Under the City of Los Angeles pass-through contract, semi-annual narrative reports are required to be submitted within a certain number of days following the period end. One selected report was submitted past the due date by 10 day and did not meet contract requirements. The Organization uses a third-party reporting system to submit these reports.

Management's corrective action implemented as of October 1, 2018 consists of a manual backup process to ensure reports are time stamped to prove they are submitted as grant guidelines require. In addition, a formal system has been put in place as of October 1, 2018. Program staff preparing the report must sign off on and it must be submitted to the VP of

Community Wellness and a copy must be sent to the VP of Finance to monitor and track per grant requirement

#### **Finding 2018-006: Reporting**

Responsible Person: Alexis Cisneros, VP of Finance and Dianne Davis, VP of  
Community Wellness  
818-837-3775 Ext. 107

Projected Implementation Date: Prior to issuance

Under the County of Los Angeles pass-through contract, closeout reports are required to be submitted within a certain number of days following the period end. One selected report was submitted past the due date by 29 day and did not meet contract requirements.

Management's corrective action implemented as of January 2019 consists a tracking system and a more timely year end reconciliation of accounts. Prior to this new system closeout report were not submitted timely because financials were not timely closed. A new year end process was put in place to ensure reports are time. Program staff preparing the report must sign off on and it must be submitted to the VP of Community Wellness and a copy must be sent to the VP of Finance to monitor and track per grant requirement

#### **Finding 2018-007: Special Tests and Provisions**

Responsible Person: Briana Hathaway, Senior Director Human Resources  
818-837-3775 Ext. 109

Projected Implementation Date: Prior to issuance

Partners should comply with special test and provisions required under the grant agreement per the County of Los Angeles including the requirement to pass a background investigation for any staff/employee under this subaward. A total of 3 employees out of the 18 selected were completed after staff was hired. Although Partners implemented background checks on all new employees, they failed to complete the checks at the time of hire or for staff that had been previously hired and working under a different program.

Management has updated their policy to include clearances for all employees working under subawards regardless of length of service with the organization and as part of the initial screening for new employees prior to conducting services under grants. An analysis of all current staff has been conducted in late 2018 and 2019 and a list of personnel that must perform screening to meet current standards was brought up to date.

#### **Finding 2018-008: Level of Effort**

Responsible Person: Anwar Zoueihid, Vice President Health Services  
818-837-3775 Ext 137

Projected Implementation Date: Prior to issuance

Under the State of California contract terms Partners must submit an enrollment plan for review, approval and monitoring by the Department if the active participant count falls below 95% of the number budgeted slots for more than three consecutive months. All sites and months were

reviewed and two of the sites fell below the threshold for 3 months with no enrollment plan submitted to the Department for review and approval.

Management actively reports staffing levels in monthly and quarterly reports, the State provides guidelines on if and when enrollment plans are needed. If determined by the State that only a notice in writing from the Director is necessary, Partners will request in writing a confirmation that no additional action needs to be taken from the State and will be kept for internal tracking. If an enrollment plan is required per the State agreement, management will provide according to contract requirements.

#### **Finding 2018-009: Eligibility**

Responsible Person: Dianne Davis, VP of Health Self - Management  
818-837-3775 Ext. 116  
Projected Implementation Date: Prior to issuance

Eligibility requirements including age of clients must be verified for participants under the County program. Partners provides additional funding for programs that assist in funding clients that do not meet eligibility requirements under this grant and no formal tracking of these clients had been implemented.

Management concurs with this finding and effective October 1, 2018 shall provide a confirming validation on all client's eligibility upon the initial session and document it appropriately prior to reporting to the County. If the client is to be funded by another source, workshop information will be clearly marked for internal record keeping.

#### **Finding 2018-010: Activities Allowed or Unallowed; Allowable Costs/Cost Principles**

Responsible Person: Alexandra Cisneros, VP of Finance & Briana Hathaway,  
Director of Human Resources  
818-837-3775 Ext. 107 & Ext 109, respectively  
Projected Implementation Date: Prior to issuance

Partners must be able to provide appropriate documentation of cost incurred and supported by federally funded programs. During the audit, several instances of discrepancies were noted. From 60 payroll selections 2 had calculated variances of program allocations.

Management concurs with this finding and the following steps have been taken to prevent discrepancies.

- A new system for time allocation was implemented in November 2018, which will directly report payroll entries and once timecards are processed the pay period will be locked.
- Implementation of timecards review by supervisors and employees will be done in a timely matter. This will include employee and supervisor's approval (time stamped) before timecard is submitted for processing and locked in the system.

#### **Finding 2018-011: Procurement, Suspension and Debarment**

Responsible Person: Alexandra Cisneros, VP of Finance  
818-837-3775 Ext. 107  
Projected Implementation Date: Prior to issuance and immediately

Management concurs with this finding and will implement a review of debarment for all vendor agreements as well as a policy to review compliance for requirements under the Uniform Guidance. As of January 31, 2019, a new policy will be in place for procurement and will reiterate the employee handbook policy for conflict of interest that is already in place. In addition, a review of vendor applications will be completed and requests for new vendor applications will be posted on our website for open bidding when applicable.

**Finding 2018-012: Reporting**

Responsible Person: Alexandra Cisneros, VP of Finance  
818-837-3775 Ext. 107

Projected Implementation Date: Prior to issuance and immediately

Management concurs with this finding and has implemented a system for tracking and recording of all report due dates and submissions created in November 2018. Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes. Partners will be implementing new policy after the completion of this audit to catch up with current year requirements. Implementation was contingent on prior periods being adjusted and audited for next year to be submitted correctly.

**Finding 2018-013: Activities Allowed or Unallowed; Allowable Costs/Cost Principles**

Responsible Person: Alexandra Cisneros, VP of Finance  
818-837-3775 Ext. 107

Projected Implementation Date: Immediately

Management concurs with this finding and has implement procedures to ensure adequate documentation of federal expenditures. Although Partners did not exceed total budget by State, categories of funds were not tracked appropriately. Partners has changed the priorities of the VP of Finance to focus more on monthly accounting oversight, review and reconciliations and year end process. As of January 2019, new tracking systems were put in place, which will assist in adequate monthly tracking and timely budget adjustment requests to the State preventing exceeding allowable categorical expenditures.

**Finding 2018-014: Period of Performance**

Responsible Person: Alexandra Cisneros, VP of Finance  
818-837-3775 Ext. 107

Projected Implementation Date: July 1, 2020

Partners should comply with certain period of performance requirements under Uniform Guidance sections 200.309. This also requires that recipients of federal awards have adequate procedures and controls in place related to ensuring costs charged to awards relate only to (a) allowable costs incurred during the period of performance or (b) costs incurred prior to the date the award was made that were authorized by the awarding agency of pass-through entity.

Management concurs with this finding and has created a contract review policy to ensure all compliance requirements are reviewed and validated according to the Uniform Guidance requirements.