

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

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

YEAR ENDED JUNE 30, 2022

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

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

YEAR ENDED JUNE 30, 2022

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Partners in Care Foundation, Inc. and Subsidiaries (collectively, the Foundation), which comprise the consolidated statement of financial position as of June 30, 2022, 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 March 30, 2023.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Foundation's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Green Hasson & Janks LLP

March 30, 2023
Los Angeles, California



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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Partners in Care Foundation, Inc. and Subsidiaries' (collectively, the Foundation's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2022. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

Green Hasson & Janks LLP

March 30, 2023
Los Angeles, California

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major federal programs:

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

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

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

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

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

Federal Awards (continued)

Identification of major federal programs:

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

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

Auditee qualified as a low-risk auditee? Yes No

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2022

SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS

FINDING 2022-001: YEAR-END CLOSING AND REPORTING (REPEAT FINDING OF 2018-001, 2019-001, 2020-001 and 2021-001)

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

Condition: Various general ledger account balances were not reconciled in a timely manner during the year. Such balances include cash, accounts and grants receivable, investments, accrued liabilities, revenues, and expenses. Additionally, in some cases, reconciling items were not resolved in a timely manner, thereby reducing the effectiveness of the reconciliation process. The lack of timely account reconciliation resulted in the recording of multiple adjustments during the audit to reconcile the accounts and agree the balances to the related supporting documentation.

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

- **Direct Service Contract Revenues and Accounts Receivable.** The following matters were noted in relation to revenue and accounts receivable accounts:
 - There are continuing discrepancies between the accounts receivable general ledger balances and the related subledgers and supporting schedules that require manual reconciliations to determine the accurate outstanding balances due. Items included in the accounts receivable subledger include invoices that have been outstanding for several years with a general allowance established against those balances.
 - In addition, for certain payers, transactions are recorded at times using the receivables subledger and other times - directly through the general ledger account. This process is prone to errors and increases the difficulty in analyzing the activity in such programs.
 - Finally, payments received and deposited are not applied to the specific outstanding receivables balances for two to three months after the payment is received and are frequently misapplied to incorrect customer accounts.

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2022

SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS (continued)

FINDING 2022-001: YEAR-END CLOSING AND REPORTING (REPEAT FINDING OF 2018-001, 2019-001, 2020-001 and 2021-001) (continued)

As a result, the accounting records consistently do not reflect the true accounts receivable balance, and there is limited visibility into the outstanding receivable balances on an ongoing basis. During the current year's audit multiple adjustments were posted to decrease accounts receivable and related revenues resulting in a net adjustment of approximately \$52,500.

- **Grant Revenues Recognition.** The following matters were noted in relation to grant revenue and related grant receivable accounts:
 - We identified several unconditional grants received during the current and prior years that were not appropriately recognized in revenue as they were deemed to have significant performance barriers. Accounting principles generally accepted in the United States (U.S. GAAP) require contributions be recognized when received absent donor or grantor stipulations representing a barrier to be overcome and a right of return of the funds. Purely administrative requirements, such as submitting a project report or adhering to the general budget, are not generally deemed to be conditions precluding revenue recognition.
 - In addition, during the year ended June 30, 2022 several grants received during the prior year were recorded again as a result of duplicate journal entries. Furthermore, certain payments on existing grants receivable balances were recognized again as revenues. Finally, several grants were recorded in the direct service revenue account instead.

As a result, significant reconciliations had to be performed to identify valid transactions that should have been recorded in the grant revenues account. Audit and late client adjustments were posted to adjust and reclassify grant revenues transactions totaling approximately \$797,000.

Cause: The ongoing delays in reconciling and closing accounts appear to result from insufficient staffing and oversight of the Finance team.

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

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2022

SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS (continued)

FINDING 2022-001: YEAR-END CLOSING AND REPORTING (REPEAT FINDING OF 2018-001, 2019-001, 2020-001 and 2021-001) (continued)

Recommendation: We recommend management establish appropriate policies and procedures to ensure the following:

- All major general ledger accounts are reconciled in a timely manner, preferably before the end of the next month.
- Any variances and discrepancies in account reconciliations should be researched and corrected as soon as possible.
- Payments received should be recorded and applied against open accounts receivable balances as soon as possible.
- Grant agreements should be reviewed for proper recording.
- Existing accounts receivable balances should be reviewed in detail and any old or uncollectible balances should be cleared out.
- Staffing of the Finance team should be evaluated so that there are adequate and appropriate resources to ensure appropriate controls and processes are implemented.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding. Please see attached corrective action plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year audit findings.

PARTNERS IN CARE FOUNDATION, INC AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2022

SECTION IV - SUMMARY OF PRIOR YEAR AUDIT FINDINGS

FINDING 2021-001: YEAR-END CLOSING AND REPORTING

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

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

Current Status: A material weakness was noted in the year ended June 30, 2022, related to the year-end closing and has been reported as finding 2022-001.

Management's Corrective Action Plan Year Ended June 30, 2022

Finding 2022-001: Timely and Appropriate Reconciliation of Account Balances.

Responsible Person: Alexandra Cisneros, CFO
818-837-3775 Ext. 107
Projected Implementation Date: Immediately

Partners recognized the importance of implementing and maintaining effective, timely account reconciliations, as well as close checklists and procedures. Management concurs with this finding.

Management's corrective action plan includes steps that have already been taken to improve in this area. As previously noted, the organization grew significantly over the past two years which created new demands for existing staff and processes. As of December 2022, Partners hired two Directors to the finance teams - both with strong backgrounds in accounting and data analytics. These leaders will review existing policies and procedures with active intent to streamline processes, build efficiencies and ensure best practices in support of generally accepted accounting principles and other regulatory requirements.

Proposed improvements already presented include a draft policy and procedure document, month-end close checklist and balance sheet reconciliation checklist. Specific balance sheet accounts are under review to ensure accounts are recorded accurately based on supporting evidentiary documentation. The unapplied receipts process has been reviewed, past balances resolved, and a new process proposed to ensure receipts are applied within ten days of month-end (eliminating prior period entries). The process for accrued expenses has been reviewed and adjusted. The accounts receivable process is currently under review to determine if all transactions can migrate to the A/R subledger. In addition, revenue recognition is another area of additional training to support accurate accounting. Management will continue to review policies and procedures for opportunities to improve.

Cash reconciliation has also been reviewed with recommendations submitted to move towards a process that would eliminate late adjustments and support reliance on - and use of - system bank reconciliations. Stale checks have been identified that need to be escheated to the state and proposed entries are in process for these, as well as to re-issue stale checks that do not require escheatment.

Management is also reviewing requirements to comply with new lease standards for the FY22-23 financial statements and expects to be in full compliance before issuing such financials.

APPENDIX

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

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Partners in Care Foundation, Inc. and Subsidiaries (collectively the Foundation), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

March 30, 2023
Los Angeles, California

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022

With Summarized Totals at June 30, 2021

ASSETS	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 7,086,959	\$ 6,664,658
Investments	1,095,292	1,282,839
Accounts Receivable (Net)	3,795,218	2,624,929
Grants and Contributions Receivable (Net)	5,884,139	3,046,163
Deferred Compensation Plan Assets	563,189	722,589
Beneficial Interest in		
Charitable Remainder Trust	122,924	157,248
Prepaid Expenses and Other Assets	96,163	108,225
Property and Equipment (Net)	<u>741,350</u>	<u>420,297</u>
TOTAL ASSETS	<u>\$ 19,385,234</u>	<u>\$ 15,026,948</u>
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 1,038,918	\$ 509,078
Accrued Liabilities	2,088,034	1,975,243
Reserve for Contract Settlements	950,513	711,642
Deferred Compensation Plan Liability	563,189	722,589
Paycheck Protection Program Loan	<u>-</u>	<u>1,581,500</u>
TOTAL LIABILITIES	4,640,654	5,500,052
NET ASSETS:		
Without Donor Restrictions	13,123,351	8,727,738
With Donor Restrictions	<u>1,621,229</u>	<u>799,158</u>
TOTAL NET ASSETS	<u>14,744,580</u>	<u>9,526,896</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,385,234</u>	<u>\$ 15,026,948</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

With Summarized Totals for the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
REVENUE AND SUPPORT:				
Direct Service Contracts Revenues	\$ 13,472,116	\$ -	\$ 13,472,116	\$ 10,761,948
Government Contracts	10,746,349	-	10,746,349	9,461,476
Forgiveness of Paycheck Protection Program Loan	1,581,500	-	1,581,500	-
Private Grants	-	1,519,024	1,519,024	794,625
Special Events (Net of \$211,605 Direct Special Event Expenses)	339,009	-	339,009	237,017
Contributions	236,597	-	236,597	321,042
Investment Return (Net)	(192,078)	-	(192,078)	336,855
Change in Value of Beneficial Interest in Charitable Remainder Trust	-	(34,324)	(34,324)	22,202
Net Assets Released from Donor Restrictions	662,629	(662,629)	-	-
TOTAL REVENUE AND SUPPORT	26,846,122	822,071	27,668,193	21,935,165
EXPENSES:				
Program Services	16,981,932	-	16,981,932	13,829,769
Management and General	5,014,113	-	5,014,113	3,683,741
Fundraising	454,464	-	454,464	434,980
TOTAL EXPENSES	22,450,509	-	22,450,509	17,948,490
CHANGE IN NET ASSETS	4,395,613	822,071	5,217,684	3,986,675
Net Assets - Beginning of Year	8,727,738	799,158	9,526,896	5,540,221
NET ASSETS - END OF YEAR	\$ 13,123,351	\$ 1,621,229	\$ 14,744,580	\$ 9,526,896

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

With Summarized Totals for the Year Ended June 30, 2021

	Total Program Services				Total Program Services	Management and General	Fundraising	Total Expenses	
	Network Services	Long-Term Support Services	Health Self-Management	Fiscal Intermediary				2022	2021
	Salaries and Wages	\$ 2,292,499	\$ 7,242,777	\$ 1,121,766				\$ -	\$ 10,657,042
Fringe Benefits	444,312	1,403,731	217,411	-	2,065,454	411,541	63,153	2,540,148	2,054,181
TOTAL PERSONNEL COSTS	2,736,811	8,646,508	1,339,177	-	12,722,496	2,534,955	389,002	15,646,453	12,925,946
Contract Labor	724,704	414,907	363,071	29,723	1,532,405	601,588	11,355	2,145,348	1,579,476
Purchased Services	47,137	1,088,544	6,826	-	1,142,507	930	1,635	1,145,072	985,932
Professional Fees	399,505	-	-	-	399,505	582,270	-	981,775	618,917
Dues, Licenses, and Subscriptions	8,338	130,730	96,638	-	235,706	326,440	27,696	589,842	409,563
Office Expense and Program Supplies	17,380	109,680	60,584	14,974	202,618	191,146	18,066	411,830	372,663
Telephone and Internet	127,698	90,442	14,718	-	232,858	118,249	899	352,006	301,712
Occupancy Costs	-	203,038	24,705	-	227,743	76,020	-	303,763	294,003
Travel and Mileage	22,583	49,059	75,577	-	147,219	117,343	1,332	265,894	114,265
Bad Debt Expense	-	-	-	-	-	192,000	-	192,000	49,138
Insurance	6,842	28,766	3,837	-	39,445	108,668	-	148,113	131,673
Depreciation	-	-	-	-	-	118,405	-	118,405	74,269
Public Relations and Recruitment	26,836	54,459	4,169	-	85,464	24,538	4,479	114,481	62,414
Other Expenses	10,701	-	2,412	853	13,966	21,561	-	35,527	28,519
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 4,128,535	\$ 10,816,133	\$ 1,991,714	\$ 45,550	\$ 16,981,932	\$ 5,014,113	\$ 454,464	\$ 22,450,509	
					76%	22%	2%	100%	
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 3,048,882	\$ 8,747,310	\$ 2,016,202	\$ 17,375	\$ 13,829,769	\$ 3,683,741	\$ 434,980		\$ 17,948,490
					77%	21%	2%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

With Summarized Totals for the Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 5,217,684	\$ 3,986,675
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Gain on Forgiveness of Paycheck Protection Program Loan	(1,581,500)	-
Realized and Unrealized Gains on Investments	192,782	(327,123)
Bad Debt Expense	192,000	49,138
Depreciation	118,405	74,269
Change in Value of Beneficial Interest in Charitable Remainder Trust	34,324	(22,202)
(Increase) Decrease in:		
Accounts Receivable	(1,170,289)	(747,949)
Grants and Contributions Receivable	(3,029,976)	(1,084,848)
Prepaid Expenses and Other Assets	12,062	2,588
Increase (Decrease) in:		
Accounts Payable	529,840	124,835
Accrued Liabilities	112,791	434,968
Reserve for Contract Settlements	238,871	(229,288)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>866,994</u>	 <u>2,261,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(439,458)	-
Purchases of Investments	(24,153)	(71,293)
Proceeds from Sales of Investments	18,918	(10,055)
 NET CASH USED IN INVESTING ACTIVITIES	 <u>(444,693)</u>	 <u>(81,348)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 422,301	 2,179,715
Cash and Cash Equivalents - Beginning of Year	<u>6,664,658</u>	<u>4,484,943</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 7,086,959</u>	 <u>\$ 6,664,658</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 1 - ORGANIZATION

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

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

The Foundation has the following programs:

(a) PARTNERS AT HOME NETWORK

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

Partners at Home provides:

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

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 1 - ORGANIZATION (continued)

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

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

(c) HEALTH HOMES PROGRAM (“HHP”)

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

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

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

(e) HOMEMEDSSM AND HOMEMEDS PLUS

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

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

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 1 - ORGANIZATION (continued)

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

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

(g) CHRONIC DISEASE SELF-MANAGEMENT EDUCATION

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

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

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

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 1 - ORGANIZATION (continued)

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

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

(b) PRINCIPLES OF CONSOLIDATION

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

(c) NET ASSETS

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.
- **Net Assets with Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from donor restrictions.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2022 approximates its fair value.

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

(e) INVESTMENTS

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

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

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

(f) ACCOUNTS RECEIVABLE AND RELATED REVENUE RECOGNITION

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

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ACCOUNTS RECEIVABLE AND REVENUE RECOGNITION

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

Direct service contract revenue is recognized over time as the Foundation satisfies performance obligations under its contracts either by serving eligible members or performing other service requirements. The Foundation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

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

(g) GRANTS AND CONTRIBUTIONS RECEIVABLE AND RELATED REVENUE RECOGNITION

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Intentions to give are not included as support until payments are made or enforceable promises to give are executed. The Foundation evaluated the collectability of grants and contributions receivable and established an allowance for uncollectible amounts totaling \$237,932 at June 30, 2022. The entire amount of grants and contributions receivable at June 30, 2022, is due within the next year.

The Foundation holds special events on an annual basis. Sponsorship amounts received for such special events in advance of the event are deferred until the event takes place.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(h) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

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

(i) PROPERTY AND EQUIPMENT

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

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

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

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) LONG-LIVED ASSETS

The Foundation evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated realizable value. During the year ended June 30, 2022, no impairment losses were recognized.

(k) RESERVE FOR CONTRACT SETTLEMENTS

The Foundation performs services under certain managed care contracts with third-party payors that are paid at a negotiated fixed fee on a per-member-per-month and that are subsequently settled based on actual services provided. Settlements with third-party payors for retroactive revenue adjustments due to such reconciliations are considered variable consideration and are included in the determination of the estimated transaction price for providing contract services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Foundation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. At June 30, 2022, a reserve for estimated contract settlements was established totaling \$950,513.

There is no significant financing component related to third-party settlements because it is not a result of the provision of a financing arrangement with a government payor.

(l) PAYCHECK PROTECTION PROGRAM (PPP) LOAN

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

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) CONCENTRATION OF RISK

Approximately 39% of revenue and support generated by the Foundation during the year ended June 30, 2022 was derived from government contracts. In addition, revenue and support from the Medicaid Cluster programs represented 32% of the total revenue and support during the year ended June 30, 2022.

(n) INCOME TAXES

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

CHIC for-profit subsidiary accounts for income taxes in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 740 *Uncertainty in Income Taxes* (ASC 740). These principles require an asset and liability approach to the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the consolidated financial statement carrying amounts and the tax bases of assets and liabilities using enacted laws and rates currently in effect. For the year ended June 30, 2022, the Foundation has not recorded any tax asset or liability in the consolidated financial statements for these entities in the belief that these amounts would be immaterial.

In accordance with the FASB ASC 740, the Foundation recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2022, the Foundation performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

(o) FUNCTIONAL ALLOCATION OF EXPENSES

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

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) USE OF ESTIMATES

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

(q) COMPARATIVE TOTALS

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

(r) NEW ACCOUNTING PRONOUNCEMENTS

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

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. For the Foundation the ASU and the subsequent amendments will be effective for the year ending June 30, 2023, and are expected to be adopted using the modified-retrospective approach.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2022 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through March 30, 2023, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

In 1995, a donor established an irrevocable charitable remainder trust with a financial institution naming the Foundation as the sole beneficiary. Under the terms of the trust agreement, the donor will receive distributions equal to 9% of the fair market value of the trust for the donor's lifetime. At the end of the trust's term, the remaining assets are available for the Foundation's use. The charitable remainder trust is reported at the market value of the investments of the trust, as reported by the trustee, net of the estimated present value of the benefits payable to the lead beneficiary. Beneficial interest in charitable remainder trust totaled \$122,924 at June 30, 2022.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2022, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 518,778	\$ 518,778	\$ -	\$ -
Exchange-Traded Funds:				
Equity	341,121	341,121	-	-
Fixed Income	235,393	235,393	-	-
TOTAL INVESTMENTS	1,095,292	1,095,292	-	-
Beneficial Interest in Charitable Remainder Trust	122,924	-	-	122,924
TOTAL	\$ 1,218,216	\$ 1,095,292	\$ -	\$ 122,924

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

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

The change in the beneficial interest in charitable remainder trust is as follows for the year ended June 30, 2022:

Balance - Beginning of Year	\$ 157,248
Change in Beneficial Interest	<u>(34,324)</u>
BALANCE - END OF YEAR	<u>\$ 122,924</u>

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022:

Leasehold Improvements	\$ 743,559
Furniture and Equipment	618,724
Computers and Software	1,128,473
Vehicles	<u>92,877</u>
TOTAL	2,583,633
Less: Accumulated Depreciation	<u>(1,842,283)</u>
TOTAL PROPERTY AND EQUIPMENT (NET)	<u>\$ 741,350</u>

Depreciation expense for the year ended June 30, 2022 was \$118,405.

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN

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

In April 2022, the Foundation received forgiveness for the full amount of the PPP loan, including accrued interest. Accordingly, the Foundation recognized PPP forgiveness income of \$1,581,500 for the year ended June 30, 2022.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022:

Subject to Passage of Time:		
Beneficial Interest in Charitable Remainder Trust	\$	122,924
Subject to Expenditure for Specified Purpose:		
Align Social Care Project		472,922
Evidence-Based Care		520,000
Care Coordination		274,632
Geriatric Social Work Education		184,047
Other Programs		46,704
		<hr/>
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE		1,498,305
		<hr/>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$	1,621,229
		<hr/> <hr/>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Satisfaction of Purpose Restrictions:		
Align Social Care Project	\$	277,078
Community Health Workers Program		234,598
Geriatric Social Work Education		115,953
Home and Community-Based Alternative Program		35,000
		<hr/>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$	662,629
		<hr/> <hr/>

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) OBLIGATIONS UNDER OPERATING LEASES

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

Years Ending June 30

2023	\$	269,312
2024		256,014
2025		230,922
2026		237,850
2027		160,517
Thereafter		<u>221,528</u>
TOTAL	\$	<u>1,376,143</u>

Rental expense totaled \$286,991 for the year ended June 30, 2022.

(b) CONTRACTS

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

(c) LITIGATION

In the normal course of business, the Foundation may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a material impact on the consolidated financial statements of the Foundation as of June 30, 2022.

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 9 - RETIREMENT AND DEFERRED COMPENSATION PLANS

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

The Foundation's contributions to the plan are categorized as safe harbor and are equal to 100% of the first 4% of eligible pay contributed by the participant to the plan on a pay period basis. The participant becomes immediately vested at 100% in the matching contributions. The Foundation contributed \$278,079 during the year ended June 30, 2022.

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

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Foundation at June 30, 2022 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2022:	
Cash and Cash Equivalents	\$ 6,006,230
Investments	1,095,292
Accounts Receivable (Net)	3,795,218
Grants Receivable (Net)	<u>5,466,563</u>
FINANCIAL ASSETS AVAILABLE TO TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 16,363,303</u>

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

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

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Passed Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Contract Number	Total Contract Expenditures			Total
			Federal	State	Other	
MAJOR PROGRAMS						
U.S. Department of Health and Human Services						
Pass-through, State of California - Department of Aging						
Medical Assistance Program	93.778	MS-2021-40	\$ 432,193	\$ 432,193	\$ -	\$ 864,386
Medical Assistance Program	93.778	MS-2021-43	1,183,478	1,183,478	-	2,366,956
Medical Assistance Program	93.778	MS-2021-51	387,766	387,766	-	775,532
Medical Assistance Program	93.778	MS-2021-54	408,857	408,857	-	817,714
HCBA - Medi-Cal Waiver	93.778	18-95227	4,102,121	-	-	4,102,121
Total Medicaid Cluster			6,514,415	2,412,294	-	8,926,709
TOTAL MAJOR PROGRAMS			6,514,415	2,412,294	-	8,926,709
U.S. Department of Health and Human Services						
Pass-through, City of Los Angeles - Department of Aging:						
Special Programs for the Aging - Title III - Part D Disease Prevention and Health Promotion Services	93.043	C-133939	263,481	-	21,901	285,382
Pass-through, County of Los Angeles Title III - D Disease Prevention and Health Promotion	93.043	DPHP172001	501,585	-	5,448	507,033
Total 93.043			765,066	-	27,349	792,415
Pass-through, Administration for Community Living Chronic Disease Self Management 2020-2023	93.734	90CSSG0033-01-00	457,627	-	-	457,627
Total 93.734			457,627	-	-	457,627
Pass-through, Administration for Community Living Falls Prevention - Health Self Management 2020-2023	93.761	90FPSG0034-01-00	332,126	-	-	332,126
Total 93.761			332,126	-	-	332,126
Total U.S. Department of Health and Human Services			8,069,234	2,412,294	27,349	10,508,877
U.S. Department of Housing and Urban Development						
Pass-through, City of Los Angeles - Department of Aging: Evidence Based Program CDBG Funds/CDBO Funds/City General Funds:						
Technical Assistance	14.218	C-137772	19,230	-	61	19,291
Total 14.218, CDBG-Entitlement Grants Cluster			19,230	-	61	19,291
TOTAL FEDERAL AWARDS			\$ 8,088,464	\$ 2,412,294	\$ 27,410	\$ 10,528,168

See Independent Auditor's Report

PARTNERS IN CARE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Notes to the Consolidated Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2022

- 1.** Basis of Presentation - The accompanying consolidated schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Foundation under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Foundation.
- 2.** Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 3.** The Foundation has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- 4.** The Foundation has not provided any federal awards to subrecipients from the federal expenditures presented in this Schedule.

See Independent Auditor's Report