Audited Financial Statements

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services

For the Years Ended June 30, 2020 and 2019

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services

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CHW LLP
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Independent Auditor's Report

Board of Directors
Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Alviso, California

Report on the Financial Statements

We have audited the accompanying financial statements of Gardner Family Health Network, Inc. d/b/a Gardner Health Services (the "Organization"), which comprise the balance sheets as of June 30, 2020 and 2019 and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Gardner Family Health Network, Inc. d/b/a Gardner Health Services as of June 30, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2, the Organization adopted Accounting Standards Update ("ASU") ASU 2018-08, *Not -for-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* ASU No. 2016-01, *Financial Instruments,* ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* and ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, - for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 on our consideration of the Organization'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 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 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 Organization's internal control over financial reporting and compliance.

CHW, LLP

Fresno, California
December 15, 2020

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Balance Sheet
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 9,206,228	$ 6,915,727
Investments	112,582	32,116
Patient accounts receivable, net	1,544,534	2,154,868
Grant, contract, and other receivables	6,535,026	7,030,788
Inventory	305,390	383,560
Prepaid expenses, deposits, & other current assets	597,961	960,265
Total current assets	18,301,721	17,477,324
Estimated third-party payor settlements	6,526,886	3,895,693
Property and equipment, net	11,606,644	11,399,172
Total assets	$ 36,435,251	$ 32,772,189
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and other accrued expenses	$ 1,302,668	$ 1,665,790
Accrued payroll and related liabilities	4,602,180	3,662,113
Accruals for self-insurance	2,079,650	1,287,585
Deferred revenue	26,185	88,649
Estimated third-party payor settlements	708,807	1,214,598
Long-term debt, current portion	184,795	1,671,576
Total current liabilities	8,904,285	9,590,311
Long-term liabilities:		
Long-term lease incentive	1,201,380	1,253,722
Estimated third party payor settlements	1,391,930	1,393,468
Long-term debt, net of current portion	8,908,080	5,884,464
Total long-term liabilities	11,501,390	8,531,654
Total liabilities	20,405,675	18,121,965
Net assets:		
Net assets without donor restrictions	15,951,763	14,632,942
Net assets with donor restrictions	77,813	17,282
Total net assets	16,029,576	14,650,224
Total liabilities and net assets	$ 36,435,251	$ 32,772,189

See accompanying Notes to the Financial Statements

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Statement of Operations and Changes in Net Assets
For the years ended June 30, 2020 and 2019

	2020	2019
Change in net assets without donor restrictions:		
Revenues and other support:		
Patient service revenue, net	$ 22,404,282	$ 25,306,070
Capitation revenue	896,004	708,323
Grant and contract revenue	44,785,360	37,084,093
Contribution revenue	767,415	1,802,727
Other revenue	324,572	191,536
Net assets released from restrictions	147,404	84,536
Total unrestricted revenue and other support	69,325,037	65,177,285
Expenses:		
Salaries and wages	39,858,452	37,949,444
Employee benefits	13,488,571	11,633,024
Contract services	1,470,678	1,591,489
Professional fees	1,832,245	1,780,976
Supplies	2,003,869	1,997,364
Travel, training, conference & meetings	571,244	849,020
Occupancy costs	3,000,557	3,014,040
Insurance	209,483	330,729
Depreciation and amortization	1,505,950	1,722,330
Interest	270,917	276,057
Printing	84,498	69,996
IT costs	930,497	765,754
Communications	445,369	414,395
Minor equipment costs	535,460	695,311
Membership & subscription	134,144	126,960
Postage & shipping	75,537	40,392
Banking, taxes, fees & penalties	82,798	76,130
Family & client assistance	963,400	512,097
Fund development	66,286	202,132
Other expenses	476,261	151,134
Total expenses	68,006,216	64,198,774
Change in net assets without donor restrictions	1,318,821	978,511
Change in net assets with donor restrictions:		
Contributions	207,935	80,290
Net assets released from donor restriction	(147,404)	(84,536)
Change in net assets with donor restrictions	60,531	(4,246)
Change in net assets	1,379,352	974,265
Net Assets:		
Beginning of year	14,650,224	13,675,959
End of year	$ 16,029,576	$ 14,650,224

See accompanying Notes to the Financial Statements

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Statement of Cash Flows
For the years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 1,379,352	$ 974,265
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,505,950	1,722,330
Donated supplies	(17,684)	(80,290)
Forgiveness of debt	(1,297,151)	(642,004)
Changes in operating assets and liabilities:		
Patient accounts receivable	610,334	(701,975)
Grant, contract, and other receivable	495,762	(841,870)
Inventory	95,854	69,163
Prepaid expenses, deposits, & other current assets	362,304	(85,856)
Estimated third-party payer settlements	(3,138,522)	(841,336)
Accounts payable and other accrued expenses	(363,122)	256,242
Accrued payroll and related liabilities	940,067	692,843
Accruals for self-insurance	792,065	(115,911)
Deferred revenue	(62,464)	29,348
Net cash provided by operating activities	1,302,745	434,949
Cash flows from investing activities:		
Purchase of investments	(80,466)	(1,288)
Purchase of property and equipment	(1,713,422)	(1,147,534)
Net cash used in investing activities	(1,793,888)	(1,148,822)
Cash flows from financing activities:		
Change in long-term lease incentives	(52,342)	(31,672)
Proceeds from new debt	4,505,000	-
Principal payments on long-term debt	(1,671,014)	(280,563)
Net cash provided by (used in) financing activities	2,781,644	(312,235)
Net increase (decrease) in cash and cash equivalents	2,290,501	(1,026,108)
Cash and cash equivalents at beginning of year:	6,915,727	7,941,835
Cash and cash equivalents at end of year:	$ 9,206,228	$ 6,915,727
Supplemental disclosure of cash flow information:		
Interest paid	$ 270,917	$ 276,057
In-kind contributions	$ 17,684	$ 306,278
Forgiveness of debt	$ 1,297,151	$ 642,004

See accompanying Notes to the Financial Statements

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Notes to Financial Statements
For the years ended June 30, 2020 and 2019

Note 1: Organization and Operations

Gardner Family Health Network, Inc. ("GFHN") was founded in 1967 as a California nonprofit corporation, located in the Alviso District of San Jose. The Organization provides primary health and educational care services to medically under-served residents of Santa Clara and San Mateo Counties.

Gardner Family Care Corporation ("GFCC") is a community based multi-services organization, which operates as a California nonprofit corporation, located in San Jose. The Organization provides a full range of behavioral - social services programs for the community of Santa Clara County,

On July 1, 1997, GFHN affiliated with GFCC and became the sole member of GFCC and were collectively referred to as Gardner Family Health Network and Subsidiary. With the affiliation: (a) GFHN and GFCC retained separate corporate identities, (b) GFHN and GFCC agreed upon a group of individuals to serve as common directors of both organizations; and (c) GFHN's social, mental and behavioral care programs were transferred to GFCC, while GFCC's primary care program was transferred to GFHN. The affiliation allowed both organizations to use their resources to the greatest effectiveness for the benefit of their respective communities.

On July 1, 2019 GFHN and GFCC legally combined to create Gardner Family Health Network, Inc. d/b/a Gardner Health Services (the "Organization").

The Organization has a number of special healthcare programs that are designed to meet the unique needs of its population in Santa Clara and San Mateo counties. The following is a summary of these health care programs:

- Primary Care Program (general and internal medicine, pediatrics, nutrition, pharmacies, health education, and integrated behavioral health services).
- Specialty Services (OB/GYN and podiatry)
- Ancillary Services (Dental, Optometry, Chiropractic)
- Health Care for the Homeless Program
- First 5 Program
- Mental Health Program (Gardner Centro De Bienestar)
- Women, Infants, and Children (WIC) Program
- Proyecto Primavera Programs
    - Pre-Trial Diversion
    - Drinking Driver Program

These programs are provided at the seven clinics currently operated by the Organization: Alviso Health Center, St. James Health Center, Comprecare Health Center, Gardner Health Center, Gardner South County Health Center, Gardner Downtown Health Center, Gardner Packard Children's Health Center, and other sites in Santa Clara and San Mateo counties.

Note 2: Significant Accounting Policies

Basis of Accounting:
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets are those currently available for use and are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Contributions, including government grants and contracts, are recorded as donor restricted if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restrictions ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

Use of Estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and disclosures. Accordingly, actual result could differ from those estimates.

Cash and Cash Equivalents:
For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consisted of demand deposit and money market accounts at June 30, 2020.

Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity investments in excess of the Securities Investor Protection Corporation (“SIPC”) insurance threshold. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past.

As of June 30, 2020 and 2019 the carrying amount of all the accounts, net of outstanding checks, was $9,206,228 and $6,915,727 respectively. Per the various financial institutions as of June 30, 2020 and 2019, approximately $750,000 and $819,593 was covered by federal depository insurance respectively.

Note 2: Significant Accounting Policies (Continued)

Patient Accounts Receivable, Net:
The Organization reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for those accounts over a certain age based on discharge that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Property and Equipment:
Property and equipment is stated at cost at the date of acquisition. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the individual assets. The lives of the assets range from 5 years to 30 years. Repairs and maintenance are charged to operations and major improvements are capitalized. Expenses for assets in excess of $5,000 are capitalized. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services. Such items may be reclaimed by the federal government if not used to further the grant's objective.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

The Organization periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Inventories:
Medical, pharmacy and other supplies are recorded at the lower of cost (first-in, first-out) or market. The Organization received as in-kind contributions various medical supplies amounting to $17,684 and $80,290 for the year ended June 30, 2020 and 2019 respectively.

Note 2: Significant Accounting Policies (Continued)

Self-insurance and IBNR Payable:
Self-insurance and Incurred-But-Not-Reported (IBNR) payable represent liabilities for services rendered during the year to employees and their dependents for health insurance sponsored by the Organization. The IBNR payable liability is based on experience statistics related to the nature and volume of work performed. Management periodically evaluates this estimated liability in order to maintain it at a level that is sufficient to absorb probable incurred but not reported claims. Management's evaluation of the adequacy of the estimate is based on an analysis of claims paid after the statement of financial position date and an actuarial review of historical claim experience.

Deferred Rent:
Deferred rent includes lease incentives received from a landlord to make tenant improvements and the accumulation of accrual of rent expense to straight-line rent expense over the fifteen-year term of the lease agreement of real property at 3351 El Camino Real, Atherton, California.

Workers' Compensation Insurance:
The Organization is insured for workers' compensation claims under an occurrence policy, with a $1,000,000 deductible for each occurrence. The accrual for these costs includes the unpaid portion of claims that have been reported and estimates of amounts for claims that have been incurred but not reported and is included in accrued expenses in the statement of financial position. Any related insurance recovery receivables are recorded under prepaid expenses and other assets in the statement of financial position. Management recognizes an estimated liability based upon the Organization's historical claims experience within stop-loss coverage limits. The claim reserve is based on the best data available to the Organization; however, the estimate is subject to a significant degree of inherent variability. Such an estimate is continually monitored and reviewed and, as the reserve is adjusted, the difference is reflected in current operations. While the ultimate amount of workers' compensation liability is dependent on future developments, management is of the opinion that the associated liabilities recognized in the Organization's financial statements are adequate to cover such claims. There are no accrued worker's compensation claims at June 30, 2020. There are no insurance recovery receivables recorded at June 30, 2020.

Patient Service Revenue, Net:
The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Capitation Revenue:
The Organization has agreements with Santa Clara and San Mateo Counties to provide a comprehensive range of professional health care and social services. Under the agreement, the Organization receives monthly capitation payments based on the number of participants, regardless of the services actually performed by the Organization. Capitation payments are recognized as capitation revenue during the period in which the Organization is obligated to provide services to participants.

Note 2: Significant Accounting Policies (Continued)

Grants and Contract Revenue:
Grant revenue is funded primarily by Federal, County, and foundation grants, which generally restrict the use of such funds to cover the operating expenses directly related to providing primary care services. These grants are recognized as revenue over the periods specified in the related grant award agreements. Other grants and contributions that have been awarded for a specified purpose but have not yet been spent are recognized as net assets with donor restrictions. When the services have been rendered, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions.

The Organization is a direct grantee of DHHS and is also a recipient of DHHS grants and various other program grants from the State of California, the County of Santa Clara and the City of San Jose. The Organization generates patient care revenue from patients and third-party payors (Medi-Cal, Medicare and private insurance companies).

Charity Care:
The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at an amount less than the Organization's established rates. Because the Organization does not pursue collection of the amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Organization's Charity Care policy aggregated approximately $4,516,126 and $4,568,872 for the year ended June 30, 2020 and 2019 respectively.

The Organization is dedicated to providing comprehensive healthcare services to all segments of society, including the aged and otherwise economically disadvantaged. In addition, the Organization provides a variety of community health services at or below cost.

Contributions and Promise to Give:
Contributions, including unconditional promise to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Collective Bargaining:
The Organization has 537 employees. A concentration of labor supply in employees working under union collective bargaining agreements represents approximately 61 percent of its hourly workforce in three different collective bargaining units. The Organization's management workforce is not represented by unions.

Functional Allocation of Expenses:
The Organization allocates various functional expenses among the programs based on actual personnel time and space utilized for the related activities. The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the supplementary information as the statement of functional expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Note 2: Significant Accounting Policies (Continued)

In-kind Contributions:
The Organization records in kind support including contributed assets and professional services. Contributed professional services are recognized if the services received (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The Organization received the following in-kind contributions for the years ending June 30, 2020 and 2019:

	2020	2019
Donated occupancy	$ -	$ 225,988
Donated supplies	17,684	80,290
Total	$ 17,684	$ 306,278

During the fiscal year, the Organization received a significant amount of contributed services from non-professional volunteers to assist in the program services and fund raising activities. No amounts have been recognized in the statement of activities because they did not meet the two criteria described above.

Income Taxes:
The Organization is exempt from Federal Taxes under Section 501(c)(3) of the Internal Revenue Code as amended and Section 23701 (d) of the Revenue and Taxation Code of the State of California. Accordingly, no provision for Federal and Franchise taxes has been recognized in the financial statements. The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Concentration of Risk:
The Organization grants credit without collateral to its patients and third-party payors at several locations throughout Santa Clara County. Patient accounts receivable from the government agencies administering the Medicare and the Medi-Cal programs and private insurance companies administering the Medi-Cal Managed Care programs represent the only concentrated group of Credit risk for the Organization and management does not believe that there are significant credit risks associated with these agencies and private insurance companies. Other contracted and private pay patient receivables consist of payors and individuals involved in diverse activities, subject to differing economic conditions and does not represent any concentrated risks to the Organization. Patient accounts receivable, net of contractual allowances from Medi-Cal are 68% and 57% of the total for the years ended June 30, 2020 and 2019, respectively, and from Medicare are 9% and 4%, respectively.

For the year ended June 30, 2020 and 2019, the Organization received $8,246,970 and $7,902,280, respectively, in Community Health Organization grants from the Department of Health and Human Services, which represents 12% and 12% of the total revenue received.

Note 2: Significant Accounting Policies (Continued)

Subsequent Events:
The Organization has evaluated subsequent events through December 15, 2020, which is the date the financial statements were available to be issued.

Recently Adopted Accounting Pronouncement:
In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions. ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit-Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted ASU 2018-08 during the year ended June 30, 2020, using the modified prospective basis. Upon adoption, many of the Organization's grant contracts that had previously been recorded as deferred revenue were recognized as contributions with donor restrictions.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments, which requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price; and (v) assess a valuation allowance on deferred tax assets related to unrealized losses of available-for-sale debt securities in combination with other deferred tax assets. The update provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The update also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. The adoption of ASU 2016-01 is effective for the Organization beginning July 1, 2019. As a result of the implementation, unrealized gains and losses in equities and trading debt securities are included in other revenue. Net assets were not affected by the implementation.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which provides guidance on eight specific cash-flow issues including: debt repayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The adoption of ASU 2016-15 is effective for the Organization beginning July 1, 2019.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires the statement of cash flows to explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 is effective for the Organization beginning July 1, 2019.

Note 3: Investments

Investments include the following at June 30, 2020 and 2019.

	2020	2019
Money market	$ 5,276	$ 840
Equity funds	60,240	20,846
Fixed income funds	47,066	10,430
Total	$ 112,582	$ 32,116

Investment income is primarily comprised of interest and dividend income, which amounted to $31,067 and $20,255 for the years ended June 30, 2020 and 2019, respectively. The Organization had realized losses of $3,885 for the year ended June 30, 2020 and realized gains of $1,133 for the year ended June 30, 2019.

Note 4: Patient Service Revenue, Net

The Organization recognizes patient fees revenue associated with services provided to the patient who have third-party payer coverage on the basis of its standard fee rates adjusted and reduced to the contractual rates agreed with the third-party payers. For uninsured or uncovered patients that do not qualify for sliding fee, the Organization recognizes revenue on the basis of its standard fee rates for the service provided. Based on the historical experience, management estimates doubtful accounts against which an allowance is being booked and deducted from the net patient fee revenue after the contractual adjustments in the statement of operations and changes in net assets.

The Organization has agreements with third party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payers is as follows:

Medicare:
Covered services rendered to Medicare program beneficiaries are paid based on a prospective payment system (PPS). Medicare payment under the FQHC PPS are 80% of the lesser of the health Organization's actual charge or the applicable PPS rate (patient coinsurance will be 20% of the lesser of the health Organization's actual charge or the applicable PPS rate). Accordingly, to the extent a health Organization's charge is below the applicable PPS rate, Medicare FQHC reimbursement can be limited.

Medi-Cal:
Effective April 1, 1990, the organization entered into the Medi-Cal program as a Federally Qualified Health Organization (FQHC) administered by the California Department of Health Services (CDHS). Under this cost reimbursement based program, the Organization is reimbursed for covered services based on tentative payment rates and final settlements are based upon audit and approval of the Organization's annual cost reports by CDHS. The Organization has estimated its reimbursement using current cost information.

Note 5: Fair Value of Financial Assets

Financial Accounting Standards Board's (FASB) Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures,* requires the fair value of financial assets and liabilities to be determined using a specific fair-value hierarchy. The objective of the fair value measurement of financial instruments is to reflect the hypothetical amounts at which the Organization could sell assets or transfer liabilities in an orderly transaction between market participants at the measurement date. FASB ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets;

Level 2 Observable inputs other than Level I prices, such as quoted prices for similar assets; 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 full term of the assets;

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The following table presents financial instruments measured at fair value on a recurring basis in accordance with FASB ASC 820 as of June 30, 2020:

		Fair Value Measurement Using		
2020	Fair Value	Level 1	Level 2	Level 3
Equity funds	$ 60,240	$ 60,240	$ -	$ -
Fixed income funds	47,066	-	47,066	-
Total	$ 107,305	$ 60,240	$ 47,066	$ -
2019	Fair Value	Level 1	Level 2	Level 3
Equity funds	$ 20,846	$ 20,846	$ -	$ -
Fixed income funds	10,430	-	10,430	-
Total	$ 31,276	$ 20,846	$ 10,430	$ -

The carrying amounts reported in the balance sheets for other financial assets and liabilities that are not measured at fair value on a recurring basis including patient accounts receivable, grant and contract receivables, estimated third party payor settlements, accounts payable and accrued expenses, accrued payroll and related liabilities, deferred revenue, and long term debt approximate fair value.

Note 6: Patient Accounts Receivable

Patient accounts receivable was comprised of the following payors at June 30, 2020 and 2019:

	2020	2019
Medi-Cal	$ 1,027,975	$ 1,599,965
Medicare	142,489	99,345
Other third-party payors	205,526	419,070
Self-pay	711,830	674,798
Gross patient accounts receivable	2,087,820	2,793,178
Less contractual allowances	(543,286)	(638,310)
Total patient accounts receivable, net	$ 1,544,534	$ 2,154,868

Note 7: Grant, Contract, and Other Receivable

Grants and contracts receivable were comprised of the following at June 30, 2020 and 2019:

	2020	2019
County of Santa Clara	$ 5,485,390	$ 5,607,415
First Five	-	30,224
Risk Pool	-	319,843
WIC	656,204	541,466
Other	272,264	380,000
Lucile Packard Children's Hospital	121,168	151,840
Total	$ 6,535,026	$ 7,030,788

Note 8: Property and Equipment

Land, building and equipment at June 30, 2020 and 2019 was comprised of the following:

	2020	2019
Land	$ 1,506,605	$ 1,506,605
Buildings and building improvements	18,686,497	17,657,049
Leasehold improvements	5,442,484	5,785,881
Construction in progress	1,201,504	358,905
Furniture and equipment	2,955,232	2,918,035
Total	29,792,322	28,226,475
Less: Accumulated depreciation and amortization	(18,185,678)	(16,827,303)
Property and equipment, net	$ 11,606,644	$ 11,399,172

Depreciation and amortization expense for the years ended June 30, 2020, and 2019 was $1,505,950 and $1,722,331, respectively. As of June 30, 2020, the remaining commitments related to ongoing construction contracts totaled $43,818.

Note 9: Estimated Third-Party Payor Settlements

Estimated third-party payor settlements are carried at their estimated collectible amounts. Management periodically evaluates settlements based on the current information available and experience with the third-party payors and believes the final settlements will not materially affect the financial statements of the Organization.

Estimated third-party payor settlements comprise estimated settlements of annual PPS reconciliations through June 30, 2020, rate setting cost reports, and estimated retroactive adjustments under agreements with the County of Santa Clara's Mental Health Services for the reimbursements of patient charges, for which there is no final settlement yet.

As of June 30, 2020 and 2019, the Organization has recorded an estimated receivable of $3,465,856 and $2,878,568, respectively and an estimated liability of $708,807 and $1,214,598, respectively, related to PPS reconciliations and rate setting cost reports. Estimated third-party payor settlement receivables from the County of Santa Clara's Mental Health Services as of June 30, 2020 and 2019, consist of the following:

Fiscal Year	2020	2019
2006 - 2007	$ 580,484	$ 580,484
2007 - 2008	122,474	122,474
2008 - 2009	755,432	755,432
2009 - 2010	403,150	403,150
2011 - 2012	-	244,139
2012 - 2013	345,212	345,212
2019-2020	2,336,716	-
	4,543,468	2,450,891
Provision for uncollectible	(1,482,438)	(1,433,766)
Net value	$ 3,061,030	$ 1,017,125

Estimated third-party payor settlement liabilities as of June 30, 2020 and 2019, consist of the following:

Fiscal Year	2020	2019
2010 - 2011	$ (89,850)	$ (91,388)
2013 - 2014	(10,189)	(10,189)
2014 - 2015	(216,657)	(216,657)
2015 - 2016	(106,299)	(106,299)
2016 - 2017	(114,595)	(114,595)
2017 - 2018	(125,102)	(125,102)
2018 - 2019	(729,238)	(729,238)
Net value	$ (1,391,930)	$ (1,393,468)

Note 10: Lucile Packard Children's Hospital

The Organization entered into the "Clinic Operations Transfer Agreement" (COTA) on December 16, 2011, with subsequent amendments with Lucile Packard Children's Hospital at Stanford, California, nonprofit public benefit corporation, (LPCH) that has various sub-agreements as follows:

- Professional Service Agreement ("PSA")
- Staffing Agreement
- Grant Agreement

In summary, the aforesaid agreement constitute that the Organization operate and provide healthcare service in a clinic site in Atherton, California. This arrangement involves the Organization running and managing the clinic using the Organization's employed support staff and contracting the LPCH physicians for clinical care of patients seen at this facility.

The PSA governs the established rate per billable visit that the Organization is to pay LPCH as full compensation for the services of the attending physicians assigned to the site. During most of year one, the Organization contracted with LPCH for support staff as provided in the Staffing Agreement.

The current Grant Agreement contains provisions for two components: 1) Supporting Grant from $300,000 up to $1,000,000 for years ending June 30, 2019 and 2020 to reimburse the Organization for operational losses of the clinic recorded as grants and contracts revenue; and 2) Repayment and Forgiveness of Capital Funding Grant to forgive loans related to leasehold improvements at the clinic location as the Organization make monthly payments. The Organization reimbursed LPCH $10,000 per month until the remaining balances of the loan were forgiven on June 30, 2020.

Note 11: Accruals for Self-Insurance

The Organization is self-insured for employee health insurance benefits. Plan oversight and administration is provided by an independent third party BRMS (Benefit and Risk Management Services), and by the plan consultant, Innovative Cost Management Services, Inc. (ICMS).

BRMS processes and adjudicates all medical, dental and vision claims. BRMS maintains an interactive database (VBAS) to monitor plan eligibility, plan experience reporting functionality, claims, and plan member communication.

ICMS monitors and provides oversight of plan components, including experience/claims reporting review and utilization oversight. As the plan consultant they maintain daily interaction with the Organization's executive staff for any issues not directly maintained by BRMS.

In order to maintain adequate funds in the program, the Organization opened a Self Insurance Money Market Fund (SIMMF) where it deposits premiums for the program. These premiums are derived from actuarial tables set up with the assistance of BRMS & ICMS, which take into consideration past, and future utilization for medical, dental and vision claims. Based on the number of employees enrolled in the program and the type of health insurance plan selected, BRMS provides a Fully Insured Equivalent (FIE) which the Organization deposits into the SIMMF. BRMS processes the employee insurance claims, ascertaining that they meet the plan's provision and the Organization pays these claims from funds in the SIMMF. As of June 30, 2020 and 2019, the balance in the SIMMF account is $1,001,762 and $466,086 respectively.

The medical and prescription drug plan is partially insured through a specific and aggregate stop loss (excess risk) insurance policy with HCC Life Insurance Company. Medical and prescription drug claims paid during the policy year per individual member in excess of $150,000 or $6,372,998 in aggregate are covered through the stop loss insurance policy. As of June 30, 2020 and 2019, the accrued liability under self-insurance program is $706,327 and $285,822, respectively.

The IBNR liability pertains to claims that have been incurred but not yet submitted by the various doctors and/or hospitals to the third party administrator BRMS for processing as of the end of the fiscal year. Under the Self Insured Health Plan, doctors have up to one year to submit claims. The IBNR amount was calculated independently by the Self Insured Health Plan consultants, ICMS, using information provided by BRMS. The calculation has been reviewed by management, and it is determined to properly reflect the liability that would still be incurred should the Organization change plans. As of June 30, 2020 and 2019, the accrued IBNR under the self-insurance program is $1,373,323 and $1,001,762, respectively.

Note 12: Long-term Debt

Long-term debt at June 30, 2020 consisted of the following:

	2020	2019
On August 30, 2012, the Organization secured a loan from Lucile Packard Children's Hospital (LPCH) for $3,200,000 with no annual interest rate. Starting April 1, 2016, the Organization makes principal payments of $10,000 per month. The Organization used the loan to make leasehold improvements to the Gardner Packard Children's Health Organization in Atherton, CA. The loan is unsecured.	$ -	$ 1,417,152
On September 27, 2012, the Organization secured a loan from Heritage Bank for $4,650,000 with an annual interest rate of 4.00%, amortized over 25 years with fixed monthly payments of $24,686 and a maturity date of September 26, 2017. On September 25 2017, the Organization refinanced the loan for $4,900,000 with an annual interest rate of 4.41% amortized over 25 years. Monthly payments of $27,154 consist of principal and interest and the loan matures September 25, 2027. The loan is secured by the 1st Deed of Trust on the 160 E. Virginia Street, San Jose property.	4,587,875	4,705,150
On April 24, 2013, the Organization secured a loan from Heritage Bank for $1,693,000, with an annual interest rate of 4.25%, amortized over five years with fixed monthly payment of $9,231 and a maturity date of April 15, 2020. The Organization used the loan to pay off two loans from GFHN ($924,213 and $378,620) and the remainder was used to reduce the $250,000 loan from GFHN. The loan is secured by the Deed of Trust on the 195 E. Virginia Street, San Jose property.	-	1,433,738
On June 20, 2020, the Organization secured a loan from Heritage Bank for $2,605,000, with an annual interest rate of 3.99%, amortized over 10 years with fixed monthly payment of $13,819 and a maturity date of June 19, 2030. The loan is secured by the Deed of Trust on the 195 E. Virginia Street, San Jose property.	2,605,000	-
On May 2, 2020, the Organization secured a loan from Bank of America for $1,900,000 with an annual interest rate of 1.00%. These funds were allocated from the Small Business Administration Paycheck Protection Program as a forgivable loan. The note matures May 2, 2022.	1,900,000	-
Total long-term debt	9,092,875	7,556,040
Less: current portion	(184,795)	(1,671,576)
	$ 8,908,080	$ 5,884,464

Note 12: Long-term Debt (continued)

Future principal payments are as follows for the years ended June 30:

Year	Principal
2021	$ 184,795
2022	2,092,928
2023	201,449
2024	209,839
2025	219,617
Thereafter	6,184,247
Total	$ 9,092,875

There are certain financial covenants related to its long-term debt that the Organization was required to comply with. Management believes that the Organization was in compliance with these financial covenants as of and for the year ended June 30, 2020.

Note 13: Line of Credit

The Organization has a revolving line of credit for a maximum of $1,000,000 through Heritage Bank of Commerce. The line of credit is secured by property and matures on June 19, 2025. The interest is payable monthly at a variable rate that is .250 percentage points above the Prime Rate as published by the Wall Street Journal. The initial interest rate is 3.25%. The line of credit had no outstanding balance as of June 30, 2020 and 2019.

The Organization has a revolving line of credit for a maximum of $1,500,000 through Pacific Premier Bank. The line of credit is secured by property and matures on April 2, 2021. The line of credit had no outstanding balance as of June 30, 2020 and 2019.

Note 14: Commitments and Contingencies

Federal and state contracts and other requirements:
The Organization receives grants and contracts which require fulfillment of certain conditions as set forth in the terms of the grant agreement and contract, and are subject to audit and adjustment upon review by the granting agencies. Failure to comply with the conditions of the grants could result in the return of funds to the granting agencies. The amounts, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although management believes that it has complied with conditions of its grants and contracts it expects they will not have a significant effect on the Organization 's financial position.

Note 14: Commitments and Contingencies (continued)

Contingencies:
In the ordinary course of business, the Organization may be a party to claims and legal actions. While the outcome cannot be determined at this time, management's opinion is the liability, if any, from these actions will not have a material adverse effect on the Organization's financial position.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have a material adverse effect on the Organization's financial position.

Medical Malpractice Claims:
The U.S. Department of Health and Human Services has deemed the Organization and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. Management is not aware of any pending claims that exceed the limitations provided by this coverage.

Note 15: Operating Leases

The Organization leases the Gardner Packard Children's Health Center expiring on December 31, 2027 with options to extend the lease term by seven years. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2020, for each of the next five years are:

2021	$ 926,568
2022	$ 945,113
2023	$ 965,131
2024	$ 994,085
2025	$ 1,023,908

Rental expense for the years ended June 30, 2020 and 2019 was $844,190 and $844,190, respectively.

Note 16: Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and occupancy costs, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Expenses for the year ended June 30, 2020 include:

	Program Services	General & Administration	Fund Development	Total
Salaries and wages	$ 32,750,917	$ 6,893,343	$ 214,192	$ 39,858,452
Employee benefits	10,635,318	2,801,973	51,280	13,488,571
Contract services	1,244,696	225,960	22	1,470,678
Professional fees	1,209,160	570,130	52,955	1,832,245
Supplies	1,876,390	121,696	5,783	2,003,869
Travel, training, conference & meetings	441,051	128,303	1,890	571,244
Occupancy costs	2,557,722	441,776	1,059	3,000,557
Insurance	167,586	39,802	2,095	209,483
Depreciation and amortization	1,108,343	396,847	760	1,505,950
Interest	179,263	91,133	521	270,917
Printing	26,038	35,998	22,462	84,498
IT costs	891,035	37,580	1,882	930,497
Communications	284,822	159,297	1,250	445,369
Minor equipment costs	409,253	118,204	8,003	535,460
Membership & subscription	45,172	87,961	1,011	134,144
Postage & shipping	40,024	16,928	18,585	75,537
Banking, taxes, fees & penalties	54,460	27,397	941	82,798
Family & client assistance	963,400	-	-	963,400
Fund development	-	-	66,286	66,286
Other expenses	136,897	312,144	27,220	476,261
Total expenses	$ 55,021,547	$ 12,506,472	$ 478,197	$ 68,006,216

Note 16: Functional Expenses (continued)

Expenses for the year ended June 30, 2019 include:

	Program Services	General & Administration	Fund Development	Total
Salaries and wages	$ 41,539,966	$ 7,775,039	$ 267,463	$ 49,582,468
Contract services	1,266,153	325,336	-	1,591,489
Professional fees	1,248,164	491,353	41,459	1,780,976
Supplies	1,871,743	123,823	1,798	1,997,364
Travel, training, conference & meetings	661,946	183,503	3,571	849,020
Occupancy costs	2,395,376	616,057	2,607	3,014,040
Insurance	249,967	77,455	3,307	330,729
Depreciation and amortization	1,264,194	453,555	4,581	1,722,330
Interest	120,949	153,557	1,551	276,057
Printing	26,565	16,513	26,918	69,996
IT costs	744,663	19,951	1,140	765,754
Communications	301,201	112,092	1,102	414,395
Minor equipment costs	568,235	123,493	3,583	695,311
Membership & subscription	40,538	85,975	447	126,960
Postage & shipping	27,304	5,525	7,563	40,392
Banking, taxes, fees & penalties	45,088	28,282	2,760	76,130
Family & client assistance	512,097	-	-	512,097
Other expenses	46,023	125,889	181,354	353,266
Total expenses	$ 52,930,172	$ 10,717,398	$ 551,204	$ 64,198,774

Note 17 - Information Regarding Liquidity and Availability of Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments, various receivables, and a line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing healthcare-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Note 17 - Information Regarding Liquidity and Availability of Resources (continued)

The Organization strives to maintain liquid financial assets sufficient to cover 30 days of general expenditures. The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

	2020	2019
Cash and cash equivalents	$ 9,206,228	$ 6,915,727
Investments	112,582	32,116
Patient accounts receivable	1,544,534	2,154,868
Grant receivable	6,535,026	7,027,004
Total financial assets	17,398,370	16,129,715
Deferred revenue	(26,185)	(88,649)
Net assets with donor restrictions	(77,813)	(17,282)
Financial assets available to meet cash needs for general expenditures within one year	$ 17,294,372	$ 16,023,784

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by grants or donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2020 and 2019. The Organization also has a line of credit available to meet short-term needs. See note 13 for information about this arrangement.

Note 18 - Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following programs at June 30, 2020 and 2019:

	2020	2019
Pfizer RxPathway	$ 4,755	$ 17,282
Homebase	5,000	-
Silicon Valley Community Foundation	63,293	-
Other	4,765	-
Total	$ 77,813	$ 17,282

As net assets with donor restrictions are expended, the net assets released from restrictions are recognized as revenue without donor restrictions. As of June 30, 2020, and 2019, net assets released from donor restrictions consist of the following:

	2020	2019
Pfizer RxPathway	$ 30,211	$ 84,536
Silicon Valley Community Foundation	101,707	-
Other	15,486	-
Total	$ 147,404	$ 84,536

SINGLE AUDIT REPORTS

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2020

Federal Grant / Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
U.S. Department of Health and Human Services, Public Health Service:			
Direct Programs:			
Community Health Cluster	*93.224	N/A	$ 7,587,878
COVID-19 CARES Act	*93.224	N/A	499,894
COVID-19 Coronavirus Supplemental Funding	*93.224	N/A	92,118
COVID-19 ECT Testing	*93.224	N/A	67,080
COVID-19 Provider Relief Fund	93.498	N/A	487,623
Subtotal			8,734,593
Passed Through:			
County of Santa Clara:			
Expanded Differential Response	93.556	MCDFCS-GFCC-2014	834,286
Total U.S. Department of Health and Human Services			9,568,879
U.S. Department of Agriculture:			
Passed Through:			
California Department of Public Health:			
Supplemental Food Program - WIC	10.557	115-10083	2,139,413
			$ 11,708,292

* Denotes major program

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2020

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of Gardner Family Health Network, Inc. d/b/a Gardner Health Services (the "Organization") under programs of the federal government for the year ended June 30, 2020. 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 Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows for the Organization.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization elected not to use the de minimis cost rate because it has a negotiated indirect cost rate in place.

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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

Independent Auditor's Report

Board of Directors
Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Alviso, California

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 financial statements of Gardner Family Health Network, Inc. d/b/a Gardner Health Services (the "Organization"), which comprise the balance sheets as of June 30, 2020 and 2019 and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gardner Family Health Network, Inc. d/b/a Gardner Health Services 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gardner Family Health Network, Inc. d/b/a Gardner Health Services 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CHW, LLP

Fresno, California
December 15, 2020

CHW LLP
Healthcare Audit, Tax & Consulting Services

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Report on Compliance For Each Major Federal Program
And Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

Board of Directors
Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Alviso, California

Report on Compliance for Each Major Federal Program

We have audited Gardner Family Health Network, Inc. d/b/a Gardner Health Services (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Gardner Family Health Network, Inc. d/b/a Gardner Health Services complied, in all material respects, with the 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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Organization's 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 Gardner Family Health Network, Inc. d/b/a Gardner Health Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Organization's 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.

CHW, LLP

Fresno California
December 15, 2020

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Schedule of Findings and Questioned Costs
For the year ended June 30, 2020

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal Control over financial reporting: Material weakness identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	__X_ None Reported
Noncompliance material to financial statements noted?	_____ Yes	__X__ No

Federal Awards

Internal control over major programs: Material weakness identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	__X___ Yes	____ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__X___ Yes	_____ No

Major Programs	CFDA Number
Community Health Center Cluster, Section 330	93.224
COVID-19 CARES Act	93.224
COVID-19 Coronavirus Supplemental Funding	93.224
COVID-19 ECT Testing	93.224

Dollar threshold used to distinguish Types A and B programs	$ 750,000	
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Schedule of Findings and Questioned Costs
For the year ended June 30, 2020

II. Current Year Audit Findings and Questioned Costs

Financial Statement Findings: None Reported

Federal Award Findings and Questioned Costs:

2020-001 Compliance Over Reporting

CFDA Number: **93.224**
Program: **Community Health Center Cluster**
Compliance Requirement: **(L) Reporting**

Criteria: Pursuant to the reporting requirement set forth by the Department of Health and Human Services, the Organization is required to file the quarterly Federal Financial Report (FFR) within 30 days of the end of the quarter.

Finding/ Condition: During our reporting period, we noted that the Organization submitted the quarterly FFR late for one quarter.

Questioned Cost: None.

Effect: The delay in submitting the required report may lead to the granting agency to impose temporary restrictions on the drawdown process.

Cause: The reporting requirement was not included on a quarterly reminder checklist.

Recommendation: We recommend the Organization file the required quarterly FFR in a timely manner.

Views of Responsible Officials and Corrective Action Plan: The Organization agrees with the finding and has implemented additional controls to ensure that this does not recur. Please refer to the corrective action plan on page 35.

Gardner Family Health Network, Inc.
d/b/a Gardner Health Services
Corrective Action Plan
For the year ended June 30, 2020

2020-001 Compliance over Reporting

Name of Contact Person: Efrain Coria, CFO

Corrective Action: The Organization agrees with the recommendation and has taken steps to correct these errors by implementing controls to make sure FFRs are filed timely.

Proposed Completion Date: December 31, 2020