COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Financial Statements and

Single Audit Report on Schedule of Expenditures of Federal

Awards *June 30, 2019*

(with Independent Auditors' Report Thereon)

GRUBER and associates

An Independent CPA Firm

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Financial Statements

and

Single Audit Report on Schedule of Expenditures of Federal Award Programs

June 30, 2019

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BASIC FINANCIAL STATEMENTS

GRUBER and associates

An Independent CPA Firm

Board of Directors
Coalition of Orange County Community Clinics
Santa Ana, California

INDEPENDENT AUDITORS' REPORT

Report on Financial Statements

We have audited the accompanying financial statements of Coalition of Orange County Community Clinics (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Managements' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Coalition of Orange County Community Clinics as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2019 on our consideration of Coalition of Orange County Community Clinics' 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 Coalition of Orange County Community Clinics' internal control over financial reporting and compliance.

Emphasis of Matters

As described further in note one to the financial statements, during the year ended June 30, 2019, Coalition of Orange County Community Clinics implemented Accounting Standards Update (ASU) 2016-14 *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Gruber and Associates, Inc.
Gruber and Asscoiates, Inc.

Newport Beach, California
November 09, 2019

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COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Financial Position
June 30, 2019
(With comparative totals from June 30, 2018)

	Totals	
Assets	**2019**	**2018**
Cash and cash equivalents	$ 818,557	879,429
Contracts receivable, net (Note 2)	208,096	265,394
Accrued interest	9,211	-
Investments	905,343	861,362
Deposits and other assets	12,672	47,741
Furniture and equipment, net (Note 3)	68,381	88,424
Intangible asset, net	141,160	98,954
Prepaid expenses	55,825	29,280
Total assets	$ 2,219,245	2,270,584
Liabilities and Net Assets		
Accounts payable	$ 50,033	64,394
Accrued liabilities	122,205	123,846
Deferred revenue - current (Note 8)	407,657	455,941
Deferred rent - long-term (Note 6)	13,403	15,176
Total liabilities	593,298	659,357
Net assets:		
Without donor restrictions	1,585,080	1,571,990
With donor restrictions	40,867	39,237
Total net asssets	1,625,947	1,611,227
Total liabilities and net assets	$ 2,219,245	2,270,584

See accompanying notes to finanancial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Activities
Year Ended June 30, 2019
(With comparative totals for the year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
Operating Activities:				
Unrestricted revenue and support:				
Grants (Note 2)	$ 2,090,056	-	2,090,056	1,951,168
Member dues	279,358	-	279,358	252,231
Consulting fees	129,422	-	129,422	144,675
Appreciation (depreciation) on investments	3,915	1,630	5,545	2,073
Interest income	24,037	-	24,037	7,000
Subtotal	2,526,788	1,630	2,528,418	2,357,147
Net assets released from restrictions	-	-	-	-
Total unrestricted support and revenue	2,526,788	1,630	2,528,418	2,357,147
Expenses:				
Program services	2,109,813	-	2,109,813	2,049,695
Supporting services:				
General and administrative	349,241	-	349,241	290,587
Fundraising	54,644	-	54,644	-
Subtotal supporting services	403,885	-	403,885	290,587
Total expenses	2,513,698	-	2,513,698	2,340,282
Change in net assets	13,090	1,630	14,720	16,865
Net assets beginning of year	1,571,990	39,237	1,611,227	1,594,362
Net assets at end of year	$ 1,585,080	40,867	1,625,947	1,611,227

See accompanying notes to financial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Functional Expenses
Year Ended June 30, 2019
(With comparative totals for the year ended June 30, 2018)

		Supporting Services			Totals	
	Program Services	General and Administrative	Fundraising	Subtotal	2019	2018
Salaries and related expenses:						
Salaries	$ 979,603	218,074	17,528	235,602	1,215,205	1,201,462
Employee benefits	127,398	30,327	-	30,327	157,725	160,097
Payroll taxes	76,190	18,137	-	18,137	94,327	98,707
Total salaries and related expenses	1,183,191	266,538	17,528	284,066	1,467,257	1,460,266
Other expenses:						
Program support	81,323	7,854	-	7,854	89,177	52,878
Consultants	283,686	31,675	37,116	68,791	352,477	315,402
Dues and subscriptions	80,009	3,452	-	3,452	83,461	31,959
Office equipment rental	2,484	529	-	529	3,013	4,093
Insurance	11,779	2,415	-	2,415	14,194	13,526
Conferences and meetings	39,120	4,334	-	4,334	43,454	54,139
Postage and delivery	428	144	-	144	572	13
Communication and printing	4,819	736	-	736	5,555	18,142
Occupancy	70,744	13,853	-	13,853	84,597	82,794
Professional fees	15,698	1,751	-	1,751	17,449	14,642
Repairs and maintenance	60,552	5,187	-	5,187	65,739	29,429
Telephone	14,422	2,241	-	2,241	16,663	19,067
Travel	38,499	5,478	-	5,478	43,977	54,088
Office supplies	28,107	3,010	-	3,010	31,117	40,443
Investment fees and expenses	-	393	-	393	393	386
Fund Project expense	141,453	-	-	-	141,453	133,324
Donations	-	-	-	-	-	323
Bad debt expense (recovery)	-	(9,285)	-	(9,285)	(9,285)	(15,805)
Total other expenses	873,123	73,767	37,116	110,883	984,006	848,843
Total expenses before depreciation	2,056,314	340,305	54,644	394,949	2,451,263	2,309,109
Depreciation and amortization (Notes 3 & 4)	53,499	8,936	-	8,936	62,435	31,173
Total expenses	$2,109,813	349,241	54,644	403,885	2,513,698	2,340,282

See accompanying notes to financial statements.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS
Statement of Cash Flows
Year Ended June 30, 2019
(With comparative totals for the year ended June 30, 2018)

	Totals	
	2019	**2018**
Cash flows from operating activities:		
Change in net assets	$ 14,720	16,865
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	62,435	31,173
(Gain) loss on disposal of assets	-	-
Net appreciation (depreciation) on investments	(5,545)	(2,073)
Decrease (increase) in contracts receivable	57,298	(99,305)
Decrease (increase) in accrued interest	(9,211)	-
Decrease (increase) in deposits and other assets	35,069	-
Decrease (increase) in prepaid expenses	(26,545)	32,321
(Decrease) increase in account payable	(16,001)	26,219
(Decrease) increase in deferred revenue	(48,284)	(264,140)
Net cash provided by (used for) operating activities	63,936	(258,940)
Cash flows from investing activities:		
Purchases of land, buildings, furniture and equipment	(6,749)	-
Purchases of intangible assets	(77,850)	(100,400)
Increase in other assets	-	(2,513)
Purchase of investments	(38,436)	(859,289)
Net cash provided by (used for) investing activities	(123,035)	(962,202)
Cash flows from financing activities:		
Deferred rent	(1,773)	(1,060)
Net cash provided by (used for) financing activities	(1,773)	(1,060)
Increase (decrease) in cash and cash equivalents	(60,872)	(1,222,202)
Cash and cash equivalents at beginning of year	879,429	2,101,631
Cash and cash equivalents at end of year	$ 818,557	$ 879,429

Supplemental disclosures of noncash investing and capital related financing activities:

There were no noncash investing and capital related financing activities during the period ended June 30, 2019.

Supplemental disclosure of cash flow information:

Cash paid for interest expense	$ -	$ -

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The significant accounting policies of Coalition of Orange County Community Clinics (the Organization) are presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

(a) Organization and Sources of Revenues

The Coalition of Orange County Community Clinics (the "Coalition") was established in 1974 under the laws of the State of California as a not-for-profit corporation and is qualified under Section 501 (c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Coalition is a membership organization representing a network of licensed, private, not-for-profit community and free clinics that are committed to ensuring access to health care for medically underserved individuals and families in Orange County. The Coalition is a vital component to the Orange County health care safety net through the provision of the following for its member clinics: identification, solicitation and management of funding opportunities and programs, management services including technical support, active participation in health care planning and policy in all relevant governmental, private and community based forums.

(b) Basis of Accounting and Revenue Recognition

The Organization uses the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

(c) Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Update* (ASU) *2016-14 Not for Profit Entities [Topic 958] – Presentation of Financial Statements of Not for Profit Entities*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

(1) Summary of Significant Accounting Policies, (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of deposits held with several different financial institutions that at times exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains cash deposits with various financial institutions to limit its credit risk exposure to any one financial institution. The Organization also actively evaluates the credit worthiness of the institutions with which it invests.

(e) Furniture and Equipment

It is the Organization’s policy to capitalize long-lived assets over $5,000 and a useful life of three years or longer. Lesser amounts are expensed. Furniture and equipment are capitalized at cost. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Buildings, furniture and equipment are depreciated on the straight-line method, using estimated useful lives of ten to thirty years for the buildings, seven years for the furniture, five year for the equipment, and three years for computers.

(f) Impairment of Long-Lived Assets

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash-flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

(1) Summary of Significant Accounting Policies, (Continued)

(g) Fair Value of Financial Instruments

The Organization follows guidance issued by the ASC 820 *Fair Value Measurements*, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. This guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

The Organization’s financial instruments, including cash and cash equivalents, grants and accounts receivable, and accounts payable and other accrued expenses are carried at cost, which approximates fair value because of the short-term nature of these instruments. The Organization records inventory at fair value on the date of donation based on values provided by the donors. These inputs are based on observable inputs of similar assets and are considered level 2 for the year ended June 30, 2019.

Investments at June 30, 2019 consisted of:

	Assets at Fair Value Level 1
Endowment - investment pool (see Note 5)	$ 40,867
Marketable/ brokered certificates of deposit	864,476
Total	$ 905,343

(h) Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. The Organization did not have any nonoperating revenues for the year ended June 30, 2019.

(1) Summary of Significant Accounting Policies, (Continued)

(i) New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities [Topic 958] – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

(j) Contributions

In accordance with *ASC 958-605*, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contract funds received from grantor agencies are reported as exchange transactions and are recognized as the related expenses are incurred.

(k) Consulting Fees

Consulting fees represent fees received from numerous consultants for services rendered.

(l) Functional Expense Allocations

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates made by management. The allocations between program and supporting services benefited are determined by management on an equitable basis. All allocations for program and supporting services are based on time and effort.

(m) Prepaid Expenses

Prepaid expenses include deposits and advance payments for insurance, events and program activities.

(1) Summary of Significant Accounting Policies, (Continued)

(n) Accrued Vacation

The Organization's policy is to record accumulated vacation when earned. As of June 30, 2019, the accrued vacation liability was $55,855 and was recorded in accrued liabilities in the statement of net assets.

(o) Income Taxes

The Organization is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and files all federal and state information returns required by law. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending in years 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(q) Comparative Totals and Reclassifications

The 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 Organization's financial statements for the year ended June 30, 2018 from which the summarized information was derived. For comparability purposes, certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 classifications. These reclassifications have no effect on reported change in net assets.

(r) Donated Services and Supplies

Donations of services are recognized in the financial statements if the services received: (1) create or enhance nonfinancial assets or require specialized skills; (2) are provided by individuals possessing those skills; and (3) would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis for deriving their value. There were no donated services or supplies that were required to be recognized during the fiscal year ended June 30, 2019.

(2) Summary of Grant Funding

The Organization's top 5 grant funding for the year ended June 30, 2019 are summarized as follows:

	Contract Revenue
U.S. Dept of Health and Human Services	$ 923,583
Kaiser Permanente Foundation	210,291
Covered California	200,000
University of California Irvine	175,621
The CA Endowment	140,485
Other	440,076
Total	$2,090,056

At June 30, 2019, grant and accounts receivables in the amount of $208,096 consist of both federal and non-federal receivables, the majority of which was collected subsequent to that date.

(3) Furniture and Equipment

Furniture and equipment consist of the following at June 30, 2019:

Furniture and equipment	$104,535
Computer equipment	88,968
Accumulated depreciation	(125,122)
	$ 68,381

Total depreciation expenses for the year ended June 30, 2019 was $26,791.

(4) Intangible Assets

Under ASC 350 *Intangibles-Goodwill and Others*, intangible assets with indefinite lives are not subject to periodic amortization, but rather reviewed on a periodic basis for impairment. There were no impairments of intangible assets for the year ended June 30, 2019. As of June 30, 2019, the Organization 's intangible assets in the amount of $141,160, net consisted of software which were deemed to have indefinite lives of approximately 3 years.

Intangible assets consist of the following at June 30, 2019:

Software	$182,096
Accumulated amortization	(40,936)
	$141,160

Total amortization expenses for the year ended June 30, 2019 was $35,644.

(5) Investments – Quasi-Endowment Fund

The Endowment Fund of the Organization was established with the Orange County Community Foundation and consists of investments established for the purpose of promoting the Organization's philanthropies. The investments consists of funds designated by the Donor to function as restricted endowments along with intent to have future donor restricted endowment fund contributions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (1) the original value of gifts donated to the restricted endowment, (2) the original value of subsequent gifts to the restricted endowment, and (3) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as donor restricted net assets is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, (7) tax consequences, and (8) the Organization's investment policies.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk while trying to obtain a total return (yield plus capital appreciation) necessary to preserve and ideally enhance the principal of such funds, while at the same time, providing a dependable source of income at the highest possible yield, while avoiding speculation.

Spending Policy

The Organization requires a spending policy to be established by the Endowment Committee in accordance with UPMIFA subject to Board approval with an appropriate withdrawal rate based upon market conditions for that year and expenses of the Fund.

(5) Investments – Quasi - Endowment Fund (continued)

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through current income and long-term growth of capital and income. The Organization targets a diversified asset allocation by investing in a balanced money market fund with objectives for the conservation of capital and growth opportunities of publicly traded stocks, bonds, mutual funds, and alternative investments. The composition of endowment net assets for this fund, and the changes in endowment net assets as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	**Total**
Net assets, beginning of year	$ -	39,237	39,237
Interest income	-	-	-
Net change (un-realized and realized)	-	1,630	1,630
Subtotal	-	40,867	40,867
Contributions	-	-	-
Appropriations of endowment	-	-	-
Net assets, end of year	$ -	40,867	40,867

(6) Lease Obligations

Deferred Rent and Operating leases

The Organization leases office space and various equipment. The office space lease has an effective date of December 15, 2015 and expires on February 12, 2021. The initial monthly rent was $6,667 with a scheduled 3% increase, inclusive of a "two months free" period. The rent free period was recorded as deferred rent in the amount of $13,403 on the statement of net position. Minimum rental commitments on the office space and equipment are as follows:

Year ending June 30:	
2020	$120,694
2021	134,962
2022	137,986
2023	142,126
2024	96,627
Total future minimum lease payments	$632,395

Total office and equipment rent expense for the year ended June 30, 2019 was $87,610.

(7) Other Commitments and Contingencies

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provisions have been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Organization is also subject to legal proceedings, claims, and assessments which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions, should they occur, will not materially affect the Organization's financial statements.

(8) Deferred revenue

Deferred revenue of $407,657 at June 30, 2019 was comprised of various grant amounts received from funding organizations with donor-imposed conditions (a barrier and a right of return/ right of release must exist) in relation to specific purpose or specific period of time. Revenue will be recognized when the condition(s) are met.

(9) Concentrations and Grant Funding

In recent years, the Organization has received significant funding from the Department of Health and Human Services, the State of California, and County of Orange. Due to potential reductions in federal funding to these agencies, future grants to the Organization are uncertain. Although management is reviewing alternatives for continuing operations, if grants are reduced significantly, it may impact the future operations of the Organization in subsequent years. It should be noted that the Organization was awarded: (1) the HCCN grant from HRSA from August 1, 2019 through July 31, 2022 ($520,000 each year for a total of $1,560,000); and (2) the MATCONNECT grant from CalOptima from 2019 to 2022 ($2 million each year for a total of $6 million). The Organization also received numerous grant contracts from several other agencies for funding through June 30, 2020. Additionally, it is the intent of the Organization to bid for funding from these agencies through June 30, 2021. Actual funding amounts from HRSA are dependent upon amounts allocated by various federal and state awarding agencies. Approximately 44% of the Organization 's revenues were provided by the U.S. Department of Health and Human Services.

(10) Compliance with Laws and Regulations

By accepting subrecipient funds from the various federal grantor agencies, the Organization is required to comply with certain laws and regulations provided for under the *OMB Uniform Guidance,* and the respective grant agreements. Management believes that it has complied with such laws and regulations.

(11) Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	$818,557
Contracts receivable	208,096
Accrued interest	9,211
Investments	905,343
Deposits and other assets	12,672
Prepaid expenses	55,825
Total financial assets	2,009,704
Less amounts not available to be used within 1 year:	
Net assets with donor restrictions	-
Less net assets with purpose restrictions to be met within one year	(-)
Quasi-endowment established by the Board	(40,867)
Subtotal	40,867
Financial assets available to meet general expenses over the next 12 months:	$1,968,837

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $630,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

(12) Retirement Plan

The Organization sponsors a 401(K) Safe Harbor Basic Match qualified retirement plan for all employees that have been employed for at least three (3) months, which are then eligible to participate in the plan. Employees can defer a portion of their salary into the plan, not to exceed annual Federal and State limitations. For the year ended June 30, 2019, the Organization's Safe Harbor contribution amounted to $36,678.

On November 13, 2017 the Organization executed the adoption of its Safe Harbor Basic Math Option with matching contributions in an amount equal to the sum of 100% of the portion of the employee's contribution not exceeding 3% of the employee's compensation, plus 50% of the portion of employee's contributions that exceed 3% but not exceed 5%. For purposes of applying the Safe Harbor contributions, compensation is based on the per-paid-period compensation.

(13) Related Party - Network of Orange County Community Health Centers

On May 13, 2013, the Organization as its initial member agent, along with ten (10) Orange County community member clinics (also member clinics of the Coalition), filed articles of incorporation for the Network of Orange County Community Health Centers (the "Network"), a newly created nonprofit public benefit California corporation. The main purpose of the Network is to provide an entity for collective contracting that will support the sustainability of the safety net. During the fiscal year ended June 30, 2019, there were no third party consulting expenses incurred by the Organization in the support of the Network.

(14) Subsequent Events

Management has evaluated subsequent events through November 09, 2019, the date the financial statements were available to be issued.

SINGLE AUDIT REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2019

GRUBER and associates

An Independent CPA Firm

Board of Directors
Coalition of Orange County Community Clinics
Santa Ana, California

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*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Coalition of Orange County Community Clinics (the Organization), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated November 09, 2019.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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.

Gruber and Associates, Inc.
Gruber and Asscoiates, Inc.

Newport Beach, California
November 09, 2019

GRUBER and associates

An Independent CPA Firm

Board of Directors
Coalition of Orange County Community Clinics
Santa Ana, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Coalition of Orange County Community Clinics' (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, 2019. 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 its 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, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

Management of the Organization 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2019, and have issued our report thereon dated November 09, 2019, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gruber and Associates, Inc.

Gruber and Asscoiates, Inc.

Newport Beach, California
November 09, 2019

Coalition of Orange County Community Clinics
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2019

Federal Grantor/Pass-through Grantor Program Title	Program Identification Number	Federal Domestic Assistance Number	Federal Award Expenditures	
U.S. Department of Health and Human Services				
Direct Funding:				
Health Center Controlled Network Grant "HCCN"	16H2QCS30256AC	93.527	$ 727,130	*
Passed through the Regents of the University of California on behalf of its San Francisco campus:				
Area Health Education Center Grant "AHEC"	U77HP23071	93.107	76,609	
Passed through the Children and Families Commission of Orange County:				
Dental Transformation Initiative "DTI" Local Dental Pilot Project Grant	1705CA5MAP	93.778	119,845	
Total U.S. Department of Health and Human Services			923,584	
Total Federal Financial Assistance Expenditures			**$ 923,584**	

* Denotes major federal program.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2019

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Coalition of Orange County Community Clinics (the Organization) that are reimbursable under federal programs of federal agencies providing financial assistance. For purposes of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency and expended, as well as federal funds received indirectly by the Organization from a non-federal agency and expended. Only the portion of program expenditures that are reimbursable with such federal funds are reported in the accompanying schedule. Program expenses in excess of the maximum federal reimbursement authorized or the portion of program expenses that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Expenditures reported include any property or equipment acquisitions incurred under the Federal program. The accompanying schedule of expenditures of federal awards 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* (Office of Management and Budget Uniform Grant Guidance).

(c) Subrecipients

There were no payments of federal funds to subrecipients for the year ended June 30, 2019.

(d) De Minimus Indirect Cost Rate

The entity did not elect to use the 10% de minimus indirect cost rate for the year ended June 30, 2019.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Summary of Auditors' Results

A) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

1. An unmodified report was issued by the auditors on the financial statements of the auditee.

2. There were no material weaknesses in internal control nor were there any significant deficiencies.

3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.

(B) Findings and Questioned Costs for Federal Awards as Defined in 2 CFR 200.515(d)

4. There were no material weaknesses or significant deficiencies in internal control over federal major programs of the auditee.

5. An unmodified report was issued by the auditors on compliance for federal major programs.

6. The audit disclose no audit findings of federal awards required by the auditors to be reported under 2 CFR 200.515(d)

7. The major federal program of the auditee was derived from the U.S. Department of Health and Human Services, CFDA#93.527 – Health Center Program Cluster.

8. The dollar threshold used to distinguish Type A and Type B programs was $750,000 under 2 CFR 200.518 (b) (1).

9. The auditee was not considered a low risk auditee as defined by 2 CFR 200.518 for the year ended June 30, 2019 for purposes of determining major programs.

COALITION OF ORANGE COUNTY COMMUNITY CLINICS

Summary Schedule of Prior Year Audit Findings

Year ended June 30, 2019

There were no prior year findings from the year ended June 30, 2018 that required follow up.