

Audited Financial Statements
Shingletown Medical Center
For the Years Ended June 30, 2019 and 2018

Shingletown Medical Center

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Independent Auditor's Report

Board of Directors
Shingletown Medical Center
Shingletown, California

Report on the Financial Statements

We have audited the accompanying financial statements of Shingletown Medical Center (the "Center"), which comprise the balance sheets as of June 30, 2019 and 2018 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 Shingletown Medical Center as of June 30, 2019 and 2018 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Center adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

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 January 2, 2020 on our consideration of the Center'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 Center's internal control over financial reporting and compliance.

CAW. LLP

Fresno, California
January 2, 2020

Shingletown Medical Center
Balance Sheets
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 341,446	\$ 1,376,035
Patient accounts receivable, net	257,352	214,241
Grant and other receivables	135,186	118,323
Estimated third-party payor settlements	250,184	168,960
Prepaid expenses and other current assets	51,032	18,288
Total current assets	1,035,200	1,895,847
Property and equipment, net	1,114,046	1,056,739
Other assets	1,463	775
Total assets	\$ 2,150,709	\$ 2,953,361
Liabilities and Net Assets		
Current liabilities:		
Long-term debt, current portion	\$ 14,642	\$ 18,500
Capital lease, current portion	9,487	9,267
Accounts payable and other accrued expenses	20,181	72,426
Accrued payroll and related liabilities	106,589	96,705
Estimated third-party payor settlements	84,391	364,905
Deferred revenue	-	2,658
Total current liabilities	235,290	564,461
Long-term liabilities:		
Long-term debt, net of current portion	139,798	151,544
Unamortized debt issuance costs	(3,077)	(3,411)
Long-term debt, less unamortized debt issuance costs	136,721	148,133
Capital lease, net of current portion	29,329	38,816
Total liabilities	401,340	751,410
Net assets:		
Net assets without donor restrictions	1,743,686	2,190,792
Net assets with donor restrictions	5,683	11,159
Total net assets	1,749,369	2,201,951
Total liabilities and net assets	\$ 2,150,709	\$ 2,953,361

The accompanying notes are an integral part of these financial statements.

Shingletown Medical Center
Statements of Operations and Changes in Net Assets
For the years ended June 30, 2019 and 2018

	2019	2018
Change in net assets without donor restrictions		
Revenues and other support:		
Patient service revenue, net	\$ 1,185,390	\$ 1,525,955
Provision for bad debts	(158,247)	(14,365)
Net patient service revenues less provision for bad debts	1,027,143	1,511,590
Capitation revenue	143,127	147,856
Grant revenue	1,533,763	1,372,914
Contributions and other	231,008	97,744
Net assets released from restrictions	5,476	23,137
Total unrestricted revenues and other support	2,940,517	3,153,241
Expenses:		
Salaries and wages	1,779,342	1,370,840
Employee benefits	407,592	330,504
Professional fees	286,209	226,307
Contracted services	145,967	445,478
Supplies	92,140	146,222
Repairs and maintenance	136,711	16,381
Facility expense	68,218	62,083
Telephone and communications	112,090	95,293
Insurance	16,860	14,534
Interest	5,905	6,803
Depreciation and amortization	71,580	66,841
Other operating expenses	265,009	256,905
Total expenses	3,387,623	3,038,191
Excess (deficit) of revenues over expenses	(447,106)	115,050
Change in net assets with donor restrictions		
Contributions	-	21,000
Net assets released from donor restriction	(5,476)	(23,137)
Change in net assets with donor restriction	(5,476)	(2,137)
Increase (decrease) in net assets	(452,582)	112,913
Net assets, beginning of year	2,201,951	2,089,038
Net assets, end of year	\$ 1,749,369	\$ 2,201,951

The accompanying notes are an integral part of these financial statements.

Shingletown Medical Center
Statements of Cash Flows
For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (452,582)	\$ 112,913
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	71,580	66,841
Loss on disposal of property and equipment	-	5,545
Amortization of debt issuance costs	334	334
In kind contributions	(105,930)	-
Bad debt	158,247	14,365
 Changes in operating assets and liabilities:		
Patient accounts receivable, net	(201,358)	18,129
Grant and other receivables	(16,863)	99,841
Estimated third-party payor settlements	(361,738)	(168,961)
Prepaid expenses and other current assets	(32,744)	6,543
Other assets	(688)	(275)
Accounts payable and other accrued expenses	(52,245)	5,494
Accrued payroll and related liabilities	9,884	29,807
Deferred revenue	(2,658)	(5,349)
Net cash provided by (used in) operating activities	(986,761)	185,227
 Cash flows from investing activities:		
Acquisition of property and equipment	(22,957)	-
Net cash used in investing activities	(22,957)	-
 Cash flows from financing activities:		
Payments on capital lease obligation	(9,267)	(7,417)
Repayments of debt	(15,604)	(17,954)
Net cash used in financing activities	(24,871)	(25,371)
 Net increase (decrease) in cash	(1,034,589)	159,856
 Cash at beginning of year	1,376,035	1,216,179
Cash at end of year	\$ 341,446	\$ 1,376,035
 Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 16,860	\$ 14,534
In kind contributions	\$ 105,930	\$ -
Property and equipment acquired under capital leases	\$ -	\$ 37,295

The accompanying notes are an integral part of these financial statements.

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 1 – Organization

Shingletown Medical Center (the “Center”), with its corporate offices located in Shingletown, California, is a not-for-profit organization, incorporated on May 24, 1985. The Center is licensed as a Federally Qualified Health Center (“FQHC”) that works to improve, promote and maintain the physical and emotional health of residents in the communities it serves. The Center primarily earns revenues by providing physician and related health care services through a clinic located in Shingletown, California.

The Center derives support from patient fees and third-party charges. Additionally, revenues are derived through grants and contracts with the U.S. Department of Health and Human Services and the State of California Department of Health Services, and other grantors and donors. For 33 years, the Center has worked diligently to provide medical services to Shasta County’s eastern mountain community.

Note 2– Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board (“FASB”), commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”)

Basis of Accounting

The Center prepares its financial statements in accordance with U.S. GAAP, which are presented on the accrual basis of accounting. Under the accrual basis of accounting, The Center recognizes contributions as revenue in the period received and expenses or losses are recognized in the period the liability is incurred. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Per the various financial institutions as of June 30, 2019 and 2018, approximately \$250,000 and \$250,000, respectively was covered by federal depository insurance, and \$91,446 and \$1,126,035 was uninsured.

Concentration of Credit Risk

Financial instruments potentially subjecting the Center to concentration of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance threshold. Demand deposits are placed with local financial institutes, and management has not experienced any loss related to these demand deposits in the past.

Receivables, Contractual Allowances and Uncollectible Accounts

Accounts receivable are recorded on the accrual basis at full billing rates for all classes of patients. Contractual allowances adjust receivables and revenues to net realizable amounts based on Medicare and Medi-Cal regulations, and based on the management’s valuation of the private accounts. The Center also estimates an allowance for doubtful accounts related to patients that do not have the ability to pay.

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Prepaid Expenses

Prepaid expenses are payments made to vendors for services that will benefit periods beyond the fiscal year ended.

Inventories

Inventories are stated at cost, determined using the first-in, first out basis.

Property and Equipment

The Center capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Center reclassifies donor restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from 3 to 40 years.

Net Assets

Net assets are classified as net assets without donor restrictions and net assets with donor restrictions based upon the following criteria:

Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

Net assets with donor restrictions consist of 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, donor restricted assets are reclassified to unrestricted net assets 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.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Center generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Center at the residents' facilities, but these services do not meet the criteria for recognition as contributed services. The Center receives approximately 175 volunteer hours per year.

Grant Revenue

The policy of the Center is to recognize revenue from all contracts to the extent of eligible costs incurred up to an amount not to exceed the total contract authorized.

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Patient Services Revenue

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

Medicare – Medicare services rendered to Medicare program beneficiaries are paid under a cost-based reimbursement system. The Center is reimbursed at a tentative (“interim”) rate, with final settlement determined after submission of annual cost reports by the Center and audits thereof by the fiscal intermediary.

Medi-Cal – Medical services rendered to Medi-Cal beneficiaries are paid under a “prospective payment system” (“PPS”), using rates established by the Center’s “base year – fiscal year ended June 30, 2000” cost report filed under the previous cost based reimbursement system. These rates are adjusted annually by the amount of the Medicare Economic Index and any approved changes in the Center’s scope of service.

Federally Qualified Health Center – The Center was designated as a Federally Qualified Health Center (FQHC). Under FQHC guidelines, payment for services provided to Medicare and Medi-Cal patients is reimbursed at an all-inclusive rate per visit.

Other Payors – The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred-provider organizations, and patients considered eligible for coverage under certain Federal Financial Assistance grants. The basis for payment to the Center under these agreements includes discounts from established charges and prospectively determined per-visit rates. Patients under 200% of the Federal poverty guidelines are charged on a sliding-fee discount basis depending upon family size and income.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Charity Care

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Center does not pursue collection of amounts determined to qualify as charity care and they are not reported as revenue.

Vacation Pay

The Center permits its employees to accumulate vacation credit hours over their working career and to redeem such unused vacation hours in cash upon termination of employment. Vacation benefits may be accumulated to a maximum of 240 hours. Employees earn vacation hours based on length of service. Employees will not earn any additional credit hours until previously accumulated vacation benefits have been used.

Subsequent Events

The Center has evaluated events and transactions that occurred after June 30, 2019, and through January 2, 2020, the date the financial statements were available to be issued.

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Center has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in §501(c)(3) of the Internal Revenue Code (“IRC”) and is exempt from federal and state income taxes on related income pursuant to §501(a) of the IRC and California Revenue and Taxation Code §23701d.

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, Income Taxes, clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. FASB ASC 740 also provides guidance on de-recognition, measurement, classification, interest and penalties, disclosure, and transition. The guidance contained in FASB ASC 740 is applicable to pass-through entities and tax-exempt organizations. The Center has no significant uncertain tax positions or tax liability for tax benefits, interest or penalties accrued as of June 30, 2019 and 2018. Shingletown Medical Center’s returns are subject to examination by federal and state taxing authorities generally for three years after they are filed however, there are currently no audits for tax periods in progress.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expenses by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Center has adopted this new pronouncement for the year ended June 30, 2019 and the prior year presentation is conformed except where not required.

Reclassification

Certain financial statement amounts have been reclassified in these financial statements to conform to the current year presentation. These reclassifications have no effect on previously reported change in net assets.

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 3 - Concentration of Credit Risk

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. At June 30, 2019 and 2018, accounts receivable from patients were as follows:

	<u>2019</u>	<u>2018</u>
Medicare	35%	36%
Medi-Cal	33%	29%
Other third-party payers	32%	35%
	<u>100%</u>	<u>100%</u>

For the year ended June 30, 2019 and 2018, the Center received \$1,287,083 and \$1,044,070, respectively, in Community Health Center grants from the Department of Health and Human Services, which represents 43% and 33% of the total revenue received.

Note 4 - Patient Accounts Receivable

Patient accounts receivable are comprised of the following payors at June 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 170,387	\$ 108,753
Medi-Cal	161,687	88,043
Other third-party payors	151,455	107,548
Total patient accounts receivable	<u>483,529</u>	<u>304,344</u>
Less: allowance for doubtful account	<u>(226,177)</u>	<u>(90,103)</u>
Net patient accounts receivable	<u>\$ 257,352</u>	<u>\$ 214,241</u>

Note 5 - Grants and Other Receivables

Grants and other revenues are derived through grants and contracts with the U.S. Department of Health and Human Services and the State of California Department of Health Services, and other grantors. As of June 30, 2019 and 2018, grants and other receivables were as follows:

	<u>2019</u>	<u>2018</u>
340B Program	\$ 48,440	\$ 62,358
Partnership Plan of California - Quality Improvement Plan	37,500	37,500
Grant - Shasta County	4,874	3,822
Federal AIMS	-	14,643
Other grants and receivables	44,372	-
Total	<u>\$ 135,186</u>	<u>\$ 118,323</u>

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 6 - Property and Equipment

At June 30, 2019 and 2018, property and equipment were comprised of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 428,992	\$ 328,324
Buildings	1,268,119	1,268,119
Furniture and equipment	336,751	314,462
Vehicles	5,930	-
Subtotal	<u>2,039,792</u>	<u>1,910,905</u>
Less: Accumulated amortization and depreciation	<u>(925,746)</u>	<u>(854,166)</u>
Total	<u>\$ 1,114,046</u>	<u>\$ 1,056,739</u>

Depreciation expenses for the years ended June 30, 2019 and 2018 were \$71,580 and \$66,841, respectively.

Note 7- Estimated Third-Party Payor Settlements

The Center has recorded estimated receivables from government payors as of June 30, 2019 and 2018 of \$250,184 and \$168,960, respectively and estimated liabilities of \$84,391 and \$364,905, respectively. These balances comprise estimated settlements related to PPS Reconciliation Requests from 2016 through 2019. Management periodically evaluates estimated third-party payor settlements based on the current information available and believes the final settlements will not materially affect the financial statements of the Center.

Note 8 - Long-Term Debt

At June 30, 2019 and 2018, long-term debt was comprised of the following:

	<u>2019</u>	<u>2018</u>
Note payable to California Health Facilities Financing Authority. The note bears an interest rate of 3%, with a maturity date of October 2028. Monthly payment of principal and interest is due on the 1st of each month in the amount of \$1,946. The note is secured by the Center's real and personal property.	\$ 154,440	\$ 170,044
Total long-term debt	<u>154,440</u>	<u>170,044</u>
Less: current portion	<u>(14,642)</u>	<u>(18,500)</u>
Long-term debt, net of current portion	<u>\$ 139,798</u>	<u>\$ 151,544</u>

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 8 - Long-Term Debt (Continued)

The financial lenders require the Center to maintain certain financial and non-financial covenants. The Center met all of these requirements for the fiscal years ended June 30, 2019 and 2018. Long-term principal debt repayments until maturity are as follows:

Year	Total
2020	\$ 14,642
2021	15,088
2022	15,547
2023	16,020
2024	16,507
Thereafter	76,636
Total	<u>\$ 154,440</u>

Note 9: Capital Leases

The Center leases equipment under capital leases expiring through 2023. Equipment with a book value of \$50,375 and accumulated depreciation of \$9,322 are included with property and equipment, net as of June 30, 2019. Depreciation of the equipment under the capital lease is included in depreciation expense. The future minimum payments required under the leases as of June 30, 2019 are:

2020	\$ 10,026
2021	10,026
2022	10,026
2023	10,128
Subtotal	<u>40,206</u>
Less: amount representing interest	(1,390)
Present value of net minimum lease payments	38,816
Less: current maturities	(9,487)
Obligations under capital leases - net	<u>\$ 29,329</u>

Note 10 – Profit Sharing Plan

All full-time and part-time employees may make pre-tax deferrals of their pay through a personally selected 403(b) retirement savings plan. During the years ended June 30, 2019 and 2018, the Center contributed \$7,900 and \$0, respectively on the employees' behalf to the 403(b) retirement savings plan.

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 11 – Contingencies

General Liability and Workers' Compensation

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters for which the Center carries commercial insurance. The Center purchases commercial insurance to cover the risk of loss for property and business liability. There are no known claims or incidents that may result in the assertion of material claims arising from potential losses.

Litigation

In the normal course of business, the Center is, from time to time, subject to allegations that may or do result in litigation. The Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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 Center 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 Center's financial position.

Medical Malpractice

The U.S. Department of Health and Human Services has deemed the Center and its practicing physicians be 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.

Wetland Settlement

During the summer of 2002, the land owners in and around the meadow in which the Center is located, submitted "After the Fact Permit Applications" to the Army Corps of Engineers ("ACOE") in order to mitigate land fill and other improvements made several years earlier. At the time of improvements, it was not known that the area was located in a designated Wetlands Area. All landowners signed Settlement Agreements distributing the liability proportionately, and all appropriate environmental studies were completed according to ACOE instruction. These were included in the application package to the ACOE. While ACOE still has not issued any written approval of either the Application or the Agreements, it is anticipated that the Center and the other landowners will contribute funds to an endowment which will monitor the wetlands in perpetuity.

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 11 – Contingencies (Continued)

Grants and Contracts

Continuing program funding from federal and state sources is contingent upon availability of funds and project performance. The funds are awarded on a yearly basis upon receipt and approval of program applications. In addition, expenses made under federal and state grants are subject to review and audit by the grantor agencies.

Note 12 – Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following grants and contributions at June 30, 2019 and 2018:

	2019	2018
Blue Shield	\$ -	\$ 5,250
Mercy Medical Center Redding Community Grant	5,683	5,909
Total	<u>\$ 5,683</u>	<u>\$ 11,159</u>

At June 30, 2019 and 2018, net assets were released from donor restrictions in the amount of \$5,476 and \$23,137, respectively, by incurring expenditures satisfying the restricted purposes.

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 13: 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 office and occupancy, 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.

For the year ended June 30, 2019:

	Program Services	General & Administration	Fundraising	Total
Salaries and wages	\$ 1,250,368	\$ 528,974	\$ -	\$ 1,779,342
Employee benefits	291,840	115,752	-	407,592
Professional fees	38,275	247,934	-	286,209
Contracted services	145,524	443	-	145,967
Supplies	67,858	24,282	-	92,140
Repairs and maintenance	88,681	48,030	-	136,711
Facility expense	50,132	18,086	-	68,218
Telephone and communications	14,520	97,570	-	112,090
Insurance	5,533	11,327	-	16,860
Interest	4,456	1,449	-	5,905
Depreciation and amortization	53,143	18,437	-	71,580
Other operating expenses	64,412	192,050	8,547	265,009
Total expenses	<u>\$ 2,074,742</u>	<u>\$ 1,304,334</u>	<u>\$ 8,547</u>	<u>\$ 3,387,623</u>

For the year ended June 30, 2018:

	Program Services	General & Administration	Fundraising	Total
Salaries and wages	\$ 976,089	\$ 394,751	\$ -	\$ 1,370,840
Employee benefits	224,620	105,884	-	330,504
Professional fees	28,412	197,895	-	226,307
Contracted services	442,957	2,521	-	445,478
Supplies	129,958	16,264	-	146,222
Repairs and maintenance	13,783	2,598	-	16,381
Facility expense	46,444	15,639	-	62,083
Telephone and communications	5,116	90,177	-	95,293
Insurance	5,005	9,529	-	14,534
Interest	4,833	1,970	-	6,803
Depreciation and amortization	52,082	14,759	-	66,841
Other operating expenses	67,679	182,705	6,521	256,905
Total expenses	<u>\$ 1,996,978</u>	<u>\$ 1,034,692</u>	<u>\$ 6,521</u>	<u>\$ 3,038,191</u>

Shingletown Medical Center
Notes to the Financial Statements
For the years ended June 30, 2019 and 2018

Note 14: Information Regarding Liquidity and Availability of Resources

The Center 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 Center 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 Center 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.

The Center strives to maintain liquid financial assets sufficient to cover 30 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments. The following table reflects the Center's financial assets as of June 30, 2019 reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

Cash and cash equivalents	\$	341,446
Patient accounts receivable		257,352
Grant receivable		135,186
Total financial assets		733,984
Restricted by donors		(5,683)
Financial assets available to meet cash needs for general expenditures within one year		\$ 728,301

In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by grants or donor-restricted resources.

SINGLE AUDIT REPORTS

**Shingletown Medical Center
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

Federal Grant / Program Title	Federal CFDA Number	Pass-through Identification Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, PUBLIC HEALTH SERVICES:			
<u>Direct Programs:</u>			
Community Health Center Cluster, Section 330	*93.224	N/A	\$ 1,287,083
Total federal financial assistance			<u>\$ 1,287,083</u>

* Denotes major program

Shingletown Medical Center
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) summarizes the expenditures of Shingletown Medical Center (the “Center”) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows for the Center.

Note B: Summary of Significant Accounting Policies

Basis of Accounting

For purposes of the Schedule, expenditures for federal programs are recognized on the accrual basis of accounting. Expenditures are determined using the cost accounting principles and procedures as required by Uniform Guidance. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the presentation of the Center’s financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the Center. Federal financial assistance received directly from federal agencies is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the Center.

Indirect Cost Rate

The Center did not elect to use the 10% de minimis cost rate per 2 CFR 200.510(b)(6).