

VENICE FAMILY CLINIC
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

VENICE FAMILY CLINIC
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

CONTENTS

	Page
Independent Auditor's Report	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses.....	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
SUPPLEMENTARY INFORMATION - CONSOLIDATING SCHEDULES	25
Consolidating Statement of Financial Position.....	26
Consolidating Statement of Activities.....	27
SUPPLEMENTARY INFORMATION - SINGLE AUDIT	28
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	31
Schedule of Expenditures of Federal and Nonfederal Awards	33
Schedule of Findings and Questioned Costs	36

VENICE FAMILY CLINIC

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

SUPPLEMENTARY INFORMATION - CHILD DEVELOPMENT PROGRAM.....	38
General Information.....	39
Audited Attendance and Fiscal Report.....	40
Combining Statement of Activities	43
Schedule of Renovation and Repair Expenditures	44
Schedule of Equipment Expenditures	45
Schedule of Administrative Costs	46
Schedule of Expenditures by State Categories	47
Notes to Supplementary Information.....	48
Schedule of Findings and Questioned Costs	49

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Venice Family Clinic

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Venice Family Clinic and affiliate (collectively the "Clinic"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Clinic as of June 30, 2016, 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.

Report on Summarized Comparative Information

The consolidated financial statements of the Clinic for the year ended June 30, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on December 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent in all material respects with the audited consolidated financial statements from which it has been derived.

To the Board of Directors
Venice Family Clinic

Other Matters - Supplementary Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities, consolidated Schedule of Expenditures of Federal and Nonfederal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The child development program supplementary information is presented for purposes of additional analysis in conformity with the *Audit Guide for Audits of Child Development and Nutrition Programs* issued by the California Department of Education and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 on our consideration of the Clinic'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 Clinic's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

December 12, 2016
Los Angeles, California

VENICE FAMILY CLINIC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Summarized Totals at June 30, 2015

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 3,388,810	\$ 2,016,945
Short-Term Investments	30,351	28,492
Accounts Receivable (Net)	6,349,094	2,260,422
Government Grants	796,321	931,710
Grants and Contributions Receivable - Short-Term (Net)	3,637,222	1,832,077
Other Receivables	63,357	57,330
Pharmaceutical Inventories	303,912	768,800
Prepaid Expenses and Other Assets	139,810	159,115
	14,708,877	8,054,891
OTHER ASSETS:		
Long-Term Investments	5,240,862	5,599,624
Grants and Contributions Receivable - Long-Term (Net)	2,036,205	1,574,847
Beneficial Interest in Charitable Remainder Trusts	218,083	361,112
Property and Equipment (Net)	6,401,498	6,871,394
	13,896,648	14,406,977
	\$ 28,605,525	\$ 22,461,868
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line of Credit	\$ 837,639	\$ -
Notes Payable	53,976	121,391
Accounts Payable and Accrued Expenses	246,474	680,853
	1,138,089	802,244
LONG-TERM LIABILITIES:		
Line of Credit	-	1,837,639
Note Payable - Net of Current Portion	-	53,976
	1,138,089	2,693,859
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	13,983,255	7,988,279
Temporarily Restricted	8,362,124	6,683,999
Permanently Restricted	5,122,057	5,095,731
	27,467,436	19,768,009
	\$ 28,605,525	\$ 22,461,868

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

VENICE FAMILY CLINIC

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE , GAINS/(LOSSES) AND OTHER SUPPORT:					
Third Party Reimbursement for Service	\$ 22,401,482	\$ -	\$ -	\$ 22,401,482	\$ 12,830,967
Government Support	8,701,823	-	-	8,701,823	7,841,791
Private and Community Support	2,604,687	6,660,911	50,000	9,315,598	8,736,175
Special Events (Net of Direct Donor Benefit of \$501,291)	1,832,373	-	-	1,832,373	1,813,227
TOTAL REVENUE AND OTHER SUPPORT	35,540,365	6,660,911	50,000	42,251,276	31,222,160
OTHER REVENUE:					
Interest and Dividend Income	1,003	52,301	-	53,304	238,595
Realized and Unrealized Gains/(Losses) on Investments (Net)	3,981	(315,005)	-	(311,024)	49,308
Change in Value of Beneficial Interest in Charitable Remainder Trusts	-	(143,029)	-	(143,029)	(165,792)
Net Assets Released from Restrictions	3,720,180	(3,696,506)	(23,674)	-	-
TOTAL OTHER REVENUE	3,725,164	(4,102,239)	(23,674)	(400,749)	122,111
TOTAL REVENUE, GAINS/(LOSSES) AND OTHER SUPPORT	39,265,529	2,558,672	26,326	41,850,527	31,344,271
EXPENSES:					
Program Services:					
Health Care	21,102,316	-	-	21,102,316	18,311,653
Children First Program	2,776,769	-	-	2,776,769	2,712,070
Education and Outreach	1,359,638	-	-	1,359,638	1,393,425
Common Ground	2,243,160	-	-	2,243,160	1,140,495
TOTAL PROGRAM SERVICES	27,481,883	-	-	27,481,883	23,557,643
Supporting Services:					
Management and General	4,491,501	-	-	4,491,501	3,963,253
Fundraising	1,650,100	-	-	1,650,100	1,578,093
TOTAL SUPPORTING SERVICES	6,141,601	-	-	6,141,601	5,541,346
TOTAL EXPENSES	33,623,484	-	-	33,623,484	29,098,989
IN-KIND CONTRIBUTIONS:					
Revenue	4,242,071	1,720,959	-	5,963,030	7,039,542
Net Assets Released from Restrictions	2,248,575	(2,248,575)	-	-	-
TOTAL IN-KIND REVENUE	6,490,646	(527,616)	-	5,963,030	7,039,542
EXPENSES (IN-KIND):					
Program Services:					
In-Kind Laboratory and X-Ray Services	1,920,578	-	-	1,920,578	1,662,732
Physician and Other Clinical Volunteers	1,800,406	-	-	1,800,406	1,789,596
Children First Program Volunteer	29,403	-	-	29,403	24,266
In-Kind Pharmaceutical and Laboratory Supplies	2,248,575	-	-	2,248,575	3,447,066
Other In-Kind Supplies and Services	185,392	-	-	185,392	222,595
In-Kind Insurance	306,292	-	-	306,292	282,860
TOTAL EXPENSES (IN-KIND)	6,490,646	-	-	6,490,646	7,429,115
NET IN-KIND CONTRIBUTIONS	-	(527,616)	-	(527,616)	(389,573)
Surplus Before Net Assets Released for Capital Expenditure					
	5,642,045	2,031,056	26,326	7,699,427	1,855,709
Net Assets Released for Capital Expenditure	352,931	(352,931)	-	-	-
CHANGE IN NET ASSETS	5,994,976	1,678,125	26,326	7,699,427	1,855,709
Net Assets - Beginning of Year	7,988,279	6,683,999	5,095,731	19,768,009	17,912,300
NET ASSETS - END OF YEAR	\$ 13,983,255	\$ 8,362,124	\$ 5,122,057	\$ 27,467,436	\$ 19,768,009

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

VENICE FAMILY CLINIC

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016								2015 Total	
	Health Care	Children First Program	Education and Outreach	Common Ground	Total Program	Management and General	Fundraising	Total Supporting Services		Total
Salaries	\$ 11,982,313	\$ 1,481,792	\$ 798,728	\$ 550,113	\$ 14,812,946	\$ 2,132,595	\$ 1,016,068	\$ 3,148,663	\$ 17,961,609	\$ 16,157,087
Employee Benefits	5,054,702	730,739	391,398	254,005	6,430,844	971,849	383,540	1,355,389	7,786,233	7,071,240
TOTAL PERSONNEL COSTS	17,037,015	2,212,531	1,190,126	804,118	21,243,790	3,104,444	1,399,608	4,504,052	25,747,842	23,228,327
Building - Rent	286,204	70,593	-	116,697	473,494	81,971	-	81,971	555,465	552,852
Building - Other	464,963	64,618	34,435	17,155	581,171	88,662	17,839	106,501	687,672	675,314
Child Care	-	149,210	228	-	149,438	-	-	-	149,438	127,042
Equipment	44,907	765	219	5,043	50,934	38,252	-	38,252	89,186	148,836
Fundraising Event Expenses	-	-	-	-	-	-	-	-	-	96,335
Insurance	160,689	8,742	3,499	-	172,930	70,611	33,985	104,596	277,526	236,403
Interest	-	-	-	-	-	61,004	-	61,004	61,004	55,571
Laboratory and X-Ray Services	9,948	-	-	20,472	30,420	-	-	-	30,420	42,007
Licenses, Fees and Dues	129,994	1,106	-	166	131,266	282,584	71,216	353,800	485,066	428,351
Medical Supplies and Medical Waste Removal	264,770	-	5,685	15,715	286,170	-	-	-	286,170	247,324
Miscellaneous	10,375	3,260	1,437	4,060	19,132	55,970	21,476	77,446	96,578	148,002
Office Supplies	46,975	9,913	10,295	233	67,416	47,798	2,073	49,871	117,287	116,979
Participant Supplies/Activities/Incentives	46,845	26,230	11,862	13,410	98,347	2,534	-	2,534	100,881	111,344
Pharmaceutical and Pharmacy Supplies	937,367	-	52	1,149,949	2,087,368	-	-	-	2,087,368	439,092
Postage, Printing and Subscriptions	20,205	17,869	5,274	275	43,623	20,546	33,994	54,540	98,163	96,233
Professional and Contractual Fees	511,405	49,906	42,199	55,335	658,845	186,366	39,278	225,644	884,489	771,436
Repairs and Maintenance	26,919	11,865	-	-	38,784	26,076	-	26,076	64,860	64,552
Technology Expenses	246,889	2,616	-	18,449	267,954	198,743	10,074	208,817	476,771	379,178
Telephone	72,654	4,234	-	2,891	79,779	113,328	1,390	114,718	194,497	199,237
Transportation of Patients/Clients	12,014	452	29	1,701	14,196	-	-	-	14,196	15,529
Travel, Training and Workshops	26,260	70,776	9,514	7,890	114,440	36,186	3,425	39,611	154,051	120,102
TOTAL BEFORE DEPRECIATION AND AMORTIZATON	20,356,398	2,704,686	1,314,854	2,233,559	26,609,497	4,415,075	1,634,358	6,049,433	32,658,930	28,300,046
Depreciation and Amortization	745,918	72,083	44,784	9,601	872,386	76,426	15,742	92,168	964,554	798,943
TOTAL FUNCTIONAL EXPENSES, EXCLUDING IN-KIND	21,102,316	2,776,769	1,359,638	2,243,160	27,481,883	4,491,501	1,650,100	6,141,601	33,623,484	29,098,989
In-Kind Expenses	6,275,851	214,795	-	-	6,490,646	-	-	-	6,490,646	7,429,115
TOTAL FUNCTIONAL EXPENSES	\$ 27,378,167	\$ 2,991,564	\$ 1,359,638	\$ 2,243,160	\$ 33,972,529	\$ 4,491,501	\$ 1,650,100	\$ 6,141,601	\$ 40,114,130	\$ 36,528,104

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

VENICE FAMILY CLINIC

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 7,699,427	\$ 1,855,709
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	964,554	798,943
Provision for Allowance for Doubtful Accounts	-	5,809
Interest and Dividend Income	(53,304)	-
Net Realized and Unrealized Losses on Long-Term Investments	311,024	50,300
Change in Value of Beneficial Interest in Charitable Remainder Trusts	143,029	165,792
Contributions to Endowment Funds	(50,000)	64,803
Contributions for Long-Term Purposes	(1,382,700)	(1,070,100)
Changes in Operating Assets and Liabilities		
Accounts Receivable	(4,088,672)	(1,942,405)
Government Grants	135,389	65,839
Grants and Contributions Receivable	(1,199,003)	650,185
Other Receivables	(6,027)	-
Pharmaceutical Inventories	464,888	351,884
Prepaid Expenses and Other Assets	19,305	(62,562)
Accounts Payable and Accrued Expenses	(434,379)	263,784
	2,523,531	1,197,981
<i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i>		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(494,658)	(2,177,382)
Purchase of Investments	(305,606)	(500,000)
Net Proceeds from Sale of Investments	404,789	276,210
	(395,475)	(2,401,172)
<i>NET CASH USED IN INVESTING ACTIVITIES</i>		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on Notes Payable	(121,391)	(180,049)
Borrowing/(Payment) on Line of Credit	(1,000,000)	250,000
Contributions to Endowment Funds	50,000	-
Contributions for Long-Term Purposes	315,200	1,462,500
	(756,191)	1,532,451
<i>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</i>		
<i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i>	1,371,865	329,260
Cash and Cash Equivalents - Beginning of Year	2,016,945	1,687,685
<i>CASH AND CASH EQUIVALENTS - END OF YEAR</i>	\$ 3,388,810	\$ 2,016,945
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 61,004	\$ 55,571

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - NATURE OF OPERATIONS

Venice Family Clinic and affiliate (the "Clinic") is a private, nonprofit, community-based clinic founded in 1970 to meet the health care needs of the low-income residents of Venice, California and the surrounding community. The Clinic's mission is to "provide quality primary health care to people in need."

The consolidated financial statements include the accounts of the Venice Family Clinic ("VFC") and the Venice Family Clinic Foundation (the "Foundation"), collectively, the Clinic.

VFC serves as a medical home, providing coordinated and comprehensive medical, dental and mental health services that include pediatrics, general adult medicine, women's, senior, homeless and chronic care services, prenatal care, specialty clinics in cardiology, dermatology, ear, nose and throat, gastroenterology, gynecology, neurology, ophthalmology, optometry, orthopedics and podiatry, mental health diagnostic tests and medications. VFC provides health care on six days and four evenings per week. VFC provides services primarily to people of low income, unemployed and homeless. VFC's primary service area includes Venice, Santa Monica, Palms, Mar Vista, Inglewood, Culver City and West Los Angeles, all in Los Angeles County.

VFC trains medical residents from eleven residency programs. Approximately 1,468 people volunteered in fiscal year 2016 (unaudited), including approximately 343 physicians (unaudited). The Clinic estimates that it received 67,245 (unaudited) total volunteer hours, including 6,791 (unaudited) general and administrative volunteer hours; such general and administrative hours are not represented in the financial statements in accordance with accounting principles generally accepted in the United States of America.

In 1995, VFC applied for and was awarded an Early Head Start grant ("The Children First Program"). The Early Head Start grant is contingent upon the availability of federal funds and satisfactory performance under the terms and conditions of the Head Start grant in the current budget period. The goals of the program are to strengthen the development of the child and promote the social and economic self-sufficiency of the family.

The Foundation's specific purpose is to support the mission of the Clinic, to provide quality primary health care to people in need.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The consolidated financial statements are presented utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

All significant intercompany transactions between VFC and the Foundation have been eliminated in consolidation.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Clinic are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** The Clinic reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. The Clinic has temporarily restricted net assets of \$8,362,124 at June 30, 2016, which are restricted to programs of the Clinic.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Clinic to expend all of the income (or other economic benefits) derived from the donated assets. The Clinic has permanently restricted net assets of \$5,122,057 at June 30, 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

(c) CASH AND CASH EQUIVALENTS

For consolidated financial statement purposes, the Clinic considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

The carrying value of cash equivalents approximates its fair value at June 30, 2016.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices, in the statement of financial position. Investments in the Endowed Investment Pool ("EIP") are valued based on an estimate using the net asset value per share of the investments. Investments in the Regent's Short-term Investment Pool ("Regent's STIP") are carried at cost, which approximates fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities. Investments received through gifts are recorded at estimated fair value at the date of donation.

Dividend and interest income are accrued when earned. Dividend and interest income earned from investments in all net asset classifications is allocated based on the individual investment asset as a percentage of total investment assets. Income from permanently restricted investments is recorded as temporarily restricted, except where the instructions of the donor specify otherwise.

(e) ACCOUNTS RECEIVABLE, GOVERNMENT GRANTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2016, the Clinic has established an allowance for uncollectible accounts receivable in the amount of \$464,558.

(f) GRANTS AND CONTRIBUTIONS RECEIVABLES

Unconditional contributions, including grants recorded at estimated fair value, are recognized as revenues when the grant is received. The Clinic reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. The Clinic evaluated the collectability of contributions and grants receivable at June 30, 2016. At June 30, 2016, the Clinic has established an allowance for uncollectible accounts receivable in the amount of \$25,000.

(g) PHARMACEUTICAL INVENTORIES

Purchased inventories are stated at the lower of cost FIFO ("first-in, first-out method") or market. Donated inventories are stated at acquisition prices at the date of contribution. Acquisition prices are based on the federal 340B Drug Pricing Program which provides access to reduced price prescription drugs to eligible Federally Qualified Health Center ("FQHC") entities such as the Clinic.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Clinic has been designated as the beneficiary of assets held in charitable remainder trusts administered by other trustees. The Clinic recognizes temporarily restricted contribution revenue and a receivable which represents the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the lifetime beneficiaries are recognized in the statement of activities as a change in value of beneficial interest in charitable remainder trusts.

(i) PROPERTY AND EQUIPMENT

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

Building and Improvements	30 Years
Leasehold Improvements	Shorter of Initial Lease Period or Useful Life of Asset
Furniture and Equipment, Including Software	5 Years

Expenditures for repairs and maintenance are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

(j) LONG-LIVED ASSETS

The Clinic evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated realizable value. During the year ended June 30, 2016, no impairment loss was recognized.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM

The Electronic Health Records Incentive Program, enacted as part of the American Recovery and Reinvestment Act of 2009, provides for one-time incentive payments under both the Medicare and Medi-Cal programs to eligible health centers that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medi-Cal program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medi-Cal Services. Payment under both programs are contingent on the health center continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Clinic recognizes revenue starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2016, the Clinic completed the third-year requirements under the Medi-Cal program and has recorded revenue of \$246,500, which is included in fee for service revenues in the consolidated statement of activities.

(l) THIRD-PARTY REIMBURSEMENT FOR SERVICES

VFC provides primary care services to patients covered under Medi-Cal and Medicare fee for service and managed care programs. Under these programs, VFC is reimbursed a fixed rate per visit regardless of the medical services provided to the member. As a Federally Qualified Health Center ("FQHC") under the Medi-Cal managed care program, VFC is paid at a negotiated fixed fee on a per-member-per-month basis and is entitled to additional reimbursements through a per claim wrap around rate and a reconciliation of the differences between the total of the capitation, fee-for-service and wrap around payments, and its all-inclusive Medi-Cal rate per visit paid by the State. The final reconciliation settlement is determined by the California Department of Healthcare Services after submission of annual reconciliation reports and audits thereof by the State Financial Audits Branch. VFC's Medi-Cal Managed Care reconciliation reports have been audited and finalized through fiscal year 2013.

VFC is not responsible for services rendered to members outside its clinics. VFC also has agreements with third-party payers that provide for payments to VFC at amounts different from established fee for service rates.

In 2000, the Medicare, Medicaid and State Children's Health Insurance Program Benefits Improvement and Protection Act ("BIPA") was passed. This legislation included a provision establishing a minimum Medicaid per-visit rate for each FQHC using a Prospective Payment System ("PPS") methodology. Annually, thereafter, the per-visit rate is adjusted using the Medicare Economic Index ("MEI") for primary care and any change in scope of services.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) THIRD-PARTY REIMBURSEMENT FOR SERVICES (continued)

BIPA also repeals the phase-out and elimination of the reasonable cost-based reimbursement methodology system under the Balanced Budget Act of 1997 as amended by the Federal Balanced Budget Refinement Act of 1999. Under BIPA, however, states may select an alternative payment methodology as long as the methodology reimburses FQHCs at least what they would receive under PPS and is agreed to by the FQHC. With the approval of California State plan amendment (“SPA”) No. 01-010, effective January 1, 2001, the State has chosen to implement an optional alternative payment methodology and has established base rates (on a per-visit basis) using as-reported cost-based rates for fiscal year 2000, updated to reflect increases in the MEI.

Third-party reimbursement for services, net of contractual allowances and discounts, recognized from third-party payers for the year ended June 30, 2016 amounted to \$22,401,482.

(m) CHARITY CARE

The Clinic defines “charity care” as services rendered for which the patient shall not be held liable. The Clinic is committed to providing quality health care for certain members of its community, including the poor and underserved who cannot afford health insurance, copays and deductibles. During the year ended June 30, 2016, the Clinic provided charity care of \$6,270,969 to its patients, which has been calculated as the difference between total health care costs less net third party reimbursements for services.

(n) CONTRACT AND GRANT REVENUE RECOGNITION

Revenue from cost-reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or an advance, whichever is applicable. Revenues from other grants are recognized on an accrual basis as earned according to the provisions of the grant.

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues when the pledge is received. The Clinic reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. There were no conditional grants at year end.

(o) IN-KIND CONTRIBUTIONS

In-kind contributions are recorded at their estimated fair market value at the time services are pledged or rendered or goods are received. They include donations of laboratory and diagnostic services provided primarily by hospitals and laboratory service providers, time donated by physicians and other health care volunteers, drugs for clinical activities and donations of goods and services in connection with the operations of the Clinic.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) INCOME TAXES

The Clinic and the Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

(q) CONCENTRATIONS

The Clinic maintains its cash and cash equivalents with high credit, high quality financial institutions in bank deposit and money market accounts which, at times, may exceed federally insured limits. The Clinic has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Clinic received approximately 58% of its third-party reimbursement revenue from providing services to Medi-Cal patients during the year ended June 30, 2016. Reimbursement for such services is currently based on PPS rates with final settlement after submission of annual reconciliation reports to the state.

A portion of the Clinic's annual funding, \$8,701,823 or approximately 21%, of total operating revenues is derived from grant agreements with federal and nonfederal government agencies during the year ended June 30, 2016. The Clinic has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Clinic's ability to finance ongoing operations.

Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

The Clinic holds significant investments in the form of short-term and long-term investment pools held by the UCLA Foundation. Credit risk is the failure of another party to perform in accordance with the contract terms. The Clinic is exposed to credit risk for the amount of the investments. The Clinic has never sustained a loss on any investment due to nonperformance and does not anticipate any nonperformance by the users of the securities.

(r) FUNCTIONAL ALLOCATION OF EXPENSES

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

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) USE OF ESTIMATES

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

(t) RECLASSIFICATIONS

Certain amounts in the 2015 consolidated financial statements have been reclassified to conform to the 2016 presentation.

(u) COMPARATIVE TOTALS

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Clinic's consolidated financial statements for the year ended June 30, 2015 from which the summarized information was derived.

(v) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For the Clinic, the ASU will be effective for the year ending June 30, 2019.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For the Clinic, the ASU will be effective for the year ending June 30, 2021.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) SUBSEQUENT EVENTS

The Clinic has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 12, 2016, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as noted in Note 9.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

The following table presents information about the Clinic's assets that are measured at fair value on a recurring basis at June 30, 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income Securities	\$ 982	\$ 982	\$ -	\$ -
EIP	5,240,862	-	-	5,240,862
Regent's STIP	29,369	-	-	29,369
TOTAL INVESTMENTS	5,271,213	982	-	5,270,231
Charitable Remainder Trusts	218,083	-	-	218,083
TOTAL	\$ 5,489,296	\$ 982	\$ -	\$ 5,488,314

The fair values of marketable securities within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

The EIP has a long-term investment horizon and consists principally of equity securities, bonds, mutual funds and alternative investments, which are managed in a unitized investment pool. The alternative instruments include hedge funds, private equity and venture capital. Monthly investment income and realized and unrealized gains and losses are allocated equitably based on the units owned by each participant at the beginning of each month. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. At each month end, a fair value unit price is established based on the value of endowed pool assets (end of month) divided by the total number of pool units at the beginning of the month. Investors who wish to purchase units or sell existing units can only do so at month end at the aforementioned fair value price. The EIP is considered as Level 3 due to unobservable markets. Management established the fair value of Level 3 investments through monitoring of fund activities for the investments held by the UCLA Foundation. There are no restrictions on the redemptions of these investments, but the redemption must be approved by the board of directors.

Investments in the Regent's STIP are carried at cost, which approximates fair value.

The Clinic has a beneficial interest in two trusts and two annuities that have been presented at the net present value using an estimated discount rate and annual yield over the remaining life expectancy of the donors.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) consist of the following:

	EIP Investments	Regent's STIP Investments	Beneficial Interest	Total
Beginning - June 30, 2015	\$ 5,597,588	\$ 28,492	\$ 361,112	\$ 5,987,192
Increase (Decrease) in Fair Value	(262,704)	12,725	(143,029)	(393,008)
Purchases	248,955	239,143	-	488,098
Sales	(342,977)	(250,991)	-	(593,968)
TOTAL - JUNE 30, 2016	\$ 5,240,862	\$ 29,369	\$ 218,083	\$ 5,488,314

The following table summarizes the Clinic's financial assets that are valued using the fair value approach describe in Note 2.

	Fair Value June 30, 2016	Redemption Frequency	Redemption Notice Period
EIP	\$ 5,240,862	Monthly	10 Days
Regent's STIP	29,369	Monthly	N/A

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

The following table represents the Clinic's Level 3 financial instrument, the valuation technique used to measure the fair value of the financial instrument, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value June 30, 2016	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
EIP funds ^(a)	\$ 5,240,862	Withdrawal Amount as Calculated by UCLA Foundation	N/A	N/A
Regent's STIP ^(a)	29,369	Withdrawal Amount as Calculated by UCLA Foundation	N/A	N/A

(a) Investments classified as Level 3 include the Clinic's investments in the UCLA Foundation's EIP and its Regent's STIP (see Note 4).

NOTE 4 - INVESTMENTS

The Clinic's investments consisted of the following at June 30, 2016:

Fixed Income Securities	\$ 982
EIP	5,240,862
Regent's STIP	29,369
TOTAL	\$ 5,271,213

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Total
Interest and Dividend Income	\$ 1,003	\$ 52,301	\$ 53,304
Net Realized and Unrealized Gains (Losses) on Investments	3,981	(315,005)	(311,024)
INVESTMENT LOSS (NET)	\$ 4,984	\$ (262,704)	\$ (257,720)

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 5 - ACCOUNTS RECEIVABLE

The Clinic's accounts receivable consisted of the following at June 30, 2016:

Third-Party Reimbursable Contract Receivable	\$ 6,813,652
Less: Allowance for Doubtful Accounts	<u>(464,558)</u>
TOTAL	<u>\$ 6,349,094</u>

The third-party reimbursement receivables from Medi-Cal include amounts requested from the state through the completion of the Medi-Cal Reconciliation Request Report. As an FQHC, the Clinic is entitled to additional reimbursements through a reconciliation of the differences between its all-inclusive rate per visit against capitation revenues received from health maintenance organizations. At June 30, 2016, the total unpaid third-party reimbursement receivable was \$6,813,652.

During the fiscal year ended June 30, 2016, the Clinic decreased the allowance by \$122,598 to \$464,558 for the estimated disallowed portions from future state audits. At June 30, 2016, the total unpaid FQHC settlement receivable was \$652,082. The settlement was for revenue generated from 2013 through 2016, the years for which the state had not yet completed the relevant audit.

NOTE 6 - GRANTS AND CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as grants and contributions receivable. Promises to give due in one year or more are recorded after discounting to the present value of the future cash flows at rates ranging from 0.36% to 2.08% at June 30, 2016.

Unconditional promises to give are expected to be realized in the following periods:

Amounts Due:	
In Less Than One Year	\$ 3,662,222
In One to Five Years	1,683,480
In More Than Five Years	<u>475,000</u>
TOTAL GROSS CONTRIBUTIONS RECEIVABLE	5,820,702
Less: Present Value Discount	(122,275)
Less: Allowance for Doubtful Accounts	<u>(25,000)</u>
TOTAL CONTRIBUTION RECEIVABLE - NET	5,673,427
Less: Current Portion of Contributions Receivable - Net	<u>(3,637,222)</u>
CONTRIBUTIONS RECEIVABLE - NET OF CURRENT PORTION	<u>\$ 2,036,205</u>

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 7 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Clinic is the beneficiary of several charitable remainder trusts administered by other trustees. Assets held in charitable remainder trusts totaled \$218,083 at June 30, 2016, representing the portion of the net present value of the charitable remainder trusts for which the Clinic is the designated beneficiary.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2016:

Land	\$ 1,116,512
Buildings and Improvements	6,259,843
Leasehold Improvements	7,565,836
Furniture and Equipment, Including Software	<u>2,776,673</u>
TOTAL	17,718,864
Less: Accumulated Depreciation and Amortization	<u>(11,317,366)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>\$ 6,401,498</u>

Depreciation and amortization expense for the year ended June 30, 2016 amounted to \$964,554.

NOTE 9 - LINE OF CREDIT

The Clinic has a line of credit with a bank with a limit of \$2,350,000. The line of credit bears interest at the prime reference rate plus 0.25% with a maturity date of December 1, 2016. In October 2016, the line of credit agreement was renewed to mature in December 2019, the amount of the line was increased to \$4,000,000, and the interest rate was reduced to prime plus 0%. The prime rate at June 30, 2016 was 3.5%. The Clinic's assets serve as collateral on the line of credit. The loan contains certain restrictive covenants with which the Clinic was in compliance at June 30, 2016. As of June 30, 2016, the total outstanding balance was \$837,639 with \$1,512,361 available for borrowing.

NOTE 10 - NOTES PAYABLE

On July 1, 2010, the Clinic entered into a loan agreement with California Health Facilities Financing Authority for a principal amount of \$750,000 to purchase a Practice Management and Electronic Health Record system. This note payable bears interest at a rate of 3.0% per annum and matured on August 1, 2015. The balance was fully paid off at the time of maturity.

During the year ended June 30, 2012, the Clinic received an interest free loan in the amount of \$269,872 from UCLA. The term of repayment is five years. As of June 30, 2016, the total outstanding balance is \$53,976 which is classified as current on the consolidated statement of financial position.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following at June 30, 2016:

Drugs and Dispensary Supplies	\$ 148,956
Capital Improvement Funds	1,711,944
Endowment Assets	118,805
Charitable Remainder Trusts	218,083
Operating Program Funds	<u>6,164,336</u>
TOTAL	<u>\$ 8,362,124</u>

The drug and dispensary supplies represent mainly pharmaceuticals donated to the Clinic through various drug companies' patient assistance programs. These pharmaceuticals are expected to be used by the Clinic through the normal course of its operations.

NOTE 12 - ENDOWMENTS

The balances of the permanently restricted net assets consisted of the following at June 30, 2016:

The Colen Physician Endowment Fund	\$ 862,334
The Milken Physician Endowment Fund	637,329
The Lee Physician Endowment Fund	664,207
The Skirball Physician Endowment Fund	750,000
The Weisman Psychosocial Endowment Fund	745,510
The Karsten Endowment Fund	112,677
The Briskin Endowment Fund	250,000
The Resnick Endowment Fund	500,000
The Sandy Segal Youth Health Center Endowment	500,000
The Milgrom Endowment Fund	<u>100,000</u>
TOTAL	<u>\$ 5,122,057</u>

Permanently restricted net assets include restricted contributions to the following funds:

- The Colen Physician Endowment Fund - established to provide for a permanent family practice physician and receives contributions from various individuals. During the fiscal year of 2007, the Clinic received tribute gifts to continue Irma Colen's legacy; family members established these gifts as additions to the Colen Physician Endowment Fund.
- The Milken Physician Endowment Fund - established to fund the salary of a permanent family practice physician.
- The Lee Physician Endowment Fund - established to fund the salary of a permanent family practice physician.
- The Skirball Physician Endowment Fund - established to fund the salary of the Clinic's medical director.
- The Weisman Psychosocial Endowment Fund - established to provide ongoing support to the mental health programs.
- The Karsten Endowment Fund - established to provide for a domestic violence program.
- The Briskin Endowment Fund - established to provide for the women's health care program.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 12 - ENDOWMENTS (continued)

- The Resnick Endowment Fund - established to provide mental health care services.
- The Sandy Segal Youth Health Center Endowment - established to support The Sandy Segal Youth Health Center.
- The Milgrom Endowment Fund - established to provide an annual recognition to a Venice Family Clinic staff member for providing truly humanistic and compassionate caregiving, and who teaches or serves as a mentor to those pursuing careers in community health.

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance - Beginning of Year	\$ 636,127	\$ 5,095,731	\$ 5,731,858
Net Investment Return:			
Interest and Dividends	52,301	-	52,301
Net Realized/ Unrealized Loss on Investments	(315,005)	-	(315,005)
TOTAL NET INVESTMENT RETURNS	(262,704)	-	(262,704)
Contributions	-	50,000	50,000
Net Assets Released from Restrictions	(254,618)	(23,674)	(278,292)
BALANCE - END OF YEAR	\$ 118,805	\$ 5,122,057	\$ 5,240,862

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the Clinic to retain as a fund of perpetual duration. In accordance with the provisions of ASC Topic No. 958, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2016, there was no deficiency in the endowment fund.

The permanently restricted net assets consist of several donor-restricted perpetual endowment funds with a total amount of \$5,122,057 at June 30, 2016. In accordance with the donors' stipulations and that of the ASC Topic No. 958, the historic value of \$5,122,057 must be maintained in the funds, while all interest income, dividend income and net appreciation is restricted until it is used for the purpose of the funds.

Effective in fiscal year 2010, the Clinic adopted the UCLA Foundation's endowment policy. The following is a description of the UCLA Foundation's endowment policy.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 12 - ENDOWMENTS (continued)

The purpose of the UCLA Foundation's Endowment is to support the educational mission of the University of California, Los Angeles by providing a reliable source of funds for current and future use. The income/payout from each individual endowment fund is used to support the purpose established by the donor in the gift instrument. However, endowment funds are commingled for investment purposes in the UCLA Foundation's Endowment Pool to maximize returns and minimize investment and administrative costs.

The Endowment seeks to maximize long-term total returns consistent with prudent levels of risk. Investment returns are expected to preserve or enhance the real value of the endowment to provide adequate funds to sufficiently support designated University activities. The Endowment Investment Pool assets have an indefinite time horizon that runs concurrent with the endurance of the University in perpetuity. As such, the investment portfolio assumes a time horizon that may extend beyond a normal market cycle and therefore may assume an appropriate level of risk as measured by the standard deviation of annual returns.

The Endowment's portfolio is expected to generate a total annualized rate of return, net of fees and spending, that is greater than the rate of inflation as measured by the National Consumer Price Index over a rolling five-year period. The UCLA Foundation accomplishes these objectives by engaging a number of professional managers who are assigned specific investment mandates for equities, fixed income and alternative investments.

The UCLA Foundation follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of California in January 2009. UPMIFA does not set specific expenditure limits; instead, a charity can spend the amount the charity deems prudent after considering the donor's intent that the endowment continue permanently, the purpose of the fund and relevant economic factors. The UCLA Foundation's spending policy governs the rate at which funds are released to fund holders for current spending. The UCLA Foundation's spending policy is based on a target rate set as a percentage of a 36-month rolling average market value. The current rate is 4.54% for fiscal year 2016.

The Board of Directors of the UCLA Foundation reviews and approves this rate annually. Investment returns earned in excess of the approved spending rate are retained in the endowment principal to protect from the effects of inflation and to allow for growth.

Endowments are managed in a unitized investment pool. Transactions within each individual endowment in the pool are based on the unit market value at the end of the month during which the transaction takes place for withdrawals and additions. It is the goal of the UCLA Foundation that the total return from endowment investments should be adequate to meet the following objectives:

- Preserve investment capital and its purchasing power,
- Generate sufficient resources to meet spending needs (payout),
- Attain reasonable capital appreciation through prudent acceptance of risk to enhance the future purchasing power of the investment capital.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 13 - SPECIAL EVENTS REVENUE

Special events revenue for the year ended June 30, 2016 consists of the following:

	VFC	Foundation	Total
Gross Revenue	\$ 1,719,317	\$ 614,347	\$ 2,333,664
Less: Direct Donor Benefit Expenses	(283,824)	(217,467)	(501,291)
<i>SPECIAL EVENTS (NET)</i>	\$ 1,435,493	\$ 396,880	\$ 1,832,373

NOTE 14 - COMMITMENTS AND CONTINGENCIES

(a) INSURANCE

The Clinic maintains malpractice insurance through David Geffen School of Medicine at UCLA on a claims-made basis covering losses of \$5,000,000 per occurrence.

(b) OPERATING LEASES

The Clinic has an agreement with the County of Los Angeles for the use of a building located at 2509 Pico Boulevard in Santa Monica for forty years, effective April 2000, rent-free. In exchange for free rent, the Clinic agreed to maintain, repair and obtain appropriate insurance coverage for the building and grant County of Los Angeles employees open access to the building. The Clinic is also required to achieve a minimum number of patient services for each year covered under the agreement. The Clinic did not recognize this in-kind donation due to the service requirement and the amount of leasehold improvements required to make the building habitable. At June 30, 2016, total leasehold improvements incurred for this building amounted to \$4,465,897.

Additionally, the Clinic leases certain equipment and facilities under various non-cancelable operating leases. These leases expire at various dates through June 2024. Other rental costs were incurred for certain program sites throughout the year on a month-to-month basis.

Future minimum payments under the operating leases are as follows:

Years Ending June 30	Facilities	Equipment	
2017	\$ 456,858	\$ 58,823	
2018	397,532	47,177	
2019	390,387	8,803	
2020	403,755	1,050	
2021	419,286	-	
Thereafter	1,358,518	-	
<i>TOTAL</i>	\$ 3,426,336	\$ 115,853	

Rent expense under operating leases for the year ended June 30, 2016 was \$636,429.

VENICE FAMILY CLINIC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2016 and 2015**

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

(c) GOVERNMENT GRANTS AND CONTRACTS

Government reimbursement programs are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings and government funding restrictions, all of which could materially decrease the services covered or the rates paid to the Clinic for its services.

(d) LITIGATION

In the ordinary course of doing business, the Clinic may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Clinic which, from time to time, may have an impact on changes in net assets. The Clinic does not believe that these proceedings, individually or in the aggregate, will have a material effect on the accompanying consolidated financial statements.

NOTE 15 - RELATED PARTY TRANSACTIONS

VFC is affiliated with the David Geffen School of Medicine at UCLA. As part of this affiliation, UCLA provides payroll and personnel services, personnel training services and workers' compensation insurance to VFC at minimal charge and medical malpractice insurance at no charge. VFC contributes to the University of California Retirement Plan ("UCRP" or the "Plan") as part of its affiliation agreement between Venice Family Clinic and UCLA.

The Clinic's employees are legally employees of UCLA and work for the Clinic under an affiliation agreement. Accordingly, such employees are eligible to receive benefits under the University of California Retirement Plan ("UCRP" or the "Plan"). The Plan is a defined benefit plan under which benefits are determined by formulas (factors include the member's salary, age and years of UCRP service). The Clinic contributes 14% of total payroll in accordance with the provisions of the Plan and the affiliation agreement. For the year ended June 30, 2016, the Clinic contributed \$2,387,181 to the Plan.

The Clinic has no plans to withdraw from the Plan as of June 30, 2016. Were the Clinic ever to withdraw from the Plan in the future, under the affiliation agreement, the Clinic would not be liable for its proportional share of any underfunded liability that might exist. Accordingly, the disclosure provisions related to the Plan do not apply. However, overall the Plan is 77% funded at June 30, 2016. It is therefore possible that Plan premiums could increase in the future so as to reduce this underfunded situation.

VENICE FAMILY CLINIC

**SUPPLEMENTARY INFORMATION -
CONSOLIDATING SCHEDULES**

YEAR ENDED JUNE 30, 2016

VENICE FAMILY CLINIC

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2016

	Venice Family Clinic	Venice Family Clinic Foundation	Eliminations	Total
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 3,082,412	\$ 306,398	\$ -	\$ 3,388,810
Short-Term Investments	30,351	-	-	30,351
Accounts Receivable (Net)	6,349,094	-	-	6,349,094
Government Grants	796,321	-	-	796,321
Grants and Contributions				
Receivable - Short-Term (Net)	3,581,514	55,708	-	3,637,222
Other Receivables	63,357	-	-	63,357
Pharmaceutical Inventories	303,912	-	-	303,912
Prepaid Expenses and Other Assets	139,810	-	-	139,810
TOTAL CURRENT ASSETS	14,346,771	362,106	-	14,708,877
OTHER ASSETS:				
Long-Term Investments	5,240,862	-	-	5,240,862
Long-Term Grants and Contributions				
Receivable - Long-Term (Net)	2,036,205	-	-	2,036,205
Charitable Remainder Trust	218,083	-	-	218,083
Accounts Receivable - Intercompany	-	54,542	(54,542)	-
Property and Equipment (Net)	6,401,498	-	-	6,401,498
TOTAL OTHER ASSETS	13,896,648	54,542	(54,542)	13,896,648
TOTAL ASSETS	\$ 28,243,419	\$ 416,648	\$ (54,542)	\$ 28,605,525
 LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Line of Credit	\$ 837,639	\$ -	\$ -	\$ 837,639
Note Payable	53,976	-	-	53,976
Accounts Payable and Accrued Expenses	239,472	7,002	-	246,474
Accounts Payable - Intercompany	54,542	-	(54,542)	-
TOTAL CURRENT LIABILITIES	1,185,629	7,002	(54,542)	1,138,089
NET ASSETS:				
Unrestricted	13,573,609	409,646	-	13,983,255
Temporarily Restricted	8,362,124	-	-	8,362,124
Permanently Restricted	5,122,057	-	-	5,122,057
TOTAL NET ASSETS	27,057,790	409,646	-	27,467,436
TOTAL LIABILITIES AND NET ASSETS	\$ 28,243,419	\$ 416,648	\$ (54,542)	\$ 28,605,525

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

VENICE FAMILY CLINIC

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	Venice Family Clinic	Venice Family Clinic Foundation	Eliminations	Total
REVENUE , GAINS/(LOSSES) AND OTHER SUPPORT:				
Third Party Reimbursement for Service	\$ 22,401,482	\$ -	\$ -	\$ 22,401,482
Government Support	8,701,823	-	-	8,701,823
Private and Community Support	9,313,721	1,877	-	9,315,598
Special Events (Net of Direct Donor Benefit of \$501,291)	1,435,493	396,880	-	1,832,373
TOTAL REVENUE AND OTHER SUPPORT	41,852,519	398,757	-	42,251,276
OTHER REVENUE:				
Interest and Dividend Income	53,304	-	-	53,304
Realized and Unrealized Loss on Investments (Net)	(311,024)	-	-	(311,024)
Change in Value on Beneficial Interest in Charitable Remainder Trusts	(143,029)	-	-	(143,029)
TOTAL OTHER REVENUE	(400,749)	-	-	(400,749)
TOTAL REVENUE, GAINS/(LOSSES) AND OTHER SUPPORT	41,451,770	398,757	-	41,850,527
EXPENSES:				
Program Services:				
Health Care	21,102,316	-	-	21,102,316
Children First Program	2,776,769	-	-	2,776,769
Education and Outreach	1,359,638	-	-	1,359,638
Common Ground	2,243,160	-	-	2,243,160
TOTAL PROGRAM SERVICES	27,481,883	-	-	27,481,883
Supporting Services:				
Management and General	4,454,235	37,266	-	4,491,501
Fundraising	1,650,100	-	-	1,650,100
TOTAL SUPPORTING SERVICES	6,104,335	37,266	-	6,141,601
TOTAL EXPENSES	33,586,218	37,266	-	33,623,484
IN-KIND CONTRIBUTIONS				
Revenue	5,963,030	-	-	5,963,030
EXPENSES (IN-KIND)				
Program Services:				
In-Kind Laboratory and X-Ray Services	1,920,578	-	-	1,920,578
Physician and Other Clinical Volunteers	1,800,406	-	-	1,800,406
Children First Program Volunteer	29,403	-	-	29,403
In-Kind Pharmaceutical and Laboratory Supplies	2,248,575	-	-	2,248,575
Other In-Kind Supplies and Services	185,392	-	-	185,392
In-Kind Insurance	306,292	-	-	306,292
TOTAL EXPENSES (IN-KIND)	6,490,646	-	-	6,490,646
NET IN-KIND CONTRIBUTIONS	(527,616)	-	-	(527,616)
CHANGE IN NET ASSETS	7,337,936	361,491	-	7,699,427
Net Assets - Beginning of Year	19,719,854	48,155	-	19,768,009
NET ASSETS - END OF YEAR	\$ 27,057,790	\$ 409,646	\$ -	\$ 27,467,436

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

VENICE FAMILY CLINIC

SUPPLEMENTARY INFORMATION -
SINGLE AUDIT

YEAR ENDED JUNE 30, 2016

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Venice Family Clinic

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Venice Family Clinic and affiliate (collectively the "Clinic"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Clinic'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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinic'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 consolidated 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinic's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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*.

To the Board of Directors
Venice Family Clinic

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 Clinic's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clinic' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Green Hasson & Janks LLP

December 12, 2016
Los Angeles, California

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Venice Family Clinic

Report on Compliance for Each Major Federal Program

We have audited Venice Family Clinic and affiliate (the "Clinic") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Clinic's major federal programs for the year ended June 30, 2016. The Clinic'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Clinic'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 (CFR) 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 the Clinic'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 Clinic's compliance.

Opinion on Each Major Federal Program

In our opinion, the Clinic 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, 2016.

Report on Internal Control over Compliance

Management of the Clinic 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 Clinic's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 Clinic's internal control over compliance.

To the Board of Directors
Venice Family Clinic

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.

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

Green Hasson & Janks LLP

December 12, 2016
Los Angeles, California

VENICE FAMILY CLINIC

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS

Year Ended June 30, 2016

Agency - Program Grant Title	Federal CFDA Number	Contract Number	Grant Period	Contract Amount	Total Expenditures
FEDERAL AWARDS					
MAJOR AWARDS					
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Health Resources and Services Administration					
Health Center Cluster	93.224, 93.527	6 H80CS04217	Dec 1, 2014 - Apr 30, 2016	\$ 4,443,730	\$ 2,645,440
	93.224, 93.527	6 H80CS04217	May 1, 2016 - April 30, 2017	3,236,863	512,186
Pass-through Northeast Valley Health Corporation					
Health Care for the Homeless	93.224	H80-CS-00139	Dec 1, 2014 - Dec 31, 2015	607,858	302,138
	93.224	H80-CS-00139	Jan 1, 2016 - Dec 31, 2016	543,563	278,063
Total 93.224, 93.527, Health Center Cluster				8,832,014	3,737,827
TOTAL MAJOR AWARDS				8,832,014	3,737,827
NON-MAJOR AWARDS					
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Health Resources and Services Administration					
Outpatient Early Intervention Service with Respect to HIV Disease	93.918	6 H76HA00207	May 1, 2015 - April 30, 2016	343,972	286,353
	93.918	6 H76HA00207	May 1, 2016 - April 30, 2017	343,972	52,293
Total 93.918				687,944	338,646
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Health Resources and Services Administration					
Health Infrastructure Investment Program	93.526	6 C8DC29099	Sep 30, 2015 - Sep 28, 2018	369,622	7,465
Total 93.526				369,622	7,465
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Pass-through Los Angeles County - Public Health					
Division of HIV and STD Programs					
HIV/AIDS Mental Health Counseling	93.914	H210819	Mar 01, 2015 - Feb 29, 2016	61,678	40,354
	93.914	H210819	Mar 01, 2016 - Feb 28, 2017	61,678	20,853
Medical Care Coordination					
	93.914	PH002357	Mar 01, 2015 - Feb 29, 2016	212,354	152,478
	93.914	PH002357	Mar 01, 2016 - Feb 28, 2017	212,354	66,813
Ambulatory/Outpatient Medical					
	93.914	PH002356	Mar 01, 2015 - Feb 29, 2016	66,024	27,230
	93.914	PH002356	Mar 01, 2016 - Feb 28, 2017	66,024	23,275
HIV/AIDS Benefits Specialty					
	93.914	PH002680	Apr 01, 2015 - Mar 31, 2016	50,823	38,951
	93.914	PH002680	Apr 01, 2016 - Mar 31, 2017	50,823	11,688
Total 93.914				781,758	381,642

See Independent Auditor's Report

VENICE FAMILY CLINIC

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS

Year Ended June 30, 2016

Agency - Program Grant Title	Federal CFDA Number	Contract Number	Grant Period	Contract Amount	Total Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Centers for Disease Control and Prevention					
Pass-through Los Angeles County - Public Health					
Division of HIV and STD Programs					
Storefront HIV Counseling and Testing	93.940	PH000810	Jan 01, 2015 - Dec 31, 2015	60,000	29,670
	93.940	PH000810	Jan 01, 2016 - Dec 31, 2016	60,000	25,890
Storefront HIV Counseling and Testing (Pay for Performance)	93.940	PH000810	Jan 01, 2015 - Dec 31, 2015	40,000	22,158
	93.940	PH000810	Jan 01, 2016 - Dec 31, 2016	40,000	18,047
HIV/AIDS Health Education and Risk Reduction	93.940	PH001034	July 01, 2015 - Dec 31, 2015	72,000	32,495
	93.940	PH001034	Jan 01, 2016 - June 30, 2016	36,000	35,750
Total 93.940				<u>308,000</u>	<u>164,010</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Administration for Children and Families - Early Head Start					
Comprehensive Child Development Program					
	93.600	09CH9135-02	Jan 1, 2015 - Dec 31, 2015	\$ 2,492,969	\$ 1,255,379
	93.600	09CH9135-03	Jan 1, 2016 - Dec 31, 2016	2,536,762	1,229,929
Total 93.600				<u>5,029,731</u>	<u>2,485,308</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Office of Population Affairs					
Pass-through California Family Health Council, Inc.					
Family Planning Services - Basic Contraceptives/Male Services					
	93.217	2858-5320-71219	Jan 1, 2015 - Mar 31, 2016	174,149	100,844
	93.217	2858-5320-71219	Apr 1, 2016 - Mar 31, 2017	139,320	33,699
Integration of HIV Services	93.217	2858-5320-71262	Sep 1, 2014 - Aug 31, 2015	73,314	18,342
	93.217	2858-5320-71262	Sep 1, 2015 - Aug 31, 2016	73,314	60,639
Total 93.217				<u>460,097</u>	<u>213,524</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
National Institutes of Health					
Pass-through National Institute on Drug Abuse/RAND Corporation					
Integrated Collaborative Care for Substance Use Disorders Project					
	93.279	R01DA034266	July 1, 2015 - June 30, 2016	84,000	84,000
Total 93.279				<u>84,000</u>	<u>84,000</u>
U.S. DEPARTMENT OF EDUCATION					
Pass-through State of California - Department of Education					
CCTR General Child Care					
	93.575, 93.596	CCTR-5127	July 1, 2015 - June 30, 2016	86,490	86,490
Total 93.575, 93.596				<u>86,490</u>	<u>86,490</u>

See Independent Auditor's Report

VENICE FAMILY CLINIC

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS

Year Ended June 30, 2016

Agency - Program Grant Title	Federal CFDA Number	Contract Number	Grant Period	Contract Amount	Total Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Pass-through County of L.A. - Homeless Service Authority/St. Joseph Center					
Dual Diagnosis Outreach Collaborative	14.235	CA0476B9D001003	Aug 1, 2014 - July 31, 2015	108,905	-
	14.235	CA0476L9D001407	Aug 1, 2015 - July 31, 2016	108,905	108,905
Total 14.235				<u>217,810</u>	<u>108,905</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Pass-through City of L.A. - Department on Disability					
Syringe Collection	14.218	C125551	July 1, 2015 - June 30, 2016	55,000	55,000
				<u>55,000</u>	<u>55,000</u>
NONFEDERAL AWARDS					
STATE OF CALIFORNIA, DEPARTMENT OF HEALTH SERVICES					
Pass-through Los Angeles County - Public Health					
Outreach, Enrollment, Utilization, and Retention Services	N.A.	PH-002515	July 1, 2015 - June 30, 2016	190,000	190,000
Outreach, Enrollment DHCS MEDI-CAL	N.A.	PH-002515	July 1, 2015 - June 30, 2016	29,550	29,550
Total Pass-through Los Angeles County - Public Health				<u>219,550</u>	<u>219,550</u>
Pass-through County of L.A. Department of Mental Health/St. Joseph Center					
Integrated Mobile Health Team	N.A.	MH120959	July 1, 2015 - June 30, 2016	95,295	93,967
Medical Services Integrated Service Model (ANIMO)	N.A.	MH120959	July 1, 2015 - June 30, 2016	45,000	40,228
Total Pass-through County of L.A. Department of Mental Health/St. Joseph Center				<u>140,295</u>	<u>134,195</u>
STATE OF CALIFORNIA, DEPARTMENT OF EDUCATION					
Child Development Services - General Child Care & Development Programs	N.A.	CCTR-5127	July 1, 2015 - June 30, 2016	114,696	114,345
Total Child Development Services - General Child Care & Development Programs				<u>114,696</u>	<u>114,345</u>
TOTAL NON-MAJOR AWARDS				<u>8,554,993</u>	<u>4,393,080</u>
TOTAL FEDERAL AND NONFEDERAL AWARDS				<u>\$ 17,387,007</u>	<u>\$ 8,130,907</u>

Notes to the Consolidated Schedule of Expenditures of Federal and Nonfederal Awards for the Year Ended June 30, 2016

1. Basis of Presentation - The accompanying consolidated schedule of expenditures of federal and nonfederal awards (Schedule) includes the federal award activity of the organization under programs of the federal government for the year ended June 30, 2016. 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 combined financial position, changes in net assets, or cash flows of the organization.
2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
3. The Clinic has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditor's Report

VENICE FAMILY CLINICS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.224, 93.527	U.S. Department of Health and Human Services, Health Resources and Services Administration Health Center Cluster
93.224	U.S. Department of Health and Human Services, Pass-Through Northeast Valley Health Corporation Health Care for the Homeless

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

Auditee qualified as a low-risk auditee? Yes No

VENICE FAMILY CLINICS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016**

SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS

There were no current year audit findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year audit findings.

SECTION IV - SUMMARY OF PRIOR YEAR FINDINGS

There were no prior year audit findings.

VENICE FAMILY CLINIC

SUPPLEMENTARY INFORMATION -
CHILD DEVELOPMENT PROGRAM

YEAR ENDED JUNE 30, 2016

VENICE FAMILY CLINIC

CHILD DEVELOPMENT PROGRAM - GENERAL INFORMATION

June 30, 2016

- | | |
|--|--|
| 1. Name of the Agency | Venice Family Clinic |
| 2. Provider Names and Contract Numbers:
General Child Care | CCTR-5127 |
| 3. Type of Agency | Nonprofit Organization |
| 4. Address of Agency Headquarters | 604 Rose Avenue
Los Angeles, California 90291 |
| 5. Name and Address of Executive Director
and Name of Chief Executive Officer,
Business Officer, or Accountant | |
| Chief Executive Officer | Elizabeth Benson Forer
604 Rose Ave.
Los Angeles, California 90291 |
| Chief Financial Officer | Andrea Blackbird |
| 6. Telephone Number | (310) 664-7941 |
| 7. Period Covered by Examination | July 1, 2015 through June 30, 2016 |
| 8. Number of Days of Agency's Operation | 256 |

AUDITED ATTENDANCE AND FISCAL REPORT

for General or Migrant Center-Based Programs

Agency Name: VENICE FAMILY CLINIC Vendor No. V419

Fiscal Year Ended: June 30, 2016 Contract No. CCTR-5127

Independent Auditor's Name: GREEN HASSON & JANKS LLP

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus			-	2.006	-
Full-time			-	1.700	-
Three-quarters-time			-	1.275	-
One-half-time			-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus			-	1.652	-
Full-time	652		652	1.400	912.800
Three-quarters-time			-	1.050	-
One-half-time	122		122	0.770	93.940
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus			-	1.652	-
Full-time	3,030		3,030	1.400	4,242.000
Three-quarters-time			-	1.050	-
On-half-time	35		35	0.770	26.950
<i>Three Years and Older</i>					
Full-time-plus			-	1.180	-
Full-time	35		35	1.000	35.000
Three-quarters-time			-	0.750	-
One-half-time			-	0.550	-
<i>Exceptional Needs</i>					
Full-time-plus			-	1.416	-
Full-time			-	1.200	-
Three-quarters-time			-	0.900	-
One-half-time			-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.298	-
Full-time			-	1.100	-
Three-quarters-time			-	0.825	-
One-half-time			-	0.605	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.298	-
Full-time			-	1.100	-
Three-quarters-time			-	0.825	-
One-half-time			-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.770	-
Full-time			-	1.500	-
Three-quarters-time			-	1.125	-
One-half-time			-	0.825	-
TOTAL DAYS OF ENROLLMENT	3,874	-	3,874		5,310.690
DAYS OF OPERATION	256		256		
DAYS OF ATTENDANCE	3,583		3,583		

NO NONCERTIFIED CHILDREN - Check box, omit page 2 & continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

**AUDITED ATTENDANCE AND FISCAL REPORT
for General or Migrant Center-Based Programs**

Agency Name: VENICE FAMILY CLINIC Vendor No. V419

Fiscal Year End: June 30, 2016 Contract No. CCTR-5127

SECTION III - REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED INCOME			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Subtotal	\$0	\$0	\$0
Transfer from Reserve			0
Family Fees for Certified Children	8,608		8,608
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
TOTAL REVENUE	\$8,608	\$0	\$8,608

SECTION IV - REIMBURSABLE EXPENSES

<i>Direct Payments to Providers (FCCH Only)</i>	\$148,178		\$148,178
1000 Certificated Salaries			0
2000 Classified Salaries	23,782		23,782
3000 Employee Benefits	9,200		9,200
4000 Books and Supplies			0
5000 Services and Other Operating Expenses	4,798		4,798
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs Rate: 8.00% (Rate is Self-Calculating)	14,877		14,877
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$200,835	\$0	\$200,835
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$21,843		\$21,843

FOR CDE-A&I USE ONLY:

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

- YES
 NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

- YES
 NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box and omit page 4 if there are no supplemental revenues or expenses to report.

**AUDITED ATTENDANCE AND FISCAL REPORT
for General or Migrant Center-Based Programs**

Agency Name: VENICE FAMILY CLINIC Vendor No. V419

Fiscal Year End: June 30, 2016 Contract No. CCTR-5127

	COLUMN A	COLUMN B	COLUMN C
SECTION V - SUPPLEMENTAL REVENUE	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
Enhancement Funding			\$0
Other (Specify): EHS Development Fund	66,619		66,619
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL REVENUE	\$66,619	\$0	\$66,619

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries			\$0
2000 Classified Salaries	45,255		45,255
3000 Employee Benefits	16,429		16,429
4000 Books and Supplies			0
5000 Services and Other Operating Expenses			0
6000 Equipment/Other Capital Outlay			0
Depreciation or Use Allowance			0
Indirect Costs	4,935		4,935
Other (Specify):			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL EXPENSES	\$66,619	\$0	\$66,619

COMMENTS - If necessary, attach additional sheets to explain adjustments:

VENICE FAMILY CLINIC
COMBINING STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	General Center Child Care CCTR-5127	Other Local Grants (Non-CDE)	Federal Grant - Early Head Start	Other Federal Grants	Non-Government Health Care Services Programs	Total
REVENUE, GAINS AND OTHER SUPPORT:						
Government Support:						
Fees and Grants from Governmental Agencies:						
General Child Care	\$ 189,631	\$ -	\$ -	\$ -	\$ -	\$ 189,631
Other	-	846,829	2,485,308	5,130,558	49,497	8,512,192
TOTAL FEES AND GRANTS FROM GOVERNMENTAL AGENCIES	189,631	846,829	2,485,308	5,130,558	49,497	8,701,823
Fee for Service	8,608	-	-	-	22,392,874	22,401,482
Private and Community Support	2,596	-	-	-	9,313,002	9,315,598
Special Events (Net)	-	-	-	-	1,832,373	1,832,373
TOTAL REVENUE AND OTHER SUPPORT	200,835	846,829	2,485,308	5,130,558	33,587,746	42,251,276
OTHER REVENUE:						
Interest and Dividend Income	-	-	-	-	53,304	53,304
Realized and Unrealized Loss on Investments (Net)	-	-	-	-	(311,024)	(311,024)
Change in Value on Beneficial Interest in Charitable Remainder Trusts	-	-	-	-	(143,029)	(143,029)
In-Kind Revenue	-	-	214,795	-	5,748,235	5,963,030
TOTAL OTHER REVENUE	-	-	214,795	-	5,347,486	5,562,281
TOTAL REVENUE, LOSSES AND OTHER SUPPORT	200,835	846,829	2,700,103	5,130,558	38,935,232	47,813,557
EXPENSES:						
Salaries	23,782	559,029	1,444,370	3,358,355	12,576,073	17,961,609
Employee Benefits	9,200	162,195	713,750	1,299,102	5,601,986	7,786,233
Building - Other	335	9,120	526	-	677,691	687,672
Building - Rent	-	32,920	70,593	29,679	422,273	555,465
Child Care	148,178	-	1,033	-	227	149,438
Depreciation and Amortization	-	-	-	-	964,554	964,554
Equipment	-	-	765	-	88,421	89,186
In-Kind Expenses	-	-	214,795	-	6,275,851	6,490,646
Insurance	-	-	277	-	277,249	277,526
Interest	-	-	-	-	61,004	61,004
Laboratory and X-Ray Services	-	3,944	-	9,917	16,559	30,420
Licenses, Fees and Dues	-	-	1,106	292	483,668	485,066
Medical Supplies and Medical Waste Removal	-	7,201	-	-	278,969	286,170
Miscellaneous	-	-	-	-	96,578	96,578
Office Supplies	69	4,075	8,963	31,077	73,103	117,287
Participant Supplies/Activities/Incentives	326	1,999	26,145	8,117	64,294	100,881
Pharmaceutical and Pharmacy Supplies	-	-	-	4,432	2,082,936	2,087,368
Postage, Printing and Subscriptions	1,237	2,830	16,629	799	76,668	98,163
Professional and Contractual Fees	1,500	37,059	41,037	152,675	652,218	884,489
Repairs and Maintenance	-	-	11,419	100	53,341	64,860
Technology Expenses	-	-	2,616	-	474,155	476,771
Telephone	-	3,014	4,233	294	186,956	194,497
Transportation of Patients/Clients	-	3,986	452	1,860	7,898	14,196
Travel, Training and Workshops	1,331	2,885	68,742	8,819	72,274	154,051
TOTAL BEFORE INDIRECT EXPENSES	185,958	830,257	2,627,451	4,905,518	31,564,946	40,114,130
Indirect Expenses	14,877	16,572	72,652	225,040	(329,141)	-
TOTAL EXPENSES	200,835	846,829	2,700,103	5,130,558	31,235,805	40,114,130
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ 7,699,427	\$ 7,699,427

See Independent Auditor's Report

VENICE FAMILY CLINIC

SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES

Year Ended June 30, 2016

Expenditures	General Center Child Care CCTR-5127
UNIT COST UNDER \$10,000 ITEM:	
<i>Total</i>	\$ -
UNIT COST OVER \$10,000 WITH CDE APPROVAL:	
<i>Total</i>	-
UNIT COST OVER \$10,000 WITHOUT CDE APPROVAL:	
<i>Total</i>	-
<i>TOTAL RENOVATION AND REPAIR EXPENDITURES</i>	<u><u>\$ -</u></u>

See Independent Auditor's Report

VENICE FAMILY CLINIC

SCHEDULE OF EQUIPMENT EXPENDITURES
Year Ended June 30, 2016

Expenditures	General Center Child Care CCTR-5127
UNIT COST UNDER \$7,500 PURCHASE:	
<i>Total</i>	\$ -
UNIT COST OVER \$7,500 WITH CDE APPROVAL:	
<i>Total</i>	-
UNIT COST OVER \$7,500 WITHOUT CDE APPROVAL:	
<i>Total</i>	-
TOTAL EQUIPMENT EXPENDITURES	<u><u>\$ -</u></u>

See Independent Auditor's Report

VENICE FAMILY CLINIC

SCHEDULE OF ADMINISTRATIVE COSTS
Year Ended June 30, 2016

Expenditures	General Center Child Care CCTR-5127
Classified Personnel Salaries	\$ 3,665
Employee Benefits	1,447
Services and Other Operating Expenses	<u>1,854</u>
Total	6,966
Indirect Costs:	
Indirect Services @ 8% Maximum	<u>14,877</u>
TOTAL ADMINISTRATIVE COSTS	<u><u>\$ 21,843</u></u>

See Independent Auditor's Report

VENICE FAMILY CLINIC

SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
Year Ended June 30, 2016

Expenditures		General Center Child Care CCTR-5127
-	Direct Payments to Providers	\$ 148,178
2000	Classified Salaries	23,782
3000	Employee Benefits	9,200
5000	Services and Other Operating Expenses	4,798
-	Indirect Costs @ 8% Maximum	14,877
<i>TOTAL EXPENDITURES BY STATE CATEGORIES</i>		<i>\$ 200,835</i>

See Independent Auditor's Report

VENICE FAMILY CLINIC

**CHILD DEVELOPMENT PROGRAM -
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedules of revenues and expenditures of California Department of Education awards for the child development program present the amount of revenues and expenditures related to the child development program administered by the Clinic in connection with the grants awarded by the California Department of Education.

The revenue and expenditures included in the accompanying schedules are reported on the accrual basis of accounting.

VENICE FAMILY CLINIC
CHILD DEVELOPMENT PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016

CURRENT YEAR AUDIT FINDINGS AND QUESTIONED COSTS

There were no current year audit findings.

SUMMARY OF PRIOR YEAR FINDINGS

There were no prior year audit findings.