

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND
WELLNESS CENTERS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

AUDIT
AND
ASSURANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
T.H.E. Clinic, Inc.
dba T.H.E. Health and Wellness Centers

Report on the Financial Statements

Opinion

We have audited the financial statements of T.H.E. Clinic, Inc. dba T.H.E. Health and Wellness Centers (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

To the Board of Directors
T.H.E. Clinic, Inc.
dba T.H.E. Health and Wellness Centers

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
T.H.E. Clinic, Inc.
dba T.H.E. Health and Wellness Centers

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, including the 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) is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information referred to above has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

February 23, 2023
Los Angeles, California

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

STATEMENT OF FINANCIAL POSITION
June 30, 2022
With Summarized Totals at June 30, 2021

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash	\$ 11,506,398	\$ 9,748,447
Patient Services Accounts Receivable	1,367,182	1,303,611
Government Grants Receivable	830,334	301,255
Private Grants Receivable	112,500	-
Prepaid Expenses and Other Assets	109,901	166,158
TOTAL CURRENT ASSETS	13,926,315	11,519,471
PROPERTY AND EQUIPMENT (Net)	2,961,371	2,105,939
INTANGIBLE ASSETS (Net)	340,183	378,850
TOTAL ASSETS	\$ 17,227,869	\$ 14,004,260
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 541,702	\$ 385,152
Accrued Expenses	847,613	830,405
Estimated Amounts Due to Third-Party Payers	4,555,241	2,519,616
TOTAL LIABILITIES	5,944,556	3,735,173
NET ASSETS:		
Without Donor Restrictions	11,283,313	10,269,087
TOTAL NET ASSETS	11,283,313	10,269,087
TOTAL LIABILITIES AND NET ASSETS	\$ 17,227,869	\$ 14,004,260

The Accompanying Notes are an Integral Part of These Financial Statements

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year Ended June 30, 2022
With Summarized Totals for the Year Ended June 30, 2021

	2022 Total	2021 Total
REVENUE AND SUPPORT		
WITHOUT DONOR RESTRICTIONS:		
Patient Care Service Revenues (Net)	\$ 11,169,932	\$ 11,902,361
Government Grants	6,512,961	5,252,142
Contributions	703,110	581,828
In-Kind Contributions	65,055	-
	18,451,058	17,736,331
TOTAL REVENUE AND SUPPORT		
EXPENSES:		
Program Services	14,017,468	12,890,418
Management and General	2,449,049	2,223,952
Fundraising	1,015,165	610,152
	17,481,682	15,724,522
TOTAL EXPENSES		
EXCESS OF REVENUE AND SUPPORT		
WITHOUT DONOR RESTRICTIONS OVER EXPENSES	969,376	2,011,809
OTHER INCOME:		
Paycheck Protection Program Loan Forgiveness	-	1,756,000
Other Income	44,850	22,288
	44,850	1,778,288
TOTAL OTHER INCOME		
CHANGE IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS	1,014,226	3,790,097
Net Assets Without Donor Restrictions - Beginning of Year	10,269,087	6,478,990
NET ASSETS WITHOUT DONOR		
RESTRICTIONS - END OF YEAR	\$ 11,283,313	\$ 10,269,087

The Accompanying Notes are an Integral Part of These Financial Statements

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022
With Summarized Totals for the Year Ended June 30, 2021

	Program Services				Supporting Services			2022 Total	2021 Total
	Medical	Dental	Early Intervention Treatment Program	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and Payroll Taxes	\$ 5,791,018	\$ 532,367	\$ 587,508	\$ 6,910,893	\$ 1,074,890	\$ 320,862	\$ 1,395,752	\$ 8,306,645	\$ 8,269,379
Employee Benefits	439,114	47,477	58,685	545,276	169,453	7,726	177,179	722,455	860,218
TOTAL PERSONNEL COSTS	6,230,132	579,844	646,193	7,456,169	1,244,343	328,588	1,572,931	9,029,100	9,129,597
Building Maintenance Costs	27,229	578	-	27,807	94,656	1,155	95,811	123,618	110,075
Building Rent	586,063	120,900	-	706,963	174,244	42,115	216,359	923,322	872,072
Equipment Purchases, Repairs, and Maintenance	65,603	10,853	1,284	77,740	89,692	6,564	96,256	173,996	166,282
In-kind contributions	65,055	-	-	65,055	-	-	-	65,055	-
Insurance	23,878	-	3,365	27,243	106,488	-	106,488	133,731	116,743
Laboratory and X-Ray Services	318,936	-	33,576	352,512	154	-	154	352,666	282,906
Licenses, Fees, & Dues	57,097	-	-	57,097	66,267	11,887	78,154	135,251	112,663
Medical Supplies and Medical Waste Removal	278,291	51,171	500,557	830,019	2,285	6,366	8,651	838,670	904,432
Other Expenses	16,259	-	-	16,259	15,297	54	15,351	31,610	30,050
Office Supplies	12,049	124	273	12,446	72,575	3,365	75,940	88,386	78,133
Participant Supplies, Activities, and Incentives	3,381	-	-	3,381	2,279	148,437	150,716	154,097	81,145
Pharmaceutical and Pharmacy Supplies	383,639	-	-	383,639	-	-	-	383,639	622,252
Postage, Printing and Subscriptions	479	322	-	801	18,062	15,666	33,728	34,529	22,687
Professional & Contractual Fees	2,752,260	385,138	291,737	3,429,135	196,131	428,957	625,088	4,054,223	2,190,265
Technology Expenses	243,169	825	183	244,177	296,299	12,720	309,019	553,196	583,864
Telephone	-	-	-	-	35,941	-	35,941	35,941	81,613
Transportation of Patients and Clients	19,229	-	2,660	21,889	3,671	60	3,731	25,620	15,214
Travel, Training and Workshops	69,045	18,965	16,515	104,525	30,665	9,231	39,896	144,421	134,984
TOTAL BEFORE DEPRECIATION AND AMORTIZATION	11,151,794	1,168,720	1,496,343	13,816,857	2,449,049	1,015,165	3,464,214	17,281,071	15,534,977
Depreciation and Amortization	189,275	8,097	3,239	200,611	-	-	-	200,611	189,545
TOTAL 2022 FUNCTIONAL EXPENSES	<u>\$ 11,341,069</u>	<u>\$ 1,176,817</u>	<u>\$ 1,499,582</u>	<u>\$ 14,017,468</u>	<u>\$ 2,449,049</u>	<u>\$ 1,015,165</u>	<u>\$ 3,464,214</u>	<u>\$ 17,481,682</u>	
				80%	14%	6%	20%	100%	
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 10,322,659</u>	<u>\$ 1,046,534</u>	<u>\$ 1,521,225</u>	<u>\$ 12,890,418</u>	<u>\$ 2,223,952</u>	<u>\$ 610,152</u>	<u>\$ 2,834,104</u>		<u>\$ 15,724,522</u>
				82%	14%	4%	18%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2022
With Summarized Totals for the Year Ended June 30, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,014,226	\$ 3,790,097
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	200,611	189,545
Paycheck Protection Program Loan Forgiveness	-	(1,756,000)
(Increase) Decrease in:		
Patient Services Accounts Receivable	(63,571)	(301,436)
Government Grants Receivable	(529,079)	189,955
Private Grants Receivable	(112,500)	101,779
Prepaid Expenses and Other Assets	56,257	(56,167)
Increase (Decrease) in:		
Accounts Payable	156,550	(107,589)
Accrued Expenses	17,208	149,628
Estimated Amounts Due to Third-Party Payers	2,035,625	540,033
	2,775,327	2,739,845
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	2,775,327	2,739,845
CASH FLOWS USED IN INVESTING ACTIVITY:		
Purchase of Property and Equipment	(1,017,376)	(156,000)
CASH FLOWS USED IN FINANCING ACTIVITY:		
Repayment of COVID-19 Economic Injury Disaster Loan	-	(150,000)
	1,757,951	2,433,845
NET CHANGE IN CASH		
	1,757,951	2,433,845
Cash - Beginning of Year	9,748,447	7,314,602
CASH - END OF YEAR	\$ 11,506,398	\$ 9,748,447

The Accompanying Notes are an Integral Part of These Financial Statements

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - ORGANIZATION

The mission of T.H.E. Clinic, Inc. dba T.H.E. Health and Wellness Centers (the Organization) is to provide high quality, customer-friendly primary care and related services to all residents of Los Angeles, especially those who are underserved. The Organization accomplishes its mission by providing culturally sensitive and quality comprehensive health services at affordable costs, and by encouraging and educating people to take a proactive role in maintaining their own health.

The Organization is a federally qualified health center providing services to over 15,000 men, women and children of all ages and ethnic profiles. The Organization is also one of the first organizations nationwide to achieve the dual designation of Joint Commission Gold Seal of Quality and Primary Care Medical Home, which was awarded in 2011. The Organization provides the following primary care services throughout its main center, six satellite sites and one mobile clinic: annual physical exams, family planning, pediatric care, teen clinic services, cancer screening, chronic disease screening and treatment, STD care, HIV/AIDS screening and treatment, prostate exams, nutrition health education and sports physicals for teens. The Organization is one of the few non-profit health care centers in Southwest Los Angeles, serving part of a dense urban area of over one million people, of which almost one-third are uninsured. The health care model the Organization practices is designed to serve the whole person, not just symptoms or problems. The Organization is "healing the body and raising the spirit."

The Organization began life on February 5, 1974 as T.H.E. Clinic for Women, a new health care facility that would provide low-cost, high-quality health care primarily for women of South Los Angeles. Initially, patients were usually low-income, uninsured single mothers desperately in need of such services for their children, their other relatives and themselves.

Working at first with limited daily hours and no pay, the Organization faced an uphill struggle to survive while it gradually got the word out to the women in its service area. Since then, the Organization employs a full-time staff of medical and specialized support staff and has garnered long-time support from strategic partners at all levels of government as well as more than 30 foundations, corporations and organizations within the communities served.

The Organization remains at the forefront of crafting treatment and educational regimens to address such widely-discussed health care and social problems as cancer in all its manifestations (especially breast, cervical, and prostate cancer), obesity (including obesity among children and teenagers), and the immunization of children against a wide range of diseases, along with its traditional attention to prenatal and postnatal care for mothers as well as pediatric care for their babies and older children.

The multi-ethnic, multi-racial character of the Organization's patients and staff is another element that makes it unique. The Organization is a rare and invaluable social institution, especially for a hotbed of national and international diversity like Los Angeles, because both its patients and staff cover the racial-social-ethnic-age-linguistic spectrum.

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - ORGANIZATION (continued)

For example, at various times during its history, the languages spoken by staff members have included English, Spanish, Japanese, Thai, Vietnamese, Laotian, Tagalog, Ibo, Chinese, French, Amharic, Yoruba and Russian. Some clinic staff members speak as many as four languages. Such skills have proven to be indispensable because so many of the Organization's patients are recent immigrants who speak only their native tongues. This aspect of the Organization's culture also reflects the way that it has long been known as a medical facility where anyone can feel at home regardless of background.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

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

(b) NET ASSETS

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) and/or the related conditions are substantially met in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions. There were no net assets with donor restrictions at June 30, 2022.

(c) PATIENT SERVICES ACCOUNTS RECEIVABLE

Patient services accounts receivable reflect the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others. In evaluating the collectability of accounts receivable, the Organization regularly analyzes its past history and identifies and reviews trends for each of its major payer sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in accounts receivable.

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) PATIENT SERVICES ACCOUNTS RECEIVABLE (continued)

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides additional implicit and explicit price concessions, if necessary, based upon historical collection history of deductibles and copayments on accounts for which the third-party payer had not been paid, or for remaining payer balances.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant implicit price concession in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in accounts receivable.

At June 30, 2022, all patient services accounts receivable were deemed to be collectible, and no allowance for doubtful accounts was established.

(d) CONTRIBUTIONS, GRANTS RECEIVABLE, AND REVENUE RECOGNITION

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded at fair value, and in the case of pledges, are recorded at the present value of their estimated future cash flows.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization has elected to adopt a policy whereby donor-restricted grants and contributions that were initially conditional and whose conditions and restrictions are met in the same reporting period are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as refundable advances in the statement of financial position.

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CONTRIBUTIONS, GRANTS RECEIVABLE, AND REVENUE RECOGNITION
(continued)

The Organization received cost-reimbursable grants of approximately \$4,127,900 during the year that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred.

Revenues from other non-cost reimbursement government and private grants are recognized when received absent measurable performance barriers and rights of return according to the provisions of the grants.

The Organization evaluated the collectability of contributions and grants receivable at June 30, 2022 and determined all balances to be collectible. As a result, no allowance for uncollectible contributions and grants receivable was established at June 30, 2022.

(e) 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:

Leasehold Improvements	Shorter of Initial Lease Period or Useful Life of Asset
Equipment	5-10 Years
Furniture and Fixtures	5-10 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 \$1,000 and the useful life is greater than one year. Expenditures for fixed assets from certain grant funds are expensed when acquired because the grantor retains title to such assets.

(f) INTANGIBLE ASSETS

Intangible assets consist of certain patient lists and records acquired as part of the purchases of local pediatric practices. Intangible assets are amortized using the straight-line method over their estimated useful life of 15 years.

T.H.E. CLINIC, INC.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) LONG-LIVED ASSETS

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

(h) CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) became effective on March 27, 2020. Specifically for the healthcare entities, the CARES Act authorized \$100 billion to eligible healthcare providers to prevent, prepare for and respond to coronavirus. This funding is intended to support COVID-19 related expenses and lost revenue. To alleviate further strain, the Centers for Medicare and Medicaid Services (CMS) provided additional relief to healthcare entities, both through expansion of the Medicare Accelerated and Advance Payment Program and through certain provisions of the CARES Act. The Organization continues to monitor the terms and conditions of the awards received under the CARES Act to ensure compliance as well as analyzing other provisions of the CARES Act, including all related interpretations, rules, and regulations as they are issued by the appropriate federal agencies. The Organization has conditional awards under the CARES Act totaling \$25,850 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred.

In addition, as part of the American Rescue Plan Act (ARPA), the Organization was awarded a federal grant award totaling \$4,776,242 for a budget period of April 2021 through March 2023, of which \$1,933,239 was expended and recognized as government grants revenues during the year ended June 30, 2022.

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) IN-KIND CONTRIBUTIONS

Contributions of donated non-cash assets are recorded at fair value in the period received and expensed when utilized. Non-cash goods are valued based upon estimates of fair market value that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Contributed goods are not sold but rather used for the Organization's operations.

Contributions of donated services are recognized at fair value if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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 Organization.

The Organization has received contributed pharmaceuticals totaling \$65,055 during the year ended June 30, 2022. Such pharmaceuticals were valued based on the estimated market value of such items at the time of the contribution and were utilized for the Organization's health care services.

(j) INCOME TAXES

The Organization is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and California Revenue and Taxation Code Section §23701d.

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 740, *Uncertainty in Income Taxes*, the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the fiscal year ended June 30, 2022, the Organization performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

T.H.E. CLINIC, INC.
dba T.H.E. HEALTH AND WELLNESS CENTERS

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) PATIENT CARE SERVICE REVENUES (NET)

Patient care service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third party payers, discounts provided to uninsured patients in accordance with the Organization's policies and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions, which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payer groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payers.

(l) CHARITY CARE

The Organization defines "charity care" as services rendered for which the patient shall not be held liable. The Organization 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, 2022, the Organization provided charity care of approximately \$1,348,000 to its patients, which has been calculated as the difference between total health care costs less patient care service revenues (net).

(m) CONCENTRATION OF RISK

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

The Organization received 46% of its net patient service revenues from providing services to Medi-Cal patients during the year ended June 30, 2022. Reimbursement for such services is currently based on prospective payment system (PPS) rates with final settlement after submission of annual reconciliation reports to the state.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's programs and other activities have been presented in the 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, such as the proportionate amounts of direct expenses or compensation expenses, proportionate square footage for occupancy costs or usage metrics for patient related costs.

(o) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

(p) COMPARATIVE TOTALS

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

(q) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU 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 provide additional information about the amounts recorded in the financial statements. For the Organization, the ASU will be effective during the year ending June 30, 2023.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Organization implemented this ASU during the year ended June 30, 2022. The presentation and disclosures of contributed nonfinancial assets have been enhanced in accordance with the standard; however, there was no significant impact on the Organization's financial statements as a result of the implementation.

(r) SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2022 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 23, 2023, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - PROPERTY AND EQUIPMENT

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

Leasehold Improvements	\$ 3,599,168
Equipment	2,258,984
Furniture and Fixtures	<u>1,057,285</u>
TOTAL	6,915,437
Less: Accumulated Depreciation	<u>(3,954,066)</u>
TOTAL PROPERTY AND EQUIPMENT (NET)	<u><u>\$ 2,961,371</u></u>

Depreciation expense for the year ended June 30, 2022, was \$161,944.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - INTANGIBLE ASSETS

In October 2015, the Organization entered into an asset purchase agreement with a local medical practice. Under the terms of the agreement, the Organization acquired, among other items, a patient listing and related patient records for a purchase price of \$400,000. The patient listing and related records are amortized over a 15-year amortization period using straight-line method.

In March 2017, the Organization entered into another asset purchase agreement with a local pediatric practice. Under the terms of the agreement, the Organization acquired, among other items, a patient listing and related patient records for a purchase price of \$180,000. The patient listing and related records are amortized over a 15-year amortization period using straight-line method.

Intangible assets consist of the following at June 30, 2022:

Patient Lists and Records	\$	580,000
Less: Accumulated Amortization		(239,817)
TOTAL INTANGIBLE ASSETS (NET)		\$ 340,183

Amortization expense for the year ended June 30, 2022 was \$38,667. Amortization expense for each of the next five years is as follows:

Years Ending June 30

2023	\$	38,667
2024		38,667
2025		38,667
2026		38,667
2027		38,667

NOTE 5 - PATIENT CARE SERVICE REVENUES (NET)

Patient care service revenues are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government payers), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payers several days after the services are performed. Revenue is recognized as the performance obligations are satisfied.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - PATIENT CARE SERVICE REVENUES (NET) (continued)

(a) PERFORMANCE OBLIGATIONS

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to medical, dental, visual and behavioral health services provided at the Organization sites. The Organization measures the performance obligation from the commencement of a visit, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the visit.

Revenue for performance obligations satisfied at a point in time relates to sales of pharmaceuticals through contracted pharmacies and is generally recognized when pharmaceuticals are provided to patients and customers in a retail setting, and the Organization does not believe it is required to provide additional goods or services related to that sale.

(b) TRANSACTION PRICE

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization's policy, or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with uninsured patients.

In relation to the sales of pharmaceuticals, the Organization participates in the 340B Drug Pricing Program (340B Program) which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Program is managed by the HRSA Office of Pharmacy Affairs. HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Drug Pricing Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur in the near term

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - PATIENT CARE SERVICE REVENUE (NET) (continued)

(c) THIRD-PARTY PAYERS

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medi-Cal reimbursement purposes. Agreements with third-party payers provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

- **Medi-Cal.** Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed at a negotiated all-inclusive encounter rate, for each clinic site, for all services provided under the program per occasion of service. The Organization also participates in the Medi-Cal managed care program, pursuant to the terms of which the Organization 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, third-party reimbursement 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 Health Care Services after submission of annual reconciliation reports and audits thereof by the State Financial Audits Branch. The Organization's Medi-Cal Managed Care reconciliation reports have been audited and finalized through fiscal year 2018.
- **Medicare.** Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's PPS for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Organization's actual charge or the applicable PPS rate.
- **Other.** Payment agreements with certain commercial insurance carriers, health maintenance and managed care organizations, and preferred provider organizations provide for payment using prospectively determined rates per unit of service, discounts from established charges, as well as capitation payments.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - PATIENT CARE SERVICE REVENUE (NET) (continued)

(c) THIRD-PARTY PAYERS (continued)

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

There is no significant financing component related to third-party settlements because it is not a result of the provision of a financing arrangement with a government payer. In addition, the timing of payment is at discretion of the payer and does not involve the patient.

During the year ended June 30, 2022, the audits of several of the Organization's prior year PPS reconciliations were completed. Adjustments arising from a change in the transaction price are reported as adjustments in the current year's net patient care service revenues. The Organization recorded a decrease of net patient care service revenues from such adjustments of approximately \$35,377 during the year ended June 30, 2022. Total estimated amount due to third-party payers was \$4,555,241 at June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - PATIENT CARE SERVICE REVENUE (NET) (continued)

(c) THIRD-PARTY PAYERS (continued)

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with similar patients.

(d) REVENUE COMPOSITION

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medi-Cal, managed care or other insurance, patients) have different reimbursement and payment methodologies.
- Nature of the patient's services (for example, medical, dental, visual, behavioral health, etc.)
- Method of reimbursement (fee for service or capitation)

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - PATIENT CARE SERVICE REVENUE (NET) (continued)

(d) REVENUE COMPOSITION (continued)

In the following table, revenue for the year ended June 30, 2022 is disaggregated by timing of satisfaction of performance obligations:

Performance Obligations Satisfied over Time	\$ 9,682,450
Performance Obligations Satisfied at a Point in Time	<u>1,487,482</u>
TOTAL PATIENT CARE SERVICE REVENUE (NET)	<u><u>\$ 11,169,932</u></u>

NOTE 6 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Organization leases facilities, software and equipment under operating leases with various terms expiring through December 2031. Future minimum payments, by year, and in the aggregate, under these leases are as follows:

Years Ending June 30

2023	\$ 652,718
2024	646,198
2025	617,136
2026	426,485
2027	90,331
Thereafter	<u>252,000</u>
TOTAL	<u><u>\$ 2,684,868</u></u>

Rent expense under facilities, software and equipment operating leases for the year ended June 30, 2022 was \$1,241,392.

(b) GOVERNMENT GRANTS AND CONTRACTS

The Organization has received local, state and federal funds for specific purposes that are subject to review and audit by the contracting agencies. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have on the Organization. As a result, there is a reasonable possibility that recorded amounts will change by a material amount in the near term. To foster compliance with applicable laws and regulations, the Organization maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - COMMITMENTS AND CONTINGENCIES (continued)

(c) MEDICAL MALPRACTICE CLAIMS

Effective June 24, 2015, the U.S. Department of Health and Human Services has deemed the Organization and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions.

The Organization purchases primary and excess liability malpractice insurance under claims-made policies. Adjustments of estimated to actual expense, if any, after the policy terms, are included in the period such adjustments are determined.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Organization's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

(d) LITIGATION

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

NOTE 7 - PENSION PLAN

The Organization has a 403(b) defined contribution plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of the Organization's contribution to the plan. No contributions were made during the year ended June 30, 2022, respectively. In addition, a 457(b) plan was established for key executives. The Organization contributed \$24,767 to the 457(b) plan during the year ended June 30, 2022.

T.H.E. CLINIC, INC.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

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

Financial Assets Available to Meet	
General Expenditures within One Year:	
Cash	\$ 11,506,398
Patient Accounts Receivable	1,367,182
Government Grants Receivable	830,336
Private Grants Receivable	<u>112,500</u>
 FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 13,816,416</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization is substantially supported by patient care service revenues and government grants. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

T.H.E. CLINIC, INC.
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SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2022

Agency - Program Grant or Cluster Title	Contract Number	Federal Assistance Listing Number	Grant Period	Governmental Revenue		Program Expenditures from Governmental Revenue
				Federal	Nonfederal	
MAJOR AWARDS						
U.S. Department of Health and Human Services Health Resources and Services Administration Consolidated Health Center Programs	H80CS00755	93.224	02/01/21-01/31/22	\$ 1,973,521	\$ -	\$ 1,973,521
Consolidated Health Center Programs	H80CS00755	93.224	02/01/22-01/31/23	1,611,254	-	1,611,254
Total - Consolidated Health Center Programs				<u>3,584,775</u>	<u>-</u>	<u>3,584,775</u>
COVID-19 - Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	H8DCS35649	93.224	04/01/20-03/31/22	143,724	-	143,724
COVID-19 - Expanding Capacity for Coronavirus Testing	H8ECS38558	93.224	05/01/20-04/30/22	100,212	-	100,212
COVID-19 - American Rescue Plan Act Funding for Health Centers	H8FCS41561	93.224	04/01/21-03/31/23	1,273,201	-	1,273,201
				<u>1,517,137</u>	<u>-</u>	<u>1,517,137</u>
Total - Health Center Cluster				<u>5,101,912</u>	<u>-</u>	<u>5,101,912</u>
TOTAL MAJOR AWARDS				<u>5,101,912</u>	<u>-</u>	<u>5,101,912</u>
NON-MAJOR AWARDS						
U.S. Department of Health and Human Services Health Resources and Services Administration Pass-through Los Angeles County - Public Health AOM - HIV Emergency Relief Project Grants	PH-003767	93.914	03/01/21-02/28/22	41,271	-	41,271
AOM - HIV Emergency Relief Project Grants	PH-003767	93.914	03/01/22-02/28/23	11,965	-	11,965
				<u>53,236</u>	<u>-</u>	<u>53,236</u>
The Division of HIV and STD Programs Transportation Services	PH-004211	93.914	03/01/21-02/28/22	4,720	-	4,720
Transportation Services	PH-004211	93.914	03/01/22-02/28/23	3,600	-	3,600
				<u>8,320</u>	<u>-</u>	<u>8,320</u>
MCC - HIV Emergency Relief Project Grants	PH-003768	93.914	03/01/21-02/28/22	110,607	-	110,607
MCC - HIV Emergency Relief Project Grants	PH-003768	93.914	03/01/22-02/28/23	54,845	-	54,845
				<u>165,452</u>	<u>-</u>	<u>165,452</u>
Total - 93.914				<u>227,008</u>	<u>-</u>	<u>227,008</u>

See Independent Auditor's Report

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SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2022

Agency - Program Grant or Cluster Title	Contract Number	Federal Assistance Listing Number	Grant Period	Governmental Revenue		Program Expenditures from Governmental Revenue
				Federal	Nonfederal	
NON-MAJOR AWARDS - (continued)						
U.S. Department of Health and Human Services Health Resources and Services Administration Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	H76HA00734	93.918	05/01/21-04/30/22	\$ 215,123	\$ -	\$ 215,123
	H76HA00734	93.918	05/01/22-04/30/23	38,583	-	38,583
Total - 93.918				<u>253,706</u>	<u>-</u>	<u>253,706</u>
COVID-19 - Provider Relief Fund		93.498	01/01/20-06/30/21	57,260	-	57,260
COVID-19 - Health Center Infrastructure Support	C8ECS43936	93.526	09/15/21-09/14/24	599,996	-	599,996
COVID-19 - Health Infrastructure Investment Program	C8DCS29783	93.526	02/01/21-01/31/23	60,042	-	60,042
Total - 93.526				<u>660,038</u>	<u>-</u>	<u>660,038</u>
U.S. Department of Health and Human Services Health Resources and Services Administration Pass-through, California Family Health Council, Inc. Family Planning Services (Title X)	2406-5320-71209-20-21	93.217	04/01/21-08/31/22	133,781	-	133,781
Family Planning Services (Title X)	2406-5320-71219-21-22	93.217	04/01/22-03/31/23	35,000	-	35,000
Total - 93.217				<u>168,781</u>	<u>-</u>	<u>168,781</u>
California Department of Public Health Office of AIDS Aids Drug Assistance Program (ADAP)	SITE- 1943	N/A	07/01/21-06/30/22	-	11,550	11,550
Telemedicine to Improve Engagement in HIV Care and Viral Suppression in Los Angeles County	UCLA Subaward #: 1560 G YB995	N/A	02/01/21-01/31/24	-	8,657	8,657
TOTAL NON-MAJOR AWARDS				<u>1,366,793</u>	<u>20,207</u>	<u>1,387,000</u>
TOTAL FEDERAL AND NONFEDERAL AWARDS				<u>\$ 6,468,705</u>	<u>\$ 20,207</u>	<u>\$ 6,488,912</u>

Notes to the Schedule of Expenditures of Federal and Nonfederal Awards for the Year Ended June 30, 2022:

1. Basis of Accounting - The accompanying Schedule of Expenditures of Federal and Nonfederal Awards (Schedule) includes the federal award activity of T.H.E. Clinic, Inc. dba T.H.E. Health and Wellness Centers (the Organization) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the 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 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.
3. Indirect Cost Rate - The Organization has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
4. The Organization has not provided any federal awards to subrecipients from the federal expenditures presented in this Schedule.

See Independent Auditor's Report