



University Muslim Medical Association, Inc.
Audited Financial Statements and Supplemental Schedules
As of and for the Years Ended December 31, 2019 and 2018
with Report of Independent Auditors

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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24

Report of Independent Auditors

Board of Directors
University Muslim Medical Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the University Muslim Medical Association, Inc. (UMMA), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UMMA as of December 31, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020 on our consideration of UMMA'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 solely 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 the effectiveness of the 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 UMMA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 16, 2020**

University Muslim Medical Association, Inc.
Statements of Financial Position

		December 31	
		2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	\$	2,390,356	\$ 3,275,366
Patient fees receivable, net of allowance for doubtful accounts of \$752,946 and \$346,684, respectively		508,385	370,717
Third-party settlements receivable		398,475	148,323
Grants and contracts receivable		473,524	306,649
Prepaid expenses		98,426	97,204
Total current assets		3,869,166	4,198,259
Noncurrent assets			
Cash reserved for capital expansion		2,000,085	1,000,000
Property and equipment, net of accumulated depreciation and amortization		2,939,069	2,255,558
Other assets		30,950	22,000
Total assets	\$	8,839,270	\$ 7,475,817
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$	231,381	\$ 115,895
Accrued compensation and benefits		235,352	239,868
Third-party settlements payable		742,547	614,514
Total current liabilities		1,209,280	970,277
Noncurrent liability			
Refundable advance, net		-	71,936
Total liabilities		1,209,280	1,042,213
Net assets			
Without donor restrictions		7,096,664	6,025,937
With donor restrictions		533,326	407,667
Total net assets		7,629,990	6,433,604
Total liabilities and net assets	\$	8,839,270	\$ 7,475,817

See notes to financial statements.

University Muslim Medical Association, Inc.
Statement of Activities
Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Patient services, net of contractual allowances	\$ 4,444,040	\$ -	\$ 4,444,040
Provision for doubtful accounts	(31,180)	-	(31,180)
Net patient services revenue	4,412,860	-	4,412,860
Government grants and contracts	3,078,341	-	3,078,341
Contributions and other support	528,311	545,926	1,074,237
In-kind contributions	78,851	-	78,851
Other income	166,166	-	166,166
Net assets released from restrictions	420,267	(420,267)	-
Total operating revenues and support	8,684,796	125,659	8,810,455
Operating expenses			
Program services	6,086,430	-	6,086,430
Supporting services			
Management and general	1,196,347	-	1,196,347
Fundraising	331,292	-	331,292
Total operating expenses	7,614,069	-	7,614,069
Change in net assets from operations	1,070,727	125,659	1,196,386
Net assets			
Beginning of year	6,025,937	407,667	6,433,604
End of year	\$ 7,096,664	\$ 533,326	\$ 7,629,990

See notes to financial statements.

University Muslim Medical Association, Inc.
Statement of Activities
Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Patient services, net of contractual allowances	\$ 3,354,196	\$ -	\$ 3,354,196
Provision for doubtful accounts	<u>(33,773)</u>	<u>-</u>	<u>(33,773)</u>
Net patient services revenue	3,320,423	-	3,320,423
Government grants and contracts	2,929,956	-	2,929,956
Contributions and other support	657,046	447,890	1,104,936
In-kind contributions	100,756	-	100,756
Other income	562,078	-	562,078
Net assets released from restrictions	<u>376,227</u>	<u>(376,227)</u>	<u>-</u>
Total operating revenues and support	7,946,486	71,663	8,018,149
Operating expenses			
Program services	5,233,456	-	5,233,456
Supporting services			
Management and general	778,355	-	778,355
Fundraising	<u>353,418</u>	<u>-</u>	<u>353,418</u>
Total operating expenses	6,365,229	-	6,365,229
Change in net assets from operations	1,581,257	71,663	1,652,920
Net assets			
Beginning of year	4,444,680	336,004	4,780,684
End of year	\$ 6,025,937	\$ 407,667	\$ 6,433,604

See notes to financial statements.

University Muslim Medical Association, Inc.
Statement of Functional Expenses
Year ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ 3,147,020	\$ 528,965	\$ 121,092	\$ 3,797,077
Payroll taxes and benefits	525,241	93,752	41,315	660,308
Total personnel expenses	<u>3,672,261</u>	<u>622,717</u>	<u>162,407</u>	<u>4,457,385</u>
Other expenses				
Consultant and contractual services	1,097,602	150,867	22,945	1,271,414
Maintenance and service agreements	399,914	48,595	6,515	455,024
Consumable supplies	307,568	33,992	2,760	344,320
Lease space and equipment	191,750	98,683	22,310	312,743
Telephone	114,983	34,525	4,769	154,277
Fundraising events	-	-	25,484	25,484
Zakat donations	56,110	-	-	56,110
Depreciation and amortization	44,249	5,937	-	50,186
Donated goods and services	6,915	-	-	6,915
Insurance	60,445	22,315	256	83,016
Public relations and promotions	2,773	2,891	32,444	38,108
Dues and subscriptions	20,367	46,297	10,769	77,433
Professional fees	-	39,100	-	39,100
Travel, conferences and meetings	19,790	18,100	2,832	40,722
Printing, publications and postage	14,657	4,786	31,904	51,347
Staff development and recruitment	63,708	37,853	635	102,196
Miscellaneous	13,338	29,689	5,262	48,289
Total	<u>\$ 6,086,430</u>	<u>\$ 1,196,347</u>	<u>\$ 331,292</u>	<u>\$ 7,614,069</u>

See notes to financial statements.

University Muslim Medical Association, Inc.
Statement of Functional Expenses
Year ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ 2,921,296	\$ 265,096	\$ 188,726	\$ 3,375,118
Payroll taxes and benefits	510,415	22,236	39,632	572,283
Total personnel expenses	3,431,711	287,332	228,358	3,947,401
Other expenses				
Consultant and contractual services	844,231	121,905	25,009	991,145
Maintenance and service agreements	274,265	31,927	1,451	307,643
Consumable supplies	200,439	11,414	1,827	213,680
Lease space and equipment	155,147	125,934	6,892	287,973
Telephone	74,071	34,394	680	109,145
Fundraising events	-	-	17,253	17,253
Zakat donations	56,700	-	-	56,700
Depreciation and amortization	45,441	4,356	2,517	52,314
Donated goods and services	30,862	-	-	30,862
Insurance	55,289	20,037	-	75,326
Public relations and promotions	11,390	3,010	29,719	44,119
Dues and subscriptions	10,456	35,362	7,337	53,155
Professional fees	-	43,752	-	43,752
Travel, conferences and meetings	9,585	7,476	2,619	19,680
Printing, publications and postage	9,777	2,560	22,755	35,092
Staff development and recruitment	3,938	20,743	543	25,224
Miscellaneous	20,154	28,153	6,458	54,765
Total	\$ 5,233,456	\$ 778,355	\$ 353,418	\$ 6,365,229

See notes to financial statements.

University Muslim Medical Association, Inc.
Statements of Cashflows

	Years ended December 31	
	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,196,386	\$ 1,652,920
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	50,186	52,314
Provision for doubtful accounts	31,180	33,773
Donated property and equipment	(71,936)	(69,894)
Decrease (increase) in operating assets:		
Patient fees receivable	(168,848)	25,490
Third-party settlements receivable	(250,152)	113,504
Grants and contracts receivable	(166,875)	366,245
Prepaid expenses	(1,222)	(31,594)
Other assets	(8,950)	(1,072)
Increase (decrease) in operating liabilities:		
Accounts payable	115,486	(40,718)
Accrued compensation and benefits	(4,516)	24,501
Third-party settlements payable	128,033	211,421
Net cash provided by operating activities	848,772	2,336,890
Cash flow from investing activity		
Purchase of property and equipment	(733,697)	(701,127)
Cash used in investing activity	(733,697)	(701,127)
Change in cash and cash equivalents	115,075	1,635,763
Cash and cash equivalents - beginning of year	4,275,366	2,639,603
Cash and cash equivalents - end of year	\$ 4,390,441	\$ 4,275,366

The following table provides a reconciliation of cash and cash equivalents reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	2019	2018
Cash and cash equivalents	\$ 2,390,356	\$ 3,275,366
Cash reserved for capital expansion	2,000,085	1,000,000
Total cash and cash equivalents as shown in the statement of cash flows	\$ 4,390,441	\$ 4,275,366

See notes to financial statements.

NOTE 1 DESCRIPTION OF ORGANIZATION

University Muslim Medical Association, Inc. (UMMA) operates a not-for-profit healthcare center in Los Angeles, California. UMMA provides a broad range of health services to impoverished and medically underserved communities, regardless of ability to pay.

The U.S. Department of Health and Human Services (DHHS) provides substantial support to UMMA. UMMA is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require UMMA to report information regarding its financial position and activities according to the following net asset classifications:

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

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the financial statements is related primarily to the determination for allowance for doubtful accounts in the calculation of net patient services receivable, estimated third-party payor settlement receivable, and useful lives of property and equipment.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

UMMA considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

UMMA's primary source of cash for operations comes from the collection of receivables from third party payors. These include Medi-Cal fee-for-service from the State of California Department of Health Care Services (DHCS), and My Health LA from Los Angeles County Department of Health Services (LACDHS), Managed Care and Medicare contracts. The collections are critical to UMMA's operating performance. Such receivables are carried at a net amount determined by the original charge for a service provided, less estimates made for contractual adjustments, discounts provided to third party payors, and allowances for doubtful accounts.

Patient Fees Receivable

Receivables due directly from patients are carried at the original charge for the service provided, less discounts made under UMMA's charity policy, and application of sliding-fee discounts. Management determines the allowance for doubtful receivables by identifying troubled accounts and providing a valuation allowance on the aging of receivables based on historical experience. UMMA considers accounts as past due when they are outstanding beyond 90 days with no payment. UMMA does not charge interest on past due accounts. Past due accounts are written off from the receivables when deemed uncollectable. Recoveries of amounts previously written off are recorded as a reduction of doubtful accounts expense when received. As of December 31, 2019, and 2018, the allowance for doubtful accounts amount to \$346,684 and \$752,946, respectively.

Services may be rendered for patients from whom the ultimate collection of all or a portion of the amounts billed or billable cannot be determined at the time services are rendered. As a result, UMMA records revenue along with a relatively high bad debt provision in the period the service is rendered.

Grants, Contributions and Pledges Receivable

Grants, contributions and pledges receivable reflect amounts earned but not yet collected for which UMMA expects to realize payment.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at the fair value at the date of donation. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 39 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is shorter. UMMA capitalizes all purchases of property and equipment in excess of \$2,000 and major repairs costing \$5,000 or more that extends the life of assets by two or more years.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

According to federal regulations, any equipment items obtained through federal funds are subject to a lien by the federal government. As long as UMMA maintains its tax-exempt status, or so long as the equipment is used for its intended purpose, UMMA is not required to reimburse the federal government. If the stated requirements are not met, UMMA would be obligated to the federal government to return the equipment or reimburse an amount equal to the fair value of the equipment.

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to Public Health Services or third parties.

Impairment of Long-lived Assets

UMMA reviews carrying values of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. UMMA believes that no events occurred that would impair the carrying value of its long-lived assets during the years ended December 31, 2019 and 2018.

Patient Services Revenue

UMMA has agreements with various third-party payors to provide services to patients. Payments vary between the third-party payors and differ from UMMA's established rates. Payment arrangements include pre-determined fee schedules and discounted charges. Service fees are reported as the estimated net realizable amount from patients and third-party payors. There will be retroactive adjustments under reimbursement agreements with third party payors. These adjustments are accrued on an estimated basis. They are adjusted in future periods in accordance with determined final settlements, which reflect the uncertainty in government policies and regulations. UMMA's largest payors include the DHCS Medi-Cal and County of Los Angeles My Health LA programs. The laws and regulations governing these programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to review and interpretation in the future as well as significant regulatory action.

Self-pay revenue is recorded at published charges net of charitable allowances calculated on a sliding fee scale based on patient Income and family size to arrive at self-pay net revenue.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Third-party Payor Settlements

UMMA is recognized as a Federally Qualified Health Center (FQHC), and therefore is required to file annually an FQHC Medi-Cal cost reconciliation report with the State of California Department of Health Care Services. This arrangement provides for interim reimbursement that is subject to retroactive adjustments and settlements. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period in which services are rendered, and adjusted in future periods as final settlements are determined.

Grants and Contracts Revenue

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

Contributions

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

Conditional promises to give, that contains a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. At December 31, 2019 and 2018, UMMA has no conditional grants or contributions wherein the conditions are not yet met.

Contributions received for the acquisition of long-lived assets are reported as non-operating revenue. Conditional contributions received are recorded as refundable advances and will be recognized as the conditions are met.

In-kind Contributions

Contributions of donated pharmaceuticals, equipment and services are reported as revenue at fair value. Services are recognized only if the service creates or enhances nonfinancial assets, or if they require special skills and are provided by individuals possessing such special skills and would typically need to be purchased by UMMA if they had not been donated.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Incentives

UMMA receives incentive payments from certain independent physicians associations (IPAs) as rewards for efforts to provide quality care, health promotion and illness prevention services to patients. The incentives are calculated by the IPAs based on certain performance metrics. UMMA recognizes revenue from incentives when notified or when actual payment has been received. During the year ended December 31, 2019 and 2018, earned incentives amounted to \$160,000 and \$560,000, respectively and are included in Other income in the statement of activities.

Functional Allocation of Expenses

The costs of providing UMMA's various programs and other activities have been summarized on their functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses are mainly allocated using time and effort method (salaries and wages, payroll and benefits, consultants and contractual services, professional services) and full time equivalent (maintenance and service agreement, lease space and equipment, depreciation and amortization, insurance and telephone).

Program services primarily pertain to healthcare services and cash donations made to other non-profit organizations and individuals who meet the qualifications stated in UMMA's policies and procedures.

Income Taxes

UMMA is a nonprofit corporation exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes. However, UMMA is subject to income taxes on any net income that is derived from a trade or business not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

UMMA has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to UMMA's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

UMMA's income tax returns remain subject to examination for all tax years ended on or after December 31, 2015 with regard to all tax positions and results reported.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In June 2018, FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU was effective for fiscal years beginning after December 15, 2018. Management's analysis of various provisions of the above standard resulted in no significant changes in the way UMMA recognized revenue, and therefore, no adjustments to the previously issued audited financial statements were required on a retrospective basis. UMMA enhanced the revenue recognition disclosure in accordance with this standard.

In November 2017, FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. This accounting standard requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This accounting standard is effective for fiscal years beginning after December 15, 2018. UMMA adopted the new accounting standards on January 1, 2019.

NOTE 3 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

The following represents UMMA's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial Assets at year end:		
Cash and cash equivalents	\$ 2,390,356	\$ 3,275,366
Net patient fees receivable	508,385	370,717
Third-party settlements receivable	398,475	148,323
Grants and contracts receivable	473,524	306,649
Cash reserved for capital expansion	2,000,085	1,000,000
Total financial assets	5,770,825	5,101,055
Less amounts not available to be used within one year:		
Cash reserved for capital expansion	2,000,085	1,000,000
Net assets with donor restrictions	533,326	407,667
Less net assets with purpose restrictions to be met in less than a year	(370,024)	(282,841)
	2,163,387	1,124,826
Financial assets available to meet general expenditures over the next twelve months	\$ 3,607,438	\$ 3,976,229

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

As of December 31, 2019 and 2018, UMMA's governing board has designated resources without donor restriction of \$2,000,085 and \$1,000,000, respectively, for capital expansion that involves development of an office facility at the Florence location, new dental facility at Freemont, and building construction at the Vermont property. Such designated amounts are recorded as "cash reserved for capital expansion" in the accompanying Statement of Financial Position.

Also, UMMA has a \$250,000 line of credit available to meet cash flow needs (see note 10).

NOTE 4 PATIENT FEES RECEIVABLE AND REVENUES

At December 31, patient fees receivable consist of the following:

	2019	2018
County of Los Angeles Health Programs	\$ 83,673	\$ 37,471
Medicare	165,533	133,739
Managed Care	108,692	99,750
Family Pact	75,362	20,980
Medi-Cal	763,540	360,826
Others	64,531	64,635
	1,261,331	717,401
Less allowance for doubtful accounts	(752,946)	(346,684)
	\$ 508,385	\$ 370,717

UMMA has agreements with third-party payors that provide for reimbursement to UMMA at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between UMMA's billings at list price and the amounts reimbursed by Medicare, Medi-Cal and certain other third-party payors, and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the basis of reimbursement with major third-party payors follows:

Other Third-party and Managed Care

UMMA has reimbursement agreements with certain non-medical, Insurance carriers and Managed Care health maintenance organizations (HMO). The basis for payment under these agreements includes discounts from established charges and prospectively determined fee-for-service rates. For the years ended December 31, 2019 and 2018, the combined County of Los Angeles contracts represents approximately 12% and 14%, and managed care represents 65% and 85%, respectively, of net patient services revenue.

Medicare

Healthcare services rendered to Medicare program beneficiaries are paid at prospectively determined rates for outpatient care. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. For the years ended December 31, 2019 and 2018, UMMA recognized approximately 4% and 5%, respectively, of net patient service revenue from services provided to Medicare program beneficiaries.

Medi-Cal

UMMA is paid for patient services rendered to Medi-Cal program beneficiaries primarily under contractual arrangements with third party Managed Care organizations. Additional wrap for the gap between the capitation fee paid by Managed Care and UMMA's Prospective Payment System (PPS) rate is paid by the State of California Department of Health Care Services as fee-for-service on a per visit basis.

For the years ended December 31, 2019 and 2018, UMMA recognized approximately 17% and 10%, respectively, of net patient services revenue from services provided to Medi-Cal managed care patients.

NOTE 4 PATIENT FEES RECEIVABLE AND REVENUES (CONTINUED)

Medi-Cal (Continued)

Medicare and Medi-Cal laws and regulations are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the future. UMMA believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatening investigations involving wrongdoing. While no such regulatory inquiries have been made, compliance can be subject to future government review and regulatory action, including fines, penalties, and exclusions from the State and County programs.

NOTE 5 THIRD-PARTY SETTLEMENTS

Third-party settlements receivable and payable balances represent the amounts due from / due to the County of Los Angeles based on the annual Medi-Cal FQHC reconciliation reports submitted to the California Department of Health Care Services. As of December 31, 2019 and 2018, third party settlements receivable balances amounted to \$398,475 and \$148,323, respectively, while the third party settlements payable balance amounted to \$742,547 and \$614,514, respectively.

NOTE 6 GRANTS AND CONTRACTS RECEIVABLE

At December 31, grants and contracts receivable consist of the following and are expected to be collected within one year:

	<u>2019</u>	<u>2018</u>
County of Los Angeles Department of of Mental Health	\$ 203,438	\$ 226,194
U.S. Department of Health and Human Services	10,826	58,052
Los Angeles Educational Grant	-	12,004
The California Endowment	75,000	-
Healthcare Los Angeles Patient Navigator	9,750	7,199
Islamic Relief	100,000	-
Others	74,510	3,200
Total	\$ <u>473,524</u>	\$ <u>306,649</u>

University Muslim Medical Association, Inc.
Notes to Financial Statements
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NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment at December 31 is composed of:

	2019	2018
Land	\$ 1,332,465	\$ 1,332,465
Buildings and improvements	1,448,112	988,626
Furniture and equipment	787,728	695,217
Leasehold improvements	180,278	28,078
Construction-in-progress	138,847	109,347
Total	3,887,430	3,153,733
Less accumulated depreciation and amortization	(948,361)	(898,175)
Net	\$ 2,939,069	\$ 2,255,558

NOTE 8 REFUNDABLE ADVANCE

Refundable advance consists of the following at December 31:

	2019	2018
Credit obligation service (Note 9)	\$ 71,936	\$ 141,830
Amortization (Note 9)	(71,936)	(69,894)
	\$ -	\$ 71,936

NOTE 9 IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following for the years ended December 31:

	2019	2018
Pharmaceuticals	\$ -	\$ 28,424
Donated property	71,936	69,894
Donated services	6,915	2,438
	\$ 78,851	\$ 100,756

On March 23, 2009, UMMA entered into an agreement with the Community Redevelopment Corporation of Los Angeles (CRCLA) to receive property from CRCLA as a conditional contribution. UMMA is required per the agreement to provide medical services equivalent to \$800,000, credit obligation service, which shall be reduced by providing eligible services over a 10-year period, from inception, August 2009, through August 2019, as set forth in the service agreement. In addition, per the service agreement, UMMA is required to provide a minimum number of eligible visits per year. As of December 31, 2019 and 2018, the gross credit obligation service amounted to \$0 and \$71,936, respectively; the amortized portion, which represents the donated property/land, amounted to \$71,936 and \$69,894, respectively. (See note 8).

The credit obligation was fully amortized and the condition for the ownership of the property was fully met in 2019.

University Muslim Medical Association, Inc.
Notes to Financial Statements
Years ended December 31, 2019 and 2018

NOTE 10 LINE OF CREDIT

In August 2014, UMMA entered into a line of credit agreement with a local bank which provides for borrowings up to \$250,000, at annual interest rate equal to the Wall Street Journal Prime Rate plus 3%. The line of credit agreement does not specify any expiration date. There were no drawings from the line of credit in calendar years 2019 and 2018.

NOTE 11 NET ASSETS

Net assets with donor restrictions consist of the following at December 31:

	Balance	Net Asset		Balance
	2018	Additions	Releases	2019
The California Endowment	\$ 80,267	\$ 150,000	\$ 118,922	\$ 111,345
Health Net	-	95,000	299	94,701
Islamic Relief	-	100,000	-	100,000
Clare Matrix	-	33,097		33,097
Zakat	27,705	52,829	56,110	24,424
California Wellness Foundation	153,500	-	67,675	85,825
Crail-Johnson Foundation	1,297	-	-	1,297
LA Care Health Plan	22,616	25,000	22,616	25,000
Kaiser Permanente Financial Services	-	10,000	4,813	5,187
The Ahmanson Foundation Dental	-	50,000	-	50,000
The Green Foundation	-	30,000	27,550	2,450
Weingart Foundation	122,282	-	122,282	-
	<u>\$ 407,667</u>	<u>\$ 545,926</u>	<u>\$ 420,267</u>	<u>\$ 533,326</u>

The above net assets are restricted by donors for the following purposes or periods:

	2019	2018
Health care services	\$ <u>339,404</u>	\$ 131,885
Future period	<u>193,922</u>	<u>275,782</u>
	<u>\$ 533,326</u>	<u>\$ 407,667</u>

Net assets without donor restriction for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Undesignated	\$ <u>5,096,579</u>	\$ 5,025,937
Board designated for capital expansion	<u>2,000,085</u>	<u>1,000,000</u>
	<u>\$ 7,096,664</u>	<u>\$ 6,025,937</u>

University Muslim Medical Association, Inc.
Notes to Financial Statements
Years ended December 31, 2019 and 2018

NOTE 12 CONTRIBUTIONS AND OTHER SUPPORT

For the years ended December 31, 2019 and 2018, UMMA recognized revenue under the following contracts and grants:

	2019	2018
Annenberg Foundation	\$ -	\$ 100,000
California Hospital Management	-	15,000
California Wellness Foundation	-	200,000
Care Coord Program Stipend	5,000	-
Clare Matrix	33,097	-
Contributions, gifts and other grants	385,278	296,833
Good Samaritan Hospital	10,000	-
GW & Wade	-	50,000
Health Net	95,000	-
Islamic Relief	100,000	-
Kaiser Permanente Financial Services	10,000	10,000
LA Care Health Plan	75,000	30,000
Los Angeles Education Partnership	43,033	49,213
Los Angeles Trust for Children's Health	5,000	1,000
Ralph M Parsons Foundation	-	50,000
Southside Coalition of Community Health Centers	20,000	20,000
The Ahmanson Foundation Dental	50,000	-
The California Endowment	150,000	-
The Green Foundation	30,000	25,000
University of Southern California	10,000	10,000
Weingart Foundation	-	200,000
Zakat	52,829	47,890
Total	\$ 1,074,237	\$ 1,104,936

NOTE 13 CHARITY CARE AND SOCIAL ACCOUNTABILITY

UMMA is a not-for-profit health care provider established to meet the health care needs of area residents. UMMA provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since UMMA does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. UMMA maintains records to identify and monitor the level of charity care it provides. The amount of charity care provided during the years ended December 31, 2019 and 2018 amounted to approximately \$1,129,253 and \$829,000, respectively.

NOTE 14 CONTINGENCIES

Contracted Services

UMMA contracts with other agencies to perform certain healthcare services and receives Medi-Cal fee-for-service from DHCS, Healthy Way L.A and My Health LA from LACDHS, Managed Care and Medicare contracts. Reimbursements received under these contracts and payments under Medi-Cal and Los Angeles County are subject to audit by state and local governments and agencies. Upon audit, if discrepancies are discovered, UMMA could be held responsible for refunding the amounts in question.

Federal and State Grants

The continuation of funding from federal, state, local and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. In addition, expenditures made under federal and state and local grants are subject to review and audit by the grantor agencies. Management believes that any potential liability for reimbursement, which may arise as a result of these audits, is not material.

Medi-Cal and Medicare

UMMA participates in the Federally Qualified Health Center (FQHC) Medi-Cal reimbursement program. Under this program, UMMA is required to file a cost report at the end of its fiscal year. The purpose of this report is to determine total cost incurred in providing services to Medi-Cal patients and to reconcile payments received with total cost reported in the cost report. The cost reports are subject to review and audit by the Medicare Fiscal Intermediary and Medi-Cal.

Insurance

Professional and general liability insurance coverage is provided on both a claims-made basis and an occurrence basis. The claims-made policy, which is subject to renewal on an annual basis, covers only claims made during the term of the policy but not those occurrences for which claims may be made after expiration of the policy. UMMA intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage. Additionally, UMMA is not aware of any pending claims that exceed the limitations provided by this coverage.

NOTE 15 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject UMMA to concentrations of credit risk consist principally of cash and cash equivalents, revenues and accounts receivable.

Cash and Cash Equivalents

UMMA maintains its cash and cash equivalents accounts in major banks in California. The total amount on deposit in financial institutions exceeded the federally insured limit by approximately \$1,983,166 and \$3,797,246 as of December 31, 2019 and 2018, respectively, and therefore UMMA is exposed to significant concentration of credit risk.

Revenues and Accounts Receivable

A substantial portion of UMMA's revenues is derived from patient service revenue under the Medi-Cal fee-for-service from DHCS, My Health LA from LACDHS, Managed Care and Medicare contracts and from programs with U.S Department of Health and Human Services and Department of Mental Health. For the years ended December 31, 2019 and 2018, revenues from these programs accounted for approximately the following percentages of UMMA's total revenues:

	2019	2018
Medi-Cal	9%	4%
Medicare	2%	2%
Managed Care	33%	35%
Los Angeles County	5%	6%
U.S. Department of Mental Health	6%	11%
U.S. Department of Health and Human Service:	28%	26%
Other third-party payor	3%	2%

At December 31, 2019 and 2018, receivables from these programs accounted for approximately the following percentages of UMMA's total net receivable:

	2019	2018
Medi-Cal	15%	13%
Medicare	7%	12%
Managed Care	3%	12%
Los Angeles County	3%	5%
U.S. Department of Mental Health	15%	27%
U.S. Department of Health and Human Services	1%	7%
Family Pact	2%	1%
Others	4%	2%

NOTE 16 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies of many countries including the geographical area where UMMA operates. It is unknown how long this condition will last and what the complete financial effect will be to UMMA. Management believes that the impact, if any, will not materially affect the December 31, 2019 financial statements.

In addition, UMMA obtained a loan amounting to \$823,992 under the Small Business Administration’s Paycheck Protection Program in May 2020. The loan is forgivable and UMMA intends to apply for loan forgiveness with its banking institution.

UMMA evaluated events or transactions subsequent to December 31, 2019 through December 16, 2020, the date the financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no other subsequent events required adjustment or disclosure in the financial statements.

**Report of Independent Auditors on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

**Board of Directors
University Muslim Medical Association, Inc.**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University Muslim Medical Association, Inc. (UMMA), a California not-for-profit corporation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether UMMA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 16, 2020**



www.vasquezcpa.com

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