

HEALING CALIFORNIA
FINANCIAL STATEMENTS
DECEMBER 31, 2021

FARBER HASS HURLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

**HEALING CALIFORNIA
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DECEMBER 31, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Healing California

Opinion

We have audited the accompanying financial statements of Healing California, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healing California as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Healing California 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 accounting principles generally accepted in the United States of America, 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 Healing California's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Healing California'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 Healing California'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.

A handwritten signature in dark ink, appearing to read "Farber Hass Hurley LLP", is centered on the page.

Farber Hass Hurley LLP

Chatsworth, California
February 7, 2023

HEALING CALIFORNIA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current assets:	
Cash and cash equivalents	\$ 246,433
Pledges receivable	333,000
Inventory	71,518
Prepaid expenses	6,777
Other current assets	<u>2,600</u>
Total current assets	660,328
Non-current assets:	
Property and equipment, net	<u>275,374</u>
Total assets	<u><u>\$ 935,702</u></u>

LIABILITIES AND NET ASSETS

Accrued expenses	\$ 5,989
Accounts payable	<u>6,882</u>
	<u>12,871</u>
Net assets:	
Net assets without donor restrictions	<u>922,831</u>
Total net assets	<u>922,831</u>
Total liabilities and net assets	<u><u>\$ 935,702</u></u>

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

**HEALING CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Net assets without donor restriction</u>
REVENUE AND SUPPORT:	
Individual donations	\$ 417,662
In-kind donations - services	180,623
In-kind donations - goods	130,024
Board contributions	250,000
Corporations and foundations	214,203
Payment Protection Program funding	75,705
Total	<u>1,268,217</u>
 Insurance proceeds	 43,116
Interest income	131
Total revenue and support	<u>1,311,464</u>
 EXPENSES:	
Program services	968,575
General and administrative	179,950
Fundraising	79,269
Total expenses	<u>1,227,794</u>
Change in net assets	83,670
Net assets – beginning of year	<u>839,161</u>
Net assets – end of year	<u>\$ 922,831</u>

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

**HEALING CALIFORNIA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services	General and Administrative	Fund Raising	Total
Salaries	\$282,567	\$ 70,641	\$39,245	\$ 392,453
Benefits	13,225	3,200	1,825	18,250
Payroll taxes	25,377	4,109	3,450	32,936
Total employee costs	321,169	77,950	44,520	443,639
Conferences, conventions, and meetings	1,026	-	-	1,026
Depreciation expense	72,061	3,793	-	75,854
Donated medical goods	130,024	-	-	130,024
Donated medical services	122,623	-	-	122,623
Equipment maintenance	6,643	-	-	6,643
Equipment rental	85,530	-	-	85,530
Facility expenses	43,386	4,532	-	47,918
Information technology	6,353	2,010	6,757	15,120
Insurance	27,095	4,781	-	31,876
Interest expense	-	12,157	-	12,157
Loss on asset theft	2,408	-	-	2,408
Marketing	-	4,622	-	4,622
Medical supplies	32,932	-	-	32,932
Miscellaneous expense	-	132	-	132
Office expenses	6,276	30,106	1,910	38,292
Other direct program expenses	21,096	-	-	21,096
Other expenses	6,181	-	-	6,181
Payroll processing fees	-	1,032	-	1,032
Permits and fees	18	-	-	18
Professional services	9,062	29,100	26,082	64,244
Tax and shipping	1,252	-	-	1,252
Taxes and licenses	-	5,847	-	5,847
Travel	63,651	2,761	-	66,412
Volunteer costs	9,789	1,127	-	10,916
Total other expenses	647,406	102,000	34,749	784,155
Total expenses	<u>\$968,575</u>	<u>\$ 179,950</u>	<u>\$79,269</u>	<u>\$1,227,794</u>
	79%	15%	6%	

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

**HEALING CALIFORNIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cash flows from operating activities:	
Change in net assets	\$ 83,670
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	75,854
Change in assets and liabilities:	
Pledges receivable	(319,000)
Inventory	(23,485)
Prepays and other assets	1,269
Accounts payable and accrued expenses	649
Cash used in operating activities	<u>(181,043)</u>
Cash flows from investing activities:	
Purchases of vision and dental equipment	<u>(23,037)</u>
Cash used in investing activities	<u>(23,037)</u>
Cash flows from financing activities:	
Payments on loan	<u>(24,622)</u>
Borrowings on PPP	
Cash used in financing activities	(24,622)
Net decrease in cash and cash equivalents	(228,702)
Cash and cash equivalents – beginning of year	<u>475,135</u>
Cash and cash equivalents – end of year	<u><u>246,433</u></u>
Supplemental cash flow information:	
Interest paid	<u>\$ -</u>

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

**HEALING CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Healing California (the “Organization”) is a nonprofit organization, incorporated in September 2017 to provide free dental, vision and other health care services at Veteran Stand Downs and other events throughout California. Veteran Stand Down events are independent local community events that provide a common venue for a variety of nonprofit services to help homeless veterans. These events are relatively small (10-30 volunteers, 50-300 patients) and frequent. The Organization provides these services using portable dental, vision and health care stations that are fully equipped, supplied and staffed. The volunteer dental, vision and medical professionals, with logistical help from general volunteers, perform basic services like teeth cleaning, fillings and extractions, full eye exams, fabrication of eye glasses, and blood pressure and glucose screening.

Basis of accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

Financial statement presentation

Net assets, revenues, expenses, 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 restriction – 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. The Organization’s board may designate assets without restrictions for specific purposes from time to time.

Net assets with donor restriction – net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Inventory

Inventory is comprised of program-related supplies and is stated at the lower of cost or net realizable value determined by the first-in first-out method.

Revenue and revenue recognition

Sources of revenue

The primary sources of revenue are grants and donations. Grants and donations come from wide variety of sources, including county and city funds, private foundations, individual donations, and other non-profit organizations.

**HEALING CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and revenue recognition (continued)

Contributions and donations

The Organization recognizes contributions and donations when cash, securities or other assets are received; 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.

Revenue recognition

The Organization adopted Accounting Standard Update (“ASU”) No. 2014-09 - *Revenue from Contracts with Customers* (Topic 606) in the prior year. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. The functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full time equivalents within each department, and total direct expenses.

Property and equipment

Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. It is the Organization’s policy to capitalize expenditures for these items in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 5-10 years for equipment and 5-7 years for furniture and fixtures. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in bank accounts and investments with an initial maturity of three months or less.

Income taxes

The Organization has received favorable determination letters from the Internal Revenue Service and the Franchise Tax Board that the Organization is exempt from Federal and State income tax under Internal Revenue Code Section 501(c)(3) and applicable state statutes. The accounting principles generally accepted in the United States of America provides accounting and disclosure guidance about positions taken by an organization in its information returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its Federal and State organization information returns are more likely than not to be sustained upon examination. The Organization is subject to examinations by U.S. Federal and State tax authorities from 2018 to the present, generally for three years after they are filed.

HEALING CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services and in-kind contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Estimates and assumptions

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair value of financial instruments

The carrying amount of cash and cash equivalents approximates fair value because of the liquidity of these instruments. The carrying values of receivables and accrued expenses approximate fair values because of the short maturity of these instruments.

Recent accounting pronouncements not yet effective

In February 2016, Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize lease liabilities and corresponding right-of-use assets for those leases classified as operating leases under previous U.S. GAAP to increase transparency and comparability. Under the new standard, enhanced disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from the leases. The new standard requires to use a modified retrospective approach including a number of optional practical expedients and will be effective for fiscal years beginning after December 15, 2021. The Organization is evaluating the impact of adopting this guidance to the financial statements.

NOTE 2. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows at December 31, 2021.

	Cash and cash equivalents	Cash restricted	Total
Cash in checking	245,122	\$ -	\$ 245,122
Investments	1,311	-	1,311
	<u>\$ 246,433</u>	<u>\$ -</u>	<u>\$ 246,433</u>

HEALING CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH (continued)

The cash balances and the investments are held at three banks. Deposits held with these financial institutions may exceed the amount of insurance provided on such deposits. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC"). During the year ended December 31, 2021, there were, at times, funds that were uninsured. Management does not believe that the Organization is subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships. The Organization has not experienced any losses on its deposits of cash and cash equivalents.

NOTE 3. INVENTORY

Inventory consists of the following at December 31, 2021:

Vision inventory	\$ 39,464
Dental inventory	32,054
Total Inventory	<u>\$ 71,518</u>

NOTE 4. DONATED PROFESSIONAL SERVICES

For the year ended December 31, 2021, donated services of \$180,623 consist of professional medical services from dentists, oral surgeons, registered nurses, optometrists, and legal services. The Organization records donated professional services at the respective fair values of the services received.

NOTE 5. LEASE COMMITMENTS

During April 2018, the Organization entered into a three-year agreement for lease of facility for its administrative office in Pasadena. The monthly base rent is \$3,807 with 3% annual rent increase and was terminated in April 2021.

During July 2020, the Organization entered into a three-year agreement for lease of a van. The Organization paid \$22,718 down and is required to make monthly payments of \$5,123.

During February 2021, the Organization entered into a three-year agreement for lease of a new administrative office in Alhambra. The monthly base rent is \$2,600.

Future minimum lease payments under the noncancelable lease agreements are as follows at December 31, 2021:

2022	\$ 92,675
2023	72,184
2024	5,200
	<u>\$170,059</u>

Lease expense for the year ended December 31, 2021 was 127,682.

**HEALING CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6. PROPERTY AND EQUIPMENT

The Organization's property and equipment was comprised of the following at December 31, 2021:

Equipment	\$ 481,903
Furniture and fixtures	32,567
Less: Accumulated depreciation	<u>(239,096)</u>
Total Property and Equipment	<u><u>\$ 275,374</u></u>

NOTE 7. CONDITIONAL CONTRIBUTION (PAYCHECK PROTECTION PROGRAM)

In February 2021, the Organization received a second Paycheck Protection Program ("PPP") loan established by the Corona Virus Relief and Economic Security Act ("CARES Act") and has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification ("ASC") ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full time equivalent and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business, or lenders; as a result of such audit, adjustments could be required to the recognition of revenue. During the year ended December 31, 2021, the conditional contributions were met and the Organization recognized the full amount of \$75,705 as a contribution.

NOTE 8. LIQUIDITY AND CAPITAL RESOURCES

The Organization's source of liquidity includes cash and cash equivalents and contributions from donors. As of December 31, 2021, the Organization's working capital is \$579,433. Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

Cash	\$ 246,433
Pledge Receivable	<u>333,000</u>
Total	<u><u>\$ 579,433</u></u>

In addition, the Organization operates with a balanced budget and anticipates collecting revenue to cover general expenditures not covered by donor restricted resources. Refer to the statement of cash flows, which identifies the sources and uses of the Organization's cash and positive cash generated by operations for fiscal year 2021.

NOTE 9. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Organization received the PPP loan forgiveness of \$75,705 from the second round of PPP loan.

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 7, 2023, the date that the financial statements were available to be issued.