

WELLNESS TOGETHER

Independent Auditor's Report
and Financial Statements

Year Ended June 30, 2021

**WELLNESS TOGETHER
YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Wellness Together
Rocklin, CA

We have audited the accompanying financial statements of Wellness Together (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wellness Together as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Fritzsche Associates, Inc.

Certified Public Accountants
Sacramento, CA
January 20, 2022

WELLNESS TOGETHER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

Assets

Cash and equivalents	\$ 1,295,848
Accounts receivable	171,283
Contributions receivable, net	2,205,000
Prepaid expenses	2,828
Deposits	35,100
Fixed assets, net	<u>29,958</u>
Total assets	<u><u>\$ 3,740,017</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 42,936
Accrued expenses	141,822
Refundable advance	365,240
Deferred revenue	<u>61,143</u>
Total liabilities	<u>611,141</u>

Net assets:

Without donor restrictions	173,876
With donor restrictions	<u>2,955,000</u>
Total net assets	<u>3,128,876</u>
Total liabilities and net assets	<u><u>\$ 3,740,017</u></u>

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

WELLNESS TOGETHER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Foundation grants	\$ 136,800	\$ 2,955,000	\$ 3,091,800
Program service revenue	1,584,518	-	1,584,518
Government grants	213,200	-	213,200
Conference revenue	45,269	-	45,269
Other income	1,257	-	1,257
Net assets released from restrictions	1,500,000	(1,500,000)	-
Total support and revenue	3,481,044	1,455,000	4,936,044
Expenses:			
Program services:			
School-based therapy	2,536,958	-	2,536,958
Hear You	274,524	-	274,524
Events	314,529	-	314,529
Total program services	3,126,011	-	3,126,011
Supporting services:			
General and administrative	426,080	-	426,080
Fundraising	76,687	-	76,687
Total supporting services	502,767	-	502,767
Total expenses	3,628,778	-	3,628,778
Change in net assets	(147,734)	1,455,000	1,307,266
Net assets, beginning of year	321,610	1,500,000	1,821,610
Net assets, end of year	\$ 173,876	\$ 2,955,000	\$ 3,128,876

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

WELLNESS TOGETHER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services		Total
	School-based Therapy	Hear You	Events	Total Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 1,650,316	\$ 194,584	\$ 78,606	\$ 1,923,506	\$ 170,532	\$ 53,693	\$ 2,147,731
Payroll taxes	139,603	16,460	6,650	162,713	14,426	4,542	181,681
Employee benefits	89,484	10,551	4,262	104,297	9,247	2,911	116,455
Total personnel costs	1,879,403	221,595	89,518	2,190,516	194,205	61,146	2,445,867
Advertising and promotion	5,298	2,564	33,536	41,398	2,632	9,050	53,080
Bad debt	-	-	-	-	3,704	-	3,704
Bank and payroll charges	-	-	-	-	13,888	-	13,888
Depreciation	-	-	-	-	7,836	-	7,836
Dues and subscriptions	1,964	394	-	2,358	8,352	-	10,710
Equipment purchases	204,264	167	8,312	212,743	65,243	-	277,986
Insurance	3,835	452	182	4,469	396	125	4,990
Miscellaneous	-	-	-	-	509	-	509
Office expenses	20,139	613	210	20,962	16,729	-	37,691
Printing and postage	7,264	844	29,294	37,402	2,951	-	40,353
Professional fees	126,176	4,264	132,157	262,597	26,626	175	289,398
Rent and utilities	116,309	13,714	5,540	135,563	12,019	3,784	151,366
Staff development	19,348	5,771	420	25,539	10,486	159	36,184
Software and IT	48,624	15,998	10,949	75,571	49,821	-	125,392
Tax and license	-	-	-	-	632	-	632
Telephone and internet	69,104	8,148	3,292	80,544	7,140	2,248	89,932
Travel and meetings	35,230	-	1,119	36,349	2,911	-	39,260
Total expenses	<u>\$ 2,536,958</u>	<u>\$ 274,524</u>	<u>\$ 314,529</u>	<u>\$ 3,126,011</u>	<u>\$ 426,080</u>	<u>\$ 76,687</u>	<u>\$ 3,628,778</u>

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

WELLNESS TOGETHER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

Cash flows from operating activities:	
Grants and contributions received	\$ 2,752,040
Program service revenue received	1,486,992
Other cash receipts	46,526
Payments for salaries, benefits, and payroll taxes	(2,390,849)
Payments to vendors	<u>(1,099,079)</u>
Net cash provided by operating activities	<u>795,630</u>
Cash flows from investing activities:	
Purchases of fixed assets	<u>(8,486)</u>
Net cash used in investing activities	<u>(8,486)</u>
Change in cash and equivalents	787,144
Cash and equivalents, beginning of year	<u>508,704</u>
Cash and equivalents, end of year	<u><u>\$ 1,295,848</u></u>

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

WELLNESS TOGETHER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 – NATURE OF THE ORGANIZATION

Wellness Together (Organization, we, us, our) is a not-for-profit corporation established in 2016 under the laws of the State of California. Our primary mission is to deliver effective mental health services to students and families everywhere. Wellness Together partners with K-12 school districts to provide turn-key mental health services for students, families, and educators. We offer individual counseling, group counseling, crisis intervention, family engagement, and social-emotional learning. We are primarily funded by client fees and donor contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Net Assets without Donor Restrictions – Net assets that are available for use in general operations and not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources 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.

Cash and Equivalents

We consider all cash and highly liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and equivalents.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for school mental health services. Based on historical experience, an assessment of economic conditions, and a review of subsequent collections, we expect all such accounts receivable to be collectible. Accordingly, an allowance for uncollectible amounts has not been established as of June 30, 2021.

WELLNESS TOGETHER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue on the statement of activities. Based on historical experience, an assessment of economic conditions, and a review of subsequent collections, we expect all such contributions to be collectible. Accordingly, an allowance for uncollectible contributions has not been established as of June 30, 2021.

Fixed Assets

Acquisitions of fixed assets of \$5,000 or more are capitalized. Fixed assets are stated at cost if purchased or at fair value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Revenue and Revenue Recognition

We recognize revenue from providing mental health services at the time the services are performed. The performance obligation consists of providing our clients continuous access to mental health services and is recognized ratably as the services are simultaneously received and consumed by the clients. Revenue from the annual conference is recognized when the conference is held. All amounts received prior to the services being provided or the conference being held are deferred to the applicable period.

We recognize 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 substantially met. Federal grants are conditioned upon certain performance requirements and / or the incurrence of allowable qualifying expenses.

Consequently, as of June 30, 2021, contributions of \$365,240, all of which had been received in advance, are not recognized on the accompanying statement of activities because the conditions for recognition had not been met.

WELLNESS TOGETHER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising and Promotion

Advertising and promotion costs are related primarily to our mental health services division. All costs are expensed as incurred.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Indirect costs are allocated among programs and supporting services based on personnel, space, and other factors.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, we have not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors supportive of our mission.

Use of Estimates

The preparation of our financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates under different assumptions or conditions.

Income Taxes

We are exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and related California tax codes. Management has evaluated the tax positions and related income tax contingencies and does not believe that any material uncertain tax positions exist. Management has processes presently in place to ensure maintenance of our tax-exempt statuses; to identify and report unrelated business income; to determine our filing and tax obligations for which we have nexus; and to identify and evaluate other matters that may be considered tax positions. We have evaluated the tax positions and related income tax contingencies and do not believe that any material uncertain tax positions exist that require recognition or disclosure in the financial statements.

WELLNESS TOGETHER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Standards

Effective for the year ended June 30, 2020, we have adopted Accounting Standards Update (ASU) No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify and improve the scope and accounting guidance for contributions received and contributions made. It aids not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance; and (2) determining whether a contribution is conditional.

Effective for the year ended June 30, 2021, we have adopted Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of our financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way we recognize revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and equivalents	\$ 1,295,848
Accounts receivable	171,283
Contributions receivable	<u>750,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,217,131</u>

We maintain a liquid cash balance in checking and money market accounts in an amount necessary to meet our anticipated expenditures for at least the next 60 days. Cash in excess of this may be invested in short-term investments.

**WELLNESS TOGETHER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30, 2021:

Unconditional promises to give		\$ 2,250,000
Less: unamortized discount		<u>(45,000)</u>
Net contributions receivable		<u>\$ 2,205,000</u>
Amounts due in:		
Less than one year		\$ 750,000
One to five years		<u>1,500,000</u>
Total		<u>\$ 2,250,000</u>

The discount rate applied is 3%.

NOTE 5 – FIXED ASSETS

Fixed assets consisted of the following as of June 30, 2021:

Equipment		\$ 45,957
Furniture		<u>7,125</u>
Subtotal		53,082
Less: accumulated depreciation		<u>(23,124)</u>
Total fixed assets, net		<u>\$ 29,958</u>

Depreciation expense was \$7,836 for the year ended June 30, 2021.

NOTE 6 – REFUNDABLE ADVANCES

We received a Paycheck Protection Program (PPP) loan established by the CARES Act and have elected to account for the funding as conditional contributions by applying ASC Topic 958- 605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, SBA, or lender; because of such audit, adjustments could be required to the recognition of revenue. The PPP balance of \$365,240 is recognized as a refundable advance as of June 30, 2021, as conditions have not yet been met.

WELLNESS TOGETHER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2021:

Subject to expenditure for specified purpose:

Mental health services in specific school districts	<u>\$ 2,955,000</u>
Total net assets with donor restrictions	<u>\$ 2,955,000</u>

NOTE 8 – RETIREMENT PLAN

We sponsor a 403(b) plan which allows all employees to defer a portion of their salary up to Internal Revenue Code limits. Eligible employees must be at least 21 years of age and have completed a minimum of 1,000 hours if a part-time employee or three months of work if a full-time employee. We provide 100% of employee contributions up to 3% of their compensation, with straight-line vesting over four years, and the first vesting event occurring after one year. Loans and hardship distributions are allowed, and employees can contribute to either a traditional 401(k) or a Roth 401(k). We made contributions to the 403(b) plan in the amount of \$19,211 for the year ended June 30, 2021.

NOTE 9 – CONCENTRATIONS

As of June 30, 2021, approximately 100% of contributions receivable were due from a single donor. In addition, 60% of the total revenue recognized for the year ended June 30, 2021 is attributed to the same donor.

NOTE 10 – DONATED SERVICES

We receive donated services from a variety of unpaid volunteers assisting in leadership, committees, fundraising activities, and program services. The value of this donated time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution.

WELLNESS TOGETHER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 11 – FUNCTIONALIZED EXPENSES

Our financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain expenses are allocated on the basis of employee's estimated time and effort, such as salaries and wages, payroll taxes, employee benefits, insurance, rent and utilities, and telephone and internet.

NOTE 12 – CONTINGENCIES

We have been awarded certain grants and contracts and are subject to financial and compliance requirements of the grantors or their representatives. Any expenses which may be disallowed by the granting agencies cannot be determined at this time although our management does not expect such amounts, if any, to materially affect the financial statements.

NOTE 13 – SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus (pandemic), economic uncertainties have arisen which have had a negative impact on our income. Additionally, we have experienced some disruption to our business due to government mandated closures. Although the disruption is expected to be temporary, we anticipate revenue losses and cash flow delays due to the impact of the pandemic. However, the related financial impact and duration cannot be reasonably determined at this time.

On September 13, 2021, we purchased real property in Roseville, California that will function as our organizational headquarters. The total cost of the property was approximately \$890,000 and we entered into a note payable agreement for \$570,000 in connection with the purchase. The note payable is secured by the property.

Management has reviewed the results of operations for the period of time from our year ended June 30, 2021 through January 20, 2022, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any other subsequent events occurred, the nature of which would require disclosure.