

CLARIS HEALTH
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015

CLARIS HEALTH
TABLE OF CONTENTS
June 30, 2016 and 2015

	Page
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 12

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Claris Health
Los Angeles, California

We have reviewed the accompanying financial statements of Claris Health (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements"). A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting, whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the Organization's financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Claris Health
Page 2

Report on 2015 Financial Statements

The financial statements of Claris Health as of June 30, 2015, were reviewed by other accountants whose report dated September 9, 2015, stated that based on their procedures, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Singer Lewak LLP

September 30, 2016

CLARIS HEALTH
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	RESTATED 2015
ASSETS		
Cash	\$ 604,830	\$ 683,912
Prepaid expenses	11,370	-
Lease security deposit	13,136	16,636
Equipment and leasehold improvements, net	6,912	10,028
Total assets	\$ 636,248	\$ 710,576
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 79,076	\$ 30,362
Loan payable	-	833
Deferred rent	42,457	29,863
Total liabilities	121,533	61,058
Net Assets		
Unrestricted net assets	514,715	614,518
Temporarily restricted net assets	-	35,000
Total net assets	514,715	649,518
Total liabilities and net assets	\$ 636,248	\$ 710,576

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

CLARIS HEALTH
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2016
(with Summarized Financial Information for 2015)

	2016			RESTATED
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2015</u> <u>Total</u>
Support and revenues				
Contributions	\$ 681,494	\$ -	\$ 681,494	\$ 795,768
In-kind contributions	74,199	-	74,199	82,835
Other program revenue	9,986	-	9,986	25,853
Special events	403,660	-	403,660	418,778
Net assets released from restriction	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,204,339</u>	<u>(35,000)</u>	<u>1,169,339</u>	<u>1,323,234</u>
Expenses				
Payroll	628,366	-	628,366	552,659
Development and fundraising	112,976	-	112,976	116,132
Advertising	133,649	-	133,649	-
Office expenses	208,796	-	208,796	269,746
Legal expenses	74,199	-	74,199	82,835
Other expenses	138,420	-	138,420	114,072
Depreciation	<u>7,736</u>	<u>-</u>	<u>7,736</u>	<u>18,252</u>
Total expenses	<u>1,304,142</u>	<u>-</u>	<u>1,304,142</u>	<u>1,153,696</u>
Changes in net assets	(99,803)	(35,000)	(134,803)	169,538
Beginning net assets	<u>614,518</u>	<u>35,000</u>	<u>649,518</u>	<u>479,980</u>
Ending net assets	<u>\$ 514,715</u>	<u>\$ -</u>	<u>\$ 514,715</u>	<u>\$ 649,518</u>

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

CLARIS HEALTH
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	RESTATED 2015
Cash flows from operating activities		
Change in net assets	\$ (134,803)	\$ 169,538
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	7,736	18,252
Changes in operating assets and liabilities:		
Decrease (increase) in lease security deposit	3,500	(6,413)
Increase in prepaid expenses	(11,370)	-
Increase in accounts payable and accrued expenses	48,714	27,598
Increase in deferred rent	12,594	23,258
Net cash (used in) provided by operating activities	(73,629)	232,233
Cash flows from investing activities		
Proceeds from redemption of certificate of deposit	-	10,000
Purchase of equipment	(4,620)	(19,100)
Net cash used in investing activities	(4,620)	(9,100)
Cash flows from financing activities		
Repayment of loan payable	(833)	-
Net cash used in financing activities	(833)	-
Net (decrease) increase in cash	(79,082)	223,133
Cash, beginning of year	683,912	460,779
Cash, end of year	\$ 604,830	\$ 683,912

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

NOTE 1 – BUSINESS AND ORGANIZATION

General

Claris Health (“the Organization”) was formed as a California not-for-profit corporation on February 25, 2000. The Organization provides pregnancy-related medical and support services to women and their families. The mission of the Organization is to empower individuals to make informed pregnancy and sexual health choices. The Organization has three fictitious business names for carrying out its mission: Westside Pregnancy Clinic, Crenshaw Pregnancy Clinic, and Reality Check.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ materially from those estimates.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. As of June 30, 2016 and 2015, management determined that there were no contributions and pledges receivable.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation of equipment is computed on the straight-line basis over the estimated useful life of the asset. Depreciation of leasehold improvements is computed on the straight-line basis over the lesser of the estimated useful life or remaining lease term.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization receives promises-to-give for various purposes and projects. If the promises-to-give contain a condition that must be met before the donor provides the funds, then they are referred to as conditional promises-to-give and are not recorded in the financial statements until those conditions have been substantially met. If those promises-to-give do not contain a condition, they are referred to as unconditional promises-to-give and they are recorded as contribution revenue and as a receivable in the accompanying financial statements. Management has determined that there are no unconditional promises-to-give as of June 30, 2016 and 2015.

Donated Materials and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at fair value in the period received.

Net Assets

Net assets of the Organization and changes therein have been classified and are reported as follows:

Unrestricted Net Assets: These generally result from revenues generated by receiving unrestricted contributions and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Temporarily Restricted Net Assets: The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are released from program or capital restrictions.

Permanently Restricted Net Assets: The part of the net assets of the Organization that includes those net assets that must be maintained in perpetuity; the investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, for purposes as approved by the board of directors. As of June 30, 2016 and 2015, the Organization had no permanently restricted net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization has been classified as a publicly supported organization, and is exempt from income taxes under Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701d. Contributions by the public are deductible for income tax purposes.

Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Advertising Costs

The Organization incurs advertising costs to increase outreach efforts and include radio, billboard, posters, and other media. The Organization expenses advertising costs as incurred. Advertising costs charged to program services for the years ended June 30, 2016 and 2015 totaled \$133,649 and \$0, respectively.

Deferred Rent

The Organization records deferred rent when a lease includes lease incentives (such as a rent holiday or reimbursement of certain lessee construction costs) or requires fixed escalations of the minimum lease payments. Rental expense is recognized on a straight-line basis over the term of the lease, and the difference between the average rental amount charged to expense and amounts payable under the lease is included in deferred rent on the accompanying balance sheet. In circumstances whereby leases are modified for reduced rents or shorter terms, the Organization recognizes an adjustment to the deferred rent at the time of the modification over the modified lease term on a straight-line basis.

Concentrations

The Organization's concentrations consist of the following:

Cash: The Organization places its temporary cash investments in high-credit, quality financial institutions. At times, such accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Organization has not incurred losses related to these investments.

Revenue: Approximately 97% of the Organization's support and revenue was obtained from contributions from the public.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated using various methods.

For the year ended June 30, 2016 the Organization allocated \$987,964 of its total expenses to program activities, \$131,959 to general and administrative, and \$184,219 to fundraising. Comparatively, for the year ended June 30, 2015 the Organization allocated \$789,746 of its total expenses to program activities, \$173,098 to general and administrative, and \$190,852 to fundraising.

Summarized Financial Information

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived. See Note 3 regarding the restatement of the financial statements for the year ended June 30, 2015.

Reclassifications

Certain revenues and expenses on the comparative statements of activities for the year ended June 30, 2015 have been reclassified, with no effect on changes in net assets, to be consistent with the classifications adopted for the year ended June 30, 2016.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Organization for fiscal years beginning after December 15, 2018. The Organization does not believe the adoption of the new financial instruments standard will have a material impact on its financial statements. The Organization elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which focuses on improving the current net asset classification requirements and information presented in financial statements and notes that are useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and early application is permitted. ASU 2016-14 should be applied on a retrospective basis in the year that it is first applied. The Organization is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

NOTE 3 – PRIOR PERIOD RESTATEMENT

The prior year has been restated to reflect the following:

In-kind contributions and in-kind legal expense of \$82,835 which was not recognized in the prior year. This amount is recognized as in-kind contributions and other expenses in the Statement of Activities for the year ending June 30, 2015. This restatement had no effect on net assets.

Deferred rent expense was understated by \$23,258 in the prior year. The restatement increased deferred rent liability by \$23,258 and decreased ending 2015 net assets by \$23,258.

CLARIS HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of June 30, 2016 and 2015, equipment and leasehold improvements consisted of the following:

	2016	2015
Leasehold improvements	\$ 77,476	\$ 77,476
Other equipment	90,561	90,561
Computer equipment	45,261	40,641
	213,298	208,678
Less accumulated depreciation	(206,386)	(198,650)
	\$ 6,912	\$ 10,028

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
Organization relocation	\$ -	\$ 11,000
Reality Check program	-	24,000
	\$ -	\$ 35,000

NOTE 6 – LEASES

Leases

The Organization leases an office in West Los Angeles under an operating lease, which requires monthly rental payments of \$5,631 (subject to annual increases) through September 2022.

The Organization leases an office in Inglewood under an operating lease, which requires monthly rental payments of \$5,698 (subject to annual increases) through January 2020. The Organization has subleased a portion of the office for monthly payments of \$1,443 through January 2017.

CLARIS HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 6 – LEASES (Continued)

Leases (Continued)

Minimum payments under noncancelable leases for future years ending June 30 are as follows:

2017	\$ 133,000
2018	143,000
2019	148,000
2020	120,000
2021	75,000
Thereafter	<u>100,000</u>
	<u>\$ 719,000</u>

Rent expense for the years ended June 30, 2016 and 2015 totaled approximately \$139,000 and \$116,000, respectively. Rent expense is included in Other Office Expenses in the Statement of Activities.

NOTE 7 – IN-KIND CONTRIBUTIONS

The Organization receives in-kind contributions of legal services. Total value of these contributed services was \$74,199 and \$82,835 for the years ended June 30, 2016 and 2015, respectively, and was recognized as in-kind contributions and legal expenses in the Statement of Activities.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2016, (the issuance date of these financial statements) and concluded that no material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.