

CLARIS HEALTH
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

CLARIS HEALTH
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Claris Health

We have reviewed the accompanying financial statements of Claris Health (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities and cash flows for the years 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 engagements 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 reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

SingerLewak LLP

September 18, 2017

CLARIS HEALTH
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash	\$ 641,927	\$ 604,830
Prepaid expenses	11,711	11,370
Equipment and leasehold improvements, net	25,654	6,912
Deposits	13,136	13,136
Total assets	\$ 692,428	\$ 636,248
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 32,614	\$ 59,655
Accrued expenses	18,823	19,421
Deferred rent	45,471	42,457
Total liabilities	96,908	121,533
Net Assets		
Unrestricted	595,520	514,715
Total liabilities and net assets	\$ 692,428	\$ 636,248

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

CLARIS HEALTH
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	2017	2016
Support and revenues		
Contributions	\$ 977,584	\$ 744,668
Programs	30,842	23,833
Special events	487,818	430,004
Total support and revenues	1,496,244	1,198,505
 Expenses		
Payroll	702,997	668,266
Development and fundraising	76,673	112,976
Advertising	102,603	133,649
Office expenses	294,205	208,796
Legal expenses	105,785	74,199
Other expenses	125,171	127,686
Depreciation	8,005	7,736
Total expenses	1,415,439	1,333,308
 Changes in unrestricted net assets	80,805	(134,803)
 Unrestricted net assets, beginning of year	514,715	649,518
 Unrestricted net assets, end of year	\$ 595,520	\$ 514,715

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

CLARIS HEALTH
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 80,805	\$ (134,803)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	8,005	7,736
Deferred rent	3,014	12,594
Changes in operating assets and liabilities:		
Prepaid expenses	(341)	(11,370)
Deposits	-	3,500
Accounts payable	(27,041)	52,573
Accrued expenses	(598)	(3,859)
Net cash provided by (used in) operating activities	63,844	(73,629)
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(26,747)	(4,620)
Net cash used in investing activities	(26,747)	(4,620)
Cash flows from financing activities		
Repayment of loan payable	-	(833)
Net cash used in financing activities	-	(833)
Net increase (decrease) in cash	37,097	(79,082)
Cash, beginning of year	604,830	683,912
Cash, end of year	\$ 641,927	\$ 604,830

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

NOTE 1 – BUSINESS AND ORGANIZATION

General

Clariss 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, including 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.

Contribution Revenue 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 recognized in contribution revenue. As of June 30, 2017 and 2016, management determined that there were no unconditional promises-to-give and pledges receivable.

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.

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)

Donated Materials and Services

Donated noncash assets, and 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 unrestricted contributions, 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 (when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. As of June 30, 2017 and 2016, the Organization had no temporarily restricted net assets.

Permanently Restricted Net Assets: Net assets of the Organization 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, 2017 and 2016, the Organization had no permanently restricted net assets.

Deferred Rent

The Organization records deferred rent when a lease includes lease incentives (such as a free rent 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 where 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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.

Concentrations

The Organization’s concentrations consist of the following:

Cash: The Organization maintains its cash balances in high-credit, quality financial institutions and, at times, such accounts may be in excess of the insured limits. The Organization has not incurred losses related to these uninsured cash balances.

Revenue: Approximately 99% of the Organization’s support and revenue was obtained from contributions from the public.

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 years ended June 30, 2017 and 2016, allocation of functional expenses consisted of the following:

	2017	2016
Program activities	\$ 1,096,895	\$ 1,009,662
General and administrative	160,539	141,085
Fundraising	158,005	182,561
	<u>\$ 1,415,439</u>	<u>\$ 1,333,308</u>

Reclassifications

Certain prior-year amounts have been reclassified to conform with current-year presentation with no impact on net assets or changes in net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In May 2014, the FASB (Financial Accounting Standards Board) issued ASU (Accounting Standards Update) 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 by one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the ASU on the financial statements.

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 years beginning after December 15, 2018. The Organization does not believe the adoption of the ASU will have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new ASU, 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 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 the ASU 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 simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions,” and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for years beginning after December 15, 2017 and early application is permitted. The Organization is currently evaluating the impact of the ASU on the financial statements.

CLARIS HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of June 30, 2017 and 2016, equipment and leasehold improvements consisted of the following:

	2017	2016
Leasehold improvements	\$ 16,874	\$ 77,476
Other equipment	45,544	90,561
Computer equipment	9,486	45,261
	71,904	213,298
Accumulated depreciation	(46,250)	(206,386)
	\$ 25,654	\$ 6,912

NOTE 4 – LEASES

Leases

The Organization leases an office in West Los Angeles under an operating lease, which requires monthly rental payments of \$5,800 (subject to annual increases) through September 2022.

The Organization leases an office in Inglewood under an operating lease, which requires monthly rental payments of \$5,869 (subject to annual increases) through January 2020. The Organization has subleased a portion of the office for monthly payments of \$1,531 through January 2019.

As of June 30, 2017, minimum payments under noncancelable leases for future years ending June 30 are as follows:

2018	\$ 143,000
2019	148,000
2020	120,000
2021	75,000
2022	80,000
Thereafter	20,000
Total	\$ 586,000

Rent expense for the years ended June 30, 2017 and 2016 totaled approximately \$135,000 and \$139,000, respectively.

NOTE 5 – IN-KIND CONTRIBUTIONS

The Organization receives in-kind contributions of various professional services and free rent. Total value of these in-kind contributions was \$168,285 and \$74,199 for the years ended June 30, 2017 and 2016, respectively. The in-kind revenues are included in contributions and the related in-kind expenses are included in legal and office expenses.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 18, 2017, (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.