

CLARIS HEALTH
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

CLARIS HEALTH
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June 30, 2018 and 2017

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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, 2018 and 2017, 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

October 10, 2018

CLARIS HEALTH
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash	\$ 772,211	\$ 641,927
Prepaid expenses	14,863	11,711
Equipment and leasehold improvements, net	53,122	25,654
Deposits	13,136	13,136
Total assets	\$ 853,332	\$ 692,428
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 17,114	\$ 32,614
Accrued expenses	20,361	18,823
Deferred rent	38,441	45,471
Total liabilities	75,916	96,908
Unrestricted net assets	777,416	595,520
Total liabilities and net assets	\$ 853,332	\$ 692,428

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

CLARIS HEALTH
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018	2017
Revenues, support, and other income		
Contributions	\$ 872,196	\$ 977,584
Programs	99,582	30,842
Special events	623,516	469,847
Rental income	17,837	17,971
Other income	3,965	-
	<u>1,617,096</u>	<u>1,496,244</u>
Expenses		
Salaries, taxes, and benefits	739,848	711,171
Development and fundraising	89,941	76,673
Advertising	16,783	102,603
Office expenses	304,033	286,031
Legal expenses	94,436	105,785
Other expenses	175,020	125,171
Depreciation	15,139	8,005
	<u>1,435,200</u>	<u>1,415,439</u>
Change in unrestricted net assets	181,896	80,805
Unrestricted net assets, beginning of year	<u>595,520</u>	<u>514,715</u>
Unrestricted net assets, end of year	<u>\$ 777,416</u>	<u>\$ 595,520</u>

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

CLARIS HEALTH
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 181,896	\$ 80,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	15,139	8,005
Deferred rent expense	(7,030)	3,014
Changes in operating assets and liabilities:		
Prepaid expenses	(3,152)	(341)
Accounts payable	(15,500)	(27,041)
Accrued expenses	1,538	(598)
Net cash provided by operating activities	172,891	63,844
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(43,356)	(26,747)
Proceeds from sale of equipment	749	-
Net cash used in investing activities	(42,607)	(26,747)
Net increase in cash	130,284	37,097
Cash, beginning of year	641,927	604,830
Cash, end of year	\$ 772,211	\$ 641,927

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

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, 2018 and 2017, 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 recognized in the financial statements until those conditions have been substantially met.

Program Revenue

The Organization recognizes program revenues when earned.

Special Event Revenue

The Organization defers the recognition of special event revenues until the event occurs. The Organization includes expenses (that are direct benefits to donors) related to special events within development and fundraising expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods 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, 2018 and 2017, 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, 2018 and 2017, the Organization had no permanently restricted net assets.

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.

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 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.

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.

Concentrations

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

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 based on management's estimates. See Note 7 for details.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The FASB has also issued several updates to ASU 2014-09. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures. ASU 2014-09 will be effective for the Organization on July 1, 2019. The Organization is currently evaluating the impact of this guidance 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 on July 1, 2019. The Organization does not believe the adoption of ASU 2016-01 will have a material impact on the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

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 the Organization on July 1, 2020. 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 this guidance 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 was effective for the Organization on July 1, 2018. The Organization is currently evaluating the impact of this guidance on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 should be applied on a modified prospective basis and retrospective application is permitted. ASU 2018-08 will be effective for the Organization on July 1, 2019. The Organization is currently evaluating the impact of this guidance on the financial statements.

CLARIS HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of June 30, 2018 and 2017, equipment and leasehold improvements consisted of the following:

	2018	2017
Office equipment	\$ 82,256	\$ 45,544
Computer equipment	9,993	8,486
Leasehold improvements	19,524	16,874
	111,773	71,904
Accumulated depreciation	(58,651)	(46,250)
	\$ 53,122	\$ 25,654

NOTE 4 – COMMITMENTS

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 \$5,400 (subject to annual increases) through January 2020.

As of June 30, 2018, minimum payments under noncancelable leases for future years ending June 30 are as follows:

2019	\$ 148,000
2020	120,000
2021	75,000
2022	80,000
2023	20,000
Total	\$ 443,000

Rent expense for the years ended June 30, 2018 and 2017 totaled approximately \$146,000 and \$135,000, respectively.

The Organization has subleased a portion of the Inglewood office for monthly payments of \$1,531 through January 2019.

CLARIS HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 – SPECIAL EVENTS

For the years ended June 30, 2018 and 2017, activities related to special events consisted of the following:

	2018	2017
Special event revenues	\$ 623,516	\$ 469,847
Special event expenses	<u>(85,862)</u>	<u>(73,583)</u>
	<u>\$ 537,654</u>	<u>\$ 396,264</u>

NOTE 6 – IN-KIND CONTRIBUTIONS

The Organization receives in-kind contributions of various professional services and office space. The total value of the donated professional services was \$94,436 and \$105,785 for the years ended June 30, 2018 and 2017, respectively. The value of the donated office space was \$65,000 and \$62,500 for the years ended June 30, 2018 and 2017, respectively. The in-kind revenues are included in contributions and the related in-kind expenses are included in legal and office expenses.

NOTE 7 – FUNCTIONAL EXPENSES

For the years ended June 30, 2018 and 2017, allocation of functional expenses consisted of the following:

	2018	2017
Program activities	\$ 1,091,911	\$ 1,096,895
General and administrative	175,643	160,539
Fundraising	<u>167,646</u>	<u>158,005</u>
	<u>\$ 1,435,200</u>	<u>\$ 1,415,439</u>

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2018 (the date these financial statements are available to be issued) 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.