

CLARIS HEALTH

Financial Statements for the Years Ended June 30, 2020 and 2019,
and Independent Accountant's Review Report

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Rivera Jamjian & Associates, LLP
Certified Public Accountants & Consultants

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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 AICPA. 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.

Rivera, Jamjian & Associates, LLP

September 18, 2020

CLARIS HEALTH

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and cash equivalents	\$ 991,253	\$ 784,027
Accounts receivable	-	1,577
Prepaid expenses	18,255	14,582
Equipment & leasehold improvements, net	239,959	59,744
Vehicle deposit	-	110,875
Other deposits	18,418	13,136
	<u>1,267,885</u>	<u>983,941</u>
TOTAL ASSETS	<u>\$ 1,267,885</u>	<u>\$ 983,941</u>
LIABILITIES:		
Accounts payable	\$ 5,787	\$ 4,974
Accrued expenses	46,406	42,558
Deferred rent	30,002	27,110
PPP Loan	160,555	-
	<u>242,750</u>	<u>74,642</u>
Total liabilities	<u>242,750</u>	<u>74,642</u>
NET ASSETS:		
Without donor restriction	933,668	583,648
With donor restriction	91,467	325,651
	<u>1,025,135</u>	<u>909,299</u>
Total Net Assets	<u>1,025,135</u>	<u>909,299</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,267,885</u>	<u>\$ 983,941</u>

See Independent Accountant's Review Report and accompanying footnotes.

CLARIS HEALTH

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Support and Other Income				
Contributions	\$ 1,056,794	\$ 82,000	\$ 1,138,794	\$ 862,474
Programs	46,559	9,467	56,026	69,483
Fundraising events	488,782		488,782	457,711
Gifts in-kind	154,655	-	154,655	141,778
Rental income	15,768	-	15,768	19,083
Other income	8,893	-	8,893	9,737
Net assets released from restriction (purpose restriction accomplished)	<u>325,651</u>	<u>(325,651)</u>	<u>-</u>	<u>-</u>
Total Revenue, Support and Other Income	<u>2,097,102</u>	<u>(234,184)</u>	<u>1,862,918</u>	<u>1,560,266</u>
Expenses				
Program services	1,421,117	-	1,421,117	1,093,668
Supporting services				
General and administrative	148,095	-	148,095	157,680
Fundraising events	<u>177,870</u>	<u>-</u>	<u>177,870</u>	<u>177,035</u>
Total Expenses	<u>1,747,082</u>	<u>-</u>	<u>1,747,082</u>	<u>1,428,383</u>
Change in Net Assets	350,020	(234,184)	115,836	131,883
Net Assets, Beginning of year	<u>583,648</u>	<u>325,651</u>	<u>909,299</u>	<u>777,416</u>
Net Assets, End of year	<u>\$ 933,668</u>	<u>\$ 91,467</u>	<u>\$ 1,025,135</u>	<u>\$ 909,299</u>

See Independent Accountant's Review Report and accompanying footnotes.

CLARIS HEALTH

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020						2019						
	Program Services			Supporting Services			Program Services			Supporting Services			
	Medical Program	Mobile Medical Clinic	Support Program	Sexual Health Education	Fundraising	General & Administrative	Medical Program	Support Program	Sexual Health Education	Fundraising	General & Administrative	Total	
Expenses:													
Salaries, taxes & benefits	\$ 348,901	\$ 85,078	\$ 206,505	\$ 190,972	\$ 42,483	\$ 89,728	\$ 963,667	\$ 327,553	\$ 184,659	\$ 164,321	\$ 39,757	\$ 86,888	\$ 803,178
Fundraising events	-	-	-	-	100,833	-	100,833	-	-	-	104,778	-	104,778
Advertising & marketing	18,356	-	18,356	18,356	-	-	55,068	13,422	13,422	6,711	-	-	33,555
Office expense	134,442	4,408	118,488	33,573	-	7,393	298,304	113,013	101,220	30,574	-	14,870	259,677
Legal expenses	11,954	-	11,954	11,954	26,896	26,897	89,655	10,237	10,237	10,237	23,033	23,033	76,777
Other expenses	60,087	22,799	52,897	28,877	7,658	19,440	191,758	38,576	47,506	21,980	9,467	16,288	133,817
Depreciation expense	20,985	22,175	-	-	-	4,637	47,797	11,697	-	-	-	4,904	16,601
	<u>\$ 594,725</u>	<u>\$ 134,460</u>	<u>\$ 408,200</u>	<u>\$ 283,732</u>	<u>\$ 177,870</u>	<u>\$ 148,095</u>	<u>\$ 1,747,082</u>	<u>\$ 514,498</u>	<u>\$ 357,044</u>	<u>\$ 233,823</u>	<u>\$ 177,035</u>	<u>\$ 145,983</u>	<u>\$ 1,428,383</u>

See Independent Accountant's Review Report and accompanying footnotes.

CLARIS HEALTH

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 115,836	\$ 131,883
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	47,797	16,601
Deferred rent	2,892	(11,331)
Gain on sale of equipment	-	(1,257)
(Increase) decrease in operating assets		
Other receivables	1,577	(1,577)
Prepaid expenses	(3,673)	281
Security deposit	(5,282)	-
Increase (decrease) in operating liabilities		
Accounts payable	813	(12,140)
Accrued expenses	3,848	22,197
	<u>163,808</u>	<u>144,657</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and leasehold improvements	(228,012)	(25,966)
Proceeds from sale of equipment	-	4,000
Vehicle deposit	110,875	(110,875)
	<u>(117,137)</u>	<u>(132,841)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan program borrowings	160,555	-
	<u>160,555</u>	<u>-</u>
Net cash provided by financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	207,226	11,816
CASH AND CASH EQUIVALENTS, Beginning of year	<u>784,027</u>	<u>772,211</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 991,253</u>	<u>\$ 784,027</u>

See Independent Accountant's Review Report and accompanying footnotes.

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 1. BUSINESS AND ORGANIZATION

Claris Health (“the Organization”) was formed as a California not-for-profit corporation on February 25, 2000. The Organization provides pregnancy and sexual-health related medical, mental health and support services to individuals and their families. The mission of the Organization is to equip and care for individuals and their families before, during and after pregnancy and sexual-health choices. The Organization has one fictitious business names for carrying out its mission: Reality Check.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Reclassifications

In order to facilitate comparison of financial information, certain prior year amounts have been reclassified to conform to the current year presentation with no impact on net changes in net assets.

Statement of Functional Expenses

On July 1, 2018, the Organization is presenting a Statement of Functional Expenses as a result of adopting the requirements of 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 its financial statements and notes about liquidity, financial performance, and cash flows.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ materially from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments available for current use with an initial maturity of three months or less are considered cash equivalents.

Net Assets

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence of any donor restrictions.

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 bases over the lesser of the estimated useful life or remaining lease term.

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Rent

Deferred rent is recorded 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 statements of financial position. When leases are modified the deferred rent is adjusted based on the modified lease terms.

Revenue Recognition

Contribution Revenue

Contributions, whether with donor restrictions or without donor restrictions, are recognized as revenue when they are received. Contributions are reported as support with donor restriction if they are received with donor stipulations that limit the use of the cash or other assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions. 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 expected to be received. Amortization of the discount is recognized in contribution revenue. 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. As of June 30, 2020, and 2019, management determined that there were no unconditional promise-to-give and pledges receivable.

Program Revenue

Program revenues are recognized when earned.

Fundraising Event Revenue

Fundraising event revenues are recognized when the event occurs. Expenses (that are direct benefits to donors) related to special events are recorded within fundraising expenses.

Gifts In-Kind

The value of significant contributed goods and services are reflected as contributions in the accompanying statements of activities if an objective basis is available to measure the fair value of such goods and services at the date of donation. In-kind contributions, including volunteer services that meet recognition criteria prescribed by generally accepted accounting principles and other non-cash contributions are reflected as contributions and expenses at their estimated fair value when received.

Donated services from unpaid volunteers who assist in program services amounted to \$154,655 and \$141,778 for the years ended June 30, 2020 and 2019, respectively.

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost Allocation

The financial statements include certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, these expenses are allocated to each program or supporting function based on a reasonable methodology, which has been consistently applied. Allocated expenses include compensation and payroll tax expenses, which are allocated based on time and effort of personnel, depreciation and building related expenses, which are allocated based primarily on square footage, and other general & administrative expenses, which are allocated based on estimated time and effort by functional category.

Income Taxes

The Organization has been classified as a publicly supported organization and is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 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.

Financial instruments that potentially submit the Organization to concentration of credit risk consist principally of cash deposits. Amounts at each institution are insured by the Federal Deposit Insurance Company ("FDIC") up to \$250,000. At June 30, 2020, and 2019, the Organization had \$275,415 and \$152,881 in excess of the FDIC insured limit.

NOTE 3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of June 30, 2020, and 2019, equipment and leasehold improvements consisted of the following:

	<u>2020</u>	<u>2019</u>
Medical equipment	\$ 310,063	\$ 82,051
Office equipment	16,842	16,842
Computer equipment	11,092	11,092
Leasehold improvements	<u>19,524</u>	<u>19,524</u>
	357,521	129,509
Accumulated depreciation	<u>(117,562)</u>	<u>(69,765)</u>
	<u>\$ 239,959</u>	<u>\$ 59,744</u>

Depreciation expense was \$47,797 and \$16,601 for the years ended June 30, 2020 and 2019, respectively.

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 and 2019

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial Assets at June 30, 2020	
Cash and cash equivalents	\$ 991,253
Total Financial Assets	<u>991,253</u>
Less those unavailable for general expenditure within one year due to:	
Clinic relocation	(24,000)
Payroll of certain medical personnel	(55,000)
Parenting support and educational scholarship	(3,000)
Sexual health education program	<u>(9,467)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 899,786</u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in savings and money market accounts.

NOTE 5. PPP LOAN

The Organization has a \$160,555 term loan under the Paycheck Protection Program, which bears interest at LIBOR plus 1%, and requires aggregate monthly interest and principal payments of \$6,760 after the first six months of the loan closing. The loan has a maturity date of September 12, 2022 and an outstanding balance of \$160,555 as of June 30, 2020. Additionally, the Paycheck Protection Program allow for such loans to be forgiven if certain eligibility requirements are met, such as loan proceeds to only be used for payroll costs, rent and utilities. The Organization is currently evaluating the eligibility requirements for loan forgiveness. Otherwise, scheduled principal maturities under the PPP loan for future-years ending June 30 are as follows:

2021	\$ 59,832
2022	80,477
2023	<u>20,246</u>
	160,555
Current portion	<u>(59,832)</u>
Noncurrent portion	<u>\$ 100,723</u>

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 and 2019

NOTE 6. COMMITMENTS

Leases

The Organization leases an office in West Los Angeles under an operating lease, which requires monthly rental payments of \$8,742 (subject to annual increases) through September 2029.

The Organization leases an office in Lynwood under an operating lease, which requires monthly rental payments of \$5,984 (subject to annual increases) through November 2025.

As of June 30, 2020, minimum payments under noncancelable leases for future years ending June 30 were as follows:

2021	\$	155,136
2022		176,306
2023		185,605
2024		189,019
2025		186,551
Thereafter		<u>554,448</u>
	\$	<u>1,447,065</u>

Rent expense for the years ended June 30, 2020 and 2019 totaled \$163,109 and \$153,218, respectively.

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

The Organization had net assets released from restrictions in the amount of \$325,651 for the year ended June 30, 2020, which resulted from:

Satisfaction of program restrictions	\$	51,014
Satisfaction of equipment acquisition restrictions		<u>274,637</u>
	\$	<u>325,651</u>

NOTE 8. RESTRICTIONS ON NET ASSETS

As of June 30, 2020, net assets with donor restrictions were available for the following purposes:

Clinic relocation	\$	24,000
Payroll of certain medical personnel		55,000
Parenting support and educational scholarship		3,000
Sexual health education program		<u>9,467</u>
	\$	<u>91,467</u>

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 9. FUNDRAISING EVENTS

For the year ended June 30, 2020 and 2019, activities related to fundraising events consisted of the following:

	<u>2020</u>	<u>2019</u>
Fundraising event revenues	\$ 488,782	\$ 457,711
Fundraising event expenses	<u>(90,182)</u>	<u>(98,585)</u>
	<u>\$ 398,600</u>	<u>\$ 359,126</u>

As part of the fundraising event expenses, the direct benefits to donors were \$17,400 for the year ended June 30, 2020.

NOTE 10. SUBSEQUENT EVENTS

The Organization recognizes the effects of all subsequent events in the financial statements that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's business.

Management has evaluated subsequent events through September 18, 2020 (the date the financial statements were 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.