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# **HEALTH CONNECTED**

## **FINANCIAL STATEMENTS**

**June 30, 2021**

**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020)**

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**CROSBY & KANEDA**

Certified Public Accountants  
for Nonprofit Organizations

# HEALTH CONNECTED

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

Board of Directors  
Health Connected  
East Palo Alto, California

We have reviewed the accompanying financial statements of Health Connected (the Organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year 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 Organization 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. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

**Accountant's Conclusion**

Based on our review, 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.

**Report on Summarized Comparative Information**

The accompanying summarized comparative information as of and for the year ended June 30, 2020 is derived from financials that were previously reviewed by us and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated October 29, 2020. We have not performed procedures in connection with that review engagement since that date.

  
Oakland, California  
September 29, 2021

## HEALTH CONNECTED

### Statement of Financial Position June 30, 2021 (With Comparative Totals as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Assets		
Cash and cash equivalents	\$ 682,221	\$ 271,970
Accounts receivable	36,793	16,532
Grants and pledges receivable (Note 3)	75,832	91,662
Prepaid expenses	-	1,640
Total Assets	<u>\$ 794,846</u>	<u>\$ 381,804</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 32,175	\$ 23,714
Accrued vacation	46,612	48,377
Deferred revenue	17,065	-
PPP Loan (Note 6)	162,600	184,300
Total Liabilities	<u>258,452</u>	<u>256,391</u>
Net Assets		
Without donor restrictions	353,837	(37,974)
With donor restrictions (Note 7)	182,557	163,387
Total Net Assets	<u>536,394</u>	<u>125,413</u>
Total Liabilities and Net Assets	<u>\$ 794,846</u>	<u>\$ 381,804</u>

See Independent Accountants' Review Report and  
Notes to the Financial Statements

## HEALTH CONNECTED

### Statement of Activities For the Year Ended June 30, 2021 (With Comparative Totals for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>Support and Revenue:</b>				
Support				
Foundation and corporate grants	\$ 59,539	\$ 181,000	\$ 240,539	\$ 179,960
Government	414,102		414,102	41,500
Contributions	46,601	25,100	71,701	85,473
In-kind (Note 8)	72,864		72,864	97,015
Total support	593,106	206,100	799,206	403,948
Revenue				
Program service fees	497,871		497,871	471,725
Training and workshops	218,966		218,966	207,527
Curriculum sales, net (Note 9)	90,652		90,652	142,266
Interest	312		312	33
Total revenue	807,801	-	807,801	821,551
Support provided by expiring time and purpose restrictions	186,930	(186,930)	-	-
Total Support and Revenue	1,587,837	19,170	1,607,007	1,225,499
<b>Expenses</b>				
Programs				
Youth services	662,124		662,124	665,967
Parent education	79,367		79,367	81,851
Provider training	123,090		123,090	115,576
Curriculum	74,295		74,295	56,991
Total Programs	938,876	-	938,876	920,385
Management and general	151,523		151,523	144,524
Fundraising	105,627		105,627	96,445
Total Expenses	1,196,026	-	1,196,026	1,161,354
Change in net assets	391,811	19,170	410,981	64,145
Net Assets, beginning of year	(37,974)	163,387	125,413	61,268
Net Assets, end of year	\$ 353,837	\$ 182,557	\$ 536,394	\$ 125,413

See Independent Accountants' Review Report and  
Notes to the Financial Statements

## HEALTH CONNECTED

### Statement of Cash Flows For the Year Ended June 30, 2021 (With Comparative Totals for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 410,981	\$ 64,145
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Loan forgiveness	(184,300)	-
Changes in assets and liabilities:		
Accounts receivable	(20,261)	(11,734)
Grants and pledges receivable	15,830	12,880
Prepaid expenses	1,640	(1,640)
Accounts payable and accrued expenses	8,461	(3,717)
Accrued vacation	(1,765)	15,363
Deferred revenue	17,065	-
Net cash provided (used) by operating activities	<u>247,651</u>	<u>75,297</u>
<b>Cash flows from financing activities</b>		
Proceeds from PPP loan	<u>162,600</u>	<u>184,300</u>
Net cash provided (used) by financing activities	<u>162,600</u>	<u>184,300</u>
Net change in cash and cash equivalents	410,251	259,597
Cash and cash equivalents, beginning of year	<u>271,970</u>	<u>12,373</u>
Cash and cash equivalents, end of year	<u>\$ 682,221</u>	<u>\$ 271,970</u>
Supplementary information:		
Loan forgiveness	<u>\$ 184,300</u>	<u>\$ -</u>

See Independent Accountants' Review Report and  
Notes to the Financial Statements

## HEALTH CONNECTED

### Statement of Functional Expenses For the Year Ended June 30, 2021 (With Comparative Totals for the Year Ended June 30, 2020)

	Program	Management and General	Fundraising	Total	
				2021	2020
Salaries	\$ 718,721	\$ 60,725	\$ 77,684	\$ 857,130	\$ 826,964
Employee benefits	44,834	3,788	4,846	53,468	57,779
Payroll taxes	57,221	4,887	6,180	68,288	63,630
Total Personnel	820,776	69,400	88,710	978,886	948,373
Professional services	4,710	47,805	8,825	61,340	32,663
Office expenses and supplies	37,734	4,984	1,111	43,829	19,804
Information technology	1,059	4,543	-	5,602	13,377
Occupancy	61,935	5,100	5,829	72,864	97,017
Travel	13	-	-	13	25,739
Insurance	2,793	2,144	313	5,250	5,601
Dues, licenses, service fees	8,688	13,119	189	21,996	16,243
Food	50	366	-	416	2,179
Other	1,118	4,062	650	5,830	358
Total Expenses by Function	938,876	151,523	105,627	1,196,026	1,161,354
Amounts reported on a net basis on the Statement of Activities					
Curriculum supplies - COGS	13,769	-	-	13,769	71,574
Total Expenses	\$ 952,645	\$ 151,523	\$ 105,627	\$ 1,209,795	\$ 1,232,928

See Independent Accountants' Review Report and  
Notes to the Financial Statements

## HEALTH CONNECTED

### Notes to the Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for the Year Ended June 30, 2020)

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#### NOTE 1: NATURE OF ACTIVITIES

Health Connected is a California nonprofit public benefit corporation, which was established in 1995. Its mission is to equip young people with information, skills, and support to make thoughtful choices about their relationships and sexual health throughout their lives. It does this through three programs: Youth Services (puberty and sexual health instruction in schools), Parent Services (informational sessions and skill-building workshops for parents and trusted adults), and Provider Services (training and technical assistance for teachers and providers to implement sexual health education).

#### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

*Net assets without donor restrictions* – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

*Net assets with donor restrictions* – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; there were no restrictions of a perpetual nature as of June 30, 2021.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

##### **Accounting for Contributions**

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless

## HEALTH CONNECTED

### Notes to the Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for the Year Ended June 30, 2020)

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the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

#### **Accounting for Revenue**

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time when any of the following conditions are met: The customer receives and consumes the benefits provided by the Organization's performance as the Organization performs; the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or the work does not create an asset with an alternative use to the Organization and the entity has a right to payment for performance completed to date.

Revenue is recognized over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached. Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met. Revenue from the sales of goods or merchandise are recognized at the point in time when the goods or merchandise are provided to the customer.

The Organization tracks contract assets representing earned amounts that are not yet receivable separately from accounts receivable, if any. As a practical expedient the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless related to a donor specified restriction for a particular purpose or future period.

#### **Accounts Receivable**

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors and customers on a cost reimbursement or performance grants. The Organization considers all accounts receivable to be fully collectible at June 30, 2021. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

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### Notes to the Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for the Year Ended June 30, 2020)

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#### **Grants and Pledges Receivable**

Grants and pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than two years after their due dates are written off unless the donors indicate that payment is merely postponed. The Organization considers all but certain very minor contributions receivable to be fully collectible at June 30, 2021. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

#### **Program Service Fees**

Program service fees consist of fees for instructional services to school districts to deliver puberty/sexual health education. The Organization charges a fee per class group to provide these services. For contracts over \$10,000, the Organization bills 50% of the contract at the beginning of the period, 25% in the middle, and 25% upon completion of services. Contracts less than \$5,000 are billed in one lump sum at the time of service delivery. The organization recognizes such amounts as billed because it bills in connection with the fulfillment of its performance obligations.

#### **Training and Workshops**

The Organization provides teacher training workshops, parent workshops, and family workshops to support trusted adults in providing instruction on or having conversations about puberty/sexual health with children and adolescents. Curriculum binders are billed for when prepared. Training sessions and workshops are billed and revenue is recognized concurrent with service delivery.

#### **Income Taxes**

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of June 30, 2021 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

#### **Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

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### Notes to the Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for the Year Ended June 30, 2020)

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#### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

#### **Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

*Level 1* - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

*Level 2* - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

*Level 3* - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on June 30, 2021.

#### **Concentration of Credit Risk**

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by monitoring the financial health of the related financial institutions.

#### **Property and Equipment**

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. As of June 30, 2021 all property and equipment were fully depreciated.

#### **Expense Recognition and Allocation**

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

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### Notes to the Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for the Year Ended June 30, 2020)

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Salaries and wages, benefits, and payroll taxes are allocated based on estimated allocations of time to each function, which is reassessed annually.

Occupancy and depreciation expenses are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Office expenses and supplies, insurance, and other expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred. All expenses and net losses are reported as decreases in net assets without donor restrictions.

#### Prior Year Summarized Information

The financial statements include 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

#### Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### NOTE 3: GRANTS AND PLEDGES RECEIVABLE

The Organization expects to collect grants and pledges receivable as follows during the years ended June 30:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 47,902	\$ 51,664
Between one and four years	<u>27,930</u>	<u>39,998</u>
Total	<u>\$ 75,832</u>	<u>\$ 91,662</u>

#### NOTE 4: COMMITMENTS

The Organization is party to a lease for equipment which will expire in December 2022. Estimated future minimum lease commitments are as follows for the years ended June 30:

2022	\$ 5,700
2023	<u>2,850</u>
Total	<u>\$ 8,550</u>

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Notes to the Financial Statements  
For the Year Ended June 30, 2021  
(With Comparative Totals for the Year Ended June 30, 2020)

NOTE 5: CONTINGENCIES

**Grant Awards**

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

**PPP Loan Forgiveness**

Guidance related to the SBA PPP program continues to evolve. The SBA reserves the right to audit any forgiveness granted, and such audit activity, if any, may result in changes to amounts forgiven or a requirement to return funds received under the program. Management of the Organization is of the opinion the Organization complied with the terms of the program.

NOTE 6: PPP LOAN

The Organization received a \$162,600 second draw paycheck protection program (PPP) loan bearing interest of 1% and maturing April 2022 which it accounts for under FASB 470 including interest accrual. Based on the guidance in *FASB ASC 405-20-40-1*, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been "legally released" or (2) the Organization pays off the loan. As described in Note 12 the Organization has applied for forgiveness of this loan.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Youth Services Program	\$ 7,500	\$ 22,500
Business planning	6,700	18,750
Provider services	5,475	5,475
Strategic planning and coaching	10,800	-
Curriculum development	20,000	-
Restricted for future periods	<u>132,082</u>	<u>116,662</u>
Total	<u>\$ 182,557</u>	<u>\$ 163,387</u>

NOTE 8: IN-KIND SUPPORT

In-kind support consisted of the in-kind facility use of \$72,864 and \$97,015 for the years ended June 30, 2021 and 2020, respectively.

**In-kind Facility**

The Organization entered into an agreement with the Sequoia Union High School District to provide an education program. As part of the agreement, the Organization received the

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Notes to the Financial Statements  
For the Year Ended June 30, 2021  
(With Comparative Totals for the Year Ended June 30, 2020)

right to use a district facility (including utilities) for office space. The Organization values this space at \$1.50/sf/month.

**NOTE 9: CURRICULUM SALES**

Curriculum sales were as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Curriculum sales	\$ 104,421	\$ 213,840
Less: Cost of goods sold	<u>(13,769)</u>	<u>(71,574)</u>
Total	<u>\$ 90,652</u>	<u>\$ 142,266</u>

**NOTE 10: RETIREMENT PLAN**

Health Connected has a 403(b) tax deferred employee contribution plan that provides retirement benefits to eligible employees. Employees are eligible to participate upon being hired and are permitted to contribute 100% of their compensation up the maximum permitted by law. No matching contributions were made by the Organization for the years ended June 30, 2021 and 2020.

**NOTE 11: LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 are:

Cash and cash equivalents	\$ 682,221
Accounts receivable	36,793
Grants and pledges receivable – current portion	47,902
Less: Purpose-restricted net assets	<u>(50,475)</u>
Total	<u>\$ 716,441</u>

As part of the Organization's liquidity management plan, the Organization invests cash in excess of immediate requirements in a savings account if excess funds are available.

**NOTE 12: SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and has concluded that as of September 29, 2021, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

**Public Health Order - Coronavirus**

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations.

**Paycheck Protection Program – Loan Forgiveness**

Subsequent to June 30, 2021 the Organization applied for PPP loan forgiveness for its second draw loan and expects the \$162,600 will be forgiven.