

CLARIS HEALTH

Financial Statements for the Year Ended June 30, 2022 and Independent
Auditor's Report

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12



Rivera Jamjian & Associates, LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Claris Health
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Claris Health ("the Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Claris Health as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The 2021 financial statements were reviewed by the firm and our report thereon dated, September 23, 2021, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Claris Health and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Claris Health's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

1125 W. 6th Street Suite 201
Los Angeles, CA 90017
Phone: 213.412.2002
Fax: 213.412.2001
www.rjallp-cpa.com



Rivera Jamjian & Associates, LLP
Certified Public Accountants & Consultants

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Claris Health 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Claris Health 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Rivera, Jamjian & Associates, LLP

Los Angeles, California

October 12, 2022

CLARIS HEALTH

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021 (Reviewed)
ASSETS:		
Cash and cash equivalents	\$ 5,062,855	\$ 1,634,942
Prepaid expenses	23,158	12,310
Equipment & leasehold improvements, net	184,600	217,953
Other deposits	18,343	18,343
TOTAL ASSETS	\$ 5,288,956	\$ 1,883,548
LIABILITIES:		
Accounts payable	\$ -	\$ 5,737
Accrued expenses	52,585	53,850
Deferred rent	52,975	47,997
PPP Loan	-	176,155
Capital Campaign Fundraising	3,000,000	-
Total liabilities	3,105,560	283,739
NET ASSETS:		
Without donor restriction	1,787,879	1,438,858
With donor restriction	395,517	160,951
Total Net Assets	2,183,396	1,599,809
TOTAL LIABILITIES AND NET ASSETS	\$ 5,288,956	\$ 1,883,548

The notes to financial statements are an integral part of these financial statements

CLARIS HEALTH

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021 (Reviewed)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Support and Other Income				
Contributions	\$ 1,044,160	\$ 383,600	\$ 1,427,760	\$ 1,193,319
Programs	57,454	11,917	69,371	61,137
Fundraising events	680,089		680,089	751,752
Gifts in-kind	123,428	-	123,428	116,324
Other income	1,733	-	1,733	636
PPP loan forgiveness income	176,155	-	176,155	160,555
Net assets released from restriction (purpose restriction accomplished)	160,951	(160,951)	-	-
Total Revenue, Support and Other Income	2,243,970	234,566	2,478,536	2,283,723
Expenses				
Program services	1,364,418	-	1,364,418	1,434,011
Supporting services				
General and administrative	189,676	-	189,676	150,080
Fundraising	234,513	-	234,513	124,957
Marketing and outreach	106,342	-	106,342	-
Total Expenses	1,894,949	-	1,894,949	1,709,048
Change in Net Assets	349,021	234,566	583,587	574,675
Net Assets, Beginning of year	1,438,858	160,951	1,599,809	1,025,135
Net Assets, End of year	\$ 1,787,879	\$ 395,517	\$ 2,183,396	\$ 1,599,810

The notes to financial statements are an integral part of these financial statements

CLARIS HEALTH

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022								2021 (Reviewed)								
	Program Services				Supporting Services				Total	Program Services				Supporting Services			Total
	Medical Program	Mobile Medical Clinic	Support Program	Sexual Health Education	Fundraising	General & Administrative	Marketing & Outreach	Medical Program		Mobile Medical Clinic	Support Program	Sexual Health Education	Fundraising	General & Administrative			
Expenses:																	
Salaries, taxes & benefits	\$ 455,913	\$ 77,536	\$ 136,119	\$ 159,636	\$ 50,066	\$ 76,466	\$ 71,063	\$ 1,026,799	\$ 456,888	\$ 58,379	\$ 205,871	\$ 155,867	\$ 41,632	\$ 73,545	\$ 992,182		
Fundraising	-	-	-	-	121,175	959	-	122,134	-	-	-	-	54,356	-	54,356		
Advertising & marketing	-	-	-	-	-	-	35,279	35,279	21,473	-	21,473	21,473	-	-	64,419		
Office expense	77,960	4,733	68,099	68,099	-	29,027	-	247,918	105,263	2,795	91,073	65,577	-	36,565	301,273		
Legal expenses	16,458	-	16,457	16,457	37,028	37,028	-	123,428	6,844	-	6,843	6,843	15,397	15,397	51,324		
Other expenses	79,999	39,828	62,653	46,257	26,244	42,215	-	297,196	58,138	25,225	63,896	29,194	13,572	20,750	210,775		
Depreciation expense	15,937	22,277	-	-	-	3,981	-	42,195	8,721	22,175	-	-	-	3,823	34,719		
	<u>\$ 646,267</u>	<u>\$ 144,374</u>	<u>\$ 283,328</u>	<u>\$ 290,449</u>	<u>\$ 234,513</u>	<u>\$ 189,676</u>	<u>\$ 106,342</u>	<u>\$ 1,894,949</u>	<u>\$ 657,327</u>	<u>\$ 108,574</u>	<u>\$ 389,156</u>	<u>\$ 278,954</u>	<u>\$ 124,957</u>	<u>\$ 150,080</u>	<u>\$ 1,709,048</u>		

The notes to financial statements are an integral part of these financial statements

CLARIS HEALTH

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 583,587	\$ 574,674
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	42,195	34,719
Deferred rent	4,978	17,995
Loss on retirement of equipment	-	772
PPP loan forgiveness income	(176,155)	(160,555)
(Increase) decrease in operating assets		
Prepaid expenses	(10,848)	5,945
Security deposit	-	75
Increase (decrease) in operating liabilities		
Accounts payable	(5,737)	(50)
Accrued expenses	(1,265)	7,444
Capital Campaign Fundraising	3,000,000	-
Net cash provided by operating activities	<u>3,436,755</u>	<u>481,019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and leasehold improvements	<u>(8,842)</u>	<u>(13,485)</u>
Net cash used in investing activities	<u>(8,842)</u>	<u>(13,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan program borrowings	<u>-</u>	<u>176,155</u>
Net cash provided by financing activities	<u>-</u>	<u>176,155</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,427,913	643,689
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,634,942</u>	<u>991,253</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 5,062,855</u>	<u>\$ 1,634,942</u>

The notes to financial statements are an integral part of these financial statements

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

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 name 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

In accordance with ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, a statement of functional expense is presented, 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, 2022 and 2021

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

The Organization has evaluated its revenue recognition process in conjunction with the current revenue recognition standard update FASB ASU 2014-09 *Revenue from Contracts with Customers* (Topic ASC 606) and all subsequent amendments. ASC 606 has a core principle that an organization should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an organization expects to be entitled in exchange for those goods or services. There are no significant effects to the presentation or disclosures in the accompanying financial statements with the adoption of ASC 606.

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, 2022, and 2021, 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.

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$58,428 and \$116,324 for the years ended June 30, 2022 and 2021, respectively.

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, 2022, and 2021, the Organization had \$4,509,291 and \$1,081,378 in excess of the FDIC insured limit.

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 and 2021

NOTE 3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of June 30, 2022, and 2021, equipment and leasehold improvements consisted of the following:

	<u>2022</u>	<u>2021</u>
Medical equipment	\$ 310,257	\$ 310,257
Office equipment	10,969	10,969
Computer equipment	11,150	12,190
Leasehold improvements	<u>26,484</u>	<u>26,484</u>
	358,860	359,900
Accumulated depreciation	<u>(174,260)</u>	<u>(141,947)</u>
	<u>\$ 184,600</u>	<u>\$ 217,953</u>

Depreciation expense was \$42,195 and \$34,719 for the years ended June 30, 2022 and 2021, respectively.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial Assets at June 30, 2022

Cash and cash equivalents	<u>\$ 5,062,855</u>
Total Financial Assets	5,062,855

Less those unavailable for general expenditure within one year due to:

Every Mother's Advocate Program	(25,000)
Marketing	(50,000)
Medical care, educational & support services	(55,000)
Mobile medical unit project	(170,500)
Parent Support Program	(15,000)
Prenatal Program	(10,000)
Reality Check Program	(25,000)
Sexual Health Program	(11,917)
Technology improvements	<u>(33,100)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,667,338</u>
--	---------------------

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

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 and 2021

NOTE 5. PPP LOAN

On February 2, 2021, the Organization received a loan proceed of \$176,155 under the Small Business Administration's (SBA) Paycheck Protection Program. The PPP loan bear interest at 1% and requires aggregate monthly interest and principal payments beginning ten months following the end of the 24-month covered period of the loan, if the loans are not forgiven sooner. On December 8, 2021, the SBA Paycheck Protection Program had approved the forgiveness of the loan in full and all interest accrued. Total PPP loan forgiveness amounted to \$176,155 for the year ended December 31, 2022.

NOTE 6. CAPITAL CAMPAIGN FUNDRAISING

On December 13, 2021, a donation to the Organization of \$3,000,000 was made for the purpose of a Capital Campaign. The Organization intends to raise an additional \$9,000,000 in accordance with the requirement of the donor. If the remaining \$9,000,000 is not raised by December 31, 2024, or if the project ceases at any point, the donation must be returned to the family's donor advised fund.

NOTE 7. COMMITMENTS

Leases

The Organization leases an office in West Los Angeles under an operating lease, which requires monthly rental payments of \$9,274 (subject to annual increases) through September 2029.

The Organization leases an office in Lynwood under an operating lease, which requires monthly rental payments of \$6,164 (subject to annual increases) through November 2025.

As of June 30, 2022, minimum payments under noncancelable leases for future years ending June 30 were as follows:

2023	189,978
2024	195,677
2025	194,813
2026	124,349
2027	128,079
Thereafter	<u>169,859</u>
	<u>\$ 1,002,755</u>

Rent expense for the years ended June 30, 2022 and 2021 totaled \$185,590 and \$173,130, respectively.

NOTE 8. NET ASSETS RELEASED FROM RESTRICTIONS

The Organization had net assets released from restrictions in the amount of \$160,951 for the year ended June 30, 2022, which resulted from:

Satisfaction of support service restrictions	\$ 30,000
Satisfaction of program service restrictions	<u>130,951</u>
	<u>\$ 160,951</u>

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 9. RESTRICTIONS ON NET ASSETS

As of June 30, 2022, net assets with donor restrictions were available for the following purposes:

Every Mother's Advocate Program	25,000
Marketing	50,000
Medical care, educational & support services	55,000
Mobile medical unit project	170,500
Parent Support Program	15,000
Prenatal Program	10,000
Reality Check Program	25,000
Sexual Health Program	11,917
Technology improvements	33,100
	<u>\$ 395,517</u>

NOTE 10. FUNDRAISING EVENTS

For the year ended June 30, 2022 and 2021, activities related to fundraising events consisted of the following:

	<u>2022</u>	<u>2021</u>
Fundraising event revenues	\$ 680,089	\$ 751,752
Fundraising event expenses	<u>(113,264)</u>	<u>(43,195)</u>
	<u>\$ 566,825</u>	<u>\$ 708,557</u>

As part of the fundraising event expenses, the direct benefits to donors were \$16,127 for the year ended June 30, 2022.

NOTE 11. 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 October 12, 2022 (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.