

CLARIS HEALTH

Financial Statements for the Year Ended June 30, 2021 and Independent
Auditor's Report

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Rivera Jamjian & Associates, LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Claris Health
Los Angeles, California

We have audited the accompanying financial statements of Claris Health ("the Organization"), a non-profit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

The 2020 financial statements were reviewed by the firm and our report thereon dated, September 18, 2020, 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.

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 express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Rivera Jamjian & Associates, LLP
Certified Public Accountants & Consultants

Opinion

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, 2021, 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.

Rivera, Jamjian & Associates, LLP

Los Angeles, California

November 22, 2022

CLARIS HEALTH

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020 (Reviewed)
ASSETS:		
Cash and cash equivalents	\$ 1,634,942	\$ 991,253
Prepaid expenses	12,310	18,255
Equipment & leasehold improvements, net	217,953	239,959
Other deposits	18,343	18,418
TOTAL ASSETS	\$ 1,883,548	\$ 1,267,885
LIABILITIES:		
Accounts payable	\$ 5,737	\$ 5,787
Accrued expenses	53,850	46,406
Deferred rent	47,997	30,002
PPP Loan	176,155	160,555
Total liabilities	283,739	242,750
NET ASSETS:		
Without donor restriction	1,438,858	933,668
With donor restriction	160,951	91,467
Total Net Assets	1,599,809	1,025,135
TOTAL LIABILITIES AND NET ASSETS	\$ 1,883,548	\$ 1,267,885

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

CLARIS HEALTH

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020 (Reviewed)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Support and Other Income				
Contributions	\$ 1,043,319	\$ 150,000	\$ 1,193,319	\$ 1,138,794
Programs	50,186	10,951	61,137	56,026
Fundraising events	751,751		751,751	488,782
Gifts in-kind	116,324	-	116,324	154,655
Rental income	-	-	-	15,768
Other income	636	-	636	8,893
PPP loan forgiveness income	160,555	-	160,555	-
Net assets released from restriction (purpose restriction accomplished)	91,467	(91,467)	-	-
Total Revenue, Support and Other Income	<u>2,214,238</u>	<u>69,484</u>	<u>2,283,722</u>	<u>1,862,918</u>
Expenses				
Program services	1,434,011	-	1,434,011	1,421,117
Supporting services				
General and administrative	150,080	-	150,080	148,095
Fundraising events	124,957	-	124,957	177,870
Total Expenses	<u>1,709,048</u>	<u>-</u>	<u>1,709,048</u>	<u>1,747,082</u>
Change in Net Assets	505,190	69,484	574,674	115,836
Net Assets, Beginning of year	<u>933,668</u>	<u>91,467</u>	<u>1,025,135</u>	<u>909,299</u>
Net Assets, End of year	<u>\$ 1,438,858</u>	<u>\$ 160,951</u>	<u>\$ 1,599,809</u>	<u>\$ 1,025,135</u>

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

CLARIS HEALTH

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021							2020 (Reviewed)							
	Program Services				Supporting Services			Total	Program Services				Supporting Services		Total
	Medical Program	Mobile Medical Clinic	Support Program	Sexual Health Education	Fundraising	General & Administrative	Medical Program		Mobile Medical Clinic	Support Program	Sexual Health Education	Fundraising	General & Administrative		
Expenses:															
Salaries, taxes & benefits	\$ 456,888	\$ 58,379	\$ 205,871	\$ 155,867	\$ 41,632	\$ 73,545	\$ 992,182	\$ 348,901	\$ 85,078	\$ 206,505	\$ 190,972	\$ 42,483	\$ 89,728	\$ 963,667	
Fundraising events	-	-	-	-	54,356	-	54,356	-	-	-	-	100,833	-	100,833	
Advertising & marketing	21,473	-	21,473	21,473	-	-	64,419	18,356	-	18,356	18,356	-	-	55,068	
Office expense	105,263	2,795	91,073	65,577	-	36,565	301,273	134,442	4,408	118,488	33,573	-	7,393	298,304	
Legal expenses	6,844	-	6,843	6,843	15,397	15,397	51,324	11,954	-	11,954	11,954	26,896	26,897	89,655	
Other expenses	58,138	25,225	63,896	29,194	13,572	20,750	210,775	60,087	22,799	52,897	28,877	7,658	19,440	191,758	
Depreciation expense	8,721	22,175	-	-	-	3,823	34,719	20,985	22,175	-	-	-	4,637	47,797	
	<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>	<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>	

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

CLARIS HEALTH

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 574,674	\$ 115,836
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	34,719	47,797
Deferred rent	17,995	2,892
Loss on retirement of equipment	772	-
PPP loan forgiveness income	(160,555)	-
(Increase) decrease in operating assets		
Other receivables	-	1,577
Prepaid expenses	5,945	(3,673)
Security deposit	75	(5,282)
Increase (decrease) in operating liabilities		
Accounts payable	(50)	813
Accrued expenses	7,444	3,848
Net cash provided by operating activities	<u>481,019</u>	<u>163,808</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and leasehold improvements	(13,485)	(228,012)
Vehicle deposit	-	110,875
Net cash used in investing activities	<u>(13,485)</u>	<u>(117,137)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan program borrowings	<u>176,155</u>	<u>160,555</u>
Net cash provided by financing activities	<u>176,155</u>	<u>160,555</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	643,689	207,226
CASH AND CASH EQUIVALENTS, Beginning of year	<u>991,253</u>	<u>784,027</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,634,942</u>	<u>\$ 991,253</u>

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

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

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, 2021 and 2020

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, 2021, and 2020, 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, 2021 and 2020

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 \$116,324 and \$154,655 for the years ended June 30, 2021 and 2020, 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, 2021, and 2020, the Organization had \$1,081,378 and \$275,415 in excess of the FDIC insured limit.

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 and 2020

NOTE 3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of June 30, 2021, and 2020, equipment and leasehold improvements consisted of the following:

	<u>2021</u>	<u>2020</u>
Medical equipment	\$ 310,257	\$ 310,063
Office equipment	10,969	16,842
Computer equipment	12,190	11,092
Leasehold improvements	<u>26,484</u>	<u>19,524</u>
	359,900	357,521
Accumulated depreciation	<u>(141,947)</u>	<u>(117,562)</u>
	<u>\$ 217,953</u>	<u>\$ 239,959</u>

Depreciation expense was \$35,528 and \$47,797 for the years ended June 30, 2021 and 2020, respectively.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial Assets at June 30, 2021

Cash and cash equivalents	<u>\$ 1,634,942</u>
Total Financial Assets	1,634,942

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

Integrated care and telecare model expansion	(25,000)
Medical care, educational & support services	(80,000)
Mobile medical unit project	(15,000)
Prenatal program	(10,000)
Start-up of new clinic	(20,000)
Sexual-health education	<u>(10,951)</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 1,473,991

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, 2021 and 2020

NOTE 5. PPP LOAN

The Organization had a \$160,555 term loan under the Paycheck Protection Program (PPP) during the fiscal year ended 2020, which was forgiven and recorded as income during the year ended June 30, 2021. The Organization has a second PPP term loan in the amount of \$176,155, which bears interest at LIBOR plus 1%, and requires aggregate monthly interest and principal payments of \$3,011. The loan has an estimated maturity date of September 6, 2026 and an outstanding balance of \$176,155 as of June 30, 2021. 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 and will be recognized for the year ended June 30, 2022.

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, 2021, minimum payments under noncancelable leases for future years ending June 30 were as follows:

2022	\$	178,281
2023		189,978
2024		195,677
2025		194,813
2026		124,349
Thereafter		<u>297,938</u>
	\$	<u>1,181,036</u>

Rent expense for the years ended June 30, 2021 and 2020 totaled \$173,130 and \$163,109, respectively.

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

The Organization had net assets released from restrictions in the amount of \$91,467 for the year ended June 30, 2021, which resulted from:

Satisfaction of supporting service restrictions	\$	24,000
Satisfaction of program service restrictions		<u>67,467</u>
	\$	<u>91,467</u>

CLARIS HEALTH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

NOTE 8. RESTRICTIONS ON NET ASSETS

As of June 30, 2021, net assets with donor restrictions were available for the following purposes:

Integrated care and telecare model expansion	\$	25,000
Medical care, educational & support services		80,000
Mobile medical unit project		15,000
Prenatal program		10,000
Start-up of new clinic		20,000
Sexual-health education		10,951
	\$	<u>160,951</u>

NOTE 9. FUNDRAISING EVENTS

For the year ended June 30, 2021 and 2020, activities related to fundraising events consisted of the following:

	<u>2021</u>	<u>2020</u>
Fundraising event revenues	\$ 751,752	\$ 488,782
Fundraising event expenses	<u>(43,195)</u>	<u>(90,182)</u>
	<u>\$ 708,557</u>	<u>\$ 398,600</u>

As part of the fundraising event expenses, the direct benefits to donors were \$11,710 for the year ended June 30, 2021.

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 November 22, 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.