

HARC, INC.
PALM DESERT, CALIFORNIA

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014



LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
HARC, Inc.
Palm Desert, California

We have audited the accompanying financial statements of HARC, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and the cash flows for the years then ended, and the related notes to the financial statements.

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 misstatement, whether due to fraud or error.

Auditor's Responsibility

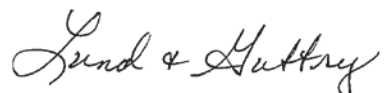
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HARC, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Lund & Guttry".

October 21, 2015

HARC, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 291,501	\$ 335,968
Grants receivable	50,500	12,868
Accounts receivable	38,143	77,467
Deposits	-	1,122
Total current assets	<u>380,144</u>	<u>427,425</u>
PROPERTY AND EQUIPMENT - NET	<u>4,116</u>	<u>5,493</u>
TOTAL ASSETS	<u>\$ 384,260</u>	<u>\$ 432,918</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 837	\$ 2,619
Accrued vacation	6,635	18,938
Deferred income (See Note 4)	66,292	80,951
Total current liabilities	<u>73,764</u>	<u>102,508</u>
LONG-TERM LIABILITIES		
Deferred income (See Note 4)	7,130	37,277
Total long-term liabilities	<u>7,130</u>	<u>37,277</u>
Total liabilities	<u>80,894</u>	<u>139,785</u>
NET ASSETS		
Unrestricted	303,366	293,133
Total net assets	<u>303,366</u>	<u>293,133</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 384,260</u>	<u>\$ 432,918</u>

(The accompanying notes are an integral part of these financial statements)

HARC, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

REVENUES	<u>2015</u>	<u>2014</u>
Contributions	\$ 113,671	\$ 102,524
Contributions - In-kind	13,016	6,479
Grants - Desert Healthcare District	125,368	193,893
Grants - California Wellness Foundation	-	42,625
Grants - Alliance Healthcare Foundation	-	20,000
Grants - other	84,418	31,750
Client requested services	59,370	120,068
Interest income	1,011	941
Total revenues	<u>396,854</u>	<u>518,280</u>
EXPENSES		
Salaries	232,125	194,872
Payroll taxes	20,211	15,769
Employee benefits	20,238	20,486
Workers compensation insurance	4,156	2,546
Computer services	9,415	6,035
Depreciation	2,193	2,681
Equipment rental and maintenance	-	(54)
Event	-	4,987
Insurance	3,921	3,816
Meetings	3,662	-
Office supplies	3,381	3,482
Other expenses	2,881	4,892
Postage and printing	1,089	22,978
Professional services		
Audit fees	6,800	6,700
Accounting fees	3,600	3,900
Data collection	-	84,429
Fundraising fees	8,128	11,500
Intern stipend	-	375
Legal	525	1,680
Payroll fees	1,495	1,223
Project consultant	17,529	64,547
Public relations	24,493	6,340
Rent	13,029	7,011
Retirement plan	1,240	1,789
Technical training	245	49
Telephone and utilities	3,524	5,084
Travel and mileage	2,741	1,498
Total expenses	<u>386,621</u>	<u>478,615</u>
INCREASE IN NET ASSETS	<u>10,233</u>	<u>39,665</u>
NET ASSETS AT BEGINNING OF YEAR	<u>293,133</u>	<u>253,468</u>
NET ASSETS AT END OF YEAR	<u>\$ 303,366</u>	<u>\$ 293,133</u>

(The accompanying notes are an integral part of these financial statements)

HARC, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 10,233	\$ 39,665
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	2,193	2,681
Changes in operating assets and liabilities:		
Grants receivable	(37,632)	28,557
Accounts receivable	39,324	(52,291)
Deposits	1,122	-
Accounts payable	(1,782)	2,619
Accrued vacation	(12,303)	2,618
Deferred income	<u>(44,806)</u>	<u>(13,673)</u>
Net cash provided (used) by operating activities	<u>(43,651)</u>	<u>10,176</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(816)</u>	<u>(1,396)</u>
Net cash used by investing activities	<u>(816)</u>	<u>(1,396)</u>
NET INCREASE (DECREASE) IN CASH	(44,467)	8,780
CASH AT BEGINNING OF YEAR	<u>335,968</u>	<u>327,188</u>
CASH AT END OF YEAR	<u>\$ 291,501</u>	<u>\$ 335,968</u>

(The accompanying notes are an integral part of these financial statements)

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

1. NATURE OF ORGANIZATION

HARC, Inc. (Health Assessment and Research for Communities; formerly known as Health Assessment Resource Center) was developed under the umbrella of Desert Healthcare Foundation and incorporated as a free-standing non-profit organization on September 28, 2006. HARC, Inc. is supported by a collaboration of over 36 community partners to provide objective, reliable research, analysis and technical services to the Coachella Valley community in order to facilitate better decision making regarding health and quality of life. The data that HARC gathers and disseminates to the community helps organizations prioritize needs, design programs and services to address those needs, and obtain funding to implement those programs and services, as well as to track the progress the community has made. HARC also provides customized research and evaluation services to organizations both locally in Coachella Valley and across the nation. These customized research solutions allow organizations to obtain the information they need to make evidence-based decisions, thereby improving the effectiveness and the efficiency of the programs they offer to improve community well-being.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Property and Equipment

Property and equipment are stated at cost and depreciated on the straight-line basis over their estimated useful lives ranging from 5 to 7 years. The Organization capitalizes all property and equipment over \$500. Donations of property and equipment are recorded at their estimated fair value.

Tax-Exempt Status

The Organization is a not-for-profit corporation that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and from California franchise taxes under related state tax regulations and classified by the Internal Revenue Service as other than a private foundation. The Organization may be subject to tax on income from any unrelated business operations. The Organization does not currently have any unrelated business operations.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Concentration of Credit Risk

The Organization maintains its cash in deposit accounts, which at times, may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits of \$250,000. Management is aware of this matter and does not expect any losses on the uninsured balances.

Net Assets

The Organization is required to report information regarding its financial position and activities in three classes of net assets in accordance with generally accepted accounting principles; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. At June 30, 2015 and 2014, there were no temporarily or permanently restricted net assets.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 17,407	\$ 16,590
Less: accumulated depreciation	<u>(13,291)</u>	<u>(11,097)</u>
Total	<u>\$ 4,116</u>	<u>\$ 5,493</u>

4. DEFERRED INCOME

Grants

Alliance Healthcare Foundation

In February 2014, the Organization received a \$20,000 grant from the Alliance Healthcare Foundation. The Organization amortized the grant over the life of the contract which ended June 30, 2014.

The Auen Foundation

In September 2014, the Organization received a \$5,000 grant from The Auen Foundation. The Organization is amortizing the grant over the life of the contract which ends August 2015.

In May 2013, the Organization received a \$10,000 grant from The Auen Foundation. The Organization amortized the grant over the life of the contract which ended January 2014.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

**4. DEFERRED INCOME – (continued)
Grants – (continued)**

California Wellness Foundation

In January 2014, the Organization received a \$50,000 grant from California Wellness Foundation. The Organization amortized the grant over the life of the contract which ended in December 2014.

Desert Healthcare District

In November 2014, the Organization received a one year \$125,000 grant from Desert Healthcare District. The advance payment of \$112,500 has been included in revenue and the retention amount of 10% or \$12,500 has been included in deferred revenue at June 30, 2015.

In December 2013, the Organization received a seven month \$128,676 grant from Desert Healthcare District. The advance payment of \$115,808 has been included in revenue at June 30, 2014 and the retention amount of 10% or \$12,868 has been included in revenue at June 30, 2015.

Desert Health Care District - @LIKE

In June 2013, the Organization received a three year \$11,425 grant from the Desert Healthcare District to provide a report that will document the overall impact of the @LIKE program on health outcomes. The Organization is amortizing the grant over the life of the contract which ends September 2016.

Kaiser Foundation Hospitals

In September 2014, the Organization received a one year \$15,000 grant from Kaiser Foundation Hospitals. The Organization amortized the grant over the life of the contract which ended September 2014.

Client Requested Services

Animal Samaritans

In January 2013, the Organization was contracted by Animal Samaritans to provide an evaluation of the Animal Assisted Therapy Program. The contract was completed in April 2014.

Desert Hot Springs Health and Wellness Foundation

In April 2013, the Organization was contracted by Desert Hot Springs Health and Wellness Foundation to conduct a survey of Desert Hot Springs residents, analyze collected data and provide an executive summary report. The contract was completed in June 2014.

Susan G. Komen – Inland Empire and San Diego

In April 2014, the Organization was contracted by Susan G. Komen Foundation located in the Inland Empire and San Diego to research, develop and conduct a survey and provide a final evaluation report. Payments totaling \$15,400 have been included in revenue.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

**4. DEFERRED INCOME – (continued)
Client Requested Services – (continued)**

Desert AIDS Project – Get Tested Coachella Valley

In March 2014, the Organization was contracted by Desert AIDS Project to provide advice and services related to the Get Tested Coachella Valley program. The Organization is being paid according to a payment schedule and a total of \$37,000 has been included in deferred revenue.

The deferred income balances at June 30 are summarized as follows:

<u>Grants</u>	<u>2015</u>	<u>2014</u>
The Auen Foundation	\$ 1,665	\$ -
California Wellness Foundation	-	25,000
Desert Healthcare District	12,500	12,868
Desert Healthcare District - @LIKE	4,840	8,341
First Foundation Bank	3,750	-
Kaiser Foundation Hospitals	-	2,500
Regional Access Project Foundation	3,250	-
SD Human Dignity Foundation	10,417	-
	<u>\$ 36,422</u>	<u>\$ 48,709</u>
<u>Client Requested Services</u>	<u>2015</u>	<u>2014</u>
Desert AIDS Project –		
Get Tested Coachella Valley	\$ 37,000	\$ 59,800
Susan G. Komen –		
Inland Empire and San Diego	-	7,000
Other	-	2,719
	<u>\$ 37,000</u>	<u>\$ 69,519</u>
Total Deferred Income	<u>\$ 73,422</u>	<u>\$ 118,228</u>
Deferred income – current portion	\$ 66,292	\$ 80,951
Deferred income – long-term portion	7,130	37,277
	<u>\$ 73,422</u>	<u>\$ 118,228</u>

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

5. LEASE COMMITMENTS

The Organization was released from their original five year lease agreement on their previous Palm Desert office location one year early without penalties and moved out in July 2013. A board member of the Organization is the Dean of the School of Medicine at UC Riverside and arranged for the Organization to move to offices on the UC Riverside Palm Desert Campus. The rental payments are \$1 per month on an annual lease agreement.

Total lease payments, including in-kind rent, during the years ended June 30, 2015 and 2014 was \$13,029 and \$7,011, respectively.

6. CONCENTRATION OF REVENUE

The Organization's operations rely significantly on obtaining grants and contributions from outside agencies and donors. The Organization received a substantial portion of its revenues from one granting agency. During the year ended June 30, 2015, amounts received from this granting agency included in support and revenue was \$125,368 which is 32% of total support and revenue. During the year ended June 30, 2014, amounts received from this granting agency included in support and revenue was approximately \$193,892 which is 37% of total support and revenue.

7. 401(k) PROFIT SHARING PLAN

Regular employees are eligible to enroll in HARC's 401(k) Profit Sharing Plan on the Plan's enrollment date. Eligible employees may contribute a percentage of their annual pay or a fixed amount to the Plan for each 12 month consecutive period in which they have been employed with HARC. The Organization may authorize discretionary contributions to the plan. The Board did not approve any contributions to the plan for the years ended June 30, 2014 and 2013.

8. SUBSEQUENT EVENTS

The Organization evaluated all potential subsequent events as of October 21, 2015 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2015 or as of October 21, 2015 that require disclosure to the financial statements.