

HARC, INC.
PALM DESERT, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2022



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
HARC, Inc.
Palm Desert, California

Opinion

We have audited the accompanying financial statements of HARC, Inc., which comprise of the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses and the 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 HARC, Inc. as of June 30, 2023 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 HARC, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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 HARC, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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, including omissions, 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 HARC, Inc. 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 HARC, Inc.'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.

*Coachella Valley
Accounting & Auditing*

La Quinta, CA
September 20, 2023

HARC, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2022

ASSETS

	<u>2023</u>	<u>2022</u> (Memorandum Only)
CURRENT ASSETS		
Cash	\$ 454,305	\$ 419,687
Grants and accounts receivable	442,533	491,790
Prepaid expenses	<u>1,902</u>	<u>1,801</u>
Total current assets	<u>898,740</u>	<u>913,278</u>
PROPERTY AND EQUIPMENT - NET	<u>13,894</u>	<u>11,273</u>
LONG TERM ASSETS		
Deposits	<u>1,300</u>	<u>1,300</u>
TOTAL ASSETS	<u>\$ 913,934</u>	<u>\$ 925,851</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 9,564	\$ 2,944
Accrued vacation and payroll	30,508	34,259
Deferred income	<u>365,495</u>	<u>430,049</u>
Total current liabilities	<u>405,567</u>	<u>467,252</u>
NET ASSETS		
Without donor restrictions	<u>508,367</u>	<u>458,599</u>
Total net assets	<u>508,367</u>	<u>458,599</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 913,934</u>	<u>\$ 925,851</u>

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

HARC, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	<u>2023</u>	<u>2022</u> (Memorandum Only)
REVENUES		
Contributions	\$ 51,405	\$ 62,457
Grants - other	281,954	89,264
Client requested services	1,088,069	1,283,620
Special events	20,500	15,500
Interest income	1,835	484
Total revenues	<u>1,443,763</u>	<u>1,451,325</u>
EXPENSES		
Program	1,185,770	1,245,336
Management	136,253	113,213
Fundraising	71,972	55,712
Total expenses	<u>1,393,995</u>	<u>1,414,261</u>
INCREASE IN NET ASSETS	<u>49,768</u>	<u>37,064</u>
NET ASSETS, BEGINNING OF YEAR	<u>458,599</u>	<u>421,535</u>
NET ASSETS, END OF YEAR	<u>\$ 508,367</u>	<u>\$ 458,599</u>

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

HARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	Program	Management	Fundraising	Total 2023	2022 (Memorandum Only)
Salaries	\$ 536,428	\$ 63,109	\$ 31,555	\$ 631,092	\$ 546,565
Payroll taxes	43,376	5,103	2,552	51,031	43,028
Employee benefits	45,326	5,333	2,666	53,325	39,045
Workers compensation insurance	3,577	421	210	4,208	3,221
Computer services	11,958	1,407	703	14,068	5,983
Depreciation	1,965	231	116	2,312	1,847
Insurance	7,177	844	422	8,444	4,722
Meetings	1,908	225	112	2,245	-
Office supplies	809	95	48	952	597
Other expenses	6,813	802	401	8,015	11,840
Participant incentives	143,435	-	-	143,435	389,486
Postage and printing	287,065	33,772	16,886	337,724	230,217
Professional services					
Audit fees	-	9,050	-	9,050	8,600
Accounting fees	-	4,575	-	4,575	3,925
Payroll fees	2,269	267	133	2,669	2,039
Project consultant	33,518	3,943	1,972	39,433	73,868
Public relations	9,592	1,129	564	11,285	508
Technical training	1,281	151	75	1,507	452
Rent	18,368	2,161	1,080	21,609	21,619
Retirement plan	15,144	1,782	891	17,817	7,200
Special events	-	-	10,658	10,658	5,368
Telephone and utilities	12,104	1,424	712	14,240	13,469
Travel and mileage	3,656	430	215	4,301	662
TOTAL EXPENSES	<u>\$ 1,185,770</u>	<u>\$ 136,253</u>	<u>\$ 71,972</u>	<u>\$ 1,393,995</u>	<u>\$ 1,414,261</u>

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

HARC, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	2023	2022 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 49,768	\$ 37,064
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,312	1,847
Changes in operating assets and liabilities:		
Grants and accounts receivable	49,257	1,042,981
Prepaid expenses	(101)	-
Accounts payable	6,620	(11,450)
Accrued vacation	(3,750)	5,078
Deferred income	(64,554)	(1,062,356)
Net cash provided by operating activities	<u>39,552</u>	<u>13,164</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(4,934)</u>	<u>-</u>
Net cash used by investing activities	<u>(4,934)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	34,619	13,164
CASH AT BEGINNING OF YEAR	<u>419,686</u>	<u>406,522</u>
CASH AT END OF YEAR	<u>\$ 454,305</u>	<u>\$ 419,686</u>

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

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

1. NATURE OF ORGANIZATION

Founded in 2006, HARC, Inc. (Health Assessment and Research for Communities) is a nonprofit that advances quality of life by helping community leaders use objective research and analysis to turn data into action. HARC provides research and evaluation services related to the social determinants of health; that is, the concept that health depends on where you live, work, learn, and play.

Every three years, HARC conducts the Coachella Valley Community Health Survey and provides the data back to the community free of charge. Data users—including nonprofits, healthcare organizations, educational institutions, and government agencies—use this data to 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

Basis of Presentation

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. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Revenue and Revenue Recognition

Revenues that are treated as exchange transactions are recognized consistent with the guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers. ASC 606 stipulates that revenue should be recognized consistent with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. When a contract is signed- the contract amount is posted to deferred revenue and accounts receivable until the progress hits certain milestones of completion. As the work is performed and billed, the revenue is recognized in client services and AR and deferred revenue is reduced. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Net assets without donor restrictions

Net assets that are not subject to donor-imposed stipulations.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Net assets with donor restrictions

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no net assets with donor restrictions at June 30, 2023 and 2022.

Property and Equipment

Property and equipment are stated at cost and depreciated on the straight-line basis over their estimated useful lives ranging from 3 to 5 years. The Organization capitalizes all property and equipment over \$1,000. 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.

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.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Memorandum Totals

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the prior year, from which the summarized information was derived.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 15,708	\$ 12,224
Leasehold improvements	9,000	9,000
	<u>24,708</u>	<u>21,224</u>
Less: accumulated depreciation	<u>(10,814)</u>	<u>(9,951)</u>
Total	<u>\$ 13,894</u>	<u>\$ 11,273</u>

4. DEFERRED INCOME

Grants

Center for Health Disparities Research at UC Riverside

In August 2019, the Organization entered a subaward partnership with the Center for Health Disparities Research at UC Riverside (HDR@UCR), primary grant recipient of a five-year project funded by the National Institutes of Health (NIH) to address health disparities in inland Southern California. As a sub awardee, the Organization is helping with community engagement and outreach, collecting qualitative data related to racial disparities in COVID-19 experiences in the Inland Empire, and attending regular meetings to guide the project going forward. The balance of deferred revenue at June 30, 2023 and 2022 was \$32,657 and \$127,324, respectively.

Client Requested Services

ABC Recovery

In May 2023, the Organization was hired to assist with the development, identification, and preparation of performance measures for Commission on Accreditation of Rehabilitation Facilities (CARF) standards. The contract amount of \$15,430 is in deferred revenue at June 30, 2023 as no work was performed on the contract as of fiscal year end.

Altura

HARC was hired by Altura to advise and review on survey development, advise and review on interview questions, and conduct analyses and report writing of the findings. The contract for \$13,125 was signed on February 17, 2023 and is in process. The balance of deferred revenue at June 30, 2023, is \$3,019.

Boys & Girls Club of PS

In October 2022, the Organization was hired to evaluate the work of the Boys & Girls Club of Palm Springs' Cannabis Education Center whose goal is to address cannabis reduction, prevention, and diversion. The contract for \$15,590 was signed on October 17, 2022 and is in process. The balance of deferred revenue at June 30, 2023, is \$13,197.

College of the Desert

College of the Desert pledged to be a \$5,000 sponsor for Workplace Wellness Awards in 2022 and 2023 each year. The balance of deferred revenue at June 30, 2022 was \$5,000 and has been recognized as revenue for the year ended June 30, 2023.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

DAP Health

HARC was hired to conduct a community health needs assessment for women's health in the Coachella Valley. The contract is for \$43,650 signed on April 6, 2022 and was completed in 2023. The balance of deferred revenue at June 30, 2022 was \$21,825 has been recognized as revenue for the year ended June 30, 2023.

EPA Environmental Justice

HARC was hired by the EPA Environmental Justice Department to evaluate the data and reporting for the environmental health report. They entered into a \$6,600 contract for services on February 10, 2022 and the project is still in process. The amount in deferred revenue at June 30, 2023 and 2022 was \$3,300 and \$6,600, respectively.

First 5 Riverside

HARC was hired to create a community profile for the 4th district of Riverside County. The 2021 deferred balance from phase one of \$25,000, was rolled into the second phase of the program. The second phase contract is for \$182,300, signed on March 22, 2022, and is in progress. The balance of deferred revenue for the project at June 30, 2023 and 2022 was \$123,010 and \$188,650, respectively.

Innecare (aka Clinicas)

HARC was hired to conduct client satisfaction surveys and produce written reports for each of the Innecare sites. The contract signed on March 15, 2022 is for \$35,400 and is in progress. The amount in deferred revenue at June 30, 2023 and 2022 was \$18,050 and \$26,725, respectively.

Nehemiah Charitable Foundation

HARC was hired to conduct a needs assessment of Black-led nonprofit organizations in the Inland Empire. The contract is for \$22,300, started June 29, 2021, and was completed in 2023. The balance of deferred revenue at June 30, 2022 was \$5,575 and has been recognized as revenue for the year ended June 30, 2023.

OneFuture Coachella Valley

HARC entered a contract with OneFuture Coachella Valley on December 12, 2022 to provide data support and analysis to their organization. The contract amount is for \$9,915 and is still in process. The amount in deferred revenue at June 30, 2023 and 2022 is \$4,958.

Queer Works

HARC was retained by Queer Works to evaluate the upcoming universal basic income (UBI) joint project with DAP Health. The contract for \$29,523 was signed on January 26, 2023 and is in process. The amount in deferred revenue at June 30, 2023 is \$22,538.

RAP H/MHI Collective Impact

In July 2021, the Organization was contracted by the Regional Access Project Foundation (RAP) to conduct a collective impact of the health and mental health initiative. The deferred revenue at June 30, 2022 was \$4,400 and has been recognized as revenue for the year ended June 30, 2023.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

4. DEFERRED INCOME – (continued)

Client Requested Services – (continued)

Riverside Community Health Foundation

HARC was hired to assist in evaluation of a grant and to assist with community engagement. The contract is \$40,405, and was signed on June 4, 2021, and is in progress. This is a five-year grant. The balance of deferred revenue at June 30, 2023 and 2022 was \$15,110 and \$20,910, respectively.

Starting Over

HARC was hired to evaluate a housing first program for formerly incarcerated individuals. The contract is for \$51,865, was signed on August 31, 2020 and has been completed. The balance of deferred revenue at June 30, 2022 was \$10,806 and has been recognized as revenue for the year ended June 30, 2023.

Tuolumne Me-Wuk

HARC was hired to conduct a community health needs assessment of tribal patients at Tuolumne Me-Wuk Indian Health Center. The contract is for \$16,335, was signed on June 9, 2023, and is in process. The balance of deferred revenue at June 30, 2023, is \$10,944.

University California Riverside – Salton Sea

HARC was hired to conduct a community-based health assessment survey around the Salton Sea to gather information for the University of California Riverside research study “The Impact of Salton Sea Playa in Selective Enrichment of Components in Entrained Aerosol Dusts”. The contract is for \$110,043, was signed on April 18, 2023, and is in process. The balance of deferred revenue at June 30, 2023 is \$103,282.

Variety of the Desert

In November 2021, HARC was contracted to evaluate the Caring Connections Pilot Program by Variety of the Desert. The contract is for \$6,500 and is complete. The balance in deferred revenue at June 30, 2022 was \$3,250 and has been recognized as revenue for the year ended June 30, 2023.

Youth Leadership Institute

HARC was hired by Youth Leadership Institute to evaluate their ¡Que Madre! Program. The contract is for \$12,775, was signed on December 13, 2021, and is complete. The balance of deferred revenue at June 30, 2023 was \$4,025 and has been recognized as revenue for the year ended June 30, 2023.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

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

<u>Grants</u>	<u>2023</u>	<u>2022</u>
Center for Health Disparities Research at UC Riverside	\$ 32,657	\$ 127,324
 <u>Client Requested Services</u>		
ABC Recovery	15,430	-
Altura	3,018	-
Boys & Girls Club of PS	13,197	-
College of the Desert	-	5,000
DAP Health	-	21,825
EPA Environmental Justice	3,300	6,600
First 5 Riverside	123,010	188,650
Innecare	18,050	26,725
Nehemiah Charitable Foundation	-	5,575
OneFuture	4,958	4,958
Queer Works	22,538	-
RAP H/MHI	-	4,400
Riverside Community Health Foundation	15,110	20,911
Starting Over	-	10,806
Tuolumne Me-Wuk	10,945	-
University California Riverside – Salton Sea	103,282	-
Variety of the Desert	-	3,250
Youth Leadership	-	4,025
	<u>332,838</u>	<u>302,725</u>
Total Deferred income	<u>\$ 365,495</u>	<u>\$ 430,049</u>

5. LEASE COMMITMENTS

In October 2020, the Organization entered into a 36 month office lease with Regional Access Project Foundation. Total lease expense during the years ended June 30, 2023, and 2022 was \$21,609 and \$21,619, respectively. In August 2023, the Organization entered a new lease which ends December 31, 2023 and will renew annually on January 1st with a 3% increase for the next three years.

6. CONCENTRATION OF REVENUE

During the year ending June 30, 2023, the Organization received substantial portion of its revenues from one contract in the amount of \$698,644 which was 46% of the total support and revenue. During the year ending June 30, 2022, the Organization received substantial portion of its revenues from the same organization of \$944,968 which was 65% of the total support and revenue.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 Organization matched \$125 per pay period per employee 401(k) withholding until December 31, 2022. On January 1, 2023, the Organization moved to a defined contribution safe harbor 401(k) plan. The Organization matches 100% of employee salary deferral up to 4% of employee compensation. Total matching contributions for each of the years ended June 30, 2023 and 2022 was \$17,817 and \$7,200, respectively.

8. LINE OF CREDIT

In July 2023, the Organization extended their existing line of credit agreement with First Foundation Bank for \$120,000 with an interest rate of 5.25% and maturity date of August 2024. The Organization has not drawn on these funds.

9. LIQUIDITY

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

Cash	\$ 454,305
Grants and accounts receivable	<u>442,533</u>
	<u>\$ 896,838</u>

The Organization is committed to investing liquid assets conservatively. The Organization also has access to its line of credit of \$120,000. (See Note 8)

11. SUBSEQUENT EVENTS

The Organization evaluated all potential subsequent events as of September 20, 2023 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2023 or as of September 20, 2023 that require disclosure to the financial statements.