

HARC, INC.
PALM DESERT, CALIFORNIA

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



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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, 2018 and 2017, 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

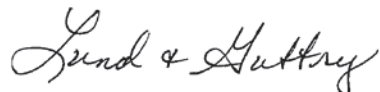
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2018 and 2017, 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 29, 2018

HARC, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 299,209	\$ 202,311
Grants receivable	49,996	199,982
Accounts receivable	<u>138,210</u>	<u>162,850</u>
Total current assets	<u>487,415</u>	<u>565,143</u>
PROPERTY AND EQUIPMENT - NET	<u>1,416</u>	<u>2,192</u>
LONG TERM ASSETS		
Deposits	<u>1,300</u>	<u>-</u>
Total long term assets	<u>1,300</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 490,131</u>	<u>\$ 567,335</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 1,289	\$ 3,438
Accrued vacation	13,100	7,156
Deferred income (See Note 4)	<u>93,080</u>	<u>188,899</u>
Total current liabilities	<u>107,469</u>	<u>199,493</u>
NET ASSETS		
Unrestricted	<u>382,662</u>	<u>367,842</u>
Total net assets	<u>382,662</u>	<u>367,842</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 490,131</u>	<u>\$ 567,335</u>

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

HARC, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

REVENUES	<u>2018</u>	<u>2017</u>
Contributions	\$ 88,184	\$ 115,128
Contributions - In-kind	8,000	27,079
Grants - Desert Healthcare District	61,534	339,820
Grants - California Healthcare Foundation	20,000	18,000
Grants - other	67,159	33,662
Client requested services	195,630	125,946
Special events	26,035	22,495
Interest income	700	712
Total revenues	<u>467,242</u>	<u>682,842</u>
 EXPENSES		
Salaries	288,236	268,225
Payroll taxes	23,382	20,645
Employee benefits	27,889	22,442
Workers compensation insurance	3,794	3,061
Computer services	6,334	28,821
Depreciation	777	750
Disposals	-	2,694
Equipment rental	298	-
Insurance	3,810	3,860
Meetings	1,774	-
Office supplies	2,189	1,224
Other expenses	11,530	6,492
Postage and printing	8,613	12,071
Professional services		
Audit fees	7,430	7,400
Accounting fees	3,600	3,300
Data collection	-	175,000
Fundraising fees	-	1,554
Intern stipend	-	11,484
Payroll fees	1,769	1,557
Project consultant	10,086	12,913
Public relations	20,520	10,849
Rent	17,720	24,012
Retirement plan	1,540	1,507
Technical training	171	-
Telephone and utilities	7,816	6,167
Travel and mileage	3,144	2,353
Total expenses	<u>452,422</u>	<u>628,381</u>
 INCREASE IN NET ASSETS	<u>14,820</u>	<u>54,461</u>
 NET ASSETS AT BEGINNING OF YEAR	<u>367,842</u>	<u>313,381</u>
 NET ASSETS AT END OF YEAR	<u>\$ 382,662</u>	<u>\$ 367,842</u>

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

HARC, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 14,820	\$ 54,461
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	777	750
Asset disposal	-	2,694
Changes in operating assets and liabilities:		
Grants receivable	149,986	151,129
Accounts receivable	24,640	(124,074)
Deposits	(1,300)	-
Accounts payable	(2,149)	(3,227)
Accrued vacation	5,944	48
Deferred income	<u>(95,820)</u>	<u>(255,757)</u>
Net cash provided (used) by operating activities	<u>96,898</u>	<u>(173,976)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(804)</u>
Net cash used by investing activities	<u>-</u>	<u>(804)</u>
NET INCREASE (DECREASE) IN CASH	96,898	(174,780)
CASH AT BEGINNING OF YEAR	<u>202,311</u>	<u>377,091</u>
CASH AT END OF YEAR	<u>\$ 299,209</u>	<u>\$ 202,311</u>

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

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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 dedicated to providing objective, reliable research, analysis and technical services to communities 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 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.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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, 2018 and 2017, there were no temporarily or permanently restricted net assets.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 7,387	\$ 7,387
Less: accumulated depreciation	(5,971)	(5,195)
Total	<u>\$ 1,416</u>	<u>\$ 2,192</u>

4. DEFERRED INCOME

Grants

City of La Quinta

In August 2016, the Organization received a \$2,500 grant from the City of La Quinta. The Organization is amortizing the grant over the life of the contract which ended in August 2017. The balance of deferred revenue for the year ended June 30, 2017 was \$833 and has been recognized in revenue for the year ended June 30, 2018.

Coachella Valley Spotlight

In June 2017, the Organization received a \$25,000 grant from Coachella Valley Spotlight to provide educational training related to the triannual survey. This training took place in Fall of 2017. The balance of deferred revenue for the year ended June 30, 2017 was \$25,000 and has been recognized in revenue for the year ended June 30, 2018.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

The Community Foundation

In September 2016, the Organization received a \$9,454 grant from The Community Foundation. The Organization is amortizing the grant over the life of the contract which ended in September 2017. The balance of deferred revenue for the year ended June 30, 2017 was \$1,576 and has been recognized in revenue for the year ended June 30, 2018.

Desert Healthcare District

In November 2015, the Organization received a three-year \$499,955 grant from Desert Healthcare District. The balance of deferred revenue for the year ended June 30, 2017 was \$61,534 and has been recognized in revenue for the year ended June 30, 2018.

Client Requested Services

ABC Recovery

In March 2017, the Organization was contracted by ABC Recovery to evaluate their integrated care project. The balance of deferred revenue for the year ended June 30, 2017 was \$2,550 and has been recognized in revenue for the year ended June 30, 2018.

ACT for MS

In February 2016, the Organization was contracted by ACT for MS to provide advice and services related to strength training and circulation therapy. The balance of deferred revenue for the year ended June 30, 2017 was \$2,125 and has been recognized in revenue for the year ended June 30, 2018.

American Red Cross

In September 2016, the Organization was contracted by American Red Cross to provide a program evaluation. The balance of deferred revenue for the year ended June 30, 2017 was \$1,000 and has been recognized in revenue for the year ended June 30, 2018.

Betty Ford Center

In February 2018, the Organization was contracted by Betty Ford Center to design and implement an evaluation of literacy and college readiness programs at the Club. The Organization is being paid according to a payment schedule and a total of \$25,100 has been included in deferred revenue for the year ended June 30, 2018.

Boys and Girls Club of Cathedral City

In October 2017, the Organization was contracted by Boys and Girls Club of Cathedral City to conduct a Community Health Needs Assessment. The Organization is being paid according to a payment schedule and a total of \$2,500 has been included in deferred revenue for the year ended June 30, 2018.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

City of Temecula

In March 2017, the Organization was contracted by the City of Temecula to provide advice and services related to cancer care and support. The balance of deferred revenue for the year ended June 30, 2017 was \$59,798 and has been recognized in revenue for the year ended June 30, 2018.

In April 2018, the Organization was contracted by the City of Temecula to conduct a study of the impact of short term rentals in the community. The Organization is being paid according to a payment schedule and a total of \$16,680 has been included in deferred revenue at June 30, 2018.

Clinicas de Salud del Pueblo

In January 2017, the Organization was contracted by the Clinicas de Salud del Pueblo to provide data collection and analysis related to client satisfaction surveys. The Organization is being paid according to a payment schedule and a total of \$5,900 and \$20,350 has been included in deferred revenue for the years ended June 30, 2018 and 2017, respectively.

Coachella Valley Association of Governments

In November 2017, the Organization was contracted by Coachella Valley Association of Governments to conduct a study of homelessness services in the Coachella Valley. The Organization is being paid according to a payment schedule and a total of \$4,100 has been included in deferred revenue for the year ended June 30, 2018.

Community Health Action Network

In June 2018, the Organization was contracted by Community Health Action Network to conduct a program evaluation. The Organization is being paid according to a payment schedule and a total of \$2,500 has been included in deferred revenue for the year ended June 30, 2018.

Desert Oasis Healthcare

In February 2018, the Organization was contracted by Desert Oasis Healthcare to conduct focus groups and surveys related to Medicare Advantage. The Organization is being paid according to a payment schedule and a total of \$13,300 has been included in deferred revenue for the year ended June 30, 2018.

Eisenhower Medical Center

In March 2017, the Organization was contracted by Eisenhower Medical Center to provide data collection and analysis related to LGBTQ surveys. The balance of deferred revenue for the year ended June 30, 2017 was \$7,366 and has been recognized in revenue for the year ended June 30, 2018.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

Mizell Senior Center

In August 2015 the Organization was contracted by Mizell Senior Center to provide advice and services related to “A Matter of Balance”, a fall prevention program. The balance of deferred revenue for the year ended June 30, 2017 was \$1,667 and has been recognized in revenue for the year ended June 30, 2018.

In December 2018 the Organization entered into a new contract with Mizell Senior Center to provide advice and services related to “A Matter of Balance”, a fall prevention program. The Organization is being paid according to a payment schedule and a total of \$8,000 has been included in deferred revenue for the years ended June 30, 2018.

Latino Commission

In May 2016, the Organization was contracted by Latino Commission to provide an evaluation related to the Latino Commission’s residential substance abuse treatment facilities for teens. The Organization is being paid according to a payment schedule and a total of \$3,500 has been included in deferred revenue for the years ended June 30, 2018 and 2017.

Regional Access Program

In April 2017, the Organization was contracted by Regional Access Program to create a database of nonprofit organizations. The balance of deferred revenue for the year ended June 30, 2017 was \$1,600 and has been recognized in revenue for the year ended June 30, 2018.

In December 2017, the Organization entered into two contracts with Regional Access Program: to evaluate the “Protecting the Rights of Immigrants” program and to evaluate the Mental Health Initiative. The Organization is being paid according to a payment schedule. A total, related to both projects, of \$9,100 has been included in deferred revenue at June 30, 2018.

Sun City Palm Desert

In June 2018, the Organization was contracted by Sun City Palm Desert to conduct a survey regarding room rentals and catering usage. The Organization is being paid according to a payment schedule and a total of \$2,400 has been included in deferred revenue for the years ended June 30, 2018.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

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

<u>Grants</u>	<u>2018</u>	<u>2017</u>
Desert Healthcare District	\$ -	\$ 61,534
Coachella Valley Spotlight	-	25,000
The Community Foundation	-	1,576
City of La Quinta	-	833
	<u>-</u>	<u>88,943</u>
 <u>Client Requested Services</u>		
ABC Recovery	-	2,550
ACT for MS	-	2,125
American Red Cross	-	1,000
Betty Ford Center	25,100	-
Boys and Girls Club Cathedral City	2,500	-
City of Temecula	16,680	59,798
Clinicas de Salud del Pueblo	5,900	20,350
Coachella Valley Association of Governments	4,100	-
Community Health Action Network	2,500	-
Desert Oasis Healthcare	13,300	-
Eisenhower Medical Center	-	7,366
Mizell Senior Center	8,000	1,667
Latino Commission	3,500	3,500
Regional Access Program	9,100	1,600
Sun City Palm Desert	2,400	-
	<u>93,080</u>	<u>99,956</u>
 Total Deferred Income	 <u>\$ 93,080</u>	 <u>\$ 188,899</u>

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

5. LEASE COMMITMENTS

In July 2013, the Organization entered a lease with the UC Riverside Palm Desert Campus. The rental payments are \$1 per month on an annual lease agreement. Total lease payments, under this agreement, including in-kind rent, during the years ended June 30, 2018 and 2017 were \$8,000 and \$24,012, respectively.

In October 2017, the Organization entered into a 36 month an office lease with Regional Access Project Foundation. Total lease payments under this agreement, during the year ended June 30, 2018 were \$9,720.

6. CONCENTRATION OF REVENUE

The Organization's operations rely significantly on obtaining grants and contributions from outside agencies and donors. During the year ending June 30, 2018, the Organization did not receive a substantial portion of its revenues from any individual source.

During the year ended June 30, 2017, the Organization received a substantial portion of its revenues from one granting agency. Amounts received from this granting agency, included in support and revenue, were \$339,820 which was 50% of total support and revenue for the year then ended.

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, 2018 and 2017.

8. LINE OF CREDIT

In July 2017, the Organization entered into a line of credit agreement with First Foundation Bank for \$120,000 with an interest rate of 7.25% and maturity date of July 2018. The Organization has not drawn on these funds. The Organization has renewed this line of credit through July 2019.

9. SUBSEQUENT EVENTS

The Organization evaluated all potential subsequent events as of October 29, 2018 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2018 or as of October 29, 2018 that require disclosure to the financial statements.