

HARC, INC.
PALM DESERT, CALIFORNIA

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS
36917 COOK STREET • SUITE 102 • PALM DESERT, CALIFORNIA 92211
Telephone (760) 568-2242 • Fax (760) 346-8891
www.lundandguttry.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
HARC, Inc.
Palm Desert, California

We have audited the accompanying financial statements of HARC, Inc., which comprise of the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and the cash flows for the year ended June 30, 2019, 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.

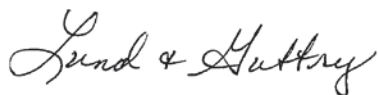
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2019 and 2018, and the changes in its net assets and cash flows for the year ended June 30, 2019 in conformity with accounting principles generally accepted in the United States of America.

Our audit was made primarily for the purpose of expressing an opinion on the basic financial statements, taken as a whole, shown on pages 3-12 of this report. The data included on page 13 is presented primarily for supplemental analysis purposes. This supplementary information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly state in all material respects in relation to the basic financial statements taken as a whole.

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

September 18, 2019

HARC, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 383,127	\$ 299,209
Grants receivable	219,989	49,996
Accounts receivable	85,165	138,210
Total current assets	<u>688,281</u>	<u>487,415</u>
PROPERTY AND EQUIPMENT - NET	<u>652</u>	<u>1,416</u>
LONG TERM ASSETS		
Other assets	<u>2,515</u>	<u>1,300</u>
Total long term assets	<u>2,515</u>	<u>1,300</u>
TOTAL ASSETS	<u>\$ 691,448</u>	<u>\$ 490,131</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 1,197	\$ 1,289
Accrued vacation	15,292	13,100
Deferred income (See Note 4)	284,362	93,080
Total current liabilities	<u>300,851</u>	<u>107,469</u>
NET ASSETS		
Without donor restrictions	<u>390,597</u>	<u>382,662</u>
Total net assets	<u>390,597</u>	<u>382,662</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 691,448</u>	<u>\$ 490,131</u>

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

HARC, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

REVENUES

Contributions	\$ 179,220
Grants - Desert Healthcare District	163,792
Grants - other	43,500
Client requested services	260,201
Special events	19,370
Interest income	3,006
Total revenues	<u>669,089</u>

EXPENSES

Program	563,030
Management	62,651
Fundraising	35,473
Total expenses	<u>661,154</u>

INCREASE IN NET ASSETS 7,935

NET ASSETS AT JULY 1, 2018 382,662

NET ASSETS AT JUNE 30, 2019 \$ 390,597

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

HARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 280,119	\$ 32,955	\$ 16,478	\$ 329,552
Payroll taxes	22,279	2,621	1,311	26,210
Employee benefits	27,767	3,267	1,633	32,667
Workers compensation insurance	583	69	34	686
Computer services	4,412	519	260	5,190
Depreciation	649	76	38	764
Insurance	3,282	386	193	3,861
Meetings	252	30	15	297
Office supplies	1,059	125	62	1,246
Other expenses	6,398	753	376	7,527
Postage and printing	19,017	2,237	1,119	22,373
Professional services				
Audit fees	-	7,400	-	7,400
Accounting fees	-	3,600	-	3,600
Data collection	124,000	-	-	124,000
Payroll fees	1,557	183	92	1,832
Project consultant	18,053	2,124	1,062	21,239
Public relations	27,783	3,269	1,634	32,686
Rent	12,393	1,458	729	14,580
Retirement plan	1,666	196	98	1,960
Special events	-	-	9,648	9,648
Technical training	110	13	6	129
Telephone and utilities	8,668	1,020	510	10,198
Travel and mileage	2,983	351	175	3,509
TOTAL EXPENSES	\$ 563,030	\$ 62,651	\$ 35,473	\$ 661,154

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

HARC, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 7,935
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	764
Changes in operating assets and liabilities:	
Grants receivable	(169,993)
Accounts receivable	53,045
Other assets	(1,215)
Accounts payable	(92)
Accrued vacation	2,192
Deferred income	<u>191,282</u>
Net cash provided by operating activities	<u>83,918</u>
NET INCREASE IN CASH	83,918
CASH AT BEGINNING OF YEAR	<u>299,209</u>
CASH AT END OF YEAR	<u><u>\$ 383,127</u></u>

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

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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:

Net assets without donor restrictions

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

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, 2019 and 2018.

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.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Tax-Exempt Status – (continued)

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.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 6,111	\$ 7,387
Less: accumulated depreciation	<u>(5,459)</u>	<u>(5,971)</u>
Total	<u>\$ 652</u>	<u>\$ 1,416</u>

4. DEFERRED INCOME

Grants

Desert Healthcare District

In September 2018, the Organization received a two-year \$399,979 grant from Desert Healthcare District to support the cost of the triennial survey. The balance of deferred revenue for the year ended June 30, 2019 was \$236,187.

Client Requested Services

ACT for MS

In September 2018, the Organization was contracted by ACT for MS to provide advice and services related to strength training and circulation therapy. The Organization is being paid according to a payment schedule and the balance of deferred revenue for the year ended June 30, 2019 was \$3,450.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

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 balance of \$25,100 included in deferred revenue for the year ended June 30, 2018 has been recognized in revenue for the year ended June 30, 2019.

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 balance of \$2,500 included in deferred revenue at June 30, 2018 has been recognized in revenue for the year ended June 30, 2019.

City of Temecula

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 balance of \$16,680 included in deferred revenue at June 30, 2018 has been recognized in revenue for the year ended June 30, 2019.

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 balance of \$5,900 included in deferred revenue at June 30, 2018 has been recognized in revenue for the year ended June 30, 2019.

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 balance of \$4,100 included in deferred revenue at June 30, 2018 has been recognized in revenue for the year ended June 30, 2019.

Community Health Action Network

In June 2018, the Organization was contracted by Community Health Action Network to conduct a program evaluation. The balance of \$2,500 included in deferred revenue at June 30, 2018 has been recognized in revenue for the year ended June 30, 2019.

County of San Bernardino

In June 2019, the Organization entered into an agreement with the County of San Bernardino to provide consultant services for the community engagement activities for the San Bernardino County Community Vital Signs (Vital Signs) 2018-19 Community Health Assessment Update. The Organization is being paid according to a payment schedule and a total of \$27,825 has been included in deferred revenue at June 30, 2019.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

Desert Blind and Handicapped Association

In June 2019, the Organization was contracted by Desert Blind and Handicapped Association to provide program evaluation related to their transportation service. The Organization is being paid according to a payment schedule and a total of \$4,550 (final payment) has been included in deferred revenue at June 30, 2019.

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 balance of \$13,300 included in deferred revenue at June 30, 2018 has been recognized in revenue for the year ended June 30, 2019.

Joslyn Senior Center

In March 2019, the Organization was contracted by the Joslyn Senior Center to conduct an evaluation of their Wellness Center. The Organization is being paid according to a payment schedule and a total of \$3,000 (final payment) has been included in deferred revenue at June 30, 2019.

Mizell Senior Center

In December 2017 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 \$6,500 and \$8,000 has been included in deferred revenue at June 30, 2019 and 2018, respectively.

Regional Access Projection Foundation

In December 2017, the Organization entered into two contracts with Regional Access Projection Foundation: to evaluate the “Protecting the Rights of Immigrants” program and to evaluate the Mental Health Initiative. The balance of \$9,100 included in deferred revenue at June 30, 2018 has been recognized in revenue for the year ended June 30, 2019.

Riverside County Latino Commission

In May 2016, the Organization was contracted by Riverside County Latino Commission to provide an evaluation related to the Riverside County Latino Commission’s residential substance abuse treatment facilities for teens. The Organization is being paid according to a payment schedule and a total of \$350 and \$3,500 has been included in deferred revenue at June 30, 2019 and 2018, respectively.

Silver Moonshots

In January 2019, the Organization entered into a second contract with Silver Moonshots to update parts of the prior report (based on the 2016 data) with newly collected 2019 data regarding seniors (age 50+). The Organization will be paid according to a payment schedule and a total of \$2,000 has been included in deferred revenue at June 30, 2019.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

Spirit Mountain Retreat Center

In May 2019, the Organization was contracted by Spirit Mountain Retreat Center to evaluate the impact of the retreat for women with PTSD. The Organization is being paid according to a payment schedule and a total of \$500 (final payment) has been included in deferred revenue at June 30, 2019.

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 balance of \$2,400 included in deferred revenue at June 30, 2018 has been recognized in revenue for the year ended June 30, 2019.

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

<u>Grants</u>	<u>2019</u>	<u>2018</u>
Desert Healthcare District	\$ 236,187	\$ -
	<u>236,187</u>	<u>-</u>
 <u>Client Requested Services</u>		
ACT for MS	3,450	-
Betty Ford Center	-	25,100
Boys and Girls Club Cathedral City	-	2,500
City of Temecula	-	16,680
Clinicas de Salud del Pueblo	-	5,900
Coachella Valley Association of Governments	-	4,100
Community Health Action Network	-	2,500
County of San Bernardino	27,825	-
Desert Blind	4,550	-
Desert Oasis Healthcare	-	13,300
Joslyn Senior Center	3,000	-
Mizell Senior Center	6,500	8,000
Regional Access Projection Foundation	-	9,100
Riverside County Latino Commission	350	3,500
Silver Moonshots	2,000	-
Spirit Mountain Retreat	500	-
Sun City Palm Desert	-	2,400
	<u>48,175</u>	<u>93,080</u>
Total Deferred Income	<u>\$ 284,362</u>	<u>\$ 93,080</u>

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

5. LEASE COMMITMENTS

In October 2017, the Organization entered into a 36 month office lease with Regional Access Project Foundation. Total lease payments under this agreement, during the years ended June 30, 2019 and 2018 were \$14,580 and \$9,720, respectively. The June 30, 2018 annual rent expense of \$17,720 also includes \$8,000 of in kind rent received under their prior rent agreement with UC Riverside Palm Desert Campus.

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, 2019, the Organization received substantial portion of its revenues from one granting agency of \$163,792 which was 24% of the total support and revenue.

During the year ending June 30, 2018, the Organization did not receive a substantial portion of its revenues from any individual source.

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, 2019 and 2018. Effective July 31, 2019 the Organization will match up to \$87 per pay period for employee 401(k) withholding.

8. LINE OF CREDIT

In August 2019, the Organization extended their existing line of credit agreement with First Foundation Bank for \$120,000 with an interest rate of 8% and maturity date of August 2020. 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	\$	383,127
Grants received		219,989
Accounts receivable		<u>85,165</u>
	\$	<u>688,281</u>

The Organization is committed to investing liquid assets conservatively.

10. SUBSEQUENT EVENTS

The Organization evaluated all potential subsequent events as of September 18, 2019 when the financial statements were authorized and available to be issued. No subsequent events or transactions other than Note 7 and 8 above, were identified after June 30, 2019 or as of September 18, 2019 that require disclosure to the financial statements.

SUPPLEMENTARY INFORMATION

HARC, INC.

SCHEDULE OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

REVENUES	<u>2019</u>	<u>2018</u>
Contributions	\$ 179,220	\$ 88,183
Contributions - In-kind	-	8,000
Grants - Desert Healthcare District	163,792	61,534
Grants - other	43,500	87,159
Client requested services	260,201	195,630
Special events	19,370	26,035
Interest income	3,006	700
Total revenues	<u>669,089</u>	<u>467,241</u>
 EXPENSES		
Salaries	329,552	288,236
Payroll taxes	26,210	23,382
Employee benefits	32,667	27,889
Workers compensation insurance	686	3,794
Computer services	5,190	6,333
Depreciation	764	777
Equipment rental	-	298
Insurance	3,861	3,810
Meetings	297	1,774
Office supplies	1,246	2,189
Other expenses	7,527	3,968
Postage and printing	22,373	8,613
Professional services		
Audit fees	7,400	7,430
Accounting fees	3,600	3,600
Data collection	124,000	-
Payroll fees	1,832	1,769
Project consultant	21,239	10,086
Public relations	32,686	20,520
Rent	14,580	17,720
Retirement plan	1,960	1,540
Special events	9,648	7,562
Technical training	129	171
Telephone and utilities	10,198	7,816
Travel and mileage	3,509	3,144
Total expenses	<u>661,154</u>	<u>452,422</u>
 INCREASE IN NET ASSETS	 <u>\$ 7,935</u>	 <u>\$ 14,820</u>