

HARC, INC.
PALM DESERT, CALIFORNIA

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



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 statement of financial position as of June 30, 2020 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.

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 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 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.

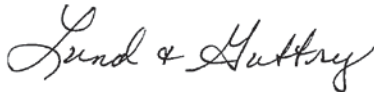
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated September 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent in all material respects, with the audited financial statements from which it has been derived.

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

September 16, 2020

HARC, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

ASSETS

	<u>2020</u>	<u>2019 (Memorandum Only)</u>
CURRENT ASSETS		
Cash	\$ 356,226	\$ 383,127
Grants and accounts receivable	497,967	305,154
Prepaid expenses	<u>1,715</u>	<u>1,215</u>
Total current assets	<u>855,908</u>	<u>689,496</u>
PROPERTY AND EQUIPMENT - NET	<u>9,908</u>	<u>652</u>
LONG TERM ASSETS		
Deposits	<u>1,300</u>	<u>1,300</u>
TOTAL ASSETS	<u>\$ 867,116</u>	<u>\$ 691,448</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ -	\$ 1,197
Accrued vacation	21,327	15,292
Deferred income	<u>449,989</u>	<u>284,362</u>
Total current liabilities	<u>471,316</u>	<u>300,851</u>
NET ASSETS		
Without donor restrictions	<u>395,800</u>	<u>390,597</u>
Total net assets	<u>395,800</u>	<u>390,597</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 867,116</u>	<u>\$ 691,448</u>

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

HARC, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	<u>2020</u>	<u>2019</u> <u>(Memorandum</u> <u>Only)</u>
REVENUES		
Contributions	\$ 129,018	\$ 179,220
Grants - Desert Healthcare District	205,423	163,792
Grants - other	120,369	43,500
Client requested services	236,312	260,201
Special events	12,880	19,370
Interest income	4,610	3,006
Total revenues	<u>708,612</u>	<u>669,089</u>
EXPENSES		
Program	608,176	563,030
Management	67,185	62,651
Fundraising	28,048	35,473
Total expenses	<u>703,409</u>	<u>661,154</u>
INCREASE IN NET ASSETS	<u>5,203</u>	<u>7,935</u>
NET ASSETS AT JULY 1	<u>390,597</u>	<u>382,662</u>
NET ASSETS AT JUNE 30	<u>\$ 395,800</u>	<u>\$ 390,597</u>

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

HARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u> <u>2020</u>	<u>2019</u> <u>(Memorandum</u> <u>Only)</u>
Salaries	\$ 321,511	\$ 37,825	\$ 18,912	\$ 378,248	\$ 329,552
Payroll taxes	25,300	2,977	1,488	29,765	26,210
Employee benefits	37,608	4,425	2,212	44,245	32,667
Workers compensation insurance	2,611	307	154	3,072	686
Computer services	8,275	974	487	9,735	5,190
Depreciation	901	106	53	1,060	764
Insurance	4,530	533	266	5,329	3,861
Meetings	-	-	-	-	297
Office supplies	1,514	178	89	1,781	1,246
Other expenses	4,907	577	289	5,773	7,527
Postage and printing	13,953	1,642	821	16,415	22,373
Professional services					
Audit fees	-	7,800	-	7,800	7,400
Accounting fees	-	3,600	-	3,600	3,600
Data collection	134,000	-	-	134,000	124,000
Payroll fees	1,529	180	90	1,799	1,832
Project consultant	6,080	715	358	7,153	21,239
Public relations	10,072	1,185	592	11,849	32,686
Rent	16,218	1,908	954	19,080	14,580
Retirement plan	6,854	806	403	8,063	1,960
Special events	-	-	155	155	9,648
Technical training	-	-	-	-	129
Telephone and utilities	9,077	1,068	534	10,679	10,198
Travel and mileage	3,237	381	190	3,808	3,509
TOTAL EXPENSES	\$ 608,176	\$ 67,185	\$ 28,048	\$ 703,409	\$ 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, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2020	2019 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 5,203	\$ 7,935
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,060	764
Changes in operating assets and liabilities:		
Grants and accounts receivable	(192,813)	(116,948)
Prepaid expenses	(500)	(1,215)
Accounts payable	(1,199)	(92)
Accrued vacation	6,037	2,192
Deferred income	165,627	191,282
Net cash provided by operating activities	<u>(16,585)</u>	<u>83,918</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(10,316)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(26,901)	83,918
CASH AT BEGINNING OF YEAR	<u>383,127</u>	<u>299,209</u>
CASH AT END OF YEAR	<u>\$ 356,226</u>	<u>\$ 383,127</u>

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

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020 and 2019.

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.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 7,427	\$ 6,111
Leasehold improvements	9,000	-
	<u>16,427</u>	<u>6,111</u>
Less: accumulated depreciation	<u>(6,519)</u>	<u>(5,459)</u>
Total	<u>\$ 9,908</u>	<u>\$ 652</u>

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 at June 30, 2020 was \$30,764.

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 meeting to guide the project going forward. The balance of deferred revenue at June 30, 2020 was \$126,401.

Anderson Children's Foundation

On June 1, 2020, The Organization received email notification from Anderson Children's Foundation of funding in the amount of \$10,000 for the 2020-2021 grant cycle (beginning July 1, 2020) for a special report on child health in the Coachella Valley. The balance of deferred revenue at June 30, 2020 was \$10,000.

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 balance of \$3,450 included in deferred revenue for the year ended June 30, 2019 has been recognized in revenue for the year ended June 30, 2020.

Altura

In January 2020, the Organization was contracted by Altura to participate in the design and data analyses phases of a study on patient engagement. The Organization is being paid according to a payment schedule and the balance of deferred revenue at June 30, 2020 was \$1,320.

Clinicas de Salud del Pueblo

In December 2019, the Organization was contracted by the Clinicas de Salud del Pueblo to conduct client satisfaction surveys and produce written reports for each of Clinicas' 15 sites. The Organization is being paid according to a payment schedule and the balance of deferred revenue at June 30, 2020 was \$24,650.

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 balance of \$27,825 included in deferred revenue at June 30, 2019 has been recognized in revenue for the year ended June 30, 2020.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 balance of \$4,550 included in deferred revenue at June 30, 2019 has been recognized in revenue for the year ended June 30, 2020.

Desert Healthcare District Community Health Needs Assessment

In February 2020, the Organization was contracted by Desert Healthcare District (DHCD) to conduct a community health needs assessment (CHNA) for which will culminate in a community health improvement plan (CHIP). The Organization is being paid according to a payment schedule and the balance of deferred revenue at June 30, 2020 was \$229,289.

Joslyn Senior Center

In March 2019, the Organization was contracted by the Joslyn Senior Center to conduct an evaluation of their Wellness Center. The balance of \$3,000 included in deferred revenue at June 30, 2019 has been recognized in revenue for the year ended June 30, 2020.

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 balance of \$6,500 included in deferred revenue at June 30, 2019 has been recognized in revenue for the year ended June 30, 2020.

RAP Foundation

In May 2020, the Organization was contracted by Regional Access Project Foundation (RAP) for the following three projects: 1) To provide an updated Mental Health Initiative (MHI) Collective Impact Report to include data from three 2018.1 grantees. The balance of deferred revenue at June 30, 2020 was \$845; 2) To conduct a collective impact of the health/mental health initiative. The balance of deferred revenue at June 30, 2020 was \$2,945; and 3) To conduct a collective impact of the regranting of funds from the James Irvine Foundation in support of immigrant rights and mental health. The balance of deferred revenue at June 30, 2020 was \$5,050. The Organization is being paid according to a payment schedule and the balance of deferred revenue for all three projects at June 30, 2020 was \$8,840.

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 balance of \$350 included in deferred revenue at June 30, 2019 has been recognized in revenue for the year ended June 30, 2020.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

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 balance of \$2,000 included in deferred revenue at June 30, 2019 has been recognized in revenue for the year ended June 30, 2020.

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, 2020.

TruEvolution

In June 2020, the Organization was contracted by TruEvolution to design and implement improved data tracking and evaluation tools. The Organization is being paid according to a payment schedule and the balance of deferred revenue at June 30, 2020 was \$18,225.

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

<u>Grants</u>	<u>2020</u>	<u>2019</u>
Desert Healthcare District	\$ 30,764	\$ 236,187
Center for Health Disparities Research at UC Riverside	126,401	-
Anderson Children’s Foundation	10,000	-
	<u>167,165</u>	<u>236,187</u>
 <u>Client Requested Services</u>		
ACT for MS	-	3,450
Altura	1,320	-
Clinicas de Salud del Pueblo	24,650	-
County of San Bernardino	-	27,825
Desert Blind		4,550
Desert Healthcare District Community Health Needs Assessment	229,289	-
Joslyn Senior Center	-	3,000
Mizell Senior Center	-	6,500
RAP Foundation	8,840	-
Riverside County Latino Commission	-	350
Silver Moonshots	-	2,000
Spirit Mountain Retreat	500	500
TruEvolution	18,225	-
	<u>282,824</u>	<u>48,175</u>
Total Deferred Income	<u>\$ 449,989</u>	<u>\$ 284,362</u>

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020 and 2019 were \$19,080 and \$14,580, respectively.

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, 2020, the Organization received substantial portion of its revenues from one granting agency of \$205,423 which was 29% of the total support and revenue.

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.

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 year ended June 30, 2019. Effective July 31, 2019 the Organization will match up to \$87 per pay period for employee 401(k) withholding. Total matching contributions for the year ended June 30, 2020 were \$6,003.

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 5.25% and maturity date of August 2021. 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	\$ 356,226
Grants and accounts receivable	<u>497,967</u>
	<u>\$ 854,193</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)

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

10. UNCERTAINTIES

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which had an impact on the year ended June 30, 2020.

In May 2020 the Organization received a Paycheck Protection Program loan in the amount of \$55,700. This loan was offered to qualifying small businesses in order to provide financial assistance during the COVID-19 crisis and is to be used to cover payroll costs and other qualifying expenses. Under the terms of this loan, the loan will be forgiven in full provided it is used to pay for qualifying expenses. As of June 30, 2020, management has determined that the funds received under this loan were fully expended for qualifying items and as such has reflected this forgivable loan as grant income-other on the statement of financial activities.

Management anticipates economic uncertainties associated with the COVID-19 coronavirus pandemic are likely to continue to negatively impact operating revenues. The related financial impact and duration cannot be reasonably estimated at this time.

11. SUBSEQUENT EVENTS

The Organization evaluated all potential subsequent events as of September 16, 2020 when the financial statements were authorized and available to be issued. No subsequent events or transactions other than Note 8 above, were identified after June 30, 2020 or as of September 16, 2020 that require disclosure to the financial statements.