

HARC, INC.
PALM DESERT, CALIFORNIA

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR JUNE 30, 2020



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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 of the statement of financial position as of June 30, 2021 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.

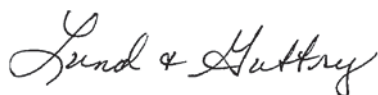
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021 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 2020 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated September 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 "Lind & Guttry".

September 15, 2021

HARC, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR JUNE 30, 2020

	<u>2021</u>	2020 (Memorandum Only)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 406,522	\$ 356,226
Grants and accounts receivable	1,534,772	497,967
Prepaid expenses	<u>1,801</u>	<u>1,715</u>
Total current assets	<u>1,943,095</u>	<u>855,908</u>
 PROPERTY AND EQUIPMENT - NET	 <u>13,122</u>	 <u>9,908</u>
 LONG TERM ASSETS		
Deposits	<u>1,300</u>	<u>1,300</u>
 TOTAL ASSETS	 <u>\$ 1,957,517</u>	 <u>\$ 867,116</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 LIABILITIES		
Accounts payable	\$ 14,394	\$ -
Accrued vacation	29,183	21,327
Deferred income	<u>1,492,405</u>	<u>449,989</u>
Total current liabilities	<u>1,535,982</u>	<u>471,316</u>
 NET ASSETS		
Without donor restrictions	<u>421,535</u>	<u>395,800</u>
Total net assets	<u>421,535</u>	<u>395,800</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,957,517</u>	 <u>\$ 867,116</u>

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

HARC, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u> (Memorandum Only)
REVENUES		
Contributions	\$ 29,412	\$ 129,018
Grants - Desert Healthcare District	30,764	205,423
Grants - PPP loan forgiveness	71,742	55,700
Grants - other	159,541	64,669
Client requested services	378,225	236,312
Special events	6,270	12,880
Interest income	1,355	4,610
Total revenues	<u>677,309</u>	<u>708,612</u>
EXPENSES		
Program	546,604	608,176
Management	70,880	67,185
Fundraising	34,090	28,048
Total expenses	<u>651,574</u>	<u>703,409</u>
INCREASE IN NET ASSETS	<u>25,735</u>	<u>5,203</u>
NET ASSETS AT JULY 1	<u>395,800</u>	<u>390,597</u>
NET ASSETS AT JUNE 30	<u>\$ 421,535</u>	<u>\$ 395,800</u>

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

HARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total 2021</u>	<u>2020 (Memorandum Only)</u>
Salaries	\$ 333,026	\$ 39,180	\$ 19,590	\$ 391,795	\$ 378,248
Payroll taxes	26,692	3,140	1,570	31,402	29,765
Employee benefits	44,665	5,255	2,627	52,547	44,245
Workers compensation insurance	2,258	266	133	2,657	3,072
Computer services	21,252	2,500	1,250	25,002	9,735
Depreciation	1,346	158	79	1,584	1,060
Insurance	3,937	463	232	4,632	5,329
Meetings	255	30	15	300	-
Office supplies	3,082	363	181	3,626	1,781
Other expenses	1,735	204	102	2,041	3,000
Participant incentives	45,487	-	-	45,487	2,773
Postage and printing	16,425	1,932	966	19,324	16,415
Professional services					
Audit fees	-	8,200	-	8,200	7,800
Accounting fees	-	3,725	-	3,725	3,600
Data collection	-	-	-	-	134,000
Payroll fees	1,525	179	90	1,794	1,799
Project consultant	8,386	987	493	9,866	7,153
Public relations	395	47	23	465	11,849
Rent	18,076	2,127	1,063	21,266	19,080
Retirement plan	8,109	954	477	9,540	8,063
Special events	-	-	4,613	4,613	155
Telephone and utilities	9,602	1,130	565	11,296	10,679
Travel and mileage	350	41	21	412	3,808
TOTAL EXPENSES	\$ 546,604	\$ 70,880	\$ 34,090	\$ 651,574	\$ 703,409

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

HARC, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	2021	2020 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 25,735	\$ 5,203
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,584	1,060
Changes in operating assets and liabilities:		
Grants and accounts receivable	(1,036,805)	(192,813)
Prepaid expenses	(87)	(500)
Accounts payable	14,394	(1,199)
Accrued vacation	7,856	6,037
Deferred income	1,042,416	165,627
Net cash provided (used) by operating activities	<u>55,093</u>	<u>(16,585)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(4,797)</u>	<u>(10,316)</u>
NET INCREASE (DECREASE) IN CASH	50,296	(26,901)
CASH AT BEGINNING OF YEAR	<u>356,226</u>	<u>383,127</u>
CASH AT END OF YEAR	<u>\$ 406,522</u>	<u>\$ 356,226</u>

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

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020.

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, 2021 AND 2020

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>2021</u>	<u>2020</u>
Computer equipment	\$ 12,224	\$ 7,427
Leasehold improvements	<u>9,000</u>	<u>9,000</u>
	21,224	16,427
Less: accumulated depreciation	<u>(8,102)</u>	<u>(6,519)</u>
Total	<u>\$ 13,122</u>	<u>\$ 9,908</u>

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 \$30,764 included in deferred revenue at June 30, 2020 has been recognized in revenue for the year ended June 30, 2021.

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, 2021 was \$103,275.

Anderson Children's Foundation

In June 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 \$10,000 included in deferred revenue at June 30, 2020 has been recognized in revenue for the year ended June 30, 2021.

Client Requested Services

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 \$1,320 included in deferred revenue at June 30, 2020 has been recognized in revenue for the year ended June 30, 2021.

Betty Ford Center

HARC was hired to conduct a Community Health Needs Assessment (CHNA) and Implementation Strategy (IS) plan, per the IRS requirements for nonprofit hospitals. The contract is for \$26,000, started on November 9, 2020, and is in progress. The balance of deferred revenue at June 30, 2021 was \$13,000.

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, 2021 was \$8,550.

Coachella Valley Volunteers in Medicine

HARC was hired to conduct a donor and volunteer survey for CVVIM. The contract began on March 29, 2021, is for \$7,800 total, and is in progress. The balance of deferred revenue at June 30, 2021 was \$3,900.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

College of the Desert

College of the Desert pledged to be a \$5,000 sponsor for Workplace Wellness Awards in 2022 and 2023 each. The balance of deferred revenue at June 30, 2021 was \$10,000.

Cook Ross

HARC was hired to validate their diversity, equity, and inclusion tool. The contract is for \$4,793, signed on February 12, 2021, and is in progress. The balance of deferred revenue at June 30, 2021 was \$2,793.

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, 2021 was \$111,771.

First 5 Riverside

HARC was hired to create a community profile for the 4th district of Riverside County. The contract is for \$37,500, signed on April 15, 2021, and is in progress. The balance of deferred revenue at June 30, 2021 was \$25,000.

Kaiser Permanente

HARC was hired to conduct a Community Health Needs Assessment (CHNA) and Implementation Strategy (IS) plan, per the IRS requirements for nonprofit hospitals. The contract is for \$70,000, began March 29, 2021, and is in progress. The balance of deferred revenue at June 30, 2021 was \$50,000.

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 is in progress. The balance of deferred revenue at June 30, 2021 was \$16,725.

RAP Foundation

In May 2020, the Organization was contracted by Regional Access Project Foundation (RAP) 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, 2021 was \$4,950.

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, 2021 was \$38,655.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

Riverside University Health System

This combines two projects: one to assist with analyzing COVID-19 death data for Epidemiology (NTE \$150,000, contract signed October 7, 2020) and another to conduct a COVID-19 needs assessment across Riverside County (NTE \$999,045, contract signed May 26, 2021). Both of these projects are in progress. The balance of deferred revenue at June 30, 2021 was \$1,051,568.

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 has been included in deferred revenue at June 30, 2020. This amount was written off as uncollectable in the year ended June 30, 2021.

Starting Over

HARC was hired to conduct evaluate a housing first program for formerly incarcerated individuals. The contract is for \$51,865, was signed on August 31, 2020, and is in progress. The balance of deferred revenue at June 30, 2021 was \$34,577.

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, 2021 was \$6,075.

University California Riverside - CEAL

HARC is a sub-awardee/sub-contract for UC Riverside to conduct a COVID-19 survey focused on the African American/Black, Native American, and Latinx/Hispanic communities in the Inland Empire. HARC's portion of the grant is \$47,988, contract signed January 29, 2021, and is in progress. The balance of deferred revenue at June 30, 2021 was \$11,566.

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

<u>Grants</u>	<u>2021</u>	<u>2020</u>
Desert Healthcare District	\$ -	\$ 30,764
Center for Health Disparities Research at UC Riverside	103,275	126,401
Anderson Children's Foundation	-	10,000
	<u>103,275</u>	<u>167,165</u>

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

<u>Client Requested Services</u>	<u>2021</u>	<u>2020</u>
Altura	\$ -	\$ 1,320
Betty Ford Center	13,000	-
Clinicas de Salud del Pueblo	8,550	24,650
Coachella Valley Volunteers in Medicine	3,900	-
College of the Desert	10,000	-
Cook Ross	2,793	-
Desert Healthcare District Community Health Needs Assessment	111,771	229,289
First 5 Riverside	25,000	-
Kaiser Permanente	50,000	-
Nehemiah Charitable Foundation	16,725	-
RAP Foundation	4,950	8,840
Riverside Community Health Foundation	38,655	-
Riverside University Health Systems	1,051,568	-
Spirit Mountain Retreat	-	500
Starting Over	34,577	-
TruEvolution	6,075	18,225
University California Riverside – CEAL	11,566	-
	<u>1,389,130</u>	<u>282,824</u>
Total Deferred Income	<u>\$ 1,492,405</u>	<u>\$ 449,989</u>

5. LEASE COMMITMENTS

In October 2020, 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, 2021 and 2020 were \$21,266 and \$19,080, 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, 2021, the Organization received substantial portion of its revenues from one granting agency of \$160,562 which was 24% of the total support and revenue. During the year ending June 30, 2020, the Organization received substantial portion of its revenues from the same granting agency of \$261,347 which was 37% 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 Organization matches \$100 per pay period for employee 401(k) withholding. Total matching contributions for the years ended June 30, 2021 and 2020 were \$7,200 and \$6,003, respectively.

HARC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

8. LINE OF CREDIT

In July 2021, 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 2022. 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	\$ 406,522
Grants and accounts receivable	<u>1,534,772</u>
	<u>\$ 1,941,294</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)

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, 2021.

In May 2020 the Organization received an initial 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 determined that the funds received under this loan were fully expended for qualifying items and as such reflected this forgivable loan as grant income. The loan was forgiven in full in February 2021 during the year ended June 30, 2020.

In February 2021 the Organization received a 2nd Paycheck Protection Program loan in the amount of \$71,742. As of June 30, 2021, management has determined that the funds received under this loan were fully expended for qualifying items as such reflected this forgivable loan as grant income during the year ended June 30, 2021. The loan was forgiven in full in August 2021.

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 15, 2021 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, 2021 or as of September 15, 2021 that require disclosure to the financial statements.