HEALING CALIFORNIA

FINANCIAL STATEMENTS

DECEMBER 31, 2022

FARBER HASS HURLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEX TO THE FINANCIAL STATEMENTS
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Farber Hass Hurley LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Healing California

Opinion

We have audited the accompanying financial statements of Healing California, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healing California as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Healing California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Healing California's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Healing California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Healing California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Farber Hass Hurley LLP

Farber Hass Hurley LLP

Chatsworth, California
June 15, 2023

HEALING CALIFORNIA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current assets:		
Cash and cash equivalents	$	156,532
Pledges receivable		76,350
Inventory		61,540
Prepaid expenses		5,200
Other current assets		2,600
Total current assets		302,222
Non-current assets:		
Property and equipment, net		241,827
Right of use asset, net		79,020
Total non-current assets		320,847
Total assets	$	623,069

LIABILITIES AND NET ASSETS

Current liabilities:		
Accrued expenses	$	38,760
Accouts payable		47,201
Lease liabilty, current		66,648
Total current liabilities		152,609
Non-current assets:		
Lease liabilty		5,376
Total non-current liabilities		5,376
Net assets:		
Net assets without donor restrictions		465,084
Total net assets		465,084
Total liabilities and net assets	$	623,069

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

HEALING CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Net assets without donor restriction
REVENUE AND SUPPORT:	
Individual donations	$ 252,344
In-kind donations - services	67,668
In-kind donations - goods	32,983
Board contributions	15,000
Corporations and foundations	262,622
Total	630,617
Insurance proceeds	165,144
Interest income	48
Net appreciation in investments	779
Total revenue and support	796,588
EXPENSES:	
Program services	877,149
General and administrative	278,057
Fundraising	99,129
Total expenses	1,254,335
Change in net assets	(457,747)
Net assets – beginning of year	922,831
Net assets – end of year	$ 465,084

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

HEALING CALIFORNIA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	General and Administrative	Fund Raising	Total
Salaries	$ 301,921	$ 115,647	$ 53,337	$ 470,906
Benefits	2,375	1,292	1,389	5,056
Payroll taxes	17,784	10,265	10,402	38,450
Total employee costs	322,079	127,204	65,128	514,412
Conferences, conventions, and meetings	2,085	-	672	2,757
Depreciation expense	43,235	-	-	43,235
Donated medical goods	32,983	-	-	32,983
Donated medical services	67,668	-	-	67,668
Equipment maintenance	32,319	7	-	32,326
Facility expenses	21,596	-	-	21,596
Information technology	522	12,905	2,098	15,525
Insurance	45,435	-	-	45,435
Marketing	50	3,846	-	3,896
Medical supplies	44,942	-	-	44,942
Miscellaneous expense	-	325	3,000	3,326
Office expenses	14,994	23,208	3,710	41,913
Operating lease expense	122,969	16,084	-	139,053
Other direct program expenses	26,431	331	-	26,762
Payroll processing fees	-	1,658	-	1,658
Permits and fees	515	-	-	515
Professional services	2,946	90,632	24,520	118,099
Tax and shipping	1,889	-	-	1,889
Travel	81,815	1,857	-	83,672
Volunteer costs	12,677	-	-	12,677
Total other expenses	555,070	150,853	34,001	739,924
Total expenses	$ 877,149	$ 278,057	$ 99,129	$1,254,336

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

HEALING CALIFORNIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities:		
Change in net assets	$	(457,747)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		43,235
Change in assets and liabilities:		
Pledges receivable		256,650
Inventory		9,978
Prepaids and other assets		1,576
Right of Use Asset Lease Liability		(6,996)
Accounts payable and accrued expenses		73,090
Cash used in operating activities		(80,214)
Cash flows from investing activities:		
Purchases of property and equipment		(9,688)
Cash used in investing activities		(9,688)
Net decrease in cash and cash equivalents		(89,902)
Cash and cash equivalents – beginning of year		246,434
Cash and cash equivalents – end of year		156,532
Supplemental cash flow information:		
Interest paid	$	-
Taxes paid	$	-
Supplemental disclosure of noncash investing and financing activities:		
Obtaining a right-of-use asset in exchange for a lease liability	$	171,000

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Healing California (the "Organization") is a nonprofit organization, incorporated in September 2017 to provide free dental, vision and other health care services at Veteran Stand Down and other events throughout California. Veteran Stand Down events are independent local community events that provide a common venue for a variety of nonprofit services to help homeless veterans. These events are relatively small (10-30 volunteers, 50-300 patients) and frequent. The Organization provides these services using portable dental, vision and health care stations that are fully equipped, supplied and staffed. The volunteer dental, vision and medical professionals, with logistical help from general volunteers, perform basic services like teeth cleaning, fillings and extractions, full eye exams, fabrication of eye glasses, and blood pressure and glucose screening.

Basis of accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Financial statement presentation

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

Net assets without donor restriction – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific purposes from time to time.

Net assets with donor restriction – net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Inventory

Inventory is comprised of program-related supplies and is stated at the lower of cost or net realizable value determined by the first-in first-out method.

Revenue and revenue recognition

Sources of revenue

The primary sources of revenue are grants and donations. Grants and donations come from wide variety of sources, including county and city funds, private foundations, individual donations, and other non-profit organizations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and revenue recognition (continued)

Contributions and donations
The Organization recognizes contributions and donations when cash, securities or other assets are received; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Revenue recognition
The Organization adopted Accounting Standard Update ("ASU") No. 2014-09 - *Revenue from Contracts with Customers* (Topic 606) in the prior year. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the standard with no material effects resulting from the implantation of the new standard.

Functional expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. The functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full time equivalents within each department, and total direct expenses.

Property and equipment
Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. It is the Organization's policy to capitalize expenditures for these items in excess of $5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 5-10 years for equipment and 5-7 years for furniture and fixtures. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, cash in bank accounts and investments with an initial maturity of three months or less.

Income taxes
The Organization has received favorable determination letters from the Internal Revenue Service and the Franchise Tax Board that the Organization is exempt from Federal and State income tax under Internal Revenue Code Section 501(c)(3) and applicable state statutes. The accounting principles generally accepted in the United States of America provides accounting and disclosure guidance about positions taken by an organization in its information returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its Federal and State organization information returns are more likely than not to be sustained upon examination. The Organization is subject to examinations by U.S. Federal and State tax authorities from 2019 to the present, generally for three years after they are filed.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services and in-kind contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Estimates and assumptions

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair value of financial instruments

The carrying amount of cash and cash equivalents approximates fair value because of the liquidity of these instruments. The carrying values of receivables and accrued expenses approximate fair values because of the short maturity of these instruments.

Recently Adopted Accounting Pronouncements

Effective January 1, 2022, the Company adopted Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Company's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Company recorded both operating lease right-of-use assets and lease liabilities of approximately $171,000 and $153,000, respectively.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Company elected:

- The package of practical expedients permitted under the transition guidance which does not require the Company to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Company's right-of-use assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements (continued)

The new standard also provides for several accounting policy elections, as follows:

- The Company elected not to apply the recognition requirements to leases with an original term of twelve months or less, for which the Company is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term;
- The Company elected to account for its future new copier leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 5.

NOTE 2. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows at December 31, 2022.

	Cash and cash equivalents	Cash restricted	Total
Cash in checking	$ 134,500	$ -	$ 134,500
Investments	22,032	-	22,032
	$ 156,532	$ -	$ 156,532

The cash balances and the investments are held at three banks. Deposits held with these financial institutions may exceed the amount of insurance provided on such deposits. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC"). During the year ended December 31, 2022, there were, at times, funds that were uninsured. Management does not believe that the Organization is subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships. The Organization has not experienced any losses on its deposits of cash and cash equivalents.

NOTE 3. INVENTORY

Inventory consists of the following at December 31, 2022:

Vision inventory	$ 38,283
Dental inventory	23,257
Total Inventory	$ 61,540

NOTE 4. DONATED PROFESSIONAL SERVICES

For the year ended December 31, 2022, donated services of $67,668 consist of professional medical services from dentists, oral surgeons, registered nurses, optometrists, and legal services. The Organization records donated professional services at the respective fair values of the services received.

NOTE 5. LEASE COMMITMENTS

Operating Leases
The Organization leases its office space and a mobile medical vehicle under operating leases that have noncancelable lease terms each for three years.

Leases, Prior to January 1, 2022
Minimum base rent for operating leases, which generally have escalating rentals over the term of the leases, are recorded on a straight-line basis over the initial lease term, with no renewal periods. Monthly fixed payments for capital leases, principal payments and interest expenses are recorded separately.

Leases, January 1, 2022, and After
Right-of-use assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Company uses the rate implicit in the lease, or if not readily available, the Company uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Company's long-lived asset policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Company made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Company:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Company obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;
- Determined the discount rate used to measure the lease liability

NOTE 5. LEASE COMMITMENTS (Continued)

The Company does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Operating lease right-of-use assets	$ 304,805
Operating lease liabilities:	
Current	66,648
Long-term	5,376
Total operating lease Liabilities	$ 72,024

Total operating lease expenses for the year ended December 31, 2022, was $85,680.

The table below summarizes the Organization's Scheduled future minimum lease payments for the years ending after December 31, 2022:

2023	$ 66,648
2024	5,376
	$ 72,024

NOTE 6. PROPERTY AND EQUIPMENT

The Organization's property and equipment was comprised of the following at December 31, 2022:

Equipment	$ 491,591
Furniture and fixtures	32,567
Less: Accumulated depreciation	(282,331)
Total Property and Equipment	$ 241,827

NOTE 7. LIQUIDITY AND CAPITAL RESOURCES

The Organization's source of liquidity includes cash and cash equivalents and contributions from donors. As of December 31, 2022, the Organization's working capital is $232,881. Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

Cash	$ 156,532
Pledge Receivable	76,350
Total	$ 232,882

In addition, the Organization operates with a balanced budget and anticipates collecting revenue to cover general expenditures not covered by donor restricted resources. Refer to the statement of cash flows, which identifies the sources and uses of the Organization's cash and positive cash generated by operations for fiscal year 2022.

NOTE 8. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 15, 2023, the date that the financial statements were available to be issued.