

HEALING CALIFORNIA
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Healing California
Pasadena, California

We have audited the accompanying financial statements of Healing California (the Organization), which comprise the statements of financial position as of December 31, 2019, and 2018, and the related statements of activities, functional expenses, and cash flows for the years ended December 31, 2019 and 2018, 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 material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 Healing California as of December 31, 2019, and 2018, and changes in its net assets and its cash flows for years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. Management also adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Pasadena, California
April 20, 2020

**HEALING CALIFORNIA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 211,932	\$ 150,927
Inventory	93,650	70,247
Prepaid Expenses and Other Assets	12,304	9,052
Total Current Assets	<u>317,886</u>	<u>230,226</u>
NON-CURRENT ASSETS		
Property and Equipment, Net	<u>350,260</u>	<u>334,933</u>
Total Assets	<u><u>\$ 668,146</u></u>	<u><u>\$ 565,159</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 9,013	\$ 25,847
Accrued Expenses and Other Liabilities	12,297	7,773
Total Current Liabilities	<u>21,310</u>	<u>33,620</u>
NET ASSETS		
Without Donor Restrictions	<u>646,836</u>	<u>531,539</u>
Total Net Assets	<u>646,836</u>	<u>531,539</u>
Total Liabilities and Net Assets	<u><u>\$ 668,146</u></u>	<u><u>\$ 565,159</u></u>

See accompanying Notes to Financial Statements.

**HEALING CALIFORNIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

REVENUES

Contributions:	
Individuals	\$ 668,963
Foundations and Other Non-Profits	205,000
Donated Professional Services	74,512
Donated Goods	33,890
Total Revenues	<u>982,365</u>

EXPENSES

Program	705,852
Management and General	85,827
Fundraising	75,389
Total Expenses	<u>867,068</u>

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 115,297

Net Assets Without Donor Restrictions – Beginning of Year 531,539

NET ASSETS WITHOUT DONOR RESTRICTIONS – END OF YEAR \$ 646,836

See accompanying Notes to Financial Statements.

**HEALING CALIFORNIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions:			
Individuals	\$ 133,730	\$ -	\$ 133,730
Foundations and Other Non-Profits	560,697	-	560,697
Donated Professional Services	166,977	-	166,977
Donated Goods	50,000	-	50,000
Net Assets Released from Restriction	<u>125,258</u>	<u>(125,258)</u>	<u>-</u>
Total Revenues	1,036,662	(125,258)	911,404
EXPENSES			
Program	510,195	-	510,195
Management and General	91,566	-	91,566
Fundraising	<u>29,575</u>	<u>-</u>	<u>29,575</u>
Total Expenses	<u>631,336</u>	<u>-</u>	<u>631,336</u>
CHANGE IN NET ASSETS	405,326	(125,258)	280,068
Net Assets - Beginning of Year	<u>126,213</u>	<u>125,258</u>	<u>251,471</u>
NET ASSETS - END OF YEAR	<u><u>\$ 531,539</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 531,539</u></u>

See accompanying Notes to Financial Statements.

**HEALING CALIFORNIA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
SALARIES AND BENEFITS				
Salaries	\$ 192,887	\$ 35,863	\$ 39,340	\$ 268,090
Payroll Taxes	16,534	3,085	3,469	23,088
Benefits	11,700	3,657	-	15,357
Total Salaries and Benefits	<u>221,121</u>	<u>42,605</u>	<u>42,809</u>	<u>306,535</u>
OTHER EXPENSES				
Professional Fees	81,392	21,479	29,666	132,537
Donated Medical Services	73,274	-	-	73,274
Travel	65,724	-	191	65,915
Depreciation	55,364	2,914	-	58,278
Medical Supplies	40,970	-	-	40,970
Rent	39,733	4,415	-	44,148
Other Direct Program	22,263	-	-	22,263
Equipment Rental	20,909	-	-	20,909
Office	14,868	686	913	16,467
Repairs & Maintenance	15,770	121	-	15,891
Information Technology	13,768	8,195	1,597	23,560
Insurance	12,224	2,157	-	14,381
Shipping	8,307	-	-	8,307
Volunteer Costs	7,371	-	-	7,371
Facilities	4,023	441	-	4,464
Loss on Disposal of Assets	2,811	-	-	2,811
Utilities	2,426	275	-	2,701
Marketing	2,392	-	213	2,605
Conferences, Conventions and Meetings	1,067	-	-	1,067
Permits and Fees	75	876	-	951
Other Program Expenses	-	1,588	-	1,588
Tax and License	-	75	-	75
Total Other Expenses	<u>484,731</u>	<u>43,222</u>	<u>32,580</u>	<u>560,533</u>
Total Expenses	<u>\$ 705,852</u>	<u>\$ 85,827</u>	<u>\$ 75,389</u>	<u>\$ 867,068</u>

See accompanying Notes to Financial Statements.

**HEALING CALIFORNIA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program	Management and General	Fundraising	Total
SALARIES AND BENEFITS				
Salaries	\$ 89,149	\$ 4,692	\$ -	\$ 93,841
Payroll Taxes	6,900	363	-	7,263
Benefits	4,054	214	-	4,268
Total Salaries and Benefits	100,103	5,269	-	105,372
OTHER EXPENSES				
Professional Fees	38,905	69,973	19,452	128,330
Donated Medical Services	166,976	-	-	166,976
Travel	25,773	3,533	576	29,882
Depreciation	34,632	1,823	-	36,455
Medical Supplies	29,072	24	-	29,096
Rent	29,586	3,481	1,740	34,807
Other Direct Program	6,676	87	-	6,763
Equipment Rental	11,041	-	63	11,104
Office	10,128	1,191	596	11,915
Repairs & Maintenance	8,740	182	91	9,013
Information Technology	11,629	1,591	407	13,627
Insurance	8,792	1,034	517	10,343
Shipping	17,181	2,021	1,011	20,213
Volunteer Costs	5,702	20	-	5,722
Utilities	3,589	422	211	4,222
Marketing	1,613	840	4,911	7,364
Permits and Fees	57	-	-	57
Tax and License	-	75	-	75
Total Other Expenses	410,092	86,297	29,575	525,964
Total Expenses	\$ 510,195	\$ 91,566	\$ 29,575	\$ 631,336

See accompanying Notes to Financial Statements.

**HEALING CALIFORNIA
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 115,297	\$ 280,068
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	58,278	36,455
Loss on Disposal of Assets	2,811	-
Changes in Assets and Liabilities:		
Inventory	(23,403)	(66,766)
Prepaid Expenses and Other Assets	(3,252)	17,682
Accounts Payable	(16,834)	(6,139)
Accrued Expenses and Other Liabilities	4,524	(1,375)
Net Cash Provided by Operating Activities	137,421	259,925
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(76,416)	(277,833)
NET CHANGE IN CASH	61,005	(17,908)
Cash - Beginning of Year	150,927	168,835
CASH - END OF YEAR	\$ 211,932	\$ 150,927

See accompanying Notes to Financial Statements.

**HEALING CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 ORGANIZATION

Healing California (the Organization) is a nonprofit organization, incorporated in September 2017 (inception date) to provide free dental, vision and other health care services at Veteran Stand Downs 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations, including donor-restricted contributions whose restrictions are met in the same reporting period, and net assets designated by the board of directors or management for specific purposes.

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 by the expiration of stipulated time and net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on related investments for general or specific purposes.

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.

**HEALING CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Revenue and Expense Recognition

The Organization recognizes contributions and grants when cash, securities or other assets; 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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Contributions

Contributions that are unconditional promises to give are recorded as receivables and revenues. For financial reporting purposes, the Organization distinguished between contributions with donor restrictions and without donor restrictions. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as with donor restrictions. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributed assets which are subject to perpetual donor restrictions and from which only the current income may be used are classified as net assets with donor restrictions. Contributed assets for which donors have not stipulated restrictions, as well as contributions on which donors have placed restrictions which are met within the same reporting period, are reported as contributions without donor restrictions.

Credit Concentration

Financial instruments that potentially subject the Organization to concentration of credit risk is cash. The Organization's cash is principally held by a recognized institution. The Federal Deposit Insurance Corporation insures accounts held in a bank or financial institution up to the statutory limits.

For the year ended December 31, 2019 and period ended December 31, 2018, two donors accounted for 86% and 94% of the total contributions and grants, respectively.

**HEALING CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Professional Services

Contributions of donated non-cash assets are measured on a non-recurring basis and are recorded at fair value in the period received.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received. Fair values are estimated based on industry rates from reputable sources.

Functional Expense Allocation Methodology

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.

Income Taxes

The Organization has been granted exemption from income tax under Section 501(c)(3) of the Internal Revenue Code and is in the process of receiving exemption under 23701(d) of the California Revenue and Taxation Code. Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes all of the positions taken by the Organization are more likely than not to be sustained upon examination.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through April 20, 2020, the date that these financial statements were available to be issued.

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies and our communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

**HEALING CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Adopted during Current Accounting Period

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization has adopted Financial Accounting Standards Board (FASB) 2018-08 Not-For-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This standard distinguishes between contributions and exchange transactions and assists in determining which guidance to apply.

New Accounting Pronouncement Effective in Future Accounting Period

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. Management will be evaluating the effects of this new standard.

NOTE 3 LIQUIDITY

At December 31, 2019 and 2018, the Organization has the following financial assets available to meet cash needs for general expenditures within one year.

	<u>2019</u>	<u>2018</u>
Cash	<u>\$ 211,932</u>	<u>\$ 150,927</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget to cover general expenditures. During the years ended December 31, 2019 and 2018, the Organization was able to meet its cash needs.

**HEALING CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 INVENTORY

At December 31, 2019 and 2018, inventory consists of the following:

	<u>2019</u>	<u>2018</u>
Vision Inventory	\$ 80,214	\$ 55,624
Dental Inventory	<u>13,436</u>	<u>14,623</u>
Total Inventory	<u>\$ 93,650</u>	<u>\$ 70,247</u>

NOTE 5 PROPERTY AND EQUIPMENT

At December 31, 2019 and 2018, property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 422,988	\$ 353,919
Furniture and Fixtures	22,408	18,842
Less: Accumulated Depreciation	<u>(95,136)</u>	<u>(37,828)</u>
Total Property and Equipment, Net	<u>\$ 350,260</u>	<u>\$ 334,933</u>

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

During the year ended December 31, 2018, \$125,258 of net assets were released from donor restrictions by incurring expenses for the purchase of medical, dental and/or vision equipment, satisfying the restricted purposes or by occurrence of other events specified by donors.

NOTE 7 DONATED PROFESSIONAL SERVICES

For the year ended December 31, 2019 and 2018, donated services of \$74,512 and \$166,977 consist of professional medical services from dentists, oral surgeons, registered nurses and optometrists.

**HEALING CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 LEASE COMMITMENTS

In April 2018, the Organization entered into a three year agreement for lease of facility for its administrative office in Pasadena. The monthly base rent is \$3,807 with 3% annual rent increase.

At December 31, 2019, future minimum lease payments under the noncancelable facility lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 47,988
2021	16,152
Total	<u>\$ 64,140</u>

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