

Healthcare Foundation Northern Sonoma County
(a California Not-for-Profit Corporation)

Financial Statements
For the Years Ended December 31, 2019 and 2018

Together with Independent Accountants' Report

Healthcare Foundation Northern Sonoma County

Table of Contents

	<u>Page</u>
Independent Accountants' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10



175 Concourse Blvd, Suite A
Santa Rosa, CA 95403
t: (707) 577-8806
f: (707) 577-1417
www.dbmcpa.com

Independent Accountant's Review Report

To the Board of Directors
Healthcare Foundation Northern Sonoma County
Healdsburg, California

We have reviewed the accompanying financial statements of Healthcare Foundation Northern Sonoma County, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2018 Financial Statements

The financial statements as of and for the year ended December 31, 2018 were audited by us, and we expressed an unmodified opinion on them in our report dated October 3, 2019. We have not performed any auditing procedures since that date.

Dillwood Burkel & Millar, LLP

Santa Rosa, California
July 7, 2020

Healthcare Foundation Northern Sonoma County

Statement of Financial Position

As of December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 418,041	\$ -	\$ 418,041
Restricted cash	-	518,988	518,988
Contributions receivable, current portion, net of allowance for doubtful accounts	<u>110,086</u>	<u>200,000</u>	<u>310,086</u>
Total current assets	528,127	718,988	1,247,115
Contributions receivable, net of current portion and discount	39,539	100,000	139,539
Property and improvements, net	9,449	-	9,449
Deposits	<u>979</u>	<u>-</u>	<u>979</u>
Total assets	<u><u>\$ 578,094</u></u>	<u><u>\$ 818,988</u></u>	<u><u>\$ 1,397,082</u></u>
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued expenses	<u>\$ 43,954</u>	<u>\$ -</u>	<u>\$ 43,954</u>
Total current liabilities	43,954	-	43,954
Net assets	<u>534,140</u>	<u>818,988</u>	<u>1,353,128</u>
Total liabilities and net assets	<u><u>\$ 578,094</u></u>	<u><u>\$ 818,988</u></u>	<u><u>\$ 1,397,082</u></u>

The accompanying notes are an integral part of this statement.

See accompanying Independent Accountants' Review Report.

Healthcare Foundation Northern Sonoma County

Statement of Financial Position

As of December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 319,433	\$ -	\$ 319,433
Restricted cash	-	764,300	764,300
Contributions receivable, current portion, net of allowance for doubtful accounts	<u>239,159</u>	<u>50,000</u>	<u>289,159</u>
Total current assets	558,592	814,300	1,372,892
Contributions receivable, net of current portion	114,977	50,000	164,977
Property and improvements, net	13,177	-	13,177
Deposits	<u>979</u>	<u>-</u>	<u>979</u>
Total assets	<u>\$ 687,725</u>	<u>\$ 864,300</u>	<u>\$ 1,552,025</u>
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued expenses	<u>\$ 114,280</u>	<u>\$ -</u>	<u>\$ 114,280</u>
Total current liabilities	114,280	-	114,280
Net assets	<u>573,445</u>	<u>864,300</u>	<u>1,437,745</u>
Total liabilities and net assets	<u>\$ 687,725</u>	<u>\$ 864,300</u>	<u>\$ 1,552,025</u>

*The accompanying notes are an integral part of this statement.
See accompanying Independent Accountants' Review Report.*

Healthcare Foundation Northern Sonoma County

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 323,603	\$ 699,078	\$ 1,022,681
Special events	405,068	-	405,068
Management fees	36,750	-	36,750
Net assets released from restrictions	<u>744,390</u>	<u>(744,390)</u>	<u>-</u>
Total support and revenue	1,509,811	(45,312)	1,464,499
Expenses			
Program services	1,163,416	-	1,163,416
Management and general	149,762	-	149,762
Costs of direct benefits to donors	<u>235,938</u>	<u>-</u>	<u>235,938</u>
Total expenses	<u>1,549,116</u>	<u>-</u>	<u>1,549,116</u>
Changes in net assets	(39,305)	(45,312)	(84,617)
Net assets, beginning of year	<u>573,445</u>	<u>864,300</u>	<u>1,437,745</u>
Net assets, end of year	<u>\$ 534,140</u>	<u>\$ 818,988</u>	<u>\$ 1,353,128</u>

The accompanying notes are an integral part of this statement.

See accompanying Independent Accountants' Review Report.

Healthcare Foundation Northern Sonoma County

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 516,698	\$ 1,774,835	\$ 2,291,533
Special events	629,019	-	629,019
Net assets released from restrictions	<u>1,022,975</u>	<u>(1,022,975)</u>	<u>-</u>
Total support and revenue	2,168,692	751,860	2,920,552
Expenses			
Program services	1,631,175	-	1,631,175
Management and general	162,111	-	162,111
Costs of direct benefits to donors	<u>359,287</u>	<u>-</u>	<u>359,287</u>
Total expenses	<u>2,152,573</u>	<u>-</u>	<u>2,152,573</u>
Changes in net assets	16,119	751,860	767,979
Net assets, beginning of year	<u>557,326</u>	<u>112,440</u>	<u>669,766</u>
Net assets, end of year	<u>\$ 573,445</u>	<u>\$ 864,300</u>	<u>\$ 1,437,745</u>

The accompanying notes are an integral part of this statement.

See accompanying Independent Accountants' Review Report.

Healthcare Foundation Northern Sonoma County

Statement of Functional Expenses

For the Year Ended December 31, 2019

	<u>Programing</u>	<u>Management and General</u>	<u>Costs of Direct Benefits to Donors</u>	<u>Total</u>
Grants given	\$ 618,927	\$ -	\$ -	\$ 618,927
Salaries and wages	286,477	71,619	-	358,096
Event expenses	-	-	235,938	235,938
Professional Services	62,983	20,994	-	83,977
Advertising	65,242	16,311	-	81,553
Occupancy	24,960	6,240	-	31,200
Payroll tax expenses	24,171	6,043	-	30,214
Other expenses	21,551	7,185	-	28,736
Employee benefits	17,339	4,335	-	21,674
Computers and software	10,379	4,448	-	14,827
Printing and postage	12,703	1,411	-	14,114
Donor cultivation	6,537	4,358	-	10,895
Telephone	5,943	1,486	-	7,429
Equipment and supplies	2,902	726	-	3,628
Insurance	2,666	666	-	3,332
Consultants	636	212	-	848
	<u>1,163,416</u>	<u>146,034</u>	<u>235,938</u>	<u>1,545,388</u>
Depreciation	<u>-</u>	<u>3,728</u>	<u>-</u>	<u>3,728</u>
Total Expenses	<u><u>\$ 1,163,416</u></u>	<u><u>\$ 149,762</u></u>	<u><u>\$ 235,938</u></u>	<u><u>\$ 1,549,116</u></u>

The accompanying notes are an integral part of this statement.

See accompanying Independent Accountants' Review Report.

Healthcare Foundation Northern Sonoma County

Statement of Functional Expenses

For the Year Ended December 31, 2018

	Programing	Management and General	Costs of Direct Benefits to Donors	Total
Grants given	\$ 1,049,139	\$ -	\$ -	\$ 1,049,139
Event expenses	-	-	359,287	359,287
Salaries and wages	278,314	69,578	-	347,892
Professional Services	54,714	18,238	-	72,952
Consultants	51,434	17,145	-	68,579
Advertising	49,886	12,471	-	62,357
Occupancy	29,961	7,490	-	37,451
Computers and software	22,970	9,844	-	32,814
Printing and postage	28,250	3,139	-	31,389
Payroll tax expenses	19,027	4,757	-	23,784
Employee benefits	15,067	3,767	-	18,834
Donor cultivation	7,459	4,972	-	12,431
Other expenses	7,319	2,563	-	9,882
Equipment and supplies	7,086	1,771	-	8,857
Telephone	5,461	1,365	-	6,826
Insurance	5,088	1,272	-	6,360
	<u>1,631,175</u>	<u>158,372</u>	<u>359,287</u>	<u>2,148,834</u>
Depreciation	<u>-</u>	<u>3,739</u>	<u>-</u>	<u>3,739</u>
Total Expenses	<u><u>\$ 1,631,175</u></u>	<u><u>\$ 162,111</u></u>	<u><u>\$ 359,287</u></u>	<u><u>\$ 2,152,573</u></u>

The accompanying notes are an integral part of this statement.

See accompanying Independent Accountants' Review Report.

Healthcare Foundation Northern Sonoma County

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<i>Increase (decrease) in Cash and Cash Equivalents</i>	
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (84,617)	\$ 767,979
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,728	3,739
Changes in assets and liabilities affecting operating activities		
Decrease (increase) in assets:		
Prepaid expenses	-	15,383
Contributions receivable	4,511	(232,343)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	<u>(70,326)</u>	<u>93,771</u>
Net cash (used) provided by operating activities	(146,704)	648,529
Cash flows from investing activities		
Acquisition of property and improvements	<u>-</u>	<u>(1,512)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,512)</u>
Net (decrease) increase in cash and cash equivalents	(146,704)	647,017
Cash and cash equivalents, beginning of year	<u>1,083,733</u>	<u>436,716</u>
Cash and cash equivalents, end of year	<u>\$ 937,029</u>	<u>\$ 1,083,733</u>
Unrestricted cash and cash equivalents	\$ 418,041	\$ 319,433
Restricted cash and cash equivalents	<u>518,988</u>	<u>764,300</u>
Total cash and cash equivalents	<u>\$ 937,029</u>	<u>\$ 1,083,733</u>

The accompanying notes are an integral part of this statement.

See accompanying Independent Accountants' Review Report.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

Note 1. Nature of Activities

Healthcare Foundation Northern Sonoma County is a California not-for-profit corporation established in May 2001 to raise funds to support quality healthcare services for all residents of Northern Sonoma County. The Foundation receives its support and revenue primarily from the public. The Healthcare Foundation's focus areas for grant making, as well as leading and convening community, are health access, mental health and early childhood development. The Healthcare Foundation is the only grant maker with the exclusive lens of creating a healthier region for residents of northern Sonoma County.

Note 2. 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, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations and, therefore, are available to carry out the Foundation's operations.

Net assets with donor restrictions – Net assets consist of funds and unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. When a restriction is met, net assets with restrictions are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed which limits the investment's use to long-term.

As of December 31, 2019 and 2018, the Foundation held cash and cash equivalents due to donor restrictions placed on the assets. The entire amount of the restricted cash and cash equivalents were designated for the purpose of healthcare grants and programs.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

Note 2. Significant Accounting Policies, *continued*

Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as December 31, 2019, reduced by amounts not available for general use because of contractual, donor imposed or board designated restrictions within one year of the balance sheet date.

Cash	\$ 937,029
Accounts Receivable, current portion, net	310,086
Total financial assets, at year end	<u>1,247,115</u>
Less those unavailable for general expenditures within one year, due to:	
Purpose-restricted funds	<u>(518,988)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 728,127</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Foundation strives to maintain a minimum of 120 days of operating cash as its reserve.

Contributions Receivable

Verifiable pledges for contributions are recorded as contributions receivable. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are made. Amortization of the discount is included in contribution revenue. The Foundation uses the allowance method to reserve for uncollectible accounts. Management periodically evaluates the allowance. As of December 31, 2019 and 2018, the allowance for doubtful accounts was \$20,000 and \$1,000, respectively.

Property and Improvements

It is the Foundation's policy to capitalize all computers, equipment, furniture and computer software at costs greater than \$1,000. Property and improvements are recorded at acquisition cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets ranging from 3 to 7 years. Donated property is recorded at its estimated fair value at the day of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless otherwise stated by the donor, the restriction expires when the asset is purchased.

See accompanying Independent Accountants' Review Report.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

Note 2. Significant Accounting Policies, *continued*

Contribution Revenues

Contributions received are recorded as revenue without donor restrictions or revenue with donor restrictions, depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to make a gift to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donors are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Foundation sometimes receives donations of marketable securities. Generally, the securities are sold within 7 days of receipt. Investments in marketable securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Adopted New Accounting Pronouncement

In December 30 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which provide guidance for recognizing revenue from contracts with customers. The core principle of Topic 606 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. The adoption of ASU 2016-10 is effective for the Foundation beginning January 1, 2019. There was no material impact on the Foundation's net assets or financial position upon adoption of the new standard.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective beginning January 1, 2021. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

Financial Instruments

The carrying amount of financial instruments approximate fair value based on quoted market prices or discounted cash flow analysis for cash, restricted cash and time deposits and other financial instruments.

See accompanying Independent Accountants' Review Report.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

Note 2. Significant Accounting Policies, *continued*

Donated Services

A substantial number of volunteers have donated significant amounts of time to the Foundation's program services and to its fundraising campaigns. No amounts have been recognized in the statement of activities since the work done by the volunteers does not fall under the criteria established by the Financial Accounting Standards Board (FASB).

Functional Expense Allocation

Expenses that are specifically identifiable are charged directly to the appropriate functional category. All other expenses are charged based on a reasonable allocation. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Foundation.

Income Taxes

The Foundation is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt status by the Internal Revenue Service and the California Revenue and Taxation Code. These exemptions are subject to periodic reviewed by the taxing authorities. As of December 31, 2019 and 2018, the Foundation has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. In the opinion of management, there is no unrelated business income subject to income taxes.

The Foundation's exempt organization information returns, IRS Form 990 and California Form 199, are subject to review through three years after the date of filing for federal and four years after the date of filing for state.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relates to the collectability of contributions receivable and depreciable lives of property and improvements. Actual results could differ from those estimates.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

Note 2. Significant Accounting Policies, *continued*

Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. The reclassifications had no effect on previously reported changes in net asset balances.

Note 3. Contributions Receivable

Contributions receivable consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 472,491	\$ 458,002
Less: allowance for doubtful accounts	(20,000)	(1,000)
Less: unamortized discount	<u>(2,866)</u>	<u>(2,866)</u>
	<u>\$ 449,625</u>	<u>\$ 454,136</u>

Contributions are expected to be collected according to the following schedule for the years ending December 31:

2020	\$ 310,086
2021	<u>139,539</u>
	<u>\$ 449,625</u>

Note 4. Accrued Vacation

Accumulated employee paid absences benefits are recognized as liabilities of the Foundation when earned by employees. Accumulated unpaid absences liability totaled \$10,626 and \$35,482 for the years ended December 31, 2019 and 2018, respectively.

Note 5. Net Assets with Donor Restrictions

As of December 31, 2019 net assets with donor restrictions consist of time restricted contributions in the amount of \$200,000 and funds raised to make grants to nonprofit organizations and collaborative coalitions providing health access, mental health and early childhood development programs and services that serve residents of northern, Sonoma County in the amount of \$618,988. As of December 31, 2018 the net assets with donor restrictions totaled \$864,300 and were restricted to fund mental health and early childhood programs and services.

Net assets with donor restrictions are released from restriction when the purposes of the restrictions are met. Net assets released from restrictions amounted to \$744,390 and \$1,022,975 for the years ended December 31, 2019 and 2018, respectively.

See accompanying Independent Accountants' Review Report.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

Note 5. Net Assets with Donor Restrictions, *continued*

Following are the net assets with donor restrictions as included on the statement of financial position at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 518,988	\$ 764,300
Contributions receivable	<u>300,000</u>	<u>100,000</u>
	<u>\$ 818,988</u>	<u>\$ 864,300</u>

Note 6. Commitment under Operating Leases

The Foundation leases its administrative office under an operating lease agreement, which requires monthly payments of approximately \$2,600 through June 2022. Future lease commitments are as follows for the years ending December 31:

2020	\$ 31,854
2021	32,593
2022	<u>17,399</u>
	<u>\$ 81,846</u>

Rent expense totaled \$31,200 and \$31,657 for years ended December 31, 2019 and 2018, respectively.

Note 8. Concentrations

At various times during the year ended December 31, 2019, the Foundation had deposit amounts with a financial institution in excess of the \$250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. At December 31, 2019, the Foundation had approximately \$358,000 in excess of the FDIC insured amount.

Note 9. Subsequent Events

The Foundation evaluated subsequent events from January 1, 2020 through July 7, 2020, the date which the financial statements were available to be issued, and determined that there are no material subsequent events that required recognition or additional disclosure in these financial statements.