

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

Financial Statements
For the Year Ended December 31, 2022

Together with Independent Accountants' Review Report

Healthcare Foundation Northern Sonoma County

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Independent Accountants' Review Report

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

We have reviewed the accompanying financial statements of Healthcare Foundation Northern Sonoma County (the "Foundation"), which comprise the statement of financial position as of December 31, 2022, 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements 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.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

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

Dillwood Burkel & Millar, LLP

Santa Rosa, California
September 26, 2023

Healthcare Foundation Northern Sonoma County

Statement of Financial Position

As of December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets			
Cash	\$ 608,245	\$ -	\$ 608,245
Restricted cash	-	104,181	104,181
Contributions receivable, current portion, net of allowance for doubtful accounts	206,333	164,480	370,813
Total current assets	814,578	268,661	1,083,239
Contributions receivable, net of current portion and discount	119,134	14,875	134,009
Property and equipment, net	3,629	-	3,629
Operating lease right-of-use asset, net	15,545	-	15,545
Total assets	\$ 952,886	\$ 283,536	\$ 1,236,422
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued expenses	\$ 323,632	\$ -	\$ 323,632
Current maturities of operating lease liabilities	18,978	-	18,978
Total current liabilities	342,610	-	342,610
Operating lease liabilities, net of current maturities	1,644	-	1,644
Total liabilities	344,254	-	344,254
Net assets	608,632	283,536	892,168
Total liabilities and net assets	\$ 952,886	\$ 283,536	\$ 1,236,422

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions of financial assets	\$ 863,584	\$ 218,505	\$ 1,082,089
Contributions of nonfinancial assets	44,543	-	44,543
Special events	353,905	-	353,905
Management fees	87,395	-	87,395
Other income	902	-	902
Net assets released from restrictions	350,992	(350,992)	-
Total support and revenue	1,701,321	(132,487)	1,568,834
Expenses			
Program	1,212,361	-	1,212,361
Management and general	233,976	-	233,976
Fundraising	278,795	-	278,795
Total expenses	1,725,132	-	1,725,132
Changes in net assets	(23,811)	(132,487)	(156,298)
Net assets, beginning of year, restated	632,443	416,023	1,048,466
Net assets, end of year	\$ 608,632	\$ 283,536	\$ 892,168

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, 2022

	Program	Management and General	Fundraising	Total
Grants given	\$ 889,825	\$ -	\$ -	\$ 889,825
Salaries and wages	165,617	82,376	113,385	361,378
Event expenses	500	-	133,362	133,862
Consultants and outside services	60,949	23,666	-	84,615
Computers and software	41,623	19,740	-	61,363
Payroll tax expenses	14,423	6,898	10,033	31,354
Employee benefits	13,481	6,447	9,378	29,306
Advertising	18,592	715	7,555	26,862
Professional services	-	16,686	-	16,686
Occupancy	-	13,087	-	13,087
Printing and postage	4,752	2,558	4,938	12,248
Telephone & Internet	-	7,666	-	7,666
Donor cultivation	2,540	4,453	90	7,083
Merchant fees	-	6,218	-	6,218
Insurance	-	5,268	-	5,268
Dues and subscriptions	-	4,014	-	4,014
Equipment and supplies	-	3,564	-	3,564
Other expenses	59	1,209	54	1,322
	<u>1,212,361</u>	<u>204,565</u>	<u>278,795</u>	<u>1,695,721</u>
Amortization	-	26,749	-	26,749
Depreciation	-	2,662	-	2,662
Total Expenses	<u><u>\$ 1,212,361</u></u>	<u><u>\$ 233,976</u></u>	<u><u>\$ 278,795</u></u>	<u><u>\$ 1,725,132</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 Cash Flows

For the Year Ended December 31, 2022

	<i>Increase (decrease) in cash</i>
Cash flows from operating activities	
Decrease in net assets	\$ (156,298)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation of property and equipment	2,662
Amortization of operating lease right-of-use asset	26,749
Increase in assets:	
Contributions receivable	(99,453)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	296,671
Operating lease liabilities	<u>(27,103)</u>
Net cash provided by operating activities	43,228
Net increase in cash	43,228
Cash, beginning of year	<u>669,198</u>
Cash, end of year	<u><u>\$ 712,426</u></u>
Unrestricted cash	\$ 608,245
Restricted cash	<u>104,181</u>
Total cash	<u><u>\$ 712,426</u></u>
Supplemental cash flows information	
Cash paid for interest	<u><u>\$ 7,702</u></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 Year Ended December 31, 2022

Note 1. Nature of Activities

Healthcare Foundation Northern Sonoma County (the “Foundation”) is a California not-for-profit corporation established in May 2001 to raise funds to support quality, equitable healthcare services for all residents of Northern Sonoma County. The Foundation receives its support and revenue primarily from the public. The Foundation’s focus areas for grant making, as well as leading and convening community, are health access and mental health. 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 and Changes in Net Assets as net assets released from restrictions.

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.

Restricted Cash

As of December 31, 2022, the Foundation held cash due to donor restrictions placed on the assets. The entire amount of the restricted cash was designated for the purpose of healthcare grants and programs.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Year Ended December 31, 2022

Note 2. Significant Accounting Policies, *continued*

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.

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 uncollectable accounts. Management periodically evaluates the allowance. As of December 31, 2022, the allowance for doubtful accounts was \$10,947.

Property and Equipment

It is the Foundation's policy to capitalize all computers, equipment, furniture and computer software at costs greater than \$1,000. Property and equipment 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.

Leases

Transactions give rise to leases when the Foundation receives substantially all of the economic benefits from, and has the ability to direct, the use of the specified property and equipment. The Foundation primarily has lessee activity that is classified as operating leases.

Operating leases are included in operating lease right-of-use assets, current maturities of operating lease liabilities, and operating lease liabilities, less current maturities in the Statement of Financial Position. Finance leases are included in property and equipment, net, current maturities of finance lease obligations, and finance lease obligations, less current maturities in the Statement of Financial Position. Operating lease right-of-use assets represents the right to use an underlying asset for the lease term and operating lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, the Foundation uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain options renewal periods were not included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Year Ended December 31, 2022

Note 2. Significant Accounting Policies, *continued*

Leases, continued

The Foundation has agreements with lease and non-lease components, such as common area maintenance, and has elected to account for the lease and non-lease components as separate components. The Foundation has elected not to recognize right-of-use assets and lease liabilities for leases of terms less than 12 months.

Revenue Recognition

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.

Donated Services

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 their fair values in the year received. The Foundation did not record any donated services in the financial statements for 2022.

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 and Changes in Net Assets 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.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Year Ended December 31, 2022

Note 2. Significant Accounting Policies, *continued*

Advertising Expense

Advertising costs associated with Foundation's promotion, various campaigns and special event fundraising are expensed as incurred. The Foundation incurred advertising expenses in the amount of \$26,862 for the year ended December 31, 2022.

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 Section 23701(d). These exemptions are subject to periodic reviewed by the taxing authorities. As of December 31, 2022, 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.

Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Foundation adopted ASU 2016-02 with a date of initial application of January 1, 2022, by electing the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The adoption of the new standard created a restatement of the beginning balance of the Foundation's net assets due to the change in the accounting for a few of the Foundation's operating leases.

As part of the transition, the Foundation also elected to apply the following hindsight practical expedients:

1. Election not to reassess whether any expired or existing contracts are, or contain, leases;
2. Election not to reassess the lease classification for any expired or existing leases; and
3. Election not to reassess initial direct costs on any existing leases.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to improve financial reporting by providing new presentation and disclosure requirement about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The Foundation adopted the ASU effective January 1, 2022. The adoption of ASU 2020-07 had no effect on previously stated net assets balance.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Year Ended December 31, 2022

Note 3. Prior Period Adjustment and Beginning Balance Restatement

As a result of the adoption of ASU 2016-02, the Foundation recorded an operating lease right-of-use asset and related lease liability. As of January 1, 2022, the unamortized operating lease right-of-use assets totaled \$41,315, and the outstanding operating lease liabilities totaled \$47,725. This resulted in a reduction to the beginning net asset without donor restrictions in the amount of \$6,410.

During the preparation of the 2022 financial statements, a classification error was noted related to the ending net asset balances in prior year. A prior period adjustment is recorded to properly reflect the correct beginning balances for net assets without donor restrictions and with donor restrictions as of January 1, 2022.

The following summarizes the prior period adjustments and the effects of the adjustments to the beginning account balances at January 1, 2022:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
Previously reported	\$ 630,491	\$ 424,385	\$ 1,054,876
Lease accounting implementation	(6,410)	-	(6,410)
Classification correction	8,362	(8,362)	-
Restated beginning balance	<u>\$ 632,443</u>	<u>\$ 416,023</u>	<u>\$ 1,048,466</u>

Note 4. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets 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, as of December 31, 2022:

Cash	\$ 712,426
Receivable, current portion, net	<u>370,813</u>
Total financial assets, at year-end	1,083,239
Less those unavailable for general expenditures within one year, due to:	
Purpose restricted funds	(104,181)
Time restricted funds	<u>(164,480)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 814,578</u>

As part of the Foundation'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.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements For the Year Ended December 31, 2022

Note 5. Contributions Receivable

Contributions receivable consist of the following as of December 31, 2022:

Contributions receivable	\$	518,287
Less: allowance for doubtful accounts		(10,947)
Less: unamortized discounts		<u>(2,518)</u>
	\$	<u>504,822</u>

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

2023	\$	378,515
2024		139,457
2025		<u>315</u>
	\$	<u>518,287</u>

Note 6. Property and Equipment

Property and equipment consists of the following as of December 31, 2022:

Office equipment	\$	26,476
Tenant improvements		<u>4,200</u>
Total depreciable assets		30,676
Less: accumulated depreciation		<u>(27,047)</u>
	\$	<u>3,629</u>

Depreciation expense for the year ended December 31, 2022 amounted to \$2,662.

Note 7. Operating Leases

The Foundation leases its administrative office under an operating lease agreement, which requires monthly payments of approximately \$2,800 through July 2023.

The Foundation has a non-cancellable lease agreement for office equipment rent requiring minimum monthly payments of \$130 through January 2025.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements For the Year Ended December 31, 2022

Note 7. Operating Leases, *continued*

The Foundation's lease assets and lease liabilities as of December 31, 2022 consist of the following:

Assets	
Operating lease right-of-use assets:	
Administrative office	\$ 12,689
Office equipment	2,856
	<u>\$ 15,545</u>
Liabilities	
Current liabilities	
Operating lease liabilities, current maturities:	
Administrative office	\$ 17,551
Office equipment	1,427
	<u>18,978</u>
Non-current liabilities	
Operating lease liabilities:	
Office equipment	1,644
	<u>\$ 20,622</u>

Total lease costs incurred by lease type and type of payment for the year ended December 31, 2022 consist of the following:

Operating lease costs:	
Rent expense	\$ 375
Amortization of lease assets	26,749
Interest on lease liabilities	7,702
	<u>\$ 34,826</u>

Cash paid for operating cash flows used for operating leases included in the measurement of lease liabilities for the year ended December 31, 2022 was \$34,820.

At December 31, 2022, the undiscounted future lease payments over the lease terms for operating leases along with a reconciliation of the undiscounted cash flows to operating lease liabilities are as follows:

	2023	\$ 19,398
	2024	1,557
	2025	<u>147</u>
		21,102
Less: present value discount		<u>(480)</u>
Lease liability		<u>\$ 20,622</u>

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements For the Year Ended December 31, 2022

Note 8. Accrued Vacation

Accumulated employee paid absences benefits are recognized as liabilities of the Foundation when earned by employees. Accumulated unpaid absences liability totaled \$14,441 for the year ended December 31, 2022.

Note 9. Net Assets with Donor Restrictions

As of December 31, 2022, net assets with donor restrictions consist of 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 \$119,059, and time restricted funds in the amount of \$164,480.

Net assets with donor restrictions are released from restriction when the purposes of the restrictions are met. Net assets released from restrictions amounted to \$350,992 for the year ended December 31, 2022.

The following are the net assets with donor restrictions as included on the Statement of Financial Position at December 31, 2022:

Cash	\$	104,181
Contributions receivable		<u>179,355</u>
	\$	<u>283,536</u>

Note 10. Concentrations

At various times during the year ended December 31, 2022, 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, 2022, the Foundation had approximately \$487,000 in excess of the FDIC insured amount.

Note 11. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets recognized in the Statement of Activities and Changes in Net Assets as of December 31, 2022 included:

<u>Category</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs or Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Vehicle	\$ 15,000	Admin	None	Independent appraisal
Event venue	12,735	Fundraising	None	Vendor invoices
Hand sanitizer	8,190	Admin	None	Vendor invoices
Wine	5,118	Fundraising	None	Retail value
Experiences	<u>3,500</u>	Fundraising	None	Vendor invoices
	<u>\$ 44,543</u>			

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Year Ended December 31, 2022

Note 12. Subsequent Events

The Foundation evaluated subsequent events from January 1, 2022 through September 26, 2023, 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.