

**RADIANT HEALTH CENTERS**

**FINANCIAL STATEMENTS**

Year ended February 28, 2019

(With Independent Auditor's Report Thereon)

**RADIANT HEALTH CENTERS**

**FINANCIAL STATEMENTS**

Year ended February 28, 2019

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS:</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to Financial Statements	8

Board of Directors  
Radiant Health Centers  
Irvine, California

### ***Independent Auditor's Report***

We have audited the accompanying financial statements of Radiant Health Centers (the "Center"), which comprise the statement of financial position as of February 28, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Radiant Health Centers as of February 28, 2019, 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.

**Emphasis of a Matter**

As described further in note 12 to the financial statements, during the year ended February 28, 2019, Radiant Health Centers implemented Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-14: *Presentation of Financial Statements of Non-for-profit Entities* which resulted in a prior period restatement of net assets. Our opinion is not modified with respect to these matters.

**Report on Summarized Comparative Information**

We have previously audited the financial statements of Radiant Health Centers for the year ended February 28, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Irvine, California  
June 7, 2019

## **FINANCIAL STATEMENTS**

## RADIANT HEALTH CENTER

### STATEMENT OF FINANCIAL POSITION

February 28, 2019

(with prior year data for comparison purposes only)

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 484,957	2,100,612
Grants receivable	647,872	701,400
340B drug discount pricing receivable	267,514	289,570
Pledges receivable (note 3)	425,110	162,035
Other receivables	25,270	2,135
Inventory	13,817	16,510
Prepaid expenses and other current assets	66,009	193,613
Total current assets	<u>1,930,549</u>	<u>3,465,875</u>
Noncurrent assets:		
Property and equipment, net (note 5)	231,226	384,429
Deposits	23,941	23,803
Total noncurrent assets	<u>255,167</u>	<u>408,232</u>
Total assets	<u>\$ 2,185,716</u>	<u>3,874,107</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 216,277	261,825
Accrued payroll and taxes	116,277	138,476
Accrued compensated absences	205,949	226,388
Total current liabilities	<u>538,503</u>	<u>626,689</u>
Net assets:		
Without donor restrictions	1,183,453	3,135,783
With donor restrictions (note 8)	463,760	111,635
Total net assets	<u>1,647,213</u>	<u>3,247,418</u>
Total liabilities and net assets	<u>\$ 2,185,716</u>	<u>3,874,107</u>

See accompanying notes to financial statements.

**RADIANT HEALTH CENTERS**

**STATEMENT OF ACTIVITIES**

Year ended February 28, 2019  
(with prior year data for comparison purposes only)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			2019	2018
Support and revenues:				
Public grants and contracts	\$ 3,964,005	348,429	4,312,434	4,240,139
Private grants and contracts	291,643	-	291,643	612,276
Contributions	126,494	425,110	551,604	278,045
340B drug discount pricing	2,932,035	-	2,932,035	4,293,469
Special events, net of direct expenses (note 9)	115,466	-	115,466	225,454
Investment income	1,241	-	1,241	8,322
Donated services and equipment	246,403	-	246,403	402,619
Other	16,575	-	16,575	2,769
	<u>7,693,862</u>	<u>773,539</u>	<u>8,467,401</u>	<u>10,063,093</u>
Subtotal support and revenues				
	7,693,862	773,539	8,467,401	10,063,093
Support provided by expiring restrictions	<u>421,414</u>	<u>(421,414)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>8,115,276</u>	<u>352,125</u>	<u>8,467,401</u>	<u>10,063,093</u>
Expenses:				
Program services:				
Case management services	2,563,034	-	2,563,034	2,327,993
Housing services	1,091,112	-	1,091,112	1,167,377
Mental health services	269,911	-	269,911	191,615
Health education	447,165	-	447,165	469,547
Nutrition services	653,087	-	653,087	630,583
Transportation	411,847	-	411,847	405,988
Communication	146,765	-	146,765	213,389
CDC program	443,171	-	443,171	412,767
340B drug discount program	2,206,975	-	2,206,975	2,994,154
Title X	52,058	-	52,058	-
Other programs	319,174	-	319,174	231,290
Supporting services:				
General and administrative	408,923	-	408,923	245,446
Fundraising	1,054,384	-	1,054,384	943,772
	<u>10,067,606</u>	<u>-</u>	<u>10,067,606</u>	<u>10,233,921</u>
Total expenses				
	10,067,606	-	10,067,606	10,233,921
Change in net assets	(1,952,330)	352,125	(1,600,205)	(170,828)
Net assets at beginning of year, as restated (note 12)	<u>3,135,783</u>	<u>111,635</u>	<u>3,247,418</u>	<u>3,418,246</u>
Net assets at end of year	<u>\$ 1,183,453</u>	<u>463,760</u>	<u>1,647,213</u>	<u>3,247,418</u>

See accompanying notes to financial statements.

**RADIANT HEALTH CENTERS**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended February 28, 2019  
(with prior year data for comparison purposes only)

	Program Services						Communication
	Case Management Services	Housing Services	Mental Health Services	Health Education	Nutrition Services	Transportation	
Salaries	\$ 1,445,307	255,449	131,263	262,024	229,998	130,624	-
Payroll taxes	110,242	19,563	10,945	20,673	18,839	10,146	-
Employee benefits	208,460	42,620	18,844	44,230	40,927	38,570	-
<b>Total salaries and related expenses</b>	<b>1,764,009</b>	<b>317,632</b>	<b>161,052</b>	<b>326,927</b>	<b>289,764</b>	<b>179,340</b>	<b>-</b>
340B drug discount pricing	-	-	-	-	-	-	-
Rent and utilities	125,342	19,144	5,740	24,512	18,742	16,242	-
Insurance	8,793	1,345	659	1,903	1,316	10,239	-
Repairs and maintenance	30,054	4,590	2,614	7,629	5,902	6,527	-
Telephone	34,466	5,315	1,566	7,246	5,119	4,375	-
Office supplies	49,154	6,127	12,319	5,570	6,269	12,071	1,260
Prevention supplies	306	-	863	1,845	-	-	-
Prizes and incentives	-	-	119	9,224	-	-	-
Printing and stationery	16,765	6,645	1,620	3,593	3,444	2,914	6,157
Postage	4,083	894	185	877	606	526	3,406
Professional fees	142,659	21,681	8,304	31,377	21,328	17,943	18,495
Tax and licenses	18,936	2,667	795	3,750	2,612	3,613	81
Bank charges	-	1,427	2	457	62	-	-
Advertising and public relations	1,264	-	67	722	-	-	117,096
Dues and subscriptions	4,229	527	174	679	932	456	270
Professional development	10,409	1,160	3,757	5,079	2,917	722	-
Automobile expense	5,995	180	354	1,943	491	10	-
Travel	1,897	-	2,291	2,261	3,341	-	-
Equipment rental	-	-	-	-	-	-	-
Donor recognition	-	-	-	-	-	-	-
Staff and volunteer recognition	1,357	282	94	34	-	-	-
Direct services - assistance	72,268	695,058	967	285	248,058	127,925	-
Direct services - professional	223,279	-	63,335	-	33,953	-	-
Other	3,680	-	-	-	-	-	-
<b>Total expenses before depreciation</b>	<b>2,518,945</b>	<b>1,084,674</b>	<b>266,877</b>	<b>435,913</b>	<b>644,856</b>	<b>382,903</b>	<b>146,765</b>
Depreciation	44,089	6,438	3,034	11,252	8,231	28,944	-
<b>Total expenses</b>	<b>\$ 2,563,034</b>	<b>1,091,112</b>	<b>269,911</b>	<b>447,165</b>	<b>653,087</b>	<b>411,847</b>	<b>146,765</b>

See accompanying notes to financial statements.



**RADIANT HEALTH CENTERS**

**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**

Year ended February 28, 2019  
(with prior year data for comparison purposes only)

Program Services					Supporting Services			Totals	
CDC Program	340B Drug Discount Pricing	Title X	Other Programs	Total	General and Administrative	Fundraising	Total	2019	2018
260,888	96,844	31,412	146,817	2,990,626	1,294	335,207	336,501	3,327,127	3,118,941
20,949	7,862	2,480	12,920	234,619	70	28,867	28,937	263,556	244,020
34,613	2,409	1,691	24,414	456,778	70,109	39,601	109,710	566,488	480,227
<b>316,450</b>	<b>107,115</b>	<b>35,583</b>	<b>184,151</b>	<b>3,682,023</b>	<b>71,473</b>	<b>403,675</b>	<b>475,148</b>	<b>4,157,171</b>	<b>3,843,188</b>
-	2,062,566	-	-	2,062,566	(80)	-	(80)	2,062,486	2,893,145
39,721	-	2,599	14,918	266,960	132	35,103	35,235	302,195	286,659
-	-	41	1,034	25,330	7,175	2,265	9,440	34,770	40,067
5,553	-	490	3,418	66,777	972	9,548	10,520	77,297	91,165
2,462	-	104	3,963	64,616	295	9,267	9,562	74,178	64,786
2,388	291	403	11,937	107,789	92,978	13,697	106,675	214,464	138,243
19,667	-	-	-	22,681	-	-	-	22,681	5,636
18,508	-	-	-	27,851	731	2,393	3,124	30,975	22,456
3,318	1,548	243	1,943	48,190	15	31,274	31,289	79,479	58,108
36	-	2	477	11,092	64	4,803	4,867	15,959	13,623
17,684	26,134	6,609	15,563	327,777	133,443	353,158	486,601	814,378	875,650
375	-	26	2,053	34,908	17	19,759	19,776	54,684	70,593
287	-	-	-	2,235	5,641	24,248	29,889	32,124	38,009
709	-	749	-	120,607	4,362	90,630	94,992	215,599	116,114
851	-	356	892	9,366	3,023	19,786	22,809	32,175	8,431
5,863	4,112	1,810	671	36,500	2,245	8,753	10,998	47,498	28,047
4,659	-	-	3	13,635	1,105	539	1,644	15,279	11,779
4,565	5,209	3,043	-	22,607	4,130	-	4,130	26,737	32,918
75	-	-	-	75	-	72	72	147	4,790
-	-	-	-	-	9,748	12,602	22,350	22,350	11,767
-	-	-	3,569	5,336	13,128	1,819	14,947	20,283	15,694
-	-	-	70,361	1,214,922	-	-	-	1,214,922	1,261,116
-	-	-	-	320,567	-	-	-	320,567	173,580
-	-	-	-	3,680	58,300	-	58,300	61,980	19,520
<b>443,171</b>	<b>2,206,975</b>	<b>52,058</b>	<b>314,953</b>	<b>8,498,090</b>	<b>408,897</b>	<b>1,043,391</b>	<b>1,452,288</b>	<b>9,950,378</b>	<b>10,125,084</b>
-	-	-	4,221	106,209	26	10,993	11,019	117,228	108,837
<b>443,171</b>	<b>2,206,975</b>	<b>52,058</b>	<b>319,174</b>	<b>8,604,299</b>	<b>408,923</b>	<b>1,054,384</b>	<b>1,463,307</b>	<b>10,067,606</b>	<b>10,233,921</b>

See accompanying notes to financial statements.

**RADIANT HEALTH CENTERS**

**STATEMENT OF CASH FLOWS**

Year ended February 28, 2019  
(with prior year data for comparison purposes only)

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (1,600,205)	(170,828)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	117,228	108,837
Loss on disposal of property and equipment	58,300	-
Donated equipment	-	(96,000)
(Increase) decrease grants receivable	53,528	(2,737)
(Increase) decrease 340B drug discount pricing receivable	22,056	88,646
(Increase) decrease pledges receivable	(263,075)	(159,859)
(Increase) decrease other receivables	(23,135)	1,925
(Increase) decrease inventory	2,693	(214)
(Increase) decrease prepaid expenses and other current assets	127,604	(84,200)
(Increase) decrease deposits	(138)	(1,390)
Increase (decrease) accounts payable	(45,548)	34,695
Increase (decrease) accrued payroll and taxes	(22,199)	8,064
Increase (decrease) accrued compensated absences	(20,439)	28,334
Net cash provided by (used for) operating activities	(1,593,330)	(244,727)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	-	1,054,193
Proceeds from sale of property and equipment	5,703	-
Purchases of property and equipment	(28,028)	(89,111)
Net cash provided by (used for) investing activities	(22,325)	965,082
Change in cash and cash equivalents	(1,615,655)	720,355
Cash and cash equivalents, beginning of year	2,100,612	1,380,257
Cash and cash equivalents, end of year	\$ 484,957	2,100,612
Noncash investing and financing activities:		
Donated equipment	\$ -	96,000

See accompanying notes to financial statements.

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2019

#### (1) **Nature of Organization**

**Organizations** - AIDS Services Foundation Orange County (the Foundation) is a California non-profit corporation formed to end the Human Immunodeficiency Virus ("HIV") epidemic in Orange County through HIV prevention, counseling, medical services, case management, emotional support, education and related services to Orange County residents and the LGBTQ-plus community with and at risk for contracting HIV/ Acquired Immune Deficiency Syndrome ("AIDS"); to provide support to their family, friends and loved ones; and to provide other such services as are related or incidental thereto, including health promotion, prevention and advocacy. The Foundation performs its activities under three names: Radiant Health Centers (the "Center"), A.S. Foundation Orange County and Housing Assistance Project Orange County.

**Activities** - The Foundation's activities have been classified as follows:

**Case Management Services** - A team of nurses, social workers and case managers creates a unique plan to help each person live with the challenges of HIV and AIDS. 1,405 clients served. 5,715 Face-to-Face Units of Service (15 min increments).

**Housing Services** - Coordinates and assists in the short and long-term placement of HIV infected individuals in suitable housing using motels, Section 8 vouchers, financial assistance and other resources as appropriate; includes Life Skills program that offers group education and skill-building workshops aimed to help persons living with HIV develop skills to maintain stable housing; also offers referral services. Served 179 clients in EFA, STAR and Short-Term Supportive Housing, 145 clients with Housing Plus Project, 100 clients at Life Skills and 559 clients have been assisted with Housing Information and assessments to determine eligibility for housing services.

**Mental Health Services** - Provides a variety of support groups for members of the LGBTQ community and HIV-positive individuals, their families, peer group, chemical dependency, and individual counseling. Also provides psychiatric evaluations and mental health counseling services for people with HIV and members of the LGBTQ-plus community in need who lack access to mental health services. Total of 165 clients served. Total of 2,313 face-to-face Units of Service (15 min increments) which includes individual, couples/family counseling and group sessions.

**Health Education** - Provides information and one-on-one sessions on living with HIV/ AIDS, medication compliance, and complementary therapies. Also provides prevention information through community outreach, workshops, one-on-one personalized risk assessments, and social marketing. Where future prevention related activities are planned, currently 2400 individuals served at HIV 101 Seminars, 2210 junior high, high school and college participants for HIV 101 presentations. The program also serves approximately 80 unduplicated individuals and approximately 360 duplicated individuals through the SOMOS Program, conducts 30 weekly group meetings with 70 total attendees. 90% of weekly group meeting attendees will report an increase in knowledge of HIV transmission and high-risk behaviors after participation. RHC also holds 10 M-group/Empowerment workshops to 75 participants. 90% of M-group workshop participants will report an increase in ability to practice and negotiate safe sex after participation.

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2019

**(1) Nature of Organization, (Continued)**

RHC participate in 4 community outreach events annually to reach an additional 400 Latino men in the community.

**Nutrition Services** - Provides free groceries, nutritional supplements, and other essential items for clients, two times per month. Food bank: 485 Clients served. A total of 3,931 food orders provided. Nutritional Supplements: 69 clients served, a total of 14,129 cans provided.

**Transportation** - Provides transportation for clients to medical appointments and support groups. 275 clients served for medical transport; 98 clients served in a taxi, 172 clients given bus passes, 69 clients given ACCESS passes.

**Communications** - Involved in the production and distribution of all brochures, handbooks, newsletters, surveys, public service announcements, and other media publications used to educate and inform clients, volunteers, donors, and the general public about the Foundation's activities.

**CDC Program** - CDC funding program provides for Comprehensive High-Impact HIV Prevention Projects throughout the community in Orange County. This program runs at our RADAR (Rendering Access to Disease-Preventing Advocacy and Retention) location in Santa Ana. The program also serves approximately 85 unduplicated individuals and approximately 248 duplicated individuals through the SOMOS/OMG Program, and conducts 54 weekly group meetings with approximately 85 total unduplicated attendees. 90% of weekly group meeting attendees reported an increase in knowledge of HIV transmission and high-risk behaviors after participation. RHC also holds 22 M-group/Empowerment workshops to 85 participants through the SOMOS/OMG program. 90% of M-group workshop participants reported an increase in ability to practice and negotiate safe sex after participation. RADAR holds 4 community outreach events annually to reach an additional 1,122 Latino men in the community. Throughout the Healthy Relationships intervention RADAR provided 4 cycles of 5 sessions each (20 sessions total) to 30 unduplicated MSM clients living with HIV.

**340B Drug Discount Pricing** - Participates and is an eligible health care organization/covered entity under HRSA. The intent of the program is to allow the covered entities to scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services with 340B generated revenue. The program requires drug manufacturers to provide outpatient drugs to active eligible clients at a significantly reduced/discounted price. 241 Clients received 340B Medication.

**Title X** - Federal Title X funding helps ensure that every person, regardless of where they live, how much money they make, their background, or whether they have health insurance, has access to basic, preventive reproductive health care. The basic primary and preventive health care services provided by Title X include; Wellness exams, Lifesaving cervical and breast cancer screenings, Birth control, Contraception education, and Testing and treatment for sexually transmitted infections (STI's) and HIV testing 658 patients accessed Title X services and a total of 1,002 community members were outreached to.

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2019

(1) **Nature of Organization, (Continued)**

**Other Programs:**

**Pre-Exposure Prophylaxis (PrEP)** - PrEP is a prevention tool in combination with preventative methods to prevent HIV infection for people who do not have HIV but are at high risk of getting exposed. PrEP Navigator provides community outreach, information and referral to individuals at high risk. PrEP referrals made to 1,122 people and PrEP education provided to 1,339 people. Additionally, 52 persons were referred to PrEP services in the county. 80 individuals are in the process of PrEP initiation, 131 are on PrEP and 41 are currently out of care.

**Volunteer Services** - Coordinates the activities of approximately 500 volunteers including skilled volunteers who provide emotional and practical support to clients. Also creates strategic relationships and partnerships with faith communities that lead to an increase in education, prevention awareness, revenue and volunteers.

**Family Programs** - Provides activities to infected, affected family members and youth of all ages, including group and individual counseling and a wide variety of cultural and recreational events. Served 80 families and 250 unduplicated clients.

**AIDS Walk Distribution** - AIDS Walk Orange County provides funding for non-profit organizations that work to decrease the spread of HIV and/or provides direct client services to persons living with HIV or AIDS.

**HIV and Hep C Testing** - The two-testing locations, Irvine and Santa Ana known as RADAR (Rendering Access to Disease-Preventing Advocacy and Retention) provide access to free HIV and Hep C testing. At the RADAR location 913 HIV Tests/Counseling sessions were provided, 10 newly diagnosed clients were identified. (1.09% positivity rate).

**Psychiatry and Telepsychiatry Services** - RHC provides psychiatry services for people with HIV and members of the LGBTQ-plus community in need who lack access to Psychiatry and medical management services. Total of 385 hours of services are provided annually.

**Public Policy** - Provides guidance with public policies.

**Health and Wellness Pantry** - Provides free supplemental groceries to members of the LGBTQ+ community who meet financial criteria and have a serious medical condition two times per month.

**Medical Services and Treatment of Sexuality Transmitted Infections (STIs)-** RHC is now providing these services as of April 2019.

**RADIANT HEALTH CENTERS**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended February 28, 2019

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with accounting principles generally accepted in the United States of America.

**(b) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Center considers highly liquid investments with an initial maturity of three months or less.

The Center maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest bearing accounts and an unlimited amount for non-interest-bearing accounts. At various times during the fiscal year the Center's excess operating cash may temporarily exceed FDIC limits. Any such excess will either be invested in short-term cash equivalents or used to pay operating expenses.

At February 28, 2019, the Center had funds in excess of federally-insured limits in the amount of \$83,108.

**(c) Fair Value Measurements**

Accounting Standards Codification ("ASC") 820, Fair Value Measurements ("ASC 820"), defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Statement establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Center's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2019

#### **(2) Summary of Significant Accounting Policies, (Continued)**

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in The Center's financial statements.

#### **(d) Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

##### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

##### *Net Assets With Donor Restrictions*

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Center must continue to use the resources in accordance with the donor's instructions.

The Center's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**RADIANT HEALTH CENTERS**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended February 28, 2019

**(2) Summary of Significant Accounting Policies, (Continued)**

**(e) 340B Revenue Recognition**

Revenue from the 340B drug discount pricing is recognized when the prescription is filled by the third-party contracted pharmacy.

**(f) Grants Receivable**

Grants and contracts are paid on a reimbursement basis, up to the maximum amounts allowed under the terms of the grant or contract. Periodic audits may be performed by the grantors, and certain costs may be questioned as not being reimbursable expenditures under the terms of the contracts. Such audits could lead to reimbursement to the grantors. The Center's management believes disallowances, if any, will be immaterial.

**(g) Pledges Receivable**

Pledges are recorded as receivables and recognized as revenue in the year the pledge is made. Management believes all pledges receivable are collectible. Pledges not expected to be received within a year have been discounted to their present value.

**(h) Inventory**

Inventories consist of perishable and nonperishable food items for use by clients and are valued at lower of cost (first-in, first-out) or market.

**(i) Property and Equipment**

Property and equipment are carried at cost or, if donated, at the fair market value at the date of donation. Items with an acquisition cost of \$2,000 or greater and an estimated useful life of more than one year are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. Leasehold improvements are amortized over the shorter of the length of the lease or the estimated useful lives of the leasehold improvements, which range from 3 to 5 years.

**(j) Federal and State Income Taxes**

The Center is exempt from Federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of the California Revenue and Taxation Statute. However, the Center is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. As a matter of course, various taxing authorities, including the IRS, have the authority to regularly audit the Center. The Center's income tax returns may be subject to examination by federal and state taxing authorities.



## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2019

#### **(2) Summary of Significant Accounting Policies, (Continued)**

Management believes that the Center's tax positions comply with applicable tax law and has adequately provided for these matters.

The Center has adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. For the Center, these provisions could be applicable to the incurrence of any unrelated business income attributable to the Center. Because of the Center's general tax-exempt status, ASC 740-10-05 is not anticipated to have a material impact on the Center's financial statements. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

#### **(k) Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **(l) Accrued Compensated Absences**

The Center accrues for employees' earned but unused time off.

#### **(m) Advertising Expenses**

Advertising and public relations costs are charged to operations when incurred. For the fiscal year ended February 28, 2019, advertising and public relations costs totaled \$215,599.

#### **(n) Contributed Services**

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time and services in the Center's core activities. Only those amounts that meet the criteria above are recorded in the accompanying financial statements.

#### **(o) Expense Allocation**

The cost of providing the Center's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied as follows:

# RADIANT HEALTH CENTERS

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2019

### (2) Summary of Significant Accounting Policies, (Continued)

- Salaries, payroll taxes, and employee are allocated based on an FTE (Full Time Equivalent) basis associated with the Center's specific programs.
- All other expenses, including telephone, office supplies, professional fees, insurance, tax and licenses, and depreciation are allocated on a percentage basis determined by salary costs.

Each year during the annual budget approval process, the FTE basis on which costs are allocated are evaluated and recalculated when the budget changes during the year.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Center.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Center generally does not conduct its fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred.

### (p) **Prior Year Comparative Data**

Selected information regarding the prior year has been included in the accompanying financial statements. Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's prior year financial statements, from which this selected financial data was derived.

### (3) Pledges Receivable

The amount of unconditional promises to give at February 28, 2019 was as follows:

Unconditional promises to give	\$ 457,211
Less unamortized discount	<u>(32,101)</u>
	<u>\$ 425,110</u>

Amounts of unconditional promises to give due in:

Less than one year	\$ 110,206
One to five years	<u>314,904</u>
	<u>\$ 425,110</u>

Pledges receivable are categorized as a Level 3 fair value measurement. Changes in the fair value of donations and pledges receivable for the year ended February 28, 2019 was as follows:

**RADIANT HEALTH CENTERS**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended February 28, 2019

**(3) Pledges Receivable, (Continued)**

Pledges receivable at beginning of year	\$ 162,035
New pledges	451,711
Payments received	(76,535)
Write-off's	(80,000)
Change in present value of discount	<u>(32,101)</u>
Pledges receivable at end of year	<u>\$ 425,110</u>

Pledges receivable with due dates extending beyond one year are discounted using a risk adjusted rate of return of 5%.

**(4) Beneficial Interest in Trust**

The Center has been named as a beneficiary in an irrevocable trust. However, the Center is unable to estimate the contribution receivable in the future. As such, the Center has not recorded an asset for the beneficial interest in the trust.

**(5) Property and Equipment**

Property and equipment consisted of the following at February 28, 2019:

Furniture and fixtures	\$ 13,016
Machinery and equipment	541,329
Transportation equipment	41,238
Leasehold improvements	<u>418,148</u>
Total	1,013,731
Less accumulated depreciation	(782,505)
Net property and equipment	<u>\$ 231,226</u>

Depreciation expense for the fiscal year ended February 28, 2019 was \$117,228.

**RADIANT HEALTH CENTERS**

**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended February 28, 2019

**(6) Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of February 28, 2019 are:

Financial assets:

Cash and cash equivalents	\$ 484,957
Grants receivable	920,259
Pledges receivable	425,110
Other receivables	25,270
Total financial assets	<u>1,855,596</u>

Less financial assets not available within one year:

Pledges receivable	(314,904)
--------------------	-----------

Amount available for general expenditures within one year \$ 1,540,692

If the Board determines that there are revenues in excess of needed cash reserves in the operations account, the Board will make a determination as to whether allocation of those excess funds should be designated for long term investment or for other purposes as directed by the Board of Directors. As part of the liquidity management plan, the Center maintains a daily cash management.

**(7) Operating Leases**

The Center leases its administrative offices in Irvine, California, under an operating lease with monthly rent expense for the lease term that ranges between \$16,501 and \$17,091. The lease contains annual escalation clauses and expires on April 30, 2021. The Center also rents one mini storage unit on a month-to-month basis.

Rent expense under these agreements totaled \$261,914 for the year ended February 28, 2019. The future minimum lease payments on the leases are as follows:

Fiscal years ending:

2020	\$ 253,890
2021	246,614
2022	36,540
Total	<u>\$ 537,044</u>

**(8) Net Assets With Donor Restrictions**

Net assets with donor restrictions consisted of the following as of February 28, 2019:

Time restrictions:

Pledges receivable, which are unavailable for spending until due	\$ 425,110
Ryan White Services	38,650
Total time restricted net assets	<u>463,760</u>

Total net assets with donor restrictions \$ 463,760

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2019

#### (9) **Special Events**

	Gala	AWOC	Other Events	Total
Special event revenue	\$ 229,234	150,570	114,256	494,060
Less direct expenses	<u>(119,162)</u>	<u>(43,184)</u>	<u>(216,247)</u>	<u>(378,594)</u>
Net support from special events	<u>\$ 110,072</u>	<u>107,386</u>	<u>(101,991)</u>	<u>115,466</u>

#### (10) **Deferred Compensation Plan**

The Center has a Deferred Compensation Plan established under Internal Revenue Code Section 403(b)(7). Contributions to the Plan are made only by employees. The Center is not under any obligation to contribute to this Plan. No contributions were made to the Plan by the Center during the fiscal year ended February 28, 2019. Pre-tax contributions are held and invested by the Trustee and are not reported in the accompanying financial statements.

The Center contributes to a 401(k) and Profit Sharing Plan (the "Plan") that eligible employees are able to participate in immediately and are immediately vested. Profit sharing contributions are a match of participants' 3% voluntary contributions. This plan was started January 1, 2018. For the year ended February 28, 2019, the Center's share of contributions totaled \$55,105.

#### (11) **Subsequent Events**

The Center evaluated subsequent events through June 7, 2019, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

#### (12) **Prior Period Adjustments**

**Change in Accounting Principles** - The organization implemented FASB ASU No. 2016-14 in the current year, applying changes retrospectively. The new standards change the following aspects of the financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a disclosure about liquidity and availability of resources.

**340B Net Assets** - The 340B revenue is no longer considered restricted net assets and has been reclassified as net assets without donor restrictions.

**RADIANT HEALTH CENTERS**

**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended February 28, 2019

**(12) Prior Period Adjustments, (Continued)**

These changes have the following effect on net assets at February 28, 2019:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 1,830,691	-
Temporarily restricted net assets	1,416,727	-
Net assets without donor restrictions	-	3,135,783
Net assets with donor restrictions	-	111,635
	<hr/>	<hr/>
Total net assets at beginning of year, as restated	<u>\$ 3,247,418</u>	<u>3,247,418</u>