

**RADIANT HEALTH CENTERS**

**FINANCIAL STATEMENTS**

**Year ended February 28, 2021**

**(With Independent Auditor's Report Thereon)**

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**RADIANT HEALTH CENTERS**  
**FINANCIAL STATEMENTS**  
**Year ended February 28, 2021**

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## **Independent Auditor's Report**

Board of Directors  
Radiant Health Centers  
Irvine, California

### ***Report on the Financial Statements***

We have audited the accompanying statement of financial position of the Radiant Health Centers (the "Center"), as of February 28, 2021, 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 the Radiant Health Centers as of February 28, 2021 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the financial statements of Radiant Health Centers for the year ended February 29, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended February 29, 2020 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 August 5, 2021 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 solely 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.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
August 5, 2021

## **FINANCIAL STATEMENTS**

**RADIANT HEALTH CENTERS**

**STATEMENT OF FINANCIAL POSITION**

**February 28, 2021**

**(with prior year data for comparison purposes only)**

	2021	2020
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 1,608,176	1,462,872
Grants receivable	1,792,210	1,070,502
340B drug discount pricing receivable	327,303	345,128
Pledges receivable (note 3)	213,328	355,576
Inventory	12,645	19,918
Prepaid expenses and other current assets	139,607	120,107
Total current assets	4,093,269	3,374,103
Noncurrent assets:		
Property and equipment, net (note 5)	156,184	151,288
Deposits	25,440	25,439
Total noncurrent assets	181,624	176,727
Total assets	\$ 4,274,893	3,550,830
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 371,160	352,720
Accrued payroll and taxes	136,737	132,538
Accrued compensated absences	310,947	200,937
Retirement payable	50,500	-
Total current liabilities	869,344	686,195
Loan payable (note 6)	150,000	-
Total liabilities	1,019,344	686,195
Net assets:		
Without donor restrictions	3,007,537	2,353,123
With donor restrictions (note 9)	248,012	511,512
Total net assets	3,255,549	2,864,635
Total liabilities and net assets	\$ 4,274,893	3,550,830

See accompanying notes to the financial statements.



**RADIANT HEALTH CENTERS**

**STATEMENT OF ACTIVITIES**

**Year ended February 28, 2021  
(with prior year data for comparison purposes only)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Support and revenues:				
Public grants and contracts	\$ 5,359,769	174,176	5,533,945	4,367,799
Contributions	652,774	13,300	666,074	1,626,501
340B drug discount pricing	4,924,426	-	4,924,426	4,847,499
Special events, net of direct expenses (note 10)	219,750	-	219,750	244,551
Investment income	3,505	-	3,505	302
Donated goods and services	10,269	-	10,269	185,873
Loan forgiveness	607,802	-	607,802	-
Other	14,635	-	14,635	2,681
	<u>11,792,930</u>	<u>187,476</u>	<u>11,980,406</u>	<u>11,275,206</u>
Subtotal support and revenues				
Support provided by expiring restrictions	450,976	(450,976)	-	-
	<u>12,243,906</u>	<u>(263,500)</u>	<u>11,980,406</u>	<u>11,275,206</u>
Total support and revenues				
Expenses:				
Program services:				
Case management services	2,361,193	-	2,361,193	2,026,102
Housing services	1,796,091	-	1,796,091	965,016
Mental health services	269,421	-	269,421	263,284
Health education	36,712	-	36,712	254,458
Nutrition services	429,561	-	429,561	502,018
Transportation	210,990	-	210,990	295,097
CDC program	280,734	-	280,734	374,563
340B drug discount program	3,617,880	-	3,617,880	3,530,419
Title X	295,381	-	295,381	284,250
Rapid ART	738,914	-	738,914	272,073
Other programs	125,457	-	125,457	173,036
Supporting services:				
General and administrative	777,505	-	777,505	534,395
Fundraising	649,653	-	649,653	583,073
	<u>11,589,492</u>	<u>-</u>	<u>11,589,492</u>	<u>10,057,784</u>
Total expenses				
Change in net assets	654,414	(263,500)	390,914	1,217,422
Net assets at beginning of year	2,353,123	511,512	2,864,635	1,647,213
Net assets at end of year	<u>\$ 3,007,537</u>	<u>248,012</u>	<u>3,255,549</u>	<u>2,864,635</u>

See accompanying notes to the financial statements.

**RADIANT HEALTH CENTERS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended February 28, 2021**  
**(with prior year data for comparison purposes only)**

	Program Services						CDC Program
	Case Management Services	Housing Services	Mental Health Services	Health Education	Nutrition Services	Transportation	
Salaries	\$ 1,296,842	246,515	189,546	11,389	129,789	62,301	169,387
Payroll taxes	119,950	20,262	15,546	895	10,956	4,625	14,343
Employee benefits	204,089	43,882	27,389	2,359	23,753	21,971	36,887
<b>Total salaries and related expenses</b>	<b>1,620,881</b>	<b>310,659</b>	<b>232,481</b>	<b>14,643</b>	<b>164,498</b>	<b>88,897</b>	<b>220,617</b>
340B drug discount pricing	-	-	-	-	-	-	-
Rent and utilities	112,652	19,956	11,965	4,128	10,059	6,113	41,552
Insurance	11,884	2,106	2,124	436	1,061	2,446	-
Repairs and maintenance	34,345	6,083	3,647	1,259	3,862	3,361	2,832
Telephone	30,434	5,195	3,103	1,202	2,947	1,734	474
Office supplies	14,617	2,626	1,928	393	1,325	2,058	634
Prevention supplies	1,596	-	-	964	-	-	4,214
Prizes and incentives	-	-	25	-	-	-	697
Printing and stationery	11,284	3,773	1,183	408	994	604	1,309
Postage	2,441	540	243	84	204	133	-
Professional fees	187,585	34,864	6,065	2,789	16,680	10,314	5,021
Tax and licenses	25,385	4,472	743	263	2,161	1,695	691
Bank charges	-	3,808	4	-	-	-	-
Advertising and public relations	4,960	-	-	-	-	-	720
Dues and subscriptions	7,041	914	1,363	229	694	296	1,797
Professional development	105	-	1,345	-	-	-	-
Automobile expense	572	-	-	13	-	-	176
Travel	342	-	-	-	-	-	-
Equipment rental	-	-	-	-	-	-	-
Donor recognition	-	-	-	-	-	-	-
Staff and volunteer recognition	32	-	307	-	-	-	-
Direct services - assistance	91,983	1,395,040	-	22	173,137	87,634	-
Direct services - professional	185,274	-	-	-	44,137	-	-
Bad debt expense	(25,750)	-	-	-	-	-	-
Interest expense	3,846	-	-	-	-	-	-
<b>Total expenses before depreciation</b>	<b>2,321,509</b>	<b>1,790,036</b>	<b>266,526</b>	<b>26,833</b>	<b>421,759</b>	<b>205,285</b>	<b>280,734</b>
Depreciation	39,684	6,055	2,895	9,879	7,802	5,705	-
<b>Total expenses</b>	<b>\$ 2,361,193</b>	<b>1,796,091</b>	<b>269,421</b>	<b>36,712</b>	<b>429,561</b>	<b>210,990</b>	<b>280,734</b>

See accompanying notes to the financial statements.

**RADIANT HEALTH CENTERS**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**Year ended February 28, 2021**  
**(with prior year data for comparison purposes only)**

Program Services				Supporting Services		Totals	
340B Drug Discount Pricing	Title X	Rapid ART	Other Programs	General and Administrative	Fundraising	2021	2020
144,505	146,197	370,764	66,015	55,840	322,267	3,211,357	2,755,595
-	12,236	31,166	5,743	3,483	26,893	266,098	219,509
20,605	23,273	65,888	16,412	74,356	60,292	621,156	384,546
165,110	181,706	467,818	88,170	133,679	409,452	4,098,611	3,359,650
3,371,914	-	-	-	-	-	3,371,914	3,275,095
23,821	14,436	31,128	9,684	3,229	26,114	314,837	331,107
2,513	1,207	6,826	720	4,957	2,468	38,748	46,593
7,262	3,486	9,490	2,082	1,615	6,009	85,333	67,382
6,106	3,346	7,917	1,744	1,389	6,137	71,728	76,545
2,136	1,069	3,048	650	23,690	3,171	57,345	130,781
-	4,793	8,485	-	-	-	20,052	33,280
-	-	56	-	-	-	778	18,005
2,354	1,131	3,076	675	9,255	2,309	38,355	53,606
484	232	633	139	2,603	3,640	11,376	10,693
32,236	79,603	125,591	3,346	20,987	133,713	658,794	721,823
1,474	710	1,923	423	1,121	22,531	63,592	52,879
-	-	-	-	8,131	5,582	17,525	31,322
-	-	67,612	-	89,427	10,463	173,182	186,757
1,036	-	4,639	299	3,593	7,741	29,642	28,627
-	144	93	-	10,560	65	12,312	9,026
-	-	21	-	98	55	935	14,075
-	-	-	-	-	-	342	18,125
-	-	-	-	-	-	-	3,840
-	-	-	-	1,303	42	1,345	9,186
-	-	-	623	5,323	-	6,285	15,603
-	-	55	13,032	-	-	1,760,903	1,087,331
-	-	-	-	-	-	229,411	231,535
-	-	-	-	455,041	-	429,291	144,980
-	-	-	-	-	-	3,846	-
3,616,446	291,863	738,411	121,587	776,001	639,492	11,496,482	9,957,846
1,434	3,518	503	3,870	1,504	10,161	93,010	99,938
<u>3,617,880</u>	<u>295,381</u>	<u>738,914</u>	<u>125,457</u>	<u>777,505</u>	<u>649,653</u>	<u>11,589,492</u>	<u>10,057,784</u>

See accompanying notes to the financial statements.

**RADIANT HEALTH CENTERS**

**STATEMENT OF CASH FLOWS**

**Year ended February 28, 2021  
(with prior year data for comparison purposes only)**

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 390,914	1,217,422
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	93,010	99,938
(Increase) decrease grants receivable	(721,708)	(421,944)
(Increase) decrease 340B drug discount pricing receivable	17,825	(77,614)
(Increase) decrease pledges receivable	142,248	69,534
(Increase) decrease other receivables	-	24,584
(Increase) decrease inventory	7,273	(6,101)
(Increase) decrease prepaid expenses and other current assets	(19,500)	(54,098)
(Increase) decrease deposits	(1)	(1,498)
Increase (decrease) accounts payable	18,440	136,443
Increase (decrease) accrued payroll and taxes	4,199	16,261
Increase (decrease) accrued compensated absences	110,010	(5,012)
Increase (decrease) other liabilities	50,500	-
Net cash provided by (used for) operating activities	93,210	997,915
Cash flows from investing activities:		
Proceeds from loan payable	150,000	-
Purchases of property and equipment	(97,906)	(20,000)
Net cash provided by (used for) investing activities	52,094	(20,000)
Change in cash and cash equivalents	145,304	977,915
Cash and cash equivalents, beginning of year	1,462,872	484,957
Cash and cash equivalents, end of year	\$ 1,608,176	1,462,872

Noncash investing or financing activities: A federal loan in the amount of \$607,802 was forgiven during the year ended February 28, 2021.

See accompanying notes to financial statements.

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2021

(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+ 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 create a unique plan to help each person live with the challenges of HIV and AIDS.

**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.

**Mental Health Services** - Provides a variety of support groups for members of the LGBTQ+ community and HIV-positive individuals, their families, peer groups, chemical dependency, and individual counseling. Also provides psychiatric evaluations and mental health counseling services for people with HIV and members of the LGBTQ+ community in need who lack access to mental health services.

**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

**Nutrition Services** - Provides free groceries, nutritional supplements, and other essential items for clients, two times per month.

**Transportation** - Provides transportation for clients to medical appointments and support groups.

**CDC Program** - CDC funding program provides for Comprehensive High-Impact HIV Prevention Projects throughout the community in Orange County. This program runs at the RADAR (Rendering Access to Disease-Preventing Advocacy and Retention) location in Santa Ana.

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2021

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

**340B Drug Discount Pricing** - Participates and is an eligible health care organization/covered entity under HRSA. The intent of the program is to allow qualified entities to purchase and dispense medications at deeply discounted rates. This program is conducted by the Center in partnership with contracted pharmacies, distributors and third party providers. The 340B Program provides a material margin to the Center, which is used to support other programs. The program is a Federal program that requires drug manufacturers to provide outpatient drugs to active eligible clients at a significantly reduced/discounted price.

**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.

**Rapid ART** - Rapid ART is a program for the dissemination of Rapid Antiretroviral Therapy (ART) for Center patients that meet the appropriate indicators. It is a two year grant program that was initiated in FY 2019-2020. It includes identifying patients that may qualify for the treatment, testing of patients, and prescribing medication. Ongoing case management to include tracking of patient compliance and outcomes are also part of the Rapid ART Program.

**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.

**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.

**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.

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

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2021

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

**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)** - The Center is now providing these services as of April 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 at the time of purchase to be cash equivalents.

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, 2021, the Center had funds in excess of federally-insured limits in the amount of \$1,232,447.

(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.

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2021

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

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.

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.



## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2021

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

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.

**(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 has evaluated pledges and recorded an allowance for uncollectible pledges. 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.

**RADIANT HEALTH CENTERS**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended February 28, 2021**

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

**(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.

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, 2021, advertising and public relations costs totaled \$173,182.

## RADIANT HEALTH CENTERS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended February 28, 2021

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

##### (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:

- 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.

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

**Year Ended February 28, 2021**

**(3) Pledges Receivable**

The amount of unconditional promises to give at February 28, 2021 was as follows:

Unconditional promises to give	\$ 465,810
Less unamortized discount	(3,252)
Less allowance for unpaid pledges	<u>(249,230)</u>
	<u>\$ 213,328</u>

Amounts of unconditional promises to give due in:

Less than one year	\$ 149,373
One to five years	<u>63,955</u>
	<u>\$ 213,328</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, 2021 was as follows:

Pledges receivable at beginning of year	\$ 355,576
New pledges	13,300
Payments received	(71,154)
Allowance for unpaid pledges	(104,250)
Change in present value of discount	<u>19,856</u>
Pledges receivable at end of year	<u>\$ 213,328</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, 2021:

Furniture and fixtures	\$ 9,796
Machinery and equipment	468,051
Transportation equipment	41,238
Leasehold improvements	<u>418,147</u>
Total	937,232
Less accumulated depreciation	(781,048)
Net property and equipment	<u>\$ 156,184</u>

Depreciation expense for the fiscal year ended February 28, 2021 was \$93,010.

**RADIANT HEALTH CENTERS**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended February 28, 2021**

**(6) Note Payable**

On June 5, 2020, the Center received loan proceeds in the amount of \$150,000 under the Economic Injury Disaster Loan program for the Small Business Administration. Interest will accrue at a rate of 2.75% and installment payments of \$641 will be due monthly beginning June 1, 2021.

Future payments of the loan are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 2,691	3,078	5,769
2023	3,687	4,005	7,692
2024	3,790	3,902	7,692
2025	3,895	3,797	7,692
2026	4,004	3,688	7,692
2027-2031	21,756	16,704	38,460
2032-2036	24,959	13,501	38,460
2037-2041	28,633	9,827	38,460
2042-2046	32,849	5,611	38,460
2047-2051	23,736	1,097	24,833
Total	<u>\$ 150,000</u>	<u>62,132</u>	<u>209,441</u>

**(7) 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, 2021 are:

Financial assets:

Cash and cash equivalents	\$ 1,608,176
Grants and 340B receivable	2,175,315
Pledges receivable	<u>213,328</u>
Total financial assets	3,996,819

Less financial assets held to meet donor-imposed restrictions:

Time-restricted net assets	(34,684)
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Less financial assets not available within one year:

Pledges receivable	(63,955)
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Amount available for general expenditures within one year	<u>\$ 3,898,180</u>
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If the Board determines that there are funds 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.

**RADIANT HEALTH CENTERS**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended February 28, 2021**

**(8) Operating Leases**

In February 2014, the Center entered into a lease for its offices in Irvine, California with monthly rent payments ranging from \$14,103 to \$18,270 through April 30, 2021. In March 2021, the Center entered into an Amended Lease Agreement extending the lease through September 30, 2026 with no rent due for the first five months of the lease and payments ranging from \$20,038 through \$22,553. The Amended Lease also included leasehold improvements up to \$117,870 paid by the Lessor. The Center also rents mini storage units on a month-to-month basis.

Rent expense under these agreements totaled \$299,749 for the year ended February 28, 2021. The future minimum lease payments on the leases are as follows:

2022	\$ 136,729
2023	243,461
2024	250,764
2025	258,287
2026	<u>157,870</u>
Total	<u>\$ 1,047,111</u>

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

Net assets with donor restrictions consisted of the following as of February 28, 2021:

Time restrictions:

Pledges receivable, which are unavailable for spending until due	\$ 213,328
Ryan White Services	<u>34,684</u>
Total time restricted net assets	<u>248,012</u>

Total net assets with donor restrictions	<u>\$ 248,012</u>
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**(10) Special Events**

	<u>Gala</u>	<u>AWOC</u>	<u>Other Events</u>	<u>Total</u>
Special event revenue	\$ 183,922	77,546	45,057	306,525
Less direct expenses	<u>(56,191)</u>	<u>(9,250)</u>	<u>(21,334)</u>	<u>(86,775)</u>
Net support from special events	<u>\$ 127,731</u>	<u>68,296</u>	<u>23,723</u>	<u>219,750</u>

**(11) Deferred Compensation Plan**

The Center has an active Deferred Compensation Plan ("Plan") established under Internal Revenue Code Section 403(b). The Center is not under any obligation to contribute to this Plan, but can make a discretionary contribution. A 3% discretionary employer match totaling \$50,500 was accrued by the Center during the fiscal year ended February 28, 2021. This match was paid in the following fiscal year. Pre-tax contributions for Plan 1 are held and invested by the Plan's Trustee and are not reported in the accompanying financial statements.

**RADIANT HEALTH CENTERS**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended February 28, 2021**

**(11) Deferred Compensation Plan(Continued)**

The Center also has an older Deferred Compensation Plan ("Plan 2") as a 403(b)(7) non-ERISA plan, which it sponsored in previous years. The Center is still the Administrator of the Plan 2. Plan 2 has participant's pre-tax assets held and invested by a separate Trustee. Plan 2 assets are also not reported in the accompanying financial statements.

**(12) Subsequent Events**

The Center evaluated subsequent events through August 5, 2021, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.