

**COMMUNITY HEALTH INITIATIVE OF
ORANGE COUNTY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

WITH INDEPENDENT AUDITORS' REPORT

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COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY

Community Health Initiative of Orange County (CHI OC) envisions an Orange County where all residents can utilize quality healthcare when they need it. Founded in 2006, CHI OC's mission is to connect all Orange County residents to affordable healthcare. Initially launched for children and families, we now help guide vulnerable populations of all ages through the process of connecting to, utilizing, and maintaining healthcare coverage. As one of the few enrollment organizations in our region, we specialize in reaching underserved racial and ethnic minority populations, as well as communities that are economically and environmentally disadvantaged. Over a decade of service, CHI OC has built a solid reputation for expertise, efficiency, and trust, leveraging our highly tenured staff, targeted expertise, and countrywide reach to improve access to care. Most recently, we have played a key role in implementing healthcare reforms following the passage of the Affordable Care Act (ACA), introduction of the Covered California marketplace, and expansion of Medi-Cal.

In light of these community needs, CHI OC deploys Certified Enrollment Coordinators (CECs) to inform, educate, and empower residents through our Community Healthcare Access program. Covering outreach, enrollment, and case management, our implementation strategies include the following steps.

- **Outreach.** CECs conduct outreach and health insurance literacy efforts in hard-to-reach, low-income, and minority communities, offering information in multiple languages and helping residents understand Covered California, Medi-Cal expansion, and other programs.
- **Enrollment.** CECs meet with clients to assist them in entering their information into CalHEERS and the One-e-App database systems to determine eligibility for 18 health and social services programs, including Medi-Cal, Kaiser Child Health Plan, CalFresh, and CalWORKs. Clients can learn about and enroll in a variety of programs through a single visit, improving convenience and accessibility.
- **Case Management.** As newly insured individuals and families navigate the complex system of benefits, deductibles, premiums, and copayments, our CECs guide them using a model we call "Care Connections." This process includes regular contacts for up to one year to help residents verify ongoing eligibility, find medical professionals they trust, make initial appointments, secure resources regarding their health network or hospital, mitigate any barriers to care, and renew coverage for the next year.

At organizational level, CHIC OC has become its own independent 501(c)(3) after nearly a decade of fiscal sponsorship, receiving exempt status in the fall of 2015. Programmatically, CHI OC continues to make a significant impact in Orange County: From Fiscal Year July 1, 2016 thru June 30, 2017, we have outreached to 31,328 families, enrolled 6,833 individuals in Medi-Cal, Covered California, CalFresh, CalWorks and other social service programs and completed 18,455 care connections to primary care providers, and hospitals.

Additional information can be found at www.chioc.org.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Health Initiative of Orange County
Santa Ana, California

We have audited the accompanying financial statements of Community Health Initiative of Orange County ("CHI OC") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to CHI OC'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 CHI OC'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 Community Health Initiative of Orange County as of June 30, 2017, 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.

White Nelson Dick Evans LLP

Irvine, California
December 19, 2017

COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 92,385	\$ 243,008	\$ 335,393
Grants and contracts receivable	96,977	-	96,977
Prepaid expenses	<u>10,770</u>	<u>-</u>	<u>10,770</u>
Total Current Assets	200,132	243,008	443,140
Property and Equipment:			
Office equipment	44,890	-	44,890
Furniture and fixtures	<u>12,373</u>	<u>-</u>	<u>12,373</u>
	57,263	-	57,263
Less: Accumulated depreciation	<u>(54,041)</u>	<u>-</u>	<u>(54,041)</u>
Net Property and Equipment	3,222	-	3,222
Other Assets - Deposits	<u>2,103</u>	<u>-</u>	<u>2,103</u>
Total Assets	<u>\$ 205,457</u>	<u>\$ 243,008</u>	<u>\$ 448,465</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 5,448	\$ -	\$ 5,448
Accrued expenses	50,618	-	50,618
Deferred revenue	-	150,000	150,000
Due to OCHAE	<u>3,398</u>	<u>-</u>	<u>3,398</u>
Total Current Liabilities	59,464	150,000	209,464
Net Assets:			
Unrestricted:			
Undesignated	142,771	-	142,771
Net investment in property and equipment	3,222	-	3,222
Temporarily restricted	<u>-</u>	<u>93,008</u>	<u>93,008</u>
Total Net Assets	<u>145,993</u>	<u>93,008</u>	<u>239,001</u>
Total Liabilities and Net Assets	<u>\$ 205,457</u>	<u>\$ 243,008</u>	<u>\$ 448,465</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Grants	\$ 299,897	\$ 222,567	\$ 522,464
Contributions	2,683	-	2,683
Government contracts	436,732	-	436,732
In-kind contributions	59,975	-	59,975
Special events revenue, net of cost of direct benefits to donors of \$5,780	8,586	-	8,586
	<u>807,873</u>	<u>222,567</u>	<u>1,030,440</u>
Total Revenues and Other Support			
Net Assets Released from Restrictions:			
Restrictions satisfied by payments	<u>438,090</u>	<u>(438,090)</u>	<u>-</u>
Total Revenues, Other Support, and Net Assets Released from Restrictions	1,245,963	(215,523)	1,030,440
Expenses:			
Program services	1,061,777	-	1,061,777
Supporting services:			
Management and general	136,551	-	136,551
Fundraising and development	48,572	-	48,572
	<u>185,123</u>	<u>-</u>	<u>185,123</u>
Total Supporting Services			
Total Expenses	<u>1,246,900</u>	<u>-</u>	<u>1,246,900</u>
Decrease in Net Assets	(937)	(215,523)	(216,460)
Net Assets, Beginning of Year	<u>146,930</u>	<u>308,531</u>	<u>455,461</u>
Net Assets, End of Year	<u>\$ 145,993</u>	<u>\$ 93,008</u>	<u>\$ 239,001</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Supporting Services				Total
	Program Services	Management and General	Fundraising and Development	Total Supporting Services	
Personnel:					
Salaries	\$ 758,316	\$ 11,151	\$ 3,616	\$ 14,767	\$ 773,083
Payroll taxes and benefits	133,605	4,062	509	4,571	138,176
Total Personnel	891,921	15,213	4,125	19,338	911,259
Other Expenses:					
Advertising	1,546	-	-	-	1,546
Consultants	10,198	1,487	1,683	3,170	13,368
Dues and subscriptions	25	508	-	508	533
Fiscal sponsorship fees	16,670	-	-	-	16,670
In-kind donations	21,785	558	37,632	38,190	59,975
Insurance	4,024	7,857	-	7,857	11,881
Meetings and conferences	2,322	998	-	998	3,320
Other	641	5,394	21	5,415	6,056
Office supplies and expense	8,591	250	-	250	8,841
Professional services	49,420	87,612	-	87,612	137,032
Printing	2,677	234	-	234	2,911
Rent	21,444	7,480	-	7,480	28,924
Special event	-	-	5,111	5,111	5,111
Telephone	23,301	6,413	-	6,413	29,714
Training and recruitment	4	305	-	305	309
Travel	6,581	1,019	-	1,019	7,600
Total Other Expenses	169,229	120,115	44,447	164,562	333,791
Expenses Before Depreciation	1,061,150	135,328	48,572	183,900	1,245,050
Depreciation of Property and Equipment	627	1,223	-	1,223	1,850
Total Functional Expenses	\$ 1,061,777	\$ 136,551	\$ 48,572	\$ 185,123	\$ 1,246,900

The accompanying notes are an integral part of these financial statements.

**COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

Cash Flows from Operating Activities:	
Decrease in Net Assets	\$ (216,460)
Noncash Item Included in Decrease in Net Assets:	
Depreciation	1,850
Changes in:	
Grants and contracts receivable	138,287
Prepaid expenses	(2,839)
Accounts payable	(15,019)
Accrued expenses	171
Deferred revenue	150,000
Due to OCHAE	<u>1,327</u>
Total adjustments	<u>273,777</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>57,317</u>
Cash Flows from Investing Activities:	
Purchases of property and equipment	<u>(1,147)</u>
Net Cash and Cash Equivalents Used in Investing Activities	<u>(1,147)</u>
Net Increase in Cash and Cash Equivalents	56,170
Cash and Cash Equivalents, Beginning of Year	<u>279,223</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 335,393</u></u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Community Health Initiative of Orange County (“CHI OC”) was incorporated on November 4, 2014, under the nonprofit public benefit corporation laws of the State of California. Prior to incorporation, CHI OC operated as a charitable program under the auspices of Public Health Foundation Enterprises. In 2012, CHI OC became a fiscally sponsored project of OneOC. Effective November 1, 2015, CHI OC was emancipated and began operating independently. CHI OC is a member of the Certification Commission for Healthcare Interpreters. CHI OC’s mission is to connect all Orange County residents to affordable health-care coverage.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. Unconditional promises to give are recognized as revenue and receivables when the promise to give is received and there is written evidence that the promise was made. Conditional promises to give are recognized as revenue and receivables when the conditions on which they depend are substantially met.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, CHI OC reports the support as unrestricted.

Grant and program revenues earned, but not yet received, are recorded as receivables, and grant and program funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenses are recorded when the liability is incurred.

In accordance with accounting principles generally accepted in the United States of America, CHI OC reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted Net Assets - Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of CHI OC. All receipts not temporarily or permanently restricted by the donor or law are accounted for in this fund.
- Temporarily Restricted Net Assets - Temporarily restricted net assets include resources expendable only in the manner specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by the actions of CHI OC. When restrictions imposed by donor or law expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

- Permanently Restricted Net Assets - Permanently restricted net assets include resources subject to donor-imposed stipulations that they be maintained permanently by CHI OC. Generally, the donors of these assets permit CHI OC to use all or part of the income earned on related investments for unrestricted purposes. At June 30, 2017, there were no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments purchased with an original maturity of three months or less.

Grants and Contracts Receivable

Grants and contracts receivable consist primarily of reimbursements from governmental agencies and contributions. They are based on services performed by CHI OC as written under contractual agreements. CHI OC uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience. At June 30, 2017, CHI OC considers all receivables fully collectible and has determined that no allowance for doubtful accounts is deemed necessary.

Pledges Receivable

Pledges receivable are recorded when the promise to give becomes unconditional and there is sufficient oral or written evidence of the promise. Unconditional promises to give expected to be collected within one year are recorded at expected net realizable value. At June 30, 2017, CHI OC had received no promises to give.

Property and Equipment

Property and equipment that have a value greater than \$1,000 and a useful life exceeding one year are capitalized at cost, or if donated at the fair value on the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset for a specific purpose.

Depreciation on furniture, fixtures, and office equipment is provided on the straight-line method over an estimated useful life of three to five years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ended June 30, 2017, was approximately \$1,900.

COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Long-Lived Assets and Asset Impairment

CHI OC accounts for impairment and disposition of long-lived assets in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets’ carrying amount. There was no impairment of the value of such assets for the year ended June 30, 2017.

Deferred Revenue

As of June 30, 2017, deferred revenue consists primarily of amounts received in advance from The California Endowment for activities held in the next fiscal year. This grant is conditional based upon executed outcomes. Therefore, this revenue is recorded as deferred revenue.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs charged to operations for the year ended June 30, 2017, were approximately \$1,500.

Fundraising

CHI OC sponsors special fundraising events that generate revenues for its programs. These events are considered ongoing major activities, as they occur annually.

Donated Facilities and Services

Donated facilities and services are reflected in the accompanying financial statements at their estimated fair values at the date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The value of the donated grant writing service is included under fundraising expenses. This donated service is provided by a nonprofit organization at no cost to CHI OC. The basis for estimating the value of this service is based on estimates provided by the contributor for the same service provided in the normal course of business.

A substantial number of unpaid volunteers have made significant contributions of their time to the programs. The value of these contributions is not reflected in these statements, since the contributions do not meet the criteria for recognition as contributed services.

COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Compensated Absences

Employees of CHI OC are entitled to paid vacation, certain holidays, and floating holidays, depending on classification, length of service, and other factors. Upon termination or retirement, unused vacation benefits will be paid at the employee's regular payroll rate. The balance of unused vacation benefits at June 30, 2017, was approximately \$24,000 and is included in accrued expenses in the accompanying financial statements.

Income Taxes

CHI OC has qualified for tax-exempt status under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). CHI OC remains 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 purpose for which it was granted exemption. No income tax provision has been recorded, as management believes CHI OC did not have any unrelated trade or business income.

FASB ASC 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and the measurement of a tax position taken or expected to be taken in a tax return and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax position exists for CHI OC at June 30, 2017. CHI OC's tax years from 2014 to 2016 are open to review for federal tax purposes and tax years from 2013 to 2016 are open to review for state income tax purposes.

Fair Value Measurements

The carrying values of cash and cash equivalents, grants and contracts receivable, prepaid expenses, accounts payable, accrued expenses, deferred revenue, and due to Orange County Health Access and Enrollment ("OCHAE") Task Force approximate their respective fair values due to their short-term maturities.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Accumulated depreciation and depreciation expense of property and equipment contain management estimates.

COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of functional expenses. CHI OC records shared overhead and facilities as supporting services.

CHI OC provides the following programs, and its expertise is especially critical for the low-income, minority populations it serves. Through a Community Health Access program, an umbrella term for Outreach, Enrollment, Retention, and Utilization (“OERU”) strategies, CHI OC conducts the following activities:

- Outreach: Certified Enrollment Coordinators (“CEC”) conduct outreach and health insurance literacy efforts in hard-to-reach, low-income, and minority communities, offering information in multiple languages and helping residents understand Covered California, Medi-Cal expansion, and other health and social services programs.
- Enrollment: CECs meet in person with individuals and families to gather eligibility information and enroll them into health-care coverage and social services programs, including Medi-Cal, Kaiser Child Health Plan, CalFresh, and CalWORKs. A major benefit is that clients can learn about and enroll in a variety of programs through a single visit via the One-e-App electronic application portal.
- Case Management: Building upon CEC’s relationships with each individual and family, case management helps ensure that they know how to fully utilize services available to them and how to retain their benefits from year to year.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU establishes a comprehensive revenue recognition standard for virtually all industries in accounting principles generally accepted in the United States of America, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The ASU core principle is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During 2014-2016, the FASB issued various amendments to this topic and the amendments clarified certain positions and extended the implementation date until annual periods beginning after December 15, 2018. Early adoption is permitted, but no earlier than periods beginning after December 15, 2016. CHI OC is currently evaluating the impact of the provisions of this pronouncement and the various amendments on the presentation of its financial statements.

COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. CHI OC is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early application is permitted. CHI OC is currently evaluating the impact of the provisions of ASU 2016-14 on the presentation of its financial statements.

Note 2: Concentrations, Risks, and Uncertainties

CHI OC maintains cash balances at several banks. At June 30, 2017, accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At June 30, 2017, CHI OC had a cash amount in the bank in excess of FDIC insurance limits of approximately \$96,000.

Note 3: Due from OneOC

As a fiscally sponsored project of OneOC, CHI OC was awarded the Medi-Cal Outreach, Enrollment & Retention Services contract by the County of Orange Social Services Agency (“SSA”). After CHI OC emancipated from OneOC, the SSA did not transfer ownership of the contract to CHI OC. CHI OC became a subcontractor under OneOC for the contract and now receives payment for services from OneOC.

Note 4: Due to Orange County Health Access and Enrollment Task Force

CHI OC acts in an agency capacity for the OCHAE Task Force, whereby all financial transactions relating to OCHAE are handled by CHI OC’s accounting personnel and flow through CHI OC’s bank account. At June 30, 2017, approximately \$3,400 is due to OCHAE.

COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5: Temporarily Restricted Net Assets

Temporarily restricted net assets consist of approximately \$39,000 in grants restricted for the outreach and enrollment programs, \$21,000 in grants restricted for retention and utilization, and \$33,000 in grants and contracts restricted for OERU.

Note 6: Commitments and Contingencies

Operating Lease

CHI OC signed a three-year lease commencing on November 1, 2015, with monthly rent payments of \$2,102. The lease is classified as an operating lease. The lease may be terminated after one year with a 90-day notice without penalty.

Minimum future rental payments under this operating lease having remaining terms in excess of one year at June 30, 2017, are as follows:

2018	\$ 25,234
2019	<u>8,411</u>
	<u>\$ 33,645</u>

Rent expense was approximately \$29,000 for the year ended June 30, 2017.

Note 7: Revenues and Other Support

CHI OC is primarily funded through private grants, contributions from individuals and organizations, and in-kind donations.

For the year ended June 30, 2017, CHI OC received approximately 53 percent of its total revenues and other support from four contracts. At June 30, 2017, two of the four contracts represented approximately 75 percent of total grants and contracts receivable.

Note 8: Donated Facilities and Services

The values of donated facilities and services, included as contributions in the financial statements and the corresponding program and fundraising expenses for the year ended June 30, 2017, were approximately \$22,000 for rent and \$38,000 for grant writing.

COMMUNITY HEALTH INITIATIVE OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9: Retirement Plan

In January 2016, CHI OC established a 401(k) profit-sharing plan (the “Plan”) for substantially all of its employees. The Plan covers eligible employees who are over 18 years old with at least two months of service. Eligible employees may elect to defer portions of their compensation. In accordance with the terms of the Plan, individuals may contribute pretax compensation earnings to the Plan, up to the annual maximum as prescribed by law. CHI OC may elect to make a discretionary contribution. There were no employer contributions for the year ended June 30, 2017.

Note 10: Subsequent Events

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of December 19, 2017, which is the date the financial statements were available to be issued.