

Audited Financial Statements



December 31, 2019 and 2018

Quigley & Miron

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Certified Public Accountants

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Independent Auditor's Report

Board of Directors
RealOptions dba Obria Medical Clinics
San Jose, California

We have audited the accompanying financial statements of RealOptions dba Obria Medical Clinics (Organization), a nonprofit organization, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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

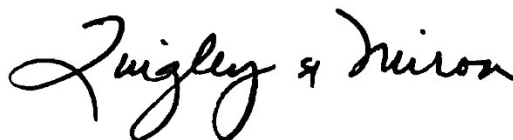
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 RealOptions dba Obria Medical Clinics as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



San Jose, California
November 11, 2020

RealOptions dba Obria Medical Clinics
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 214,363	\$ 183,316
Restricted cash held for endowment	11,057	11,031
Pledges and grants receivable, net—Note 3	150,296	196,501
Prepaid expenses	10,129	18,358
Other assets	15,858	15,858
Property and equipment, net—Note 5	579,619	616,816
Total Assets	<u>\$ 981,322</u>	<u>\$ 1,041,880</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 209,228	\$ 212,129
Total Liabilities	<u>209,228</u>	<u>212,129</u>
Net Assets		
Without donor restrictions—Note 6	619,697	531,022
With donor restrictions—Note 7	152,397	298,729
Total Net Assets	<u>772,094</u>	<u>829,751</u>
Total Liabilities and Net Assets	<u>\$ 981,322</u>	<u>\$ 1,041,880</u>

See notes to financial statements.

RealOptions dba Obria Medical Clinics
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Contributions and grant income	\$ 1,721,069	\$ 85,842	\$ 1,806,911
Government grants	201,129		201,129
Special events			
Gross revenue	401,104		401,104
Less cost of direct benefit to donors	(162,757)		(162,757)
Special Events, Net	238,347		238,347
In-kind contributions—Note 10	3,193		3,193
Program income	13,345		13,345
Dividend and interest income	3	24	27
Fee for service	1,475		1,475
Other revenue	1,000		1,000
Net assets released from restrictions	232,198	(232,198)	
Total Support and Revenue	2,411,759	(146,332)	2,265,427
Expenses			
Program services	1,744,501		1,744,501
Management and general	354,572		354,572
Fundraising and development	224,011		224,011
Total Expenses	2,323,084		2,323,084
Change in Net Assets from Operations	88,675	(146,332)	(57,657)
Net Assets at Beginning of Year	531,022	298,729	829,751
Net Assets at End of Year	<u>\$ 619,697</u>	<u>\$ 152,397</u>	<u>\$ 772,094</u>

See notes to financial statements.

RealOptions dba Obria Medical Clinics
Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Contributions and grant income	\$ 1,412,394	\$ 283,918	\$ 1,696,312
Special events			
Gross revenue	604,230		604,230
Less cost of direct benefit to donors	(154,567)		(154,567)
Special Events, Net	449,663		449,663
In-kind contributions—Note 10	25,924		25,924
Program income	50,486		50,486
Dividend and interest income	21		21
Rental income	6,761		6,761
Fee for service	22,505		22,505
Other revenue	3,357		3,357
Net assets released from restrictions	159,355	(159,355)	
Total Support and Revenue	2,130,466	124,563	2,255,029
Expenses			
Program services	1,838,415		1,838,415
Management and general	381,953		381,953
Fundraising and development	272,187		272,187
Total Expenses	2,492,555		2,492,555
Change in Net Assets from Operations	(362,089)	124,563	(237,526)
Net Assets at Beginning of Year	893,111	174,166	1,067,277
Net Assets at End of Year	\$ 531,022	\$ 298,729	\$ 829,751

See notes to financial statements.

RealOptions dba Obria Medical Clinics
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Management and General	Fundraising and Development	Special Events	Total
Expenses					
Salaries	\$ 929,023	\$ 216,842	\$ 147,348	\$	\$ 1,293,213
Payroll taxes	71,981	16,801	11,417		100,199
Other employee benefits	81,408	19,001	12,912		113,321
Total Personnel Expenses	1,082,412	252,644	171,677		1,506,733
Occupancy	290,179	52,083	29,762		372,024
Cost of direct benefit to donors				162,757	162,757
Client outreach and advertising	174,585				174,585
Supplies, materials, and minor equipment	25,497	4,576	2,615		32,688
Professional fees	19,599	4,757	1,933		26,289
Depreciation	31,310	5,620	3,211		40,141
Telecommunications	22,506	4,039	2,308		28,853
Bank, merchant fees, and interest		18,075			18,075
Dues and subscriptions	14,606	3,409	2,317		20,332
Other expenses	14,524	1,168	4,980		20,672
Printing and publications	14,049	3,279	2,228		19,556
Insurance	13,292	2,386	1,363		17,041
Staff and volunteer training	15,269				15,269
Medical supplies	14,548				14,548
Taxes, licenses, permits, and fees	5,461	980	560		7,001
Travel, meetings, and memberships	4,621	1,079	733		6,433
Postage and delivery	2,043	477	324		2,844
Total Expenses by Function	1,744,501	354,572	224,011	162,757	2,485,841
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(162,757)	(162,757)
Total Expenses	\$ 1,744,501	\$ 354,572	\$ 224,011	\$	\$ 2,323,084

See notes to financial statements.

RealOptions dba Obria Medical Clinics
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Management and General	Fundraising and Development	Special Events	Total
Expenses					
Salaries	\$ 1,026,105	\$ 231,235	\$ 187,878	\$	\$ 1,445,218
Payroll taxes	83,884	18,903	15,359		118,146
Other employee benefits	76,657	17,724	14,401		108,782
Total Personnel Expenses	1,186,646	267,862	217,638		1,672,146
Occupancy	293,752	52,725	30,128		376,605
Cost of direct benefit to donors				154,567	154,567
Client outreach and advertising	134,960				134,960
Supplies, materials, and minor equipment	59,632	12,557	7,176		79,365
Professional fees	32,933	5,502	2,236		40,671
Depreciation	31,055	5,574	3,185		39,814
Telecommunications	13,225	2,374	1,356		16,955
Bank, merchant fees, and interest		21,330			21,330
Dues and subscriptions	14,294	3,221	2,617		20,132
Other expenses	14,718	1,682	1,366		17,766
Printing and publications	13,962	3,146	2,557		19,665
Insurance	13,554	2,433	1,390		17,377
Staff and volunteer training	1,992				1,992
Medical supplies	10,327				10,327
Taxes, licenses, permits, and fees	7,964	1,429	817		10,210
Travel, meetings, and memberships	5,899	1,329	1,080		8,308
Postage and delivery	3,502	789	641		4,932
Total Expenses by Function	1,838,415	381,953	272,187	154,567	2,647,122
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(154,567)	(154,567)
Total Expenses	\$ 1,838,415	\$ 381,953	\$ 272,187	\$	\$ 2,492,555

See notes to financial statements.

RealOptions dba Obria Medical Clinics
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operations		
Change in net assets	\$ (57,657)	\$ (237,526)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	40,141	39,814
Changes in operating assets and liabilities:		
Pledges and grants receivable, net	46,205	(173,334)
Prepaid expenses	8,229	2,336
Accounts payable and accrued expenses	(2,901)	104,813
Cash Provided by (Used in) Operating Activities	<u>34,017</u>	<u>(263,897)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,944)	
Cash Used in Investing Activities	<u>(2,944)</u>	
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	31,073	(263,897)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>194,347</u>	<u>458,244</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u><u>\$ 225,420</u></u>	<u><u>\$ 194,347</u></u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

RealOptions dba Obria Medical Clinics
Notes to Financial Statements
December 31, 2019 and 2018

Note 1—Organization and Summary of Significant Accounting Policies

Organization—RealOptions dba Obria Medical Clinics (Organization), formerly Crisis Pregnancy Center of Santa Clara County, is a California not-for-profit corporation, incorporated in 1981 in the State of California. Their purpose is to ensure that women, men, students, and families have a safe place to turn when facing pregnancy decisions, making sexual health choices, and seeking emotional healing from pregnancy loss, abortion, or miscarriage. The Organization has a holistic approach to health care and is committed to meeting every patient's physical, emotional, and spiritual needs. They provide pregnancy options consultations, pregnancy tests, ultrasound imaging, prenatal care, abortion pill reversal treatment, STD testing and treatment, well women care, childbirth and parenting classes, and material support in the form of maternity clothing, baby clothing, emergency formula, and diapers. They also provide pregnancy loss healing programs to anyone impacted by miscarriage or abortion as well as Optimal Health Education in schools, youth groups, and community organizations for students and parents.

In 2019 they provided 10,191 services and served 6,128 people through their medical clinics, Optimal Health Education, and pregnancy loss healing programs.

As an affiliate of The Obria Group, RealOptions has become a subrecipient of newly awarded federal grants. These grants include: Title V, Sexual Risk Avoidance Education; Title X, for reproductive health care including well woman services; and Teen Pregnancy Prevention grant, a national evidence-based program to provide education in schools for three consecutive years. These grants have afforded them the opportunity to have their Educators, Nurses, and Patient Advocates certified as Optimal Health Educators and Coaches and to use this science-based curriculum in local schools, youth groups, and with patients in their clinics.

Financial Statement Presentation—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted ASU 2016-14 for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

Net Assets without Donor Restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

RealOptions dba Obria Medical Clinics
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Net Assets with Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of the Organization to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization's program services; nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—The Organization is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). The Organization is similarly exempt from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2019 and 2018. Generally, the Organization's information returns remain open for examination for periods of three (federal) or four (state of California) years from the date of filing.

Recently Adopted Accounting Principles

Contributions—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. The clarified guidance applies to all entities that receive or make contributions (grants). ASU No. 2018-08 has been adopted by the Organization for the year ended December 31, 2019, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements. The Organization has determined that adopting ASU No. 2018-08 has had no material effect on the financial statements.

RealOptions dba Obria Medical Clinics
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Restricted Cash—In February 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities are required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. The Organization has adopted ASU No. 2016-18 during the year ended December 31, 2018.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash on premises generated through the course of daily activities and cash on deposit with banks as well as money market funds or short-term investments held at financial institutions, with original maturities of three months or less from the date of purchase.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the cash, cash equivalents, and restricted cash total shown in the statement of cash flows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 214,363	\$ 183,316
Restricted cash held for endowment	11,057	11,031
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 225,420</u>	<u>\$ 194,347</u>

Restricted cash held for endowment on the statement of financial position includes restricted cash received with a donor-imposed restriction that limits the use of that cash to long-term purposes.

Concentration of Credit Risk—Cash and cash equivalents, investments in securities, and receivables are the primary form of concentration of credit risk to which the Organization is subject. The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash held in investment accounts at investment custodians are insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000. At times, in the normal course of business, such cash balances are in excess of the FDIC/SIPC insurance limits, but management deems the risk of loss due to these concentrations to be minimal. Conservative investment guidelines established by the Board of Directors (Board) govern the Organization's investments in securities to achieve diversification of the portfolio.

Allowance for Doubtful Accounts—The Organization has set a 10% allowance for uncollectible amounts for pledges received during its fundraising events. This rate was determined based upon prior collections history of collections.

RealOptions dba Obria Medical Clinics
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Investments—Investments in securities are initially recorded at cost, if purchased, or fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment income, gains and losses are reported as unrestricted income unless use of the earnings is restricted by the donor.

Property and Equipment—Purchased property and equipment are recorded at cost, and donated assets are recorded at the estimated fair value on the date of receipt. The Organization depreciates its property and equipment using the straight-line-method over the following estimated useful lives:

Furniture, fixtures and equipment	3-10 years
Building improvements	10-20 years
Buildings	55 years
Exhibition and media development costs	5-10 years

Repairs and maintenance costs are expensed as incurred. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used and gifts of cash or other assets that must be used to acquire and maintain long-lived assets are reported as restricted support. Absent explicit donor stipulations, the Organization reports expirations of donor restrictions when such long-lived assets are placed in service.

Revenue Recognition—The Organization's revenue recognition policies are as follows:

Grants Income—Revenues from grants and contracts are reported as increases in net assets, without donor restrictions as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable.

Fee for Service—Fee for service revenues are recorded when earned and consist of various services provided by the organization for a nominal fee.

Rental Income—Rental income consists of facilities rental fees earned from unrelated third parties including retail vendors, film production companies, and individuals. Rental income is recognized upon the occurrence of the events for which the facilities were rented.

Program Income—Revenues from services revenue are recognized at the time services are provided.

Contributed Services—A substantial number of unpaid volunteers have made significant contributions of their time and services to further the Organization's mission. During the years ended December 31, 2019 and 2018, these in-kind contributions amounted to over 6,252 and 7,204 volunteer hours valued at approximately \$125,040 and \$144,080, respectively. These amounts are not reflected in these financial statements as the recognition criteria under GAAP were not met.

RealOptions dba Obria Medical Clinics
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Functional Expenses—The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been directly charged to the program services and supporting services benefitted. Occupancy, supplies, materials, and minor equipment, depreciation, telecommunications, insurance, and taxes, licenses, permits and fees are allocated based upon square footage. Salaries, payroll taxes, other employee benefits, professional fees, dues and subscriptions, printing and publications, other expenses, travel, meetings, and memberships, and postage and delivery are allocated on the basis of time and effort. All other functional expenses are charged directly to the function benefitted.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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.

Reclassifications—Certain amounts in 2018 have been reclassified to conform with the 2019 financial statement presentation.

Note 2—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses.

The following represents the availability and liquidity of the Organization's financial assets at December 31, 2019 to cover operating expenses for the next fiscal year:

Cash and cash equivalents, net of donor restrictions	\$	157,858
Pledges and grants receivable, net		64,453
Current Availability of Financial Assets	\$	222,311

Note 3—Pledges and Grants Receivable, Net

Net pledges and grants receivable at December 31, 2019 and 2018 consist of:

	2019	2018
Due within 1 year	\$ 154,119	\$ 229,090
Less allowance for doubtful accounts	(3,823)	(32,589)
Net	\$ 150,296	\$ 196,501

RealOptions dba Obria Medical Clinics
Notes to Financial Statements—Continued

Note 4—Fair Value

In determining the fair value of assets and liabilities, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. The Organization's had no Level 3 assets or liabilities at December 31, 2019 and 2018.

The Organization may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Organization had no assets or liabilities classified at fair value or NAV as a practical expedient during the years ended December 31, 2019 and 2018.

Note 5—Property and Equipment, Net

The major classes of property and equipment, net at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 924,420	\$ 924,420
Equipment and furniture	443,955	441,011
	1,368,375	1,365,431
Less accumulated depreciation	(788,756)	(748,615)
Net	<u>\$ 579,619</u>	<u>\$ 616,816</u>

Total depreciation expense recorded for the years ended December 31, 2019 and 2018 was \$40,141 and \$39,814, respectively.

RealOptions dba Obria Medical Clinics
Notes to Financial Statements—Continued

Note 6—Net Assets without Donor Restrictions

Net assets without donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Board designated endowment funds	\$ 1,008	\$ 1,006
Undesignated	618,689	530,016
Totals	<u>\$ 619,697</u>	<u>\$ 531,022</u>

Note 7—Net Assets with Donor Restrictions

	<u>2019</u>	<u>2018</u>
Subject to purpose restrictions:		
Education program	\$ 41,139	\$ 41,139
Practical Support	15,366	20,847
Health Records training and equipment		35,148
Pastor appreciation		1,284
Ultrasound Equipment		5,617
Subject to time restrictions:		
General support	85,843	184,669
Subject to appropriation and expenditure:		
General support	49	25
Held in perpetuity:		
General support	10,000	10,000
Totals	<u>\$ 152,397</u>	<u>\$ 298,729</u>

RealOptions dba Obria Medical Clinics
Notes to Financial Statements—Continued

Note 7—Net Assets with Donor Restrictions—Continued

Net assets released from donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Education program	\$ 35,148	\$ 46,257
Ultrasound Equipment	5,617	24,210
Practical Support	5,481	1,387
Pastor appreciation	1,284	
Banquet		39,047
Donor development		10,000
Health record		19,852
Hope		7,042
Medical		7,000
Patient services		3,910
Youth		650
Satisfaction of passage of time:		
General support	184,668	
Totals	<u><u>\$ 232,198</u></u>	<u><u>\$ 159,355</u></u>

Note 8—Endowment Net Assets

In 2009, the State of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

The Organization classifies net assets held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets held in perpetuity is classified as net assets subject to appropriation and expenditure until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

RealOptions dba Obria Medical Clinics
Notes to Financial Statements—Continued

Note 8—Endowment Net Assets—Continued

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

Return Objectives and Risk Parameters—The Organization has adopted an investment policy with the primary investment objective to maximize total return, while assuming an appropriate level of risk given the nature of the funds under management. The goal is to produce a growing level of income and principal to ensure funding for the activities supported by the endowment can be maintained in the face of inflation.

Strategies Employed for Achieving Objectives—Endowment assets are invested in a savings account to preserve capital as the Organization implements its investment and distribution policies.

Endowment net assets at December 31, 2019 and 2018 consisted of the following:

	Board Designated	Subject to Appropriation	Held in Perpetuity	Total
Board designated funds	\$ 1,006	\$	\$	\$ 1,006
With donor restrictions		25	10,000	10,025
Endowment Net Assets at December 31, 2018	\$ 1,006	\$ 25	\$ 10,000	\$ 11,031
	Board Designated	Subject to Appropriation	Held in Perpetuity	Total
Board designated funds	\$ 1,008	\$	\$	\$ 1,008
With donor restrictions		49	10,000	10,049
Endowment Net Assets at December 31, 2019	\$ 1,008	\$ 49	\$ 10,000	\$ 11,057

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Notes to Financial Statements—Continued

Note 8—Endowment Net Assets—Continued

Change in endowment net assets for the years ended December 31, 2019 and 2018 consists of:

	<u>Board Designated</u>	<u>Subject to Appropriation</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment Net Assets at December 31, 2017	\$ 1,004	\$ 6	\$ 10,000	\$ 11,010
Interest and dividend income	2	19		21
Endowment Return, Net	<u>2</u>	<u>19</u>		<u>21</u>
Endowment Net Assets at December 31, 2018	1,006	25	10,000	11,031
Interest and dividend income	2	24		26
Endowment Return, Net	<u>2</u>	<u>24</u>		<u>26</u>
Endowment Net Assets at December 31, 2019	<u>\$ 1,008</u>	<u>\$ 49</u>	<u>\$ 10,000</u>	<u>\$ 11,057</u>

Note 9—Commitments and Contingencies

The Organization leases its administrative offices under non-cancellable lease agreements. Future minimum annual rental commitments by year for operating leases with maturities greater than one year from December 31, 2019 are as follows:

<u>For the Year Ending December 31,</u>	
2020	\$ 114,641
2021	<u>68,501</u>
Total	<u>\$ 183,142</u>

Rent expense for the years ended December 31, 2019 and 2018 was \$352,923 and \$356,603, respectively.

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Note 10—In-Kind Contributions

The Organization recognized in-kind services and supplies by natural expense classification, as follows:

	<u>2019</u>	<u>2018</u>
Client outreach and advertising	\$ 2,935	\$ 21,374
Other expenses	150	
Supplies, materials, and minor equipment	108	
Professional fees		4,550
Totals	<u>\$ 3,193</u>	<u>\$ 25,924</u>

Note 11—Retirement Plan

The Organization sponsors a 403(b) defined contribution plan (Plan). The Plan covers all full-time employees immediately upon employment. The Organization makes no contributions to the Plan.

Note 12—Recent Accounting Pronouncements

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2021 with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Revenue Recognition—In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2019; early adoption is permitted for fiscal years beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. The Organization is evaluating whether this will have a material impact on its financial statements.

Note 13—Subsequent Events

In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The Organization is continuing to monitor the ongoing impact of the pandemic response on its overall operations.

On May 5, 2020, the Organization received \$262,569 in Paycheck Protection Program (PPP) funding from the U.S. Small Business Administration. The funding is designed to provide a direct incentive for small businesses which are struggling, or unable, to keep their workers on the payroll during the pandemic. While these funds carry loan repayment terms, it is the opinion of management that all funds received will be forgiven under the present terms of the PPP.

Management evaluated all activities of the Organization through November 11, 2020, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.