
CALIFORNIA PAN-ETHNIC HEALTH NETWORK

FINANCIAL STATEMENTS

December 31, 2019

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

Contents

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-14

INDEPENDENT AUDITORS' REPORT

Board of Directors
California Pan-Ethnic Health Network
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of California Pan-Ethnic Health Network, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses 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 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 California Pan-Ethnic Health Network as of December 31, 2019, and the change 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.

Report on Summarized Comparative Information

We have previously audited the California Pan-Ethnic Health Network's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink that reads "Crosby & Lameda CPAs LLP". The signature is written in a cursive, flowing style.

Oakland, California

June 24, 2020

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

**Statement of Financial Position
December 31, 2019
(With Comparative Totals as of December 31, 2018)**

	<u>2019</u>	<u>2018</u>
Assets		
Assets		
Cash and cash equivalents	\$ 393,189	\$ 451,929
Investments (Note 3)	2,542,006	1,996,837
Accounts receivable	279,826	416
Contributions receivable	326,200	340,976
Prepaid expenses	24,031	22,347
Deposits	7,545	6,956
Total Assets	<u>\$ 3,572,797</u>	<u>\$ 2,819,461</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 218,965	\$ 12,827
Deferred revenue	88,000	-
Accrued paid time off	58,876	72,086
Total Liabilities	<u>365,841</u>	<u>84,913</u>
Net Assets		
Without donor restrictions (Note 7)	1,419,329	1,273,303
With donor restrictions (Note 8)	<u>1,787,627</u>	<u>1,461,245</u>
Total Net Assets	<u>3,206,956</u>	<u>2,734,548</u>
Total Liabilities and Net Assets	<u>\$ 3,572,797</u>	<u>\$ 2,819,461</u>

See Notes to the Financial Statements

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

**Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and Revenue				
Support				
Foundation and corporate grants	\$ 13,750	\$ 2,055,202	\$ 2,068,952	\$ 2,042,239
Individual contributions	8,353		8,353	17,540
Conference sponsorships	2,000		2,000	57,400
In-kind services	13,150		13,150	16,500
Total Support	<u>37,253</u>	<u>2,055,202</u>	<u>2,092,455</u>	<u>2,133,679</u>
Revenue				
Education, outreach and other consulting	513,965		513,965	100,878
Conference fees	254		254	11,029
Investment activity, net (Note 3)	45,734	4,150	49,884	5,120
Other	5,016		5,016	8,860
Total Revenue	<u>564,969</u>	<u>4,150</u>	<u>569,119</u>	<u>125,887</u>
Support provided by expiring time and purpose restrictions	1,732,970	(1,732,970)	-	-
Total Support and Revenue	<u>2,335,192</u>	<u>326,382</u>	<u>2,661,574</u>	<u>2,259,566</u>
Expenses				
Program	1,962,832		1,962,832	2,047,088
Management and general	174,206		174,206	231,868
Fundraising	52,128		52,128	92,765
Total Expenses	<u>2,189,166</u>	<u>-</u>	<u>2,189,166</u>	<u>2,371,721</u>
Change in net assets	146,026	326,382	472,408	(112,155)
Net Assets, beginning of year	<u>1,273,303</u>	<u>1,461,245</u>	<u>2,734,548</u>	<u>2,846,703</u>
Net assets, end of year	<u>\$ 1,419,329</u>	<u>\$ 1,787,627</u>	<u>\$ 3,206,956</u>	<u>\$ 2,734,548</u>

See Notes to the Financial Statements

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 472,408	\$ (112,155)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Investment activity, net	(49,884)	(5,120)
Changes in assets and liabilities:		
Accounts receivable	(279,410)	(203)
Contributions receivable	14,776	(235,214)
Prepaid expenses	(1,684)	(2,529)
Deposits	(589)	-
Accounts payable and accrued expenses	206,138	(18,390)
Deferred revenue	88,000	-
Accrued paid time off	(13,210)	6,001
Net cash provided (used) by operating activities	436,545	(367,610)
Cash flows from investing activities		
Proceeds from sales of investments	-	140,084
Purchases of investments	(495,285)	-
Net cash provided (used) by investing activities	(495,285)	140,084
Change in cash and cash equivalents	(58,740)	(227,526)
Cash and cash equivalents, beginning of year	451,929	679,455
Cash and cash equivalents, end of year	\$ 393,189	\$ 451,929

See Notes to the Financial Statements

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

**Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	Program	Management and General	Fundraising	Total	
				2019	2018
Salaries	\$ 845,995	\$ 83,633	\$ 23,979	\$ 953,607	\$ 907,175
Retirement contributions	39,372	3,892	1,116	44,380	78,831
Other employee benefits	101,353	10,019	2,873	114,245	130,819
Payroll taxes	71,691	7,087	2,032	80,810	79,274
Total Personnel	<u>1,058,411</u>	<u>104,631</u>	<u>30,000</u>	<u>1,193,042</u>	<u>1,196,099</u>
Fees for service	102,432	30,395	16,812	149,639	393,731
Subcontracts	521,540	-	-	521,540	323,250
Supplies and office expenses	67,343	3,782	1,375	72,500	94,059
Occupancy	89,798	4,862	2,398	97,058	101,132
Travel and meals	74,767	5,151	656	80,574	166,061
Conferences and meetings	16,623	603	124	17,350	18,552
Insurance	256	6,436	9	6,701	4,905
Information technology	26,501	1,498	620	28,619	49,134
Other expense	5,161	3,698	134	8,993	8,298
In-kind services	-	13,150	-	13,150	16,500
Total Expenses	<u>\$ 1,962,832</u>	<u>\$ 174,206</u>	<u>\$ 52,128</u>	<u>\$ 2,189,166</u>	<u>\$ 2,371,721</u>

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 1: NATURE OF ACTIVITIES

California Pan-Ethnic Health Network (the Organization) is a California nonprofit public benefit organization whose purpose is to promote health equity by advocating for public policies to address the health needs of communities of color. The Organization was founded by four organizations representing different ethnic groups – the California Black Health Network, Asian & Pacific Islander American Health Forum, the California Rural Indian Health Board, Inc. and the Latino Coalition for a Healthy California.

The Organization employs a community-driven, multicultural approach that honors diversity and empowers multicultural leadership. The Organization's strength is multicultural unity as it works toward a more just, equitable and healthy country.

The Organization's policy agenda includes improving access to health care, addressing the social and environmental causes of health disparities, advancing cultural and linguistic competency, and promoting data and research. The Organization advances this policy agenda through the following programs: advocating for our communities' health, hosting community convenings, building coalitions and strengthening partnerships, and sharing critical health data and resources.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from 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 – are resources that are restricted by a donor for use for a particular purpose or in a particular 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 Organization must continue to use the resources in accordance with the donor's instructions.

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

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net are reported as decreases in net assets without donor restrictions.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Education, Outreach, and Other Consulting

Education, outreach, and other consulting fees consist primarily of activities carried out on a contracted fee for service basis, including contracts with government agencies for which commensurate value was received by all parties. The Organization recognizes revenue and is paid as progress is made over time on the performance obligations, generally on a monthly basis. Contracts may include a cap on the amounts billable towards a performance obligation.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants. The Organization considers all accounts receivable to be fully collectible at December 31, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

evaluated the value of the discount and concluded that it was not material for recognition. The Organization considers all contributions receivable to be fully collectible at December 31, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of December 31, 2019 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization's considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents when held in operating accounts. Cash and cash equivalents held in investment accounts are classified with investment balances. Purchases and proceeds from investments represent transfers to and from investment accounts into the Organization's operating accounts.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. The Organization had no property and equipment that met this capitalization policy at December 31, 2019.

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

Deferred Revenue

Deferred revenue consists of funds received in advance of proportionate progress or completion of related performance obligations.

Expense Recognition and Allocation

The cost of providing the Organization'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 using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

Expenses that cannot be directly identified for a function are allocated according to a shared cost method. The Organization's shared cost system is based on the percentage of full-time equivalents (FTEs) allocated to a functional area

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

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

Changes in Accounting Principles

The Organization adopted FASB ASC 606 using the modified retrospective method applied to those contracts that were not complete as of December 31, 2018. No material adjustment to net assets was necessary as a result of the adoption of FASB ASC 606. Comparative information is reported under accounting standards in effect in prior periods.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

**Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

NOTE 3: INVESTMENTS

Investments consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,444,766	\$ 602,428
Certificates of deposit	<u>1,097,240</u>	<u>1,394,409</u>
Total	<u>\$ 2,542,006</u>	<u>\$ 1,996,837</u>

Investment Activity

Investment activity consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 46,429	\$ 6,713
Realized and unrealized gains (loss)	<u>3,455</u>	<u>(1,593)</u>
Total	<u>\$ 49,884</u>	<u>\$ 5,120</u>

NOTE 4: FAIR VALUE MEASUREMENTS

The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability.

Fair values of assets measured on recurring basis were as follows as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,444,767	\$ -	\$ 1,444,767
Certificates of deposit	<u>-</u>	<u>1,097,239</u>	<u>1,097,239</u>
Total	<u>\$ 1,444,767</u>	<u>\$ 1,097,239</u>	<u>\$ 2,542,006</u>

NOTE 5: CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

NOTE 6: COMMITMENTS

Operating Leases

The Organization leases office space and equipment under non-cancelable leases that expire at various dates through April 2021. Future minimum lease payments were as follows for the years ended December 31:

2020	\$ 86,309
2021	<u>14,133</u>
Total	<u>\$ 100,442</u>

Rent for the years ended December 31, 2019 and 2018 was \$88,204 and \$93,923, respectively.

NOTE 7: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were available as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Designated – board reserve	\$ 850,000	\$ 850,000
Undesignated	<u>569,329</u>	<u>423,303</u>
Total	<u>\$ 1,419,329</u>	<u>\$ 1,273,303</u>

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Specific purpose	\$ 666,878	\$ 875,350
Time restricted	<u>1,120,749</u>	<u>585,895</u>
Total	<u>\$ 1,787,627</u>	<u>\$ 1,461,245</u>

NOTE 9: CONCENTRATIONS

Revenue and Support

During the year ended December 31, 2019, the Organization received approximately 53% of its revenue and support from three funders.

Accounts Receivable

Approximately 99% of accounts receivable consisted of amounts due from one funder as of December 31, 2019.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

**Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

NOTE 10: RETIREMENT BENEFITS

The Organization has established a 403(b) Plan for its employees. All employees may make contributions to the plan. The Organization has a history of making a discretionary contribution of 5% of each eligible employee's salary. The Organization matches employee contributions up to a limit of 5% of salary. Employees fully vest after three years of service. The Organization applies forfeited funds held by the plan to employee accounts, which may reduce the need for additional employer contributions in some periods. The Organization made contributions totaling \$44,380 and \$78,831 for the years ended December 31, 2019 and 2018, respectively.

NOTE 11: CONDITIONAL PROMISES TO GIVE

In addition to the activity reflected on the statement of activity, the Organization received certain promises to give of which \$515,757 remained conditioned on program performance and other deliverables as of December 31, 2019. The Organization recognizes such promises to give as support once the related conditions are satisfied. Management expects to meet the related conditions by May 2021.

NOTE 12: RELATED PARTY TRANSACTIONS

Two board members of the Organization serve as directors of separate nonprofit organizations (the "Partners") with which the Organization entered into program related contract agreements. The Partners billed the Organization \$43,250 for expenses under such agreements during the year ended December 31, 2019.

NOTE 13: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of June 24, 2020 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Public Health Order - Coronavirus

The Organization operates in an area which was affected by the COVID-19 coronavirus, and in March 2020 Oakland was subject to a public health order which affected activities of the Organization.

NOTE 14: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 are:

Cash and cash equivalents	\$ 393,189
Investments	2,542,006
Accounts receivable	279,826
Contributions receivable	326,200
Less purpose restricted net assets	(666,878)
Less board designated funds	<u>(850,000)</u>
Amount available for general expenditures within one year	<u>\$ 2,024,343</u>

CALIFORNIA PAN-ETHNIC HEALTH NETWORK

**Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

Under the Organization's liquidity management plan the Organization works to maintain approximately 2 months of expenses in its operating checking account. The Organization invests amounts in excess of this immediate operating cash need in certificates of deposit. The above reflects board designated reserve amounts as unavailable because it is the Organization's intention to defer use of such funds. However, in the case of need, the Board of Directors could appropriate resources from these board designated funds.