

HEALTH EQUITY SOLUTIONS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

HEALTH EQUITY SOLUTIONS, INC.

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CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Health Equity Solutions, Inc.
Hartford, Connecticut

We have audited the accompanying financial statements of Health Equity Solutions, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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 Health Equity Solutions, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carneg, Roy and Smith, P.C.

Rocky Hill, Connecticut
October 20, 2017

HEALTH EQUITY SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 34,719	\$ 251,109
Prepaid expenses	4,145	3,506
Total current assets	38,864	254,615
TOTAL ASSETS	\$ 38,864	\$ 254,615
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,901	\$ 870
Payroll liabilities	2,845	9,862
Refundable advances	21,056	236,283
Total current liabilities	26,802	247,015
TOTAL LIABILITIES	26,802	247,015
NET ASSETS		
Unrestricted	12,062	7,600
Total net assets	12,062	7,600
TOTAL LIABILITIES AND NET ASSETS	\$ 38,864	\$ 254,615

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

HEALTH EQUITY SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Unrestricted</u>	<u>2016 Total</u>	<u>Unrestricted</u>	<u>2015 Total</u>
REVENUE				
Grants	\$ 392,137	\$ 392,137	\$ 186,807	\$ 186,807
Contributions	4,462	4,462	4,900	4,900
In-kind donations	-	-	6,825	6,825
TOTAL REVENUE	<u>396,599</u>	<u>396,599</u>	<u>198,532</u>	<u>198,532</u>
EXPENSES				
Program services				
Total program	<u>298,211</u>	<u>298,211</u>	<u>53,760</u>	<u>53,760</u>
Supporting services				
Management and general	75,711	75,711	126,781	126,781
Fundraising	<u>18,215</u>	<u>18,215</u>	<u>13,091</u>	<u>13,091</u>
Total support	<u>93,926</u>	<u>93,926</u>	<u>139,872</u>	<u>139,872</u>
TOTAL EXPENSES	<u>392,137</u>	<u>392,137</u>	<u>193,632</u>	<u>193,632</u>
CHANGE IN NET ASSETS	4,462	4,462	4,900	4,900
NET ASSETS - BEGINNING OF YEAR	<u>7,600</u>	<u>7,600</u>	<u>2,700</u>	<u>2,700</u>
NET ASSETS - END OF YEAR	<u>\$ 12,062</u>	<u>\$ 12,062</u>	<u>\$ 7,600</u>	<u>\$ 7,600</u>

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

HEALTH EQUITY SOLUTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2016</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2015</u>
Salaries and wages	\$ 164,005	\$ 27,986	\$ 12,887	\$ 204,878	\$ 39,974	\$ 50,489	\$ 9,994	\$ 100,457
Employee benefits	16,974	2,896	1,334	21,204	1,394	1,760	348	3,502
Payroll taxes	13,664	2,332	1,074	17,070	3,217	4,063	804	8,084
Accounting fees	-	7,913	-	7,913	-	350	-	350
Fiscal sponsor fees	-	28,000	-	28,000	-	28,000	-	28,000
Other professional fees	47,511	-	-	47,511	-	24,036	-	24,036
Office expenses	9,279	1,583	729	11,591	1,008	1,273	252	2,533
Information technology	4,621	789	363	5,773	658	830	164	1,652
Occupancy	7,502	1,280	589	9,371	1,406	1,776	352	3,534
Travel	1,404	240	110	1,754	551	696	138	1,385
Conferences and conventions	17,047	-	-	17,047	1,393	-	-	1,393
Insurance	4,256	726	334	5,316	2,300	2,906	575	5,781
Equipment	5,401	922	424	6,747	1,265	1,598	316	3,179
Other	6,547	1,044	371	7,962	594	2,179	148	2,921
In-kind services	-	-	-	-	-	6,825	-	6,825
	<u>\$ 298,211</u>	<u>\$ 75,711</u>	<u>\$ 18,215</u>	<u>\$ 392,137</u>	<u>\$ 53,760</u>	<u>\$ 126,781</u>	<u>\$ 13,091</u>	<u>\$ 193,632</u>

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

HEALTH EQUITY SOLUTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,462	\$ 4,900
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Increase) decrease in assets:		
Prepaid expenses	(639)	(1,789)
Increase (decrease) in liabilities:		
Accounts payable	2,031	570
Payroll liabilities	(7,017)	9,862
Refundable advances	<u>(215,227)</u>	<u>113,193</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(216,390)</u>	<u>126,736</u>
NET INCREASE (DECREASE) IN CASH	(216,390)	126,736
CASH AND CASH EQUIVALENTS - beginning of year	<u>251,109</u>	<u>124,373</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 34,719</u></u>	<u><u>\$ 251,109</u></u>

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

HEALTH EQUITY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Health Equity Solutions, Inc. is an organization focused on advancing health equity in the state of Connecticut. Its mission is to promote policies, programs, and practices that result in equitable health care access, delivery, and outcomes for all people in Connecticut. Health Equity Solutions, Inc. will catalyze policy programs and practices that advance and sustain health equity in Connecticut. Its model is simple and straightforward: identify what works, shape solutions for maximum impact, and accelerate their adoption.

The goals of Health Equity Solutions, Inc. are to:

- Advance health equity solutions through the reduction and eventual elimination of racial and ethnic health disparities in Connecticut
- Improve lives through promoting and improving access to health care, regardless of a person's age, gender, disability, race, ethnicity, income, or other class protected by law
- Educate decision makers, stakeholders, and the public regarding potential solutions to advance health equity, and
- Engage stakeholders in the advancement of public policy solutions that meaningfully and measurably further Health Equity Solutions, Inc.'s mission.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no temporarily or permanently restricted net assets as of December 31, 2016 and 2015.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Health Equity Solutions, Inc. considers short-term, liquid investments with an original maturity of three months or less to be cash equivalents.

HEALTH EQUITY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Grants and Contracts

Government and foundation grants and contracts for operating purposes are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant and contract expenditures. Entitlement to performance based grants and contracts is based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as refundable advances.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Health Equity Solutions, Inc.'s policy is to present temporarily restricted net assets received during the year whose restrictions are also met during the current year with unrestricted net assets.

Property and Equipment - Depreciation

Property and equipment acquisitions that individually exceed \$5,000 are recorded at cost if purchased or at estimated fair market value at date of gift or bequest if donated. Expenditures which substantially increase the useful lives of the related assets are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is provided on a straight line basis over the estimated useful lives of the related assets.

Expenses by Function

Health Equity Solutions, Inc. allocates its expenses on a functional basis among its programs and support services. Expenses that can be specifically identified with a program or support service are allocated directly. Other expenses that are common to several functions are allocated based on estimates made by management.

Income Taxes

Health Equity Solutions, Inc. is an organization exempt from income taxes as defined in Internal Revenue Code Section 501(c)(3) and has not been classified as a private foundation. Accordingly, the financial statements do not reflect a provision for income taxes.

Health Equity Solutions, Inc. accounts for uncertainty in income taxes in accordance with the Income Tax Topic of the FASB Accounting Standards Codification. Health Equity Solutions, Inc. files a federal income tax return, which represents the major tax jurisdiction of Health Equity Solutions, Inc. The statutes of limitations for federal tax years 2014 through 2016 remain open for audit under the various statutes of limitations.

HEALTH EQUITY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 2 – CONCENTRATIONS

Concentrations of Credit Risk

Health Equity Solutions, Inc.'s financial instruments that are exposed to concentration of credit risk are cash and cash equivalents. Health Equity Solutions, Inc. places its cash balances in certain financial institutions insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. The Organization had no uninsured balances at December 31, 2016 and uninsured balances of \$1,540 at December 31, 2015. The financial stability of these institutions is continually reviewed by management.

Revenue Concentrations

Health Equity Solutions, Inc.'s grant revenue is received primarily from Connecticut Legal Services, Inc., which passes through grants received from Connecticut Health Foundation, Inc. All of Health Equity Solutions, Inc.'s grants are subject to reduction or termination in future years. Any loss or significant reduction of grants from this funding source could have a significant impact on Health Equity Solutions, Inc.'s financial position and program services. Revenue from Connecticut Health Foundation amounted to 99% and 94% of total revenue recognized during the year ended December 31, 2016 and 2015, respectively.

NOTE 3 – LEASE COMMITMENT

The Organization leases office space in Hartford, Connecticut. The lease started on August 1, 2015 and is active through April 30, 2018. Total expenses for this lease during the fiscal years ended December 31, 2016 and 2015 were \$9,371 and \$2,981, respectively. Future minimum lease payments are as follows:

2017	\$ 12,415
2018	<u>4,212</u>
	<u>\$ 16,627</u>

NOTE 4 – FISCAL SPONSORSHIP AND SERVICES COMMITMENT

In 2014, Health Equity Solutions, Inc. entered into a fiscal sponsorship and services agreement with Connecticut Legal Services, Inc., a tax-exempt organization. Under the agreement, Connecticut Legal Services provided administrative services, such as IT, payroll, and accounting support, and also served as the Organization's fiscal sponsor. As fiscal sponsor, Connecticut Legal Services was to accept donations on behalf of Health Equity Solutions, Inc. until the Organization was officially recognized as tax-exempt. Health Equity Solutions, in 2016, was officially recognized as exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and determined to be a public charity under IRC Section 170(b)(1)(A)(vi). The effective date of the exemption is its date of incorporation, January 10, 2014.

The agreement was renegotiated effective July 1, 2015 and required Health Equity Solutions, Inc. to pay \$7,000 per every 3-month quarterly period for the services. The agreement was active through December 31, 2016. Total expenses for these services during the fiscal years ended December 31, 2016 and 2015 were \$28,000 and \$28,000, respectively.

HEALTH EQUITY SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 – RETIREMENT BENEFITS

Health Equity Solutions, Inc. offers a SIMPLE IRA plan to all employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year. The Organization is required to match an employee's contributions dollar-for-dollar up to 3% of the employee's compensation. Total costs recognized by Health Equity Solutions, Inc. during 2016 and 2015 amounted to \$4,398 and \$2,328.

NOTE 6 – IN-KIND SERVICES DONATED

Health Equity Solutions, Inc.' recognized donated services of \$0 and \$6,825 during 2016 and 2015. The services donated in 2015 consisted of legal services to help the Organization achieve tax-exempt status under Internal Revenue Code Section 501(c)(3). Donated services are recognized as contributions 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. Donated services are recognized at fair value at the time of donation.

NOTE 7 – SUBSEQUENT EVENTS

Health Equity Solutions, Inc. has evaluated subsequent events through October 20, 2017, which is the date the financial statements were available to be issued.