

HEALTH EQUITY SOLUTIONS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

HEALTH EQUITY SOLUTIONS, INC.

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DECEMBER 31, 2019 AND 2018

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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, 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 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, 2019 and 2018, 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 Gensel, P.C.

Rocky Hill, Connecticut
November 2, 2020

HEALTH EQUITY SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 190,045	\$ 45,750
Accounts receivable	54,556	45,215
Contributions receivable	3,140	1,172
Prepaid expenses	5,661	4,038
Total current assets	253,402	96,175
TOTAL ASSETS	\$ 253,402	\$ 96,175
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 47,502	\$ 36,950
Payroll liabilities	9,694	5,956
Refundable advances	26,976	-
Total current liabilities	84,172	42,906
TOTAL LIABILITIES	84,172	42,906
NET ASSETS		
Board-designated operating reserve	18,137	-
Other net assets without donor restrictions	151,093	53,269
Total net assets without donor restrictions	169,230	53,269
TOTAL LIABILITIES AND NET ASSETS	\$ 253,402	\$ 96,175

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

HEALTH EQUITY SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Without Donor Restrictions</u>	<u>2019 Total</u>	<u>Without Donor Restrictions</u>	<u>2018 Total</u>
REVENUE				
Grants	\$ 540,646	\$540,646	\$ 407,123	\$407,123
Contributions	26,208	26,208	6,430	6,430
Program service fees	167,286	167,286	40,862	40,862
In-kind donations	-	-	2,100	2,100
TOTAL REVENUE	<u>734,140</u>	<u>734,140</u>	<u>456,515</u>	<u>456,515</u>
EXPENSES				
Program services				
Total program	<u>538,669</u>	<u>538,669</u>	<u>325,292</u>	<u>325,292</u>
Supporting services				
Management and general	58,635	58,635	75,087	75,087
Fundraising	<u>20,875</u>	<u>20,875</u>	<u>19,201</u>	<u>19,201</u>
Total support	<u>79,510</u>	<u>79,510</u>	<u>94,288</u>	<u>94,288</u>
TOTAL EXPENSES	<u>618,179</u>	<u>618,179</u>	<u>419,580</u>	<u>419,580</u>
CHANGE IN NET ASSETS	115,961	115,961	36,935	36,935
NET ASSETS - BEGINNING OF YEAR	<u>53,269</u>	<u>53,269</u>	<u>16,334</u>	<u>16,334</u>
NET ASSETS - END OF YEAR	<u>\$ 169,230</u>	<u>\$169,230</u>	<u>\$ 53,269</u>	<u>\$ 53,269</u>

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

HEALTH EQUITY SOLUTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Program Services	Management and General	Fundraising	Total 2019	Program Services	Management and General	Fundraising	Total 2018
Salaries and wages	\$ 256,599	\$ 30,188	\$ 15,094	\$ 301,881	\$ 199,859	\$ 43,876	\$ 14,245	\$ 257,980
Employee benefits	20,138	2,369	1,185	23,692	16,877	3,705	1,202	21,784
Payroll taxes	20,897	2,458	1,229	24,584	15,725	3,453	1,121	20,299
Accounting fees	-	17,434	-	17,434	-	13,671	-	13,671
Other professional fees	173,924	-	-	173,924	47,636	-	-	47,636
Advertising and promotion	1,453	171	86	1,710	462	101	33	596
Office expenses	12,422	1,462	731	14,615	7,772	1,706	554	10,032
Information technology	5,252	618	309	6,179	5,199	1,142	371	6,712
Occupancy	13,168	1,549	775	15,492	10,325	2,267	736	13,328
Travel	9,356	1,101	550	11,007	5,929	1,302	423	7,654
Conferences and conventions	4,593	540	270	5,403	3,854	-	-	3,854
Insurance	4,448	523	262	5,233	4,013	881	286	5,180
Program supplies	14,530	-	-	14,530	3,866	-	-	3,866
Equipment	-	-	-	-	583	128	42	753
Other	1,889	222	111	2,222	3,192	755	188	4,135
Fundraising	-	-	273	273	-	-	-	-
In-kind services	-	-	-	-	-	2,100	-	2,100
	<u>\$ 538,669</u>	<u>\$ 58,635</u>	<u>\$ 20,875</u>	<u>\$ 618,179</u>	<u>\$ 325,292</u>	<u>\$ 75,087</u>	<u>\$ 19,201</u>	<u>\$ 419,580</u>

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

HEALTH EQUITY SOLUTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 115,961	\$ 36,935
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in assets:		
Accounts receivable	(9,341)	(42,625)
Contributions receivable	(1,968)	973
Prepaid expenses	(1,623)	(516)
Increase (decrease) in liabilities:		
Accounts payable	10,552	26,935
Payroll liabilities	3,738	1,596
Refundable advances	<u>26,976</u>	<u>(7,970)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>144,295</u>	<u>15,328</u>
NET INCREASE IN CASH	144,295	15,328
CASH AND CASH EQUIVALENTS - beginning of year	<u>45,750</u>	<u>30,422</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 190,045</u></u>	<u><u>\$ 45,750</u></u>

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

HEALTH EQUITY SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization has no net assets with donor restrictions as of December 31, 2019 and 2018.

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, 2019 AND 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Grants and Contracts

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 support with donor restrictions 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, 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. Health Equity Solutions, Inc.'s policy is to present net assets with donor restrictions received during the year whose restrictions are also met during the current year with net assets without donor restrictions.

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 of employee time and effort. These estimates are made by management and are updated at least annually.

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 2016 through 2019 remain open for audit under the various statutes of limitations.

HEALTH EQUITY SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accounts Receivable

Accounts receivable represents program service fees billed but not collected at the date of the financial statements and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

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, 2019 and December 31, 2018. 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 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 41% and 73% of total revenue recognized during the year ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, 47% and 80% of accounts receivable, respectively, was due from the State of Connecticut Office of Health Strategy.

NOTE 3 – LEASE COMMITMENT

The Organization leases office space in Hartford, Connecticut. One lease started on August 1, 2015 and was active through April 30, 2018. The current lease is effective June 1, 2018, through May 31, 2020, and requires monthly payments of \$1,291. There is a renewal option for an additional year with a 2% increase to the rental rate. Total expenses for these leases during the fiscal years ended December 31, 2019 and 2018, were \$15,492 and \$13,328, respectively. Future minimum lease payments are \$6,455 for the year ended December 31, 2020.

HEALTH EQUITY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 4 – 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 2019 and 2018 amounted to \$7,427 and \$5,244.

NOTE 5 – DONATED SERVICES

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 School. Volunteers may also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria for these not met.

Donated services recognized during 2018 consisted of \$2,100 of pro bono legal services for a matter that is now closed.

NOTE 6 – REVOLVING LINE OF CREDIT

The Organization has a \$25,000 revolving line of credit, all of which was unused at December 31, 2019 and 2018. Bank advances on the credit line are payable on demand and carry an interest rate of 4% over prime (4.75% at December 31, 2019). The credit line is secured by substantially all assets of the Organization.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets generally include cash, accounts receivable, and contributions receivable. The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual, donor-imposed, or board-designated restrictions within one year of the statement of financial position date. There were no such restrictions at December 31, 2018.

	<u>2019</u>	<u>2018</u>
Cash	\$ 190,045	\$ 45,750
Accounts receivable	54,556	45,215
Contributions receivable	<u>3,140</u>	<u>1,172</u>
Financial assets at year-end	247,741	92,137
Less those unavailable for general expenditures within one year due to:		
Board-designated operating reserve	<u>(18,137)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 229,604</u>	<u>\$ 92,137</u>

HEALTH EQUITY SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS *(Continued)*

As discussed in more detail in Note 6, the Organization maintains a line of credit which may be drawn upon to meet unexpected liquidity needs.

The governing board of the Organization has designated net assets without donor restrictions to be maintained as an operating reserve. As specified in the Organization's Operating Reserve Fund Policy, the purpose of the Operating Reserve Fund is to build and maintain an adequate level of net assets without donor restrictions to support the Organization's day-to-day operations in the event of unforeseen shortfalls or an unanticipated loss in funding. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure when it is not wise or prudent to use the line of credit for such activities or when the line of credit is not available for use.

NOTE 8 – NEW ACCOUNTING PRONOUNCEMENT

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 introduces a comprehensive, principles-based framework and five-step decision-making model for revenue recognition related to sales and exchange transaction contracts. ASU 2014-09 would have been effective for the Organization's annual financial statements starting in the year ended December 31, 2019. However, the FASB issued ASU 2020-05 in June of 2020, which deferred the effective date for one year.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to clarify the existing guidance and resolve the diversity in practice in characterizing grants and similar contracts with resource providers as either exchange transactions or contributions. In addition, once a transaction is determined to be a contribution, it addresses the difficulty in distinguishing between conditions on which a promised contribution depends and donor-imposed restrictions. ASU 2018-08 is effective for the Organization's annual financial statements starting in the year ended December 31, 2019, and the Organization has implemented the update accordingly in its financial statements and accounting policies. There is no effect on beginning net asset balances.

NOTE 9 – SUBSEQUENT EVENTS

Health Equity Solutions, Inc. has evaluated subsequent events through November 2, 2020, which is the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States during 2020 has caused business disruption through mandated and voluntary limitations on businesses, individuals and not-for-profit entities. This matter has negatively impacted the Organization's operating results, accordingly. The disruption is currently expected to be temporary. However, there is considerable uncertainty around the duration and extent of the future impact on the Organization, and the future financial impact cannot be reasonably estimated at this time.

HEALTH EQUITY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 9 – SUBSEQUENT EVENTS *(Continued)*

In April of 2020, the Organization obtained a Paycheck Protection Program (PPP) loan in the amount of \$60,620. The loan has a fixed interest rate of 1 % and is not secured by collateral. The PPP is part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and was amended by the Paycheck Protection Program Flexibility Act (PPPF Act). Under the PPP, the loan will be partially or fully forgiven if the Organization maintains its workforce and salaries and uses the loan proceeds for qualifying amounts of payroll, rent, mortgage interest, or utilities costs during the Covered Period. The PPPF Act increases the Covered Period from 8 weeks to 24 weeks after the loan was issued and amends the loan repayment deferral from six months to until the date on which the amount of forgiveness determined under Section 1106 of the CARES Act is remitted to the lender; any borrowers who fail to apply for forgiveness within 10 months of the last day of the Covered Period must make loan repayments beginning on that date.