Audited Financial Statements

RealOptions
OBRIA MEDICAL CLINICS

December 31, 2021 and 2020

Quigley & Miron

Quigley & Miron

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
RealOptions
San Jose, California

Opinion

We have audited the accompanying financial statements of RealOptions (Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Quigley & Miron

San Jose, California
August 3, 2022

RealOptions
Statements of Financial Position
December 31, 2021 and 2020

		2021		2020
Assets				
Cash and cash equivalents	$	2,222,090	$	846,830
PPP advance—restricted cash				262,569
Restricted cash held for endowment		7,447		11,061
Investments—Note 3		69,046		
Pledges and grants receivable, net—Note 4		112,975		227,171
Government grants receivable				129,827
Prepaid expenses		7,171		4,857
Deposits		22,337		15,858
Property and equipment, net—Note 5		526,236		607,690
Total Assets	**$**	**2,967,302**	**$**	**2,105,863**
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$	32,590	$	42,273
Salaries and employee benefits payable		132,386		68,875
PPP advance—Note 6				262,569
Total Liabilities		**164,976**		**373,717**
Net Assets				
Without donor restrictions—Note 7		2,664,979		1,429,338
With donor restrictions—Note 8		137,347		302,808
Total Net Assets		**2,802,326**		**1,732,146**
Total Liabilities and Net Assets	**$**	**2,967,302**	**$**	**2,105,863**

See notes to financial statements.

RealOptions
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Support and Revenue			
Contributions and grant income	$ 2,510,844	$ 3,939	$ 2,514,783
Government grants	498,632		498,632
PPP grant—Note 6	262,569		262,569
Acquisition of First Resort—Note 11	381,677		381,677
Special events			
Gross revenue	1,185,147	112,975	1,298,122
Less cost of direct benefit to donors	(168,106)		(168,106)
Special Events, Net	**1,017,041**	**112,975**	**1,130,016**
In-kind contributions—Note 12	21,695		21,695
Program income	10,861		10,861
Interest income	3,472	354	3,826
Other revenue	2,627		2,627
Loss on disposal of property and equipment	(168,881)		(168,881)
Net assets released from restrictions	282,438	(282,438)	
Total Support and Revenue	**4,822,975**	**(165,170)**	**4,657,805**
Expenses			
Reproductive healthcare services	2,623,702		2,623,702
Management and general	611,851		611,851
Fundraising and development	349,871		349,871
Total Expenses	**3,585,424**		**3,585,424**
Change in Net Assets from Operations	**1,237,551**	**(165,170)**	**1,072,381**
Nonoperating Activities			
Investment return, net—Note 3	(1,910)	(291)	(2,201)
Total Nonoperating Activities	**(1,910)**	**(291)**	**(2,201)**
Change in Net Assets	**1,235,641**	**(165,461)**	**1,070,180**
Net Assets at Beginning of Year	**1,429,338**	**302,808**	**1,732,146**
Net Assets at End of Year	**$ 2,664,979**	**$ 137,347**	**$ 2,802,326**

See notes to financial statements.

RealOptions
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Support and Revenue			
Contributions and grant income	$ 1,800,554	$ 249,519	$ 2,050,073
Government grants	514,664		514,664
Special events			
Gross revenue	794,237	4,151	798,388
Less cost of direct benefit to donors	(172,388)		(172,388)
Special Events, Net	**621,849**	**4,151**	**626,000**
In-kind contributions—Note 12	3,936		3,936
Program income	6,365		6,365
Interest income	77	3	80
Other revenue	3,380		3,380
Net assets released from restrictions	103,262	(103,262)	
Total Support and Revenue	**3,054,087**	**150,411**	**3,204,498**
Expenses			
Reproductive healthcare services	1,649,107		1,649,107
Management and general	379,071		379,071
Fundraising and development	216,268		216,268
Total Expenses	**2,244,446**		**2,244,446**
Change in Net Assets from Operations	**809,641**	**150,411**	**960,052**
Net Assets at Beginning of Year	**619,697**	**152,397**	**772,094**
Net Assets at End of Year	**$ 1,429,338**	**$ 302,808**	**$ 1,732,146**

See notes to financial statements.

RealOptions
Statement of Functional Expenses
Year Ended December 31, 2021

	Reproductive Healthcare Services	Management and General	Fundraising and Development	Special Events	Total
Expenses					
Salaries	$ 1,337,027	$ 312,073	$ 212,060	$	$ 1,861,160
Payroll taxes	107,035	24,983	16,976		148,994
Other employee benefits	57,090	13,325	9,055		79,470
Total Personnel Expenses	**1,501,152**	**350,381**	**238,091**		**2,089,624**
Occupancy	300,059	53,857	30,775		384,691
Client outreach and advertising	318,067				318,067
Professional fees	160,215	77,964	37,190		275,369
Depreciation	42,567	7,640	4,366		54,573
Cost of direct benefit to donors				168,106	168,106
Supplies, materials, and minor equipment	86,691	15,560	8,891		111,142
Other expenses	35,794	13,391	15,071		64,256
Bank and merchant fees		69,119			69,119
Printing and publications	32,829	7,663	5,207		45,699
Staff and volunteer training	37,158				37,158
Medical supplies	30,164				30,164
Telecommunications	22,203	3,985	2,277		28,465
Travel, meetings, and memberships	18,897	4,411	2,997		26,305
Dues and subscriptions	17,635	4,116	2,797		24,548
Insurance	11,845	2,126	1,215		15,186
Licenses, permits, and fees	6,097	1,094	625		7,816
Postage and delivery	2,329	544	369		3,242
Total Expenses by Function	**2,623,702**	**611,851**	**349,871**	**168,106**	**3,753,530**
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(168,106)	(168,106)
Total Expenses	**$ 2,623,702**	**$ 611,851**	**$ 349,871**	**$**	**$ 3,585,424**

See notes to financial statements.

RealOptions
Statement of Functional Expenses
Year Ended December 31, 2020

	Reproductive Healthcare Services	Management and General	Fundraising and Development	Special Events	Total
Expenses					
Salaries	$ 875,711	$ 204,398	$ 138,893	$	$ 1,219,002
Payroll taxes	69,309	16,177	10,993		96,479
Other employee benefits	58,862	13,740	9,336		81,938
Total Personnel Expenses	**1,003,882**	**234,315**	**159,222**		**1,397,419**
Occupancy	197,768	35,497	20,284		253,549
Client outreach and advertising	206,760				206,760
Professional fees	64,142	24,146	16,660		104,948
Depreciation	30,998	5,564	3,179		39,741
Cost of direct benefit to donors				172,388	172,388
Supplies, materials, and minor equipment	25,591	4,593	2,625		32,809
Other expenses	13,361	9,276	5,122		27,759
Bank and merchant fees		51,192			51,192
Printing and publications	23,482	5,481	3,724		32,687
Staff and volunteer training	23,714				23,714
Medical supplies	12,860				12,860
Telecommunications	17,234	3,093	1,768		22,095
Travel, meetings, and memberships	3,395	792	538		4,725
Dues and subscriptions	8,027	1,874	1,273		11,174
Insurance	10,336	1,855	1,060		13,251
Licenses, permits, and fees	6,877	1,234	705		8,816
Postage and delivery	680	159	108		947
Total Expenses by Function	**1,649,107**	**379,071**	**216,268**	**172,388**	**2,416,834**
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(172,388)	(172,388)
Total Expenses	**$ 1,649,107**	**$ 379,071**	**$ 216,268**	**$**	**$ 2,244,446**

See notes to financial statements.

RealOptions
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operations		
Change in net assets	$ 1,070,180	$ 960,052
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	54,573	39,741
Loss on disposal of property and equipment	168,881	
Property and equipment acquired from First Resort	(69,046)	
Realized and unrealized losses	2,201	
Changes in operating assets and liabilities:		
Pledges and grants receivable, net	114,196	(141,329)
Government grants receivable	129,827	(65,373)
Prepaid expenses	(2,314)	5,272
Deposits	(6,479)	
Accounts payable and accrued expenses	(9,683)	(52,130)
Salaries and employee benefits payable	63,511	(45,950)
PPP advance	(262,569)	262,569
Cash Provided by Operating Activities	**1,253,278**	**962,852**
Cash Flows from Investing Activities		
Purchases of property and equipment	(72,954)	(67,812)
Purchases of investments	(77,771)	
Proceeds from sales and maturities of investments	6,524	
Cash Used in Investing Activities	**(144,201)**	**(67,812)**
Net Increase in Cash, Cash Equivalents, and Restricted Cash	**1,109,077**	**895,040**
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	**1,120,460**	**225,420**
Cash, Cash Equivalents, and Restricted Cash at End of Year	**$ 2,229,537**	**$ 1,120,460**
Supplementary Disclosures		
Income taxes paid	$	$
Interest paid	$	$

See notes to financial statements.

Note 1—Organization and Summary of Significant Accounting Policies

Organization—RealOptions (Organization) is a California not-for-profit corporation, incorporated in 1981 in the State of California. The Organization provides compassionate, comprehensive, high quality holistic healthcare, support services, optimal health education, and pregnancy loss healing to women, men, students, and families. They have five licensed medical clinic locations serving Alameda, San Mateo, and Santa Clara Counties devoted to caring for patients physically, emotionally, and spiritually. We offer a broad spectrum of prevention, intervention, and restorative services to the community positively impacting thousands of students and families each year. The Organization has a holistic approach to health care and is committed to meeting our patient's physical, emotional, and spiritual needs. They provide well woman care, STD testing and treatment, pregnancy option consultations, pregnancy tests, ultrasound imaging, prenatal care, abortion pill reversal treatment, childbirth and parenting classes, and material support in the form of maternity clothing, emergency formula, diapers, and new car seats. 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 fifth through twelfth grade students and their parents.

In 2021 RealOptions provided 5,828 services to 3,519 people through their medical clinics, Optimal Health Education, and pregnancy loss healing programs. The Organization helped 2,074 parents choose life for 1037 children through life affirming consultations and holistic medical services, which included 1359 pregnancy tests, 1,350 ultrasounds, 651 STD screenings, 1359 advocacy appointments, 440 material support appointments, 229 prenatal appointments, 8 abortion pill reversal visits, and 38 well woman appointments. In 2021 the Organization executed on year two of our Title V, Sexual Risk Avoidance Education grant, the first in our 40 year history. This Award widened our reach to local students for Optimal Health Education. It has also afforded us the opportunity to have our 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 in our clinics. In 2021 the Organization gave 319 presentations to reach 1,586 students and 579 faculty and parents at 36 schools and organizations with our Optimal Health curriculum. The Organization also completed a merger/acquisition process with First Resort (dba Support Circle), and now operate clinics serving San Mateo and Alameda County as well as Santa Clara County. The Organization was able to grow the number of people served in these communities by employing our comprehensive digital marketing campaigns.

In 2021, RealOptions also developed a Benevolence Committee in order to distribute funds from their Practical Expedient Support fund in order to help patients with desperate financial needs. The Committee consists of the Organization's Director of Operations, a donor who is a previous board member, and the Director of Education. Patients must file a simple application and funds are paid directly to their needed request (ie: gas bill, landlord for rent, etc.) once an application is approved by the Committee.

Financial Statement Presentation—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.

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.

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

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.

<u>Measure of Operations</u>—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 reproductive healthcare 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. The Organization did not engage in any reportable nonoperating activities during the year ended December 31, 2020.

<u>Income Taxes</u>—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, 2021 and 2020. 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.

<u>Recently Adopted Accounting Principles</u>—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (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. The Organization opted to adopt ASU No. 2014-09 for the year ended December 31, 2020, and noted that there was no material effect on the financial statements.

<u>Cash, Cash Equivalents, and Restricted Cash</u>—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. Restricted cash consist of funds from the PPP advance (see Note 5) and cash held for endowment.

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

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, 2021 and 2020:

	2021	2020
Cash Accounts Reported in Statement of Financial Position		
Cash and cash equivalents	$ 2,222,090	$ 846,830
PPP advance-restricted cash		262,569
Restricted cash held for endowments	7,447	11,061
Total Cash, Cash Equivalents, and Restricted Cash Reported in Statement of Cash Flows	**$ 2,229,537**	**$ 1,120,460**

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.

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

The Organization follows the practice of capitalizing all expenditures of property in excess of $5,000.

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.

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

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.

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, 2021 and 2020, these in-kind contributions amounted to over 6,113 and 3,618 volunteer hours valued at approximately $183,390 and $72,360, respectively. These amounts are not reflected in these financial statements as the recognition criteria under GAAP were not met.

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, depreciation, supplies, materials, and minor equipment, telecommunications, insurance, and taxes, licenses, permits and fees are allocated based upon square footage. Salaries, payroll taxes, other employee benefits, professional fees, printing and publications, other expenses, dues and subscriptions, 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 benefited.

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 2020 have been reclassified to conform with the 2021 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, 2021 to cover operating expenses for the next fiscal year:

Cash and cash equivalents, net of donor restrictions	$ 2,207,833
Pledges and grants receivable, net	112,975
Current Availability of Financial Assets	**$ 2,320,808**

Note 3—Investments and Fair Value Measurements

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 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 NAV as a practical expedient during the years ended December 31, 2021 and 2020.

Investments measured on a recurring basis at December 31, 2021 consist of the following:

	Fair Value	Level 1	Level 2	Level 3
Fixed income	$ 44,007	$ 44,007	$	$
Equities	22,288	22,288		
Exchange traded funds	2,751	2,751		
Totals	**$ 69,046**	**$ 69,046**	**$**	**$**

The Organization did not hold any investments at December 31, 2020.

Investment return for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Realized investment losses	$ (1,075)	$
Unrealized investment losses	(477)	
Investment management fees	(649)	
Investment Return, Net	**(2,201)**	
Interest and dividends	3,826	80
Total Return on Investment	**$ 1,625**	**$ 80**

Note 4—Pledges and Grants Receivable, Net

Net pledges and grants receivable at December 31, 2021 and 2020 consist of amounts

	2021	2020
Due within 1 year	$ 113,204	$ 227,632
Less allowance for doubtful accounts	(229)	(461)
Net	**$ 112,975**	**$ 227,171**

Note 5—Property and Equipment, Net

The major classes of property and equipment, net at December 31, 2021 and 2020 are as follows:

	2021	2020
Leasehold improvements	$ 580,134	$ 939,224
Equipment and furniture	457,525	496,963
Total Property and Equipment	**1,037,659**	**1,436,187**
Less accumulated depreciation	(511,423)	(828,497)
Property and Equipment, Net	**$ 526,236**	**$ 607,690**

Total depreciation expense recorded for the years ended December 31, 2021 and 2020 was $54,572 and $39,741, respectively.

During the year ended December 31, 2021, the Organization disposed of property and equipment no longer in use totaling $540,528, which resulted in a loss on disposal in the amount of $168,881.

Note 6—PPP Advance

On April 28, 2020, the Organization received $262,569 in Paycheck Protection Program (PPP) funding from the U.S. Small Business Administration (SBA), in response to the COVID-19 pandemic (see Note 13). 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 in the upcoming fiscal year. The Organization has elected to record the PPP grant revenue only upon receipt of the forgiveness letter from the SBA which was received during the year ended December 31, 2021.

Note 7—Net Assets without Donor Restrictions

Net assets without donor restrictions at December 31, 2021 and 2020 are as follows:

	2021	2020
Board designated endowment funds	$ 66,426	$ 1,008
Undesignated	2,598,553	1,428,330
Total Net Assets without Donor Restrictions	**$ 2,664,979**	**$ 1,429,338**

Note 8—Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021 and 2020 consist of the following:

	2021	2020
Subject to purpose restrictions:		
Medical Training	$ 7,447	$ 26,498
Practical support	6,810	13,567
Education program		25,520
Subject to time restrictions		
General support	112,975	227,171
Subject to appropriation and expenditure		
General support	115	52
Held in perpetuity		
General support	10,000	10,000
Total Net Assets with Donor Restrictions	**$ 137,347**	**$ 302,808**

Net assets released from donor restrictions for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Satisfaction of purpose restrictions:		
Education program	$ 28,670	$ 15,619
Medical Training	19,052	
Practical support	7,545	1,800
Satisfaction of passage of time		
General support	227,171	85,843
Total Net Assets Released from Donor Restrictions	**$ 282,438**	**$ 103,262**

Note 9—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.

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

Note 9—Endowment Net Assets—*Continued*

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 it investment and distribution policies.

Endowment net assets at December 31, 2021 and 2020 consisted of the following:

	Board Designated	Subject to Appropriation	Held in Perpetuity	Total
Board designated funds	$ 1,008	$	$	$ 1,008
With donor restrictions		52	10,000	10,052
Endowment Net Assets at December 31, 2020	**$ 1,008**	**$ 52**	**$ 10,000**	**$ 11,060**

	Board Designated	Subject to Appropriaton	Held in Perpetuity	Total
Board designated funds	$ 66,426	$	$	$ 66,426
With donor restrictions		115	10,000	10,115
Endowment Net Assets at December 31, 2021	**$ 66,426**	**$ 115**	**$ 10,000**	**$ 76,541**

Change in endowment net assets for the years ended December 31, 2021 and 2020 consists of:

	Board Designated	Subject to Appropriaton	Held in Perpetuity	Total
Endowment Net Assets at December 31, 2019	**$ 1,008**	**$ 49**	**$ 10,000**	**$ 11,057**
Interest income		3		3
Endowment Return, Net		**3**		**3**
Endowment Net Assets at December 31, 2020	**1,008**	**52**	**10,000**	**11,060**
Investment gains (losses)	(1,347)	(205)		(1,552)
Investment expenses	(563)	(86)		(649)
Interest income	2,328	354		2,682
Endowment Return, Net	**418**	**63**		**481**
Contributions	65,000			65,000
Endowment Net Assets at December 31, 2021	**$ 66,426**	**$ 115**	**$ 10,000**	**$ 76,541**

Note 10—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, 2021 are as follows:

For the Year Ending December 31,		
2022	$	175,135
2023		100,955
2024		69,229
2025		75,297
Total	**$**	**420,616**

Rent expense for the years ended December 31, 2021 and 2020 was $339,023 and $229,605, respectively.

Note 11—Acquisition of First Resort

On February 10, 2021, the board of directors of another nonprofit organization, First Resort, elected to voluntarily unwind and dissolve the nonprofit, resulting in the acquisition of remaining assets of First Resort by RealOptions. The plan was approved by the California Attorney General in March 2021. First Resort continued its operations until March 30, 2021. The transfer of assets to RealOptions took place subsequent to the dissolution date. RealOptions accounted for these transactions as acquisitions in their fair value in accordance with generally accepted accounting principles. Property and equipment were valued at historical amortized cost which approximates fair value to the Organization. As a result of these acquisitions, RealOptions recognized a contribution in the amount of $381,677 from First Resort.

Cash and cash equivalents	$	336,358
Property and equipment		69,546
Deposits		6,479
Salaries and employee benefits payable		(30,706)
Total	**$**	**381,677**

Note 12—In-Kind Contributions

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

		2021		2020
Client outreach	$	21,695	$	3,761
Other expenses				175
Totals	**$**	**21,695**	**$**	**3,936**

Note 13—Retirement Plan

The Organization sponsors a 403(b) defined contribution plan (Plan). The Plan covers all full-time employees immediately upon employment. The Organization did not make any contributions to the plan during the years ended December 31, 2021 and 2020.

Note 14—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.

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note 15—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. 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 has continued to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on the Organization, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 16—Subsequent Events

Management evaluated all activities of RealOptions through August 3, 2022, 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.