

Audited Financial Statements



December 31, 2022 and 2021

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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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

San Jose, California
June 21, 2023

RealOptions
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,924,963	\$ 2,222,090
Restricted cash held for endowment	645	7,447
Investments—Note 3	61,704	69,046
Pledges and grants receivable, net—Note 4	55,720	112,975
ERC grants receivable—Note 5	679,528	
Prepaid expenses	6,557	7,171
Deposits	22,337	22,337
Property and equipment, net—Note 6	467,343	526,236
Operating leases right-of-use asset—Note 11	1,293,668	
	<u>1,293,668</u>	<u>1,293,668</u>
Total Assets	<u>\$ 4,512,465</u>	<u>\$ 2,967,302</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 36,940	\$ 32,590
Salaries and employee benefits payable	147,091	132,386
Operating leases liability—Note 11	1,309,008	
	<u>1,309,008</u>	<u>1,309,008</u>
Total Liabilities	1,493,039	164,976
Net Assets		
Without donor restrictions—Note 8	2,955,470	2,664,979
With donor restrictions—Note 9	63,956	137,347
	<u>63,956</u>	<u>137,347</u>
Total Net Assets	<u>3,019,426</u>	<u>2,802,326</u>
Total Liabilities and Net Assets	<u>\$ 4,512,465</u>	<u>\$ 2,967,302</u>

See notes to financial statements.

RealOptions
Statement of Activities
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Contributions and grant income	\$ 2,388,478	\$	\$ 2,388,478
Government grants	450,000		450,000
ERC grants—Note 5	812,085		812,085
Special events			
Gross revenue	666,068	55,720	721,788
Less cost of direct benefit to donors	(124,595)		(124,595)
Special Events, Net	541,473	55,720	597,193
In-kind contributions—Note 13	7,200		7,200
Program income	64,451		64,451
Interest income	12,909	296	13,205
Net assets released from restrictions	127,232	(127,232)	
Total Support and Revenue	4,403,828	(71,216)	4,332,612
Expenses			
Reproductive healthcare services	3,031,758		3,031,758
Management and general	644,964		644,964
Fundraising and development	409,938		409,938
Total Expenses	4,086,660		4,086,660
Change in Net Assets from Operations	317,168	(71,216)	245,952
Nonoperating Activities			
Investment return, net—Note 3	(14,198)	(2,175)	(16,373)
Total Nonoperating Activities	(14,198)	(2,175)	(16,373)
Change in Net Assets	302,970	(73,391)	229,579
Net Assets at Beginning of Year	2,664,979	137,347	2,802,326
Cumulative effect of adoption of ASU 2016-02, Leases—Note 11	(12,479)		(12,479)
Net Assets at End of Year	\$ 2,955,470	\$ 63,956	\$ 3,019,426

See notes to financial statements.

RealOptions
Statement of Activities
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Contributions and grant income	\$ 2,461,774	\$ 3,939	\$ 2,465,713
Government grants	498,632		498,632
PPP grant—Note 7	262,569		262,569
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 13	21,695		21,695
Program income	59,931		59,931
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	4,441,298	(165,170)	4,276,128
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	855,874	(165,170)	690,704
Non-Operating Activities			
Acquisition of First Resort—Note 12	381,677		381,677
Investment return, net	(1,910)	(291)	(2,201)
Change in Net Assets from Non-Operating Activities	379,767	(291)	379,476
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	<u>\$ 2,664,979</u>	<u>\$ 137,347</u>	<u>\$ 2,802,326</u>

See notes to financial statements.

RealOptions
Statement of Functional Expenses
Year Ended December 31, 2022

Expenses	Reproductive Healthcare Services	Management and General	Fundraising and Development	Special Events	Total
Salaries	\$ 1,477,388	\$ 344,834	\$ 234,322	\$	\$ 2,056,544
Payroll taxes	116,972	27,302	18,552		162,826
Other employee benefits	90,029	21,013	14,279		125,321
Total Personnel Expenses	1,684,389	393,149	267,153		2,344,691
Professional fees	308,109	70,715	55,686		434,510
Occupancy	330,597	59,338	33,907		423,842
Client outreach	327,547				327,547
Cost of direct benefit to donors				124,595	124,595
Supplies, materials, and minor equipment	78,018	14,003	8,002		100,023
Services and practical support	54,416	9,767	5,581		69,764
Depreciation	45,937	8,245	4,711		58,893
Bank and merchant fees		52,128			52,128
Travel, meetings, and memberships	33,570	7,835	5,324		46,729
Dues and subscriptions	32,280	7,534	5,120		44,934
Other expenses	17,149	6,073	14,541		37,763
Printing and publications	26,162	6,106	4,149		36,417
Telecommunications	22,516	4,041	2,309		28,866
Licenses, permits, and fees	21,411	3,843	2,196		27,450
Medical supplies	17,212				17,212
Insurance	11,687	2,098	1,199		14,984
Advertising	12,246				12,246
Staff and volunteer training	8,133				8,133
Postage and delivery	379	89	60		528
Total Expenses by Function	3,031,758	644,964	409,938	124,595	4,211,255
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(124,595)	(124,595)
Total Expenses	\$ 3,031,758	\$ 644,964	\$ 409,938	\$	\$ 4,086,660

See notes to financial statements.

RealOptions
Statement of Functional Expenses
Year Ended December 31, 2021

Expenses	Reproductive Healthcare Services	Management and General	Fundraising and Development	Special Events	Total
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
Professional fees	160,215	77,964	37,190		275,369
Occupancy	300,059	53,857	30,775		384,691
Client outreach	316,817				316,817
Cost of direct benefit to donors				168,106	168,106
Supplies, materials, and minor equipment	86,691	15,560	8,891		111,142
Services and practical support	30,977				30,977
Depreciation	42,567	7,640	4,366		54,573
Bank and merchant fees		69,119			69,119
Travel, meetings, and memberships	18,897	4,411	2,997		26,305
Dues and subscriptions	17,635	4,116	2,797		24,548
Other expenses	4,817	13,391	15,071		33,279
Printing and publications	32,829	7,663	5,207		45,699
Telecommunications	22,203	3,985	2,277		28,465
Licenses, permits, and fees	6,097	1,094	625		7,816
Medical supplies	30,164				30,164
Insurance	11,845	2,126	1,215		15,186
Advertising	1,250				1,250
Staff and volunteer training	37,158				37,158
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
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operations		
Change in net assets	\$ 229,579	\$ 1,070,180
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	58,893	54,573
Noncash lease expenses	(1,057,348)	
Loss on disposal of property and equipment		168,881
Property and equipment acquired from First Resort		(69,046)
Realized and unrealized losses	15,647	2,201
Changes in operating assets and liabilities:		
Pledges and grants receivable, net	57,255	114,196
ERC grants receivable	(679,528)	
Government grants receivable		129,827
Prepaid expenses	614	(2,314)
Deposits		(6,479)
Accounts payable and accrued expenses	4,350	(9,683)
Salaries and employee benefits payable	14,705	63,511
PPP advance		(262,569)
Operating leases liability	1,060,209	
Cash Provided by (Used in) Operating Activities	<u>(295,624)</u>	<u>1,253,278</u>
Cash Flows from Investing Activities		
Purchases of property and equipment		(72,954)
Purchases of investments	(25,925)	(77,771)
Proceeds from sales and maturities of investments	17,620	6,524
Cash Used in Investing Activities	<u>(8,305)</u>	<u>(144,201)</u>
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(303,929)	1,109,077
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>2,229,537</u>	<u>1,120,460</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u><u>\$ 1,925,608</u></u>	<u><u>\$ 2,229,537</u></u>
Supplementary Disclosures		
Income taxes paid	<u><u>\$</u></u>	<u><u>\$</u></u>
Interest paid	<u><u>\$</u></u>	<u><u>\$</u></u>

See notes to financial statements.

RealOptions
Notes to Financial Statements
December 31, 2022 and 2021

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 2022 RealOptions provided over 6,651 services to 5,324 people through our medical clinics, Optimal Health Education, and pregnancy loss healing programs. The Organization supported 1,916 parents to be able to choose life for 958 children through life affirming consultations and holistic medical services, which included: 1,223 pregnancy tests, 1,927 ultrasound exams, 530 STD screenings, 1,223 options consultations, 576 material support appointments, 224 prenatal exams, 14 abortion pill reversal visits, and 69 well woman exams. In 2022 RealOptions executed on year three 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 which includes Healthy Relationship and Sexual Risk Avoidance curriculum. 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, Boys and Girls Clubs, and in our clinics. In 2022 we provided 438 presentations to reach 2,331 students, faculty, and parents at 49 schools and organizations. RealOptions operates clinics serving San Mateo, Alameda, and Santa Clara Counties. We were able to grow the number of people served in these communities by employing our comprehensive digital marketing campaigns.

In 2022, the Organizatoin continued to utilize our Benevolence Committee to oversee the distribution of funds to help patients with desperate financial needs. The Committee consists of our Director of Operations, a donor who is a previous board member, and our 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.

RealOptions

Notes to Financial Statements—Continued

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.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization’s 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.

Income Taxes—The Organization is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). The Organization is similarly exempt from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2022 and 2021. Generally, the Organization’s information returns remain open for examination for periods of three (federal) or four (state of California) years from the date of filing.

Recently Adopted Accounting Principle

Gifts-in-Kind—In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. Additional disclosures are required 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. The Organization has adopted ASU No. 2020-07 for the year ended December 31, 2022 on a retrospective basis, which resulted in no change to revenue previously reported and no effect on revenue reported for the years ended December 31, 2022 and 2021.

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires lessees to recognize the assets and liabilities that arise from the leases on the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjust to the opening balance of net assets without donor restrictions in the period of adoption. The Organization adopted ASU No. 2016-02 and its related amendments on a retrospective approach as of January 1, 2022, which resulted in the recognition of an operating right-of-use asset totaling \$236,230, as well as an operating lease liability totaling \$248,799, resulting in a cumulative adjustment of \$(12,479). The Organization elected to adopt the transition relief from provisions ASU 2018-11 as of January 1, 2022, without restating any prior year amounts or disclosures.

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Notes to Financial Statements—Continued

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

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. 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.

Cash, Cash Equivalents, and Restricted Cash—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 consists of cash funds held for endowment.

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash Accounts Reported in Statement of Financial Position		
Cash and cash equivalents	\$ 1,924,963	\$ 2,222,090
Restricted cash held for endowments	645	7,447
	<u> </u>	<u> </u>
Total Cash, Cash Equivalents, and Restricted Cash Reported in Statement of Cash Flows	<u>\$ 1,925,608</u>	<u>\$ 2,229,537</u>

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

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and receivables.

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. Such cash balances may exceed FDIC insurance limits during the normal course of business.

Cash held in investment accounts at investment custodians is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in the market value.

The Organization is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. The Organization’s management has assessed the credit risk associated with its cash deposits and investments held at December 31, 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments, however, due to the current risk and uncertainties affecting financial institutions (see Note 15), the related impact cannot be reasonably estimated at this time.

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 history of collections.

RealOptions

Notes to Financial Statements—Continued

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

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

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

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

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.

Contributions and Grants—Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 reported in the statement of activities as net assets released from restrictions.

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

Government grants—Revenues from government grants are reported as increases in net assets without donor restrictions, when allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as pledges and grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

Special event income—Special event income is recognized when such income is received. A portion of the gross special event proceeds paid by the participants represents payment for the direct cost of benefits received by the participants at the event. The Organization values such benefits at the actual cost.

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

Interest income—Interest income is recognized when received and is reported under revenues and support in the statement of activities.

In-Kind Contributions—The Organization records the value of donated materials and services at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are fully utilized for the Organization's reproductive health services, and are reported without donor restriction, unless otherwise noted. The Organization measures donated services using comparable market rates for the services rendered.

RealOptions

Notes to Financial Statements—Continued

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

Contributed Services—A substantial number of volunteers have donated a significant number of hours devoted to the Organization's program services, management and general, and fundraising activities. During the years ended December 31, 2022 and 2021, the Organization's network of volunteers donated over 6,674 and 6,113 service hours valued at approximately \$200,220 and \$183,390, respectively. Such donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards.

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 benefitted.

Advertising—Advertising costs are expensed as incurred and amounted to \$12,246 and \$1,250 for the years ended December 31, 2022 and 2021.

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 2021 have been reclassified to conform with the 2022 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, 2022 and 2021 to cover operating expenses for the next fiscal year:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents, net of donor restrictions	\$ 1,924,963	\$ 2,207,833
Pledges and grants receivable, net	55,720	112,975
ERC grants receivable	679,528	
Current Availability of Financial Assets	<u>\$ 2,660,211</u>	<u>\$ 2,320,808</u>

RealOptions

Notes to Financial Statements—Continued

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, 2022 and 2021.

Investments measured on a recurring basis at December 31, 2022 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 29,917	\$ 29,917	\$	\$
Exchange traded funds	31,787	31,787		
Totals	\$ 61,704	\$ 61,704	\$	\$

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income	\$ 44,007	\$ 44,007	\$	\$
Equities	22,288	22,288		
Exchange traded funds	2,751	2,751		
Totals	\$ 69,046	\$ 69,046	\$	\$

Investment return for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Unrealized investment losses	\$ (15,647)	\$ (477)
Realized investment losses		(1,075)
Investment management fees	(726)	(649)
Investment Return, Net	(16,373)	(2,201)
Interest and dividends	13,205	3,826
Total Return on Investment	\$ (3,168)	\$ 1,625

RealOptions

Notes to Financial Statements—Continued

Note 4—Pledges and Grants Receivable, Net

Net pledges and grants receivable at December 31, 2022 and 2021 consist of amounts

	<u>2022</u>	<u>2021</u>
Due within 1 year	\$ 64,946	\$ 113,204
Less allowance for doubtful accounts	(9,226)	(229)
Net	<u>\$ 55,720</u>	<u>\$ 112,975</u>

Note 5—ERC Grants

During the year ended December 31, 2022, the Organization was eligible and applied for employee retention credits (ERC) in the amount of \$812,085. This is included in ERC grants in the statement of activities and in ERC grants receivable in the statement of financial position. ERC grants receivable amounted to \$679,528 at December 31, 2022.

Note 6—Property and Equipment, Net

The major classes of property and equipment, net at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 580,134	\$ 580,134
Equipment and furniture	511,116	511,116
Total Property and Equipment	<u>1,091,250</u>	<u>1,091,250</u>
Less accumulated depreciation	(623,907)	(565,014)
Property and Equipment, Net	<u>\$ 467,343</u>	<u>\$ 526,236</u>

Total depreciation expense recorded for the years ended December 31, 2022 and 2021 was \$58,893 and \$54,572, 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 7—PPP Grant

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. 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, 2022.

RealOptions**Notes to Financial Statements—Continued****Note 8—Net Assets without Donor Restrictions**

Net assets without donor restrictions at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Board designated endowment funds	\$ 54,114	\$ 1,008
Undesignated	2,901,356	2,663,971
Total Net Assets without Donor Restrictions	<u>\$ 2,955,470</u>	<u>\$ 2,664,979</u>

Note 9—Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Subject to purpose restrictions:		
Medical Training	\$	\$ 7,447
Practical support		6,810
Subject to time restrictions		
General support	55,720	112,975
Subject to appropriation and expenditure		
General support		115
Held in perpetuity		
General support	10,000	10,000
Underwater endowment	(1,764)	
Total Net Assets with Donor Restrictions	<u>\$ 63,956</u>	<u>\$ 137,347</u>

Net assets released from donor restrictions for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Medical Training	\$ 7,447	\$ 19,052
Practical support	6,810	7,545
Education program		28,670
Satisfaction of passage of time		
General support	112,975	227,171
Total Net Assets Released from Donor Restrictions	<u>\$ 127,232</u>	<u>\$ 282,438</u>

RealOptions

Notes to Financial Statements—Continued

Note 10—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
- 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—To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term objectives within prudent risk restraints. The Board is aware that there is an implicit understanding that the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurred, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the fund to an amount at or above the amount of the original gift. The Board is aware of its temporary deficit in its endowment net assets, and is actively taking steps to rectify this situation.

RealOptions

Notes to Financial Statements—Continued

Note 10—Endowment Net Assets—Continued

Endowment net assets at December 31, 2022 and 2021 consisted of the following:

	<u>Board Designated</u>	<u>Subject to Appropriation</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Board designated funds	\$ 66,426	\$	\$	\$ 66,426
With donor restrictions		115	10,000	10,115
Endowment Net Assets at December 31, 2021	<u>\$ 66,426</u>	<u>\$ 115</u>	<u>\$ 10,000</u>	<u>\$ 76,541</u>
	<u>Board Designated</u>	<u>Subject to Appropriation</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Board designated funds	\$ 54,114	\$	\$	\$ 54,114
With donor restrictions		(1,764)	10,000	8,236
Endowment Net Assets at December 31, 2022	<u>\$ 54,114</u>	<u>\$ (1,764)</u>	<u>\$ 10,000</u>	<u>\$ 62,350</u>

Change in endowment net assets for the years ended December 31, 2022 and 2021 consists of:

	<u>Board Designated</u>	<u>Subject to Appropriation</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment Net Assets at December 31, 2020	\$ 1,008	\$ 52	\$ 10,000	\$ 11,060
Interest income	2,328	354		2,682
Investment losses	(1,347)	(205)		(1,552)
Investment expenses	(563)	(86)		(649)
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
Interest income	1,886	296		2,182
Investment losses	(13,568)	(2,079)		(15,647)
Investment expenses	(630)	(96)		(726)
Endowment Return, Net	(12,312)	(1,879)		(14,191)
Endowment Net Assets at December 31, 2022	<u>\$ 54,114</u>	<u>\$ (1,764)</u>	<u>\$ 10,000</u>	<u>\$ 62,350</u>

RealOptions

Notes to Financial Statements—Continued

Note 11—Commitments and Contingencies

In October 2022, the Organization signed a lease agreement for office space, under an operating lease agreement which expires October 2030. The lease calls for monthly payments escalating each year from \$11,291 to \$15,260 over the term of the lease.

With the adoption of ASU 2016-02, an operating lease right-of-use asset and an operating lease liability were recorded related to this operating lease using the lease term and monthly rental amounts, and a discount rate of 2.95% amounting to \$1,114,339 and \$1,118,437 at December 31, 2022 and 2021, respectively.

In January 2018, the Organization signed a lease agreement for office space, under an operating lease agreement which expires January 2026. The lease calls for monthly payments escalating each year from \$5,003 to \$5,792 over the term of the lease.

With the adoption of ASU 2016-02, an operating lease right-of-use asset and an operating lease liability were recorded related to this operating lease using the lease term and monthly rental amounts, and a discount rate of 2.91% amounting to \$179,329 and \$190,571 at December 31, 2022 and 2021, respectively.

Future minimum annual rental commitments by year for operating leases with maturities greater than one year from December 31, 2022, are as follows:

For the Year Ending December 31,

2023	\$	203,463
2024		216,205
2025		221,626
2026		163,367
2027		163,878
Thereafter		500,284
	Gross Rental Payments	1,468,823
Less effect of discounting		(159,815)
	Operating Lease Liability	\$ 1,309,008

The Organization leases two additional locations under non-cancellable lease agreements with month to month leases totalling \$10,316.

Subsequent to year end, the Organization entered into an additional lease for a term of three years. The lease calls for monthly payments escalating each year from \$6,000 to \$6,556 over the term of the lease. Future minimum annual rental commitments by year for this operating lease with maturity greater than one year from December 31, 2022 are as follows:

For the Year Ending December 31,

2023	\$	54,000
2024		73,620
2025		75,564
	Total	\$ 203,184

Rent expense for the years ended December 31, 2022 and 2021 was \$395,375 and \$339,023, respectively.

RealOptions

Notes to Financial Statements—Continued

Note 12—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 after 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	<u>\$ 381,677</u>

Note 13—In-Kind Contributions

During the years ended December 31, 2022 and 2021, the Organization recognized in-kind contributions of donated supplies. The value of these contributed services and supplies are recorded at their fair market value.

For the years ended December 31, 2022 and 2021, in-kind contributions are reported in the statement of functional expenses as follows:

	<u>2022</u>	<u>2021</u>
Client outreach	\$ 7,200	\$ 21,695
Total In-Kind Contributions	<u>\$ 7,200</u>	<u>\$ 21,695</u>

Note 14—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, 2022 and 2021.

Note 15—Risks and Uncertainties

In March 2023, subsequent to year-end, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As noted in Note 1, the Organization maintains cash and cash equivalents balances in excess of federally-insured limits. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.

RealOptions

Notes to Financial Statements—Continued

Note 16—Subsequent Events

Management evaluated all activities of RealOptions through June 21, 2023, which is the date the financial statements were available to be issued, and concluded that other than the lease described in Note 11 and the banking crisis described in Note 15, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.