

**HEALING GROVE HEALTH CENTER INC**  
**A SOCIAL PURPOSE CORPORATION**

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED MAY 31, 2021

WITH INDEPENDENT ACCOUNTANTS'  
AUDIT REPORT

AND STATEMENT OF FINANCIAL POSITION MAY 31, 2020 (UNAUDITED)

CHIANG & YOUNGBERG, LLP  
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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

To Dr. Cheryl Ho, MD CEO  
Healing Grove Health Center Inc, A Social Purpose Corporation  
San Jose, CA

We have audited the accompanying financials of Healing Grove Health Center Inc, A Social Purpose Corporation (a nonprofit organization) which comprise the statement of financial position as of May 31, 2021, and May 31, 2020 (unaudited), and the related statements of activities, statement of functional expenses, and cash flows for May 31, 2021 and the year then ended, and the related notes to the financial statements.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healing Grove Health Center Inc as of May 31, 2021, and May 31, 2020 (unaudited) and the changes in its net assets and its cash flows for the year ended May 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Healing Grove Health Center Inc 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Healing Grove Health Center Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards, 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 purposes of expressing an opinion on the effectiveness of Healing Grove Health Center Inc'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 the 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 Healing Grove Health Center Inc's ability to continue as a going concern for a reasonable amount 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.

San Jose, California  
March 2, 2023

HEALING GROVE HEALTH CENTER INC  
STATEMENT OF FINANCIAL POSITION  
As of May 31, 2021

	<u>ASSETS</u>	5/31/2021	Unaudited 5/31/2020
<b>Current Assets</b>			
Cash		\$ 52,337	\$ -
Accounts Receivable		27,989	168,594
Prepaid Insurance		16,962	7,846
Prepaid Rent		3,249	7,654
Prepaid Other		-	2,450
Due from HG Foundation		<u>8,495</u>	<u>11,749</u>
<b>Total Current Assets</b>		<u>109,032</u>	<u>198,293</u>
<b>Fixed Assets</b>			
Buildings - Leasehold Improvements		382,194	-
Furniture and Fixtures		795	-
Computer Equipment		29,027	-
Medical Equipment		13,324	-
Automobiles		5,000	-
Construction in Progress (CIP)		11,338	304,228
Accumulated Depreciation		<u>(38,021)</u>	<u>-</u>
<b>Total Fixed Assets</b>		<u>403,657</u>	<u>304,228</u>
<b>Long Term Assets</b>			
Deposit - Long Term		13,113	13,113
<b>Total Assets</b>		<u><u>525,802</u></u>	<u><u>515,634</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
<b>Current Liabilities</b>			
Accounts Payable		149,648	474,136
Accrued Liabilities		25,000	-
Accrued Payroll		77,130	44,167
Accrued Payroll Taxes		7,769	4,517
Deferred Concierge Revenue		8,891	8,300
Deferred Rent		77,697	39,771
Small Business Loan		<u>45,900</u>	<u>4,000</u>
<b>Total Current Liabilities</b>		<u>392,035</u>	<u>574,891</u>
<b>Net Assets</b>			
Without Donor Restrictions		116,275	(78,464)
With Donor Restrictions		<u>17,492</u>	<u>19,207</u>
<b>Total Net Assets</b>		<u><u>133,767</u></u>	<u><u>(59,257)</u></u>
<b>Total Liabilities and Total Assets</b>		\$ <u><u>525,802</u></u>	\$ <u><u>515,634</u></u>

*See notes to financial statements*

HEALING GROVE HEALTH CENTER INC  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended May 31, 2021

		<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gains and Support</b>				
Grant Income	\$	-	\$ 1,414,105	\$ 1,414,105
Donations		144,881	-	144,881
Membership Dues		64,961	-	64,961
Misc Income		4,000	-	4,000
Investment Income		<u>5</u>	<u>-</u>	<u>5</u>
Total revenues and gains		213,847	1,414,105	1,627,952
Net assets released from restrictions		<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and support		<u>213,847</u>	<u>1,414,105</u>	<u>1,627,952</u>
<b>Expenses</b>				
Program Services		1,127,414	-	1,127,414
Supporting Services: Management and General		199,713	-	199,713
Fundraising		107,802	<u>-</u>	<u>107,802</u>
<b>Total Expenses</b>		<u>1,434,929</u>	<u>-</u>	<u>1,434,929</u>
<b>Change In Net Assets</b>		(1,221,082)	1,414,105	193,023
<b>Net Assets, Beginning of Year</b>		<u>(59,257)</u>	<u>-</u>	<u>(59,257)</u>
<b>Net Assets, End of Year</b>	\$	<u><u>(1,280,339)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>133,766</u></u>

*See notes to financial statements*

HEALING GROVE HEALTH CENTER INC  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Fiscal Year Ended May 31, 2021

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total Expenses</u>
	<u>Services</u>	<u>And General</u>		
Advertising and Promotion			41,681	41,681
Bank Charges			6,849	6,849
CAM Charges	39,249	2,216	2,216	43,681
Covid Shipping	10,570			10,570
Covid Testing	14,146			14,146
Deferred Rent	34,133	1,896	1,896	37,925
Depreciation	38,021			38,021
Destination Home Payments	311,349	34,594		345,943
Educational Supports	1,220			1,220
Electronic Medical Records	36,423			36,423
Employment Program	12,600			12,600
Facility & Field Maintenance	38,648		181	38,829
Food	17,311			17,311
Information Technology	13,608	13,608		27,216
Insurance		16,203		16,203
Janitor		29,168		29,168
Legal & Professional Fees		7,485		7,485
Medical Licensing		4,306		4,306
Medical Supplies & Forms	19,473			19,473
Medical Visit Lab Fees	3,677			3,677
Membership Fees		1,230		1,230
Misc Equipment	10,144			10,144
Miscellaneous	6,106	985		7,091
Office Expenses	8,869	19,995	432	29,296
Other Supplies	11,119			11,119
Patient Gift Cards	4,420			4,420
Payroll taxes	31,536	3,942	3,942	39,420
Rent	39,970	2,221	2,221	44,412
Rent Assistance	3,700			3,700
Salaries and Wages	382,911	47,864	47,864	478,639
Security		2,928		2,928
Staff Appreciation		7,872		7,872
State Income Taxes	25,000			25,000
Training		2,500		2,500
Travel	3,848			3,848
Utilities	9,363	700	520	10,583
Total Expenses	1,127,414	199,713	107,802	\$ 1,434,929

*See notes to financial statements.*

HEALING GROVE HEALTH INC  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended May 31, 2021

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

<b>Change in net assets</b>	\$	193,023
Adjustment to reconcile net income to net cash provided by (used in) operating activities		
Depreciation		38,021
Decrease in A/R		140,605
Increase in prepaid expenses		(2,261)
Decrease in due from HG Foundation		3,254
Decrease in A/P		(324,489)
Increase in accrued liabilities		61,216
Increase in deferred rent		37,926
Increase in deferred concierge revenue		592
Increase in small business loan		41,900

**Net Cash Provided by Operating Activities** 189,787

**Cash Flows from Investing Activities**

Decrease in construction in progress	292,890
Purchase of Leasehold Improvements	(382,194)
Purchase of Computer Equipment	(29,027)
Purchase of Medical Equipment	(13,324)
Purchase of Automobiles	(5,000)
Purchase of Furniture	<u>(795)</u>

**Net Cash Used by Investing Activities** \$ (137,450)

**Cash Flows from Financing Activities**

**Net Cash Used by Financing Activities** \$ -

**Net Increase in Cash and Cash Equivalents** 52,337

**Cash and Cash Equivalents, beginning of fiscal year** -

**Cash and Cash Equivalents, end of fiscal year** 52,337

No cash paid for income tax expense or interest expense during the year.

*See notes to financial statements.*

HEALING GROVE HEALTH CENTER INC  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MAY 31, 2021

**1. Summary of Accounting Policies**

*Nature of Activities*

Healing Grove Health Center Inc (HG) is a nonprofit corporation dedicated to offering individualized, whole-person wellness through the state-of-the-art health care, soul care, and culture care. HG also emphasizes community wellness and the true health care equity. HG offers members unlimited primary care, direct 24/7 physician access, extended office visits, and whole-person care.

*Basis of Accounting*

HG's accounting records are maintained primarily on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

*Description of Net Assets*

HG reports information regarding its financial position and activities according to the following two classes of net assets

Without donor restrictions – Net assets that are not subject donor-imposed use or time restrictions. HG classifies all contributions, except as noted below as without donor restrictions for financial statement preparation.

With donor restrictions – Net assets that are subject to donor restriction are classified as such on the statement of financial position. Amounts restricted by the donor, grantor, or other outside party for particular purpose or time period are reported as revenue when received, and such amounts are reported as net assets with restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and the reported in the statement of activities as net assets released from restrictions.

*Uses of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires HG to make estimates and assumptions that affect the reported amounts of 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.



### *Cash and Cash Equivalents*

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

### *Investments*

Investments in marketable securities with readily determinable fair market values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

### *Contracts Receivable*

Contracts receivable are unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be in future years are classified as temporarily restricted net assets.

All grants are expected to be fully collectible, accordingly, no allowance for bad debts was considered necessary.

### *Accounts Receivable*

Accounts receivable represents the amounts due from various organizations for services provided.

### *Donor-Imposed Restrictions*

All contributions are considered available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, HG reports the support as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### *Property and Equipment*

Property and equipment are stated at cost, except for donated property which is recorded at fair market value on the date received. Depreciation is provided by using the straight-line method over the estimated useful life of the related assets, generally ranging from five to seven years.

### *Revenue Recognition*

Contributions received are recognized as revenue when received or unconditionally promised. If restrictions on contributions are met in the same reporting period, they are reported as unrestricted contributions. All other revenue is recognized as earned.

### *Contributed Services*

HG does not recognize any support, revenue or expense for services contributed by volunteers unless the criteria for recognition of such volunteer efforts under SFAS No. 116 have been satisfied. Although a substantial number of volunteers have made significant contributions of their time, their services do not create or enhance non-financial assets or require a specialized skill which HG would otherwise need to purchase, and no value for those services have been assigned in these financial statements.

### *Income Taxes*

Healing Grove is a publicly supported organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. HG's returns are subject to examination by federal taxing authorities generally for three years after they are filed.

HG is a California social purpose corporation for state income tax purposes. It files a CA Form 100 along with corresponding forms and schedules for each fiscal year. HG's total tax due for the fiscal year ending May 31, 2021 was \$14,213 which resulted in a \$10,787 refund because of the \$25,000 extension tax payment made in September 2021. HG's state income tax returns are subject to examination by state taxing authorities generally for four years after they are filed.

### *Fair Value of Financial Instruments*

HG's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of non-current liabilities approximate fair value as they are charged interest based on prevailing rates.

### *Salaries and Wages Expense*

The salaries and wages and payroll tax expense for the fiscal year was for contract labor hired to fulfill obligations from grants. Thus, there is no accrual of uncompensated absences or salary applicable to this fiscal year.

### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on the functional basis in the statements of activities. Accordingly, certain costs have been allocated between program services and supporting services based on an analysis of personnel time and various direct costs.

### **3. Retirement Plan**

HG did not have a retirement plan in place as of May 31, 2021.

### **4. Concentrations of Credit Risk, Sales and Services**

Financial instruments, which potentially subject HG to concentrations of credit risk, consist principally of cash and cash equivalents and accounts receivable.

The Company places its cash and cash equivalents with high quality financial institutions located in the United States, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant risk on cash and cash equivalents. As of May 31, 2021 \$52,331 of cash is covered by FDIC insurance.

### **5. Related Party Transactions**

HG shares expenses and has some common staffing with Healing Grove Health Center Foundation Inc (Foundation). There was \$36,097 due from Foundation as of May 31, 2021. This amount was for expenses paid for HG that the other entity paid for. Also, there was \$95,827 due to Healing Health Center Foundation Inc as of May 31, 2021. These accounts payable was for donations that were for HG that Foundation received. Foundation uses the commercial building that HG operates out of and maintains a lease. HG did not sub-lease or charge rent to Foundation during the May 31, 2021 fiscal year.

As of May 31, 2021 there was \$18,195 owed to the Executive Director for back payroll. The \$18,195 back payroll owed is included in the accounts payable amount at the end of the fiscal year.

## 6. Lease Agreements

HG signed a building lease agreement on February 26, 2020. The lease ends on August 26, 2030. The base rent is \$4,406 plus additional CAM charges which are over \$3,000 per month that amounts to 45.97% of share common area operating expenses.

<u>Fiscal Years Ending May 31,</u>		<u>Operating Lease</u>
2022	\$	52,872
2023		52,872
2024		52,872
2025-2030		<u>277,452</u>
Total	\$	436,068

## 7. Subsequent Events

HG has evaluated subsequent events through March 2, 2023 which is the date the financial statements were available to be issued. The Company was able to continue its operations during the COVID-19 pandemic which began in March 2020. It did not take out a PPP loan or an economic impact disaster loan.