

FINANCIAL REPORT

CONVERGE, INC.

JACKSON, MISSISSIPPI

DECEMBER 31, 2020

Presented by: Harper, Rains, Knight & Company, P.A.
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The Board of Directors
Converge, Inc.
Jackson, Mississippi

Independent Auditors' Report

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Converge, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2020, the related statement of activities, cash flows and functional expenses for the year then ended and the related notes to 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, 2020, and the changes in its net assets and its cash flows for the year then ended 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' 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.

Responsibility 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.

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The Board of Directors
Converge, Inc. (continued)

Responsibility of Management for the Financial Statements (continued)

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.

Auditors' 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 auditors' 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.

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 the 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 the 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 audits, significant audit findings and certain internal control-related matters that we identified during the audits.

Hoyner, Raino, Knight & Company, P.A.

August 9, 2021
Ridgeland, Mississippi

CONVERGE, INC.

STATEMENT OF FINANCIAL POSITION

Year Ended December 31, 2020

	<u>2020</u>
ASSETS	
Current assets	
Cash	\$ 505,739
Receivables	<u>18,098</u>
Total current assets	<u>523,837</u>
Total assets	<u>\$ 523,837</u>
 LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 2,534
Accrued expenses	<u>3,919</u>
Total current liabilities	<u>6,453</u>
Net assets	
Without donor restrictions	<u>517,384</u>
Total net assets	<u>517,384</u>
Total liabilities and net assets	<u>\$ 523,837</u>

The Notes to Financial Statements are an integral part of this statement.

CONVERGE, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

Change in net assets without donor restrictions:

Revenues and support

Grants	\$ 711,342
Earned income	18,264
Other income	<u>3,750</u>
Total revenues and support	<u>733,356</u>

Expenses

Program	159,727
Administrative	41,056
Fundraising	<u>15,189</u>
Total expenses	<u>215,972</u>

Increase in net assets without restrictions 517,384

Net assets, beginning -

Net assets, ending \$ 517,384

The Notes to Financial Statements are an integral part of this statement.

CONVERGE, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

Cash flows from operating activities:	
Change in net assets without donor restrictions	\$ 517,384
Adjustments to reconcile change in net assets without donor restrictions net change in cash from operating activities:	
Change in:	
Accounts receivable	(18,098)
Accounts payable and accrued expenses	<u>6,453</u>
Net change in cash from operating activities	<u>505,739</u>
Net increase in cash	505,739
Cash, beginning	<u>-</u>
Cash, ending	<u><u>\$ 505,739</u></u>

The Notes to Financial Statements are an integral part of this statement.

CONVERGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Training	Consulting	Evaluation	Policy & Advocacy	Total Program	Administrative	Fundraising	Totals
Salaries and wages	\$ 28,420	\$ 16,240	\$ 4,060	\$ 8,120	\$ 56,840	16,240	\$ 8,120	\$ 81,200
Fringe benefits and payroll taxes	2,950	1,686	421	843	5,900	1,685	843	8,428
Total employee compensation	31,370	17,926	4,481	8,963	62,740	17,925	8,963	89,628
Contracted program support	15,000	26,703	11,703	-	53,406	-	-	53,406
Financial and legal	-	-	-	-	-	10,674	-	10,674
Supplies	3,551	2,029	507	1,015	7,102	2,029	1,015	10,146
Telephone and internet	113	65	16	32	226	65	32	323
Rent	2,100	1,200	300	600	4,200	1,200	600	6,000
Equipment	71	41	10	20	142	42	20	204
Evaluations	2,159	1,234	308	617	4,318	1,234	617	6,169
Meeting and conferences	3,840	2,194	549	1,097	7,680	2,195	1,097	10,972
Communications and materials	458	262	65	131	916	263	131	1,310
Staff development	7,958	4,548	1,137	2,274	15,917	4,547	2,274	22,738
Dues and subscriptions	1,091	623	156	312	2,182	623	312	3,117
Other miscellaneous	449	257	64	128	898	259	128	1,285
	<u>\$ 68,160</u>	<u>\$ 57,082</u>	<u>\$ 19,296</u>	<u>\$ 15,189</u>	<u>\$ 159,727</u>	<u>\$ 41,056</u>	<u>\$ 15,189</u>	<u>\$ 215,972</u>

The Notes to Financial Statements are an integral part of this statement.

CONVERGE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been followed by Converge, Inc. (hereafter referred to as the "Organization") in preparing the accompanying financial statements are set forth below.

Nature of Activities

The Organization is a public charity which was founded in Mississippi for the purpose of increasing access to quality family planning services. The Organization does not provide any direct clinical care but instead provides training, nonprofit consulting and research to private and public health care clinics and providers. The Organization was fiscally sponsored by the Women's Foundation of Mississippi until July 1, 2020. The Organization's support is primarily derived from a state government sub-grant and a private foundation grant.

Description of Program Services

Training - The Organization provides training for health center staff that promote best practices in family planning care. Training opportunities include of topics that support patient-centered contraceptive care, including Title X rules and regulations and best practices for the development of systems to same-visit provision of all contraceptive methods.

Consulting - The Organization conducts statewide quality assessments of family planning services in public health clinics, provides recommendations on clinical process improvements and manages a multi-site learning collaborative for Community Health Centers participating in the Title X network.

Evaluation - The Organization explores new ways of measuring the success of the Organization that priorities that patient experience. In addition, the Organization is piloting the implementation of My Birth Control, a tablet-based contraceptive counseling tool, in a private clinic in Mississippi to learn how the tool improves patient experience and outcomes.

Policy and Advocacy - The Organization advocates for administrative policies that increase access to quality family planning care. This includes working with public and private payers to ensure people have access to quality health care. The Organization does not conduct any legislative advocacy or lobbying.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual method of accounting.

CONVERGE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The Organization reports its financial position and activities in according to two classes of net assets. Furthermore, information is presented on a functional basis to segregate program services from support services in the accompanying statement of activities. A description of the two classes of net assets is as follows:

- *Without donor restrictions* - Net assets that are not subject to restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.
- *With donor restrictions* - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time or required to be maintained permanently by the Organization due to donor-imposed restrictions, the corpus of which will be invested. The Organization did not have net assets with donor restrictions at December 31, 2020.

Concentrations of Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash that the Organization maintains in one financial institution. While the balances may exceed the insurance limits of the Federal Deposit Insurance Corporation at times, credit risk is considered minimal due to the high credit quality of the financial institutions.

The Organization derives its income from federal pass through grants and grants from a private foundation. The Organization's dependency on these contributions exposes it to risks that exist due to the concentration of revenue from such sources.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Significant estimates used in preparing these financial statements are the allocation of expenses to the functional categories. It is at least reasonably possible that the significant estimates used will change within the next year.

Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires

CONVERGE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

in the reporting period, in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. 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.

Donations of property, equipment and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. The Organization had no such donations for the year ended December 31, 2020.

Contributed Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise have been purchased by the Organization. The Organization recognized no contributed services for the year ended December 31, 2020.

Accounts Receivable

Accounts receivable consist of grants receivable and trade receivables. Grants are for operating support and are reported as receivables upon commitment from the granting organization and fulfillment of all significant grant conditions. All receivables at December 31, 2020, are due within one year.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Organization has no unrecognized tax benefits identified or recorded at December 31, 2020. The Organization would recognize interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 Revenue from Contracts with Customers (Topic 606) to improve

CONVERGE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. In order to comply with ASC Topic 606, entities should apply the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when a performance obligation is satisfied. The ASU is effective for years beginning after December 15, 2018. Management has evaluated the requirements of ASC Topic 606 and has determined that their current revenue recognition process is consistent with this five-step approach and has no material effect to the financial statements.

Liquidity

The following represents the Organization's financial assets at December 31, 2020:

	<u>2020</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 505,739
Receivables	<u>18,098</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 523,837</u>

The Organization has a goal to maintain financial assets in reserve to meet 90 days of normal operating expenses, which are, on average, approximately \$53,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Retirement Plan

The Organization contributes to a SIMPLE IRA for each employee. There are no age or service requirements to be eligible. Contributions of three percent of salary are made by the Organization monthly. Employee may also elect to contribute. Total expense was \$2,400 for the year ended December 31, 2020.

CONVERGE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Subsequent events were evaluated by the Organization through August 9, 2021, which is the date the financial statements were available to be issued.

NOTE 2 • ACCOUNTS RECEIVABLE

As of December 31, 2020, accounts receivable consisted of the following amounts:

Grants receivable	\$	15,348
Other receivable		<u>2,750</u>
	\$	<u><u>18,098</u></u>

NOTE 3 • OPERATING LEASE

The Organization leases a building for the operation of the Organization. The lease expires July 1, 2021. Total rent expense for the year ended December 31, 2020, was \$6,000.

Future minimum lease payments on the lease are as follows:

<u>Year Ending December 31,</u>		
2021	\$	<u>6,000</u>
	\$	<u><u>6,000</u></u>

NOTE 4 • CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Organization's operations.