ritter center
health, home & community

Ritter Center
Audited Financial Statements
As of and for the Years Ended June 30, 2018 and 2017
with Report of Independent Auditors

An independently owned member
RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	21

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Report of Independent Auditors

To the Board of Directors of
Ritter Center
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of Ritter Center (the Center), a California nonprofit corporation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, on our consideration of the Center's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
February 6, 2019

		June 30		
		2018		2017
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**1,848,359**	$	2,520,889
Investments		**737,058**		284,821
Patient accounts receivable		**198,857**		173,816
Grants and other receivables		**443,534**		282,699
Estimated amounts due from third-party payers		**202,594**		-
Prepaid expenses and inventories		**31,238**		62,506
Assets restricted as to use		**112,789**		121,577
Deposits		**18,382**		8,455
Total current assets		**3,592,811**		3,454,763
Property and equipment, net		**36,033**		87,243
Total assets	**$**	**3,628,844**	$	3,542,006
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	**$**	**252,848**	$	348,715
Estimated amounts due to third-party payers		**-**		243,248
Due to clients - funds held in trust		**112,789**		121,577
Total current liabilities		**365,637**		713,540
Net Assets				
Unrestricted		**3,153,694**		2,711,667
Temporarily restricted		**109,513**		116,799
Total net assets		**3,263,207**		2,828,466
Total liabilities and net assets	**$**	**3,628,844**	$	3,542,006

See notes to financial statements.

	Years ended June 30	
	2018	2017
Unrestricted revenues, gains and other support		
Patient services revenues, net of contractual allowances	**$ 1,964,124**	$ 1,342,153
Grants and contracts revenues	**3,103,165**	2,571,898
Contributions and support	**324,063**	426,079
Fundraising	**10,489**	2,772
Net assets released from restrictions used for operations	**107,286**	119,701
In-kind contributions	**188,116**	153,598
Other	**3,539**	6,755
Total unrestricted revenues and other support	**5,700,782**	4,622,956
Expenses		
Program services	**3,712,856**	3,011,216
Fundraising	**65,076**	19,959
Management and general	**1,480,823**	1,094,223
Total expenses	**5,258,755**	4,125,398
Change in unrestricted net assets	**442,027**	497,558
Temporarily restricted net assets		
Contributions	**100,000**	171,500
Net assets released from restrictions	**(107,286)**	(119,701)
Change in temporarily restricted net assets	**(7,286)**	51,799
Change in net assets	**434,741**	549,357
Net assets, beginning of year	**2,828,466**	2,279,109
Net assets, end of year	**$ 3,263,207**	$ 2,828,466

See notes to financial statements.

	Years ended June 30	
	2018	2017
Cash flow from operating activities		
Change in net assets	**$ 434,741**	$ 549,357
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**36,600**	46,793
Unrealized gain on investments	**(3,539)**	(9,470)
Loss on retirement of property and equipment	**66,634**	-
Decrease (increase) in:		
Patient accounts receivable	**(25,041)**	12,641
Grants and other receivables	**(160,835)**	(157,292)
Prepaid expenses and inventories	**31,268**	(24,467)
Deposits	**(9,927)**	-
Estimated amounts due to/from third-party payers	**(445,842)**	86,214
Increase (decrease) in:		
Accounts payable and accrued expenses	**(95,867)**	121,825
Net cash provided by (used in) operating activities	**(171,808)**	625,601
Cash flows from investing activities		
Proceeds from sale of investments	**-**	79,964
Purchase of investments	**(448,698)**	(156,249)
Acquisition of property and equipment	**(52,024)**	(30,049)
Net cash used in investing activities	**(500,722)**	(106,334)
Net increase (decrease) in cash and cash equivalents	**(672,530)**	519,267
Cash and cash equivalents at beginning of year	**2,520,889**	2,001,622
Cash and cash equivalents at end of year	**$ 1,848,359**	$ 2,520,889

See notes to financial statements.

NOTE 1 ORGANIZATION

Nature of Operations

Ritter Center (the Center) is a California community-based not-for-profit organization, located in downtown San Rafael, California that has assisted Marin County's (the County) residents since 1980. The Center’s mission is to provide integrated, quality health and social services for homeless and at risk individuals and families in the County. The Center works to help stabilize people's lives by offering a wide range of social services: emergency financial assistance, permanent housing subsidies, representative payee and comprehensive case management; primary health care, specialty care coordination, integrated mental health therapy and substance use counseling; and out-patient treatment program general delivery mail, voicemail, supplementary food and clothing; showers, laundry, and restroom facilities; and seasonal programs that include a Back to School Drive, Thanksgiving Turkey Giveaway and a Holiday Family to Family Toy Drive. All of the programs and services are provided free of charge to people in poverty.

The Center was designated in November 2013 as a federally qualified health center (FQHC) under the Section 330 of the Public Health Service Act. As an FQHC, the Center is obligated to offer a sliding fee scale to their designated service area to benefit the underserved and special population of the County, thereby qualifying the Center to receive an enhanced reimbursement from Medicare and Medi-Cal to offset the cost of uncompensated care and furnish other services that would not be paid otherwise.

In addition to the Center's own programs, the Center maintains a thorough referral network to link clients to other vital services available in the community. The Center helps those in need to become more self-reliant. The Center's main outcomes are transitioning people into housing, employment, and health, mental health and substance abuse treatment as well as improving people's day to day living conditions.

Case Management

The Center’s case managers meet one-on-one with individuals and families in need of assistance. Case managers evaluate each client's immediate and long-term needs through an interview assessment process. Together, the client and case manager develop a case plan to help stabilize the client and create a path to increased self-sufficiency. Case managers specialize in housing (through the Housing First program and other subsidies such as Section 8 and Veterans Affairs Supportive Housing), substance abuse, government benefits including public health insurance programs, physical and mental health, jail release planning, and assistance with money management through a Representative Payee program.

Health Center

The Center provides primary health care services, urgent care, chronic disease management, behavioral health screenings and specialty care coordination to low-income, homeless and uninsured patients. The Center's medical professionals also conduct medical and mental work readiness exams for the County’s General Assistance benefit program.

NOTE 1 ORGANIZATION (CONTINUED)

Behavioral Health
The Center provides behavioral health services including mental health and substance abuse counseling and psychiatric medicine management. The behavioral health program works in an integrated and holistic manner with the Center's medical and case management programs. This multi-disciplinary team of professionals makes up the Center's Behavioral Wellness Education and Life Learning (BWELL) team. The BWELL team meets weekly to create and update holistic treatment plans for patients with complex needs.

Food Pantry
The Center maintains the largest food pantry in Marin County. Over the last few years, the Center has distributed an average of more than 20,000 bags of groceries to over 3,000 households per year. The pantry serves both housed and homeless clients with nutritious supplementary food items on a weekly basis. The majority of the pantry's food is delivered by the San Francisco/Marin Food Bank with smaller contributions from stores and individuals in the community.

Clothing
Since its inception in 1980, the Center has been supporting those experiencing poverty and homelessness by distributing clothes. The Center maintains a stock of emergency clothing items and survival gear on site for their homeless clients including rain gears, sleeping bags, and warm socks.

Day Service Center
The Day Service Center is a clean, safe and nurturing environment primarily for use by persons who are homeless. The Center provides showers, hygiene supplies, laundry facilities, restrooms, and storage lockers to stow personal belongings. Showers can be scheduled up to two (2) times each week along with weekly laundry appointments. The Day Service Center averages 2,000 laundry and 8,000 shower appointments per year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Center have been prepared using the accrual basis of accounting.

Financial Statement Presentation
The Center reports information regarding its financial position and activities according to three (3) classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets defined as follows:

Unrestricted - Contributions and allocations of joint costs, the uses of which are not restricted by donors or grantors, are recorded in unrestricted net assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted - Contributions and allocations of joint costs, the uses of which are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations, are recorded as temporarily restricted net assets. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Permanently Restricted - Permanently restricted net assets are restricted by donors to be maintained by the Center in perpetuity but permit the Center to expend some of the income (or other economic benefits) derived from the donated assets for specific purposes. As of June 30, 2018 and 2017, the Center did not have any permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with maturities of three (3) months or less at the time of purchase. Cash equivalents exclude investments in money market accounts, which are recorded within assets restricted as to use.

Concentration of Credit Risk

Financial instruments that potentially subject the Center to credit risk are cash deposits with banks and other financial institutions that are in excess of the federally insured limit of $250,000 provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2018 cash balances of $1,608,662 exceeded coverage provided by federal depository insurance. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in regards to cash.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Net unrealized gain or loss in fair value of investments is included in other income in the statements of activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are recorded when billed or accrued and represent claims against third parties, primarily government agencies, which will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts and provision for disallowances, represents estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, the age of outstanding receivables and existing economic conditions. The provision for doubtful accounts for the years ended June 30, 2018 and 2017 amounted to $159,069 and $18,015, respectively. There were no write-offs of receivables for the years ended June 30, 2018 and 2017.

Inventories

Inventories consist of food, purchased and received as contributions; clothing vouchers received from Goodwill in exchange for clothing received as contributions; and purchased bus passes and gift cards; but all not yet distributed to clients. The Center records contributions of food and clothing at fair value. The Center bases the initial fair value of contributed food and clothing on comparable sale of identical or similar items in markets available to the Center, which is a Level 2 input. In the case of contributed clothing that the Center exchanges for Goodwill vouchers, the Center bases the initial fair value on the value determined by Goodwill as evidenced by the amount of vouchers received. The management of the Center has determined that Goodwill uses a method for determining fair value similar to that used by the Center.

Assets Restricted As To Use

The Center acts as trustee to receive certain governmental and pension payments due to unbanked clients and remits those funds to the clients as needed. The Center records the total of the funds held as assets restricted as to use with an equal corresponding amount recorded as an offsetting liability.

Third-Party Contractual Agreements

The Center has agreements with Medicare that provide payments under a cost-based reimbursement (not to exceed the maximum cap) system and with Medi-Cal that provide payments under the Prospective Payment System (PPS). In the case of Medicare, reasonable estimates of patient services revenues are made and reported in the period services are rendered, and differences between the estimates and actual payments received are included in the statement of activities in the period in which they are determined. In the case of Medi-Cal, payments under the new payment system are final, unless the number of reimbursable visits is changed as a result of an audit by the State of California’s Department of Health and Human Services.

Property and Equipment

Property and equipment acquisitions are recorded at cost. The Center capitalizes assets with economic useful lives greater than one (1) year and for values greater than $5,000. Provision for depreciation of property and equipment is computed on the straight-line method over the estimated lives of depreciable assets ranging from three (3) to ten (10) year economic useful lives. Donated assets are recorded at their fair market value at the time an asset is received.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Asset Impairment

The Center evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset carrying amount is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2018 and 2017.

Vacation

Regular full-time employees accrue vacation at a rate of ten (10) days in their first year of employment. Full-time employees rate of accrual increases on the anniversary of the employee's start date of employment, by two days for each year of service up to a limit of twenty (20) days per year. Regular part-time employees accrue vacation on a pro-rated basis depending on how many hours per week they work compared to a 40-hour work week and the vacation is capped at a pro-rated basis. Vacation accrual for regular full-time, and regular part-time employees working fewer than 40 hours per week is pro-rated, based on the number of hours the employee is regularly scheduled to work.

The Center encourages employees to use their vacation in the year in which it accrues. When an employee accumulates more than the maximum allowed in unused vacation, the employee will stop accruing vacation until he or she uses some of the accrued vacation days and the balance falls below the cap. Accrued vacation that remains unused when employment terminates will be paid to the employee at the employee's final base pay rate. As of June 30, 2018 and 2017, accrued vacation amounted to $59,567 and $110,460, respectively.

Revenue Recognition

Net Patient Services Revenue

The Center is approved as an FQHC for both Medicare and Medi-Cal reimbursement and has agreements with third-party payers that provide payments to the Center at amounts different from its established rates. These payment arrangements include:

Medicare

Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement system. The Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Center and audit thereof by the Medicare fiscal intermediary. In the opinion of management, any final settlement of the associated cost reports will not materially affect the financial statements of the Center. Services not covered under the FQHC benefit are paid based on established fee schedules.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Medi-Cal
Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Center is reimbursed a set encounter rate for all services provided. Services not covered under the FQHC benefit are paid based on established fee schedules. The Center is required to submit an annual Medi-Cal Reconciliation Request Form to the California Department of Health Care Services (the Department) for purposes of determining whether the Center was paid appropriately for certain Medi-Cal visits. These annual reconciliations result in the determination of any underpayment or overpayment by the Medi-Cal program for the affected visits. The Center established an estimated third-party payer settlement receivable in the amount of $202,594 as of June 30, 2018 and a settlement payable in the amount of $243,248 as of June 30, 2017. Such amounts are recorded on the statements of financial position as estimated third-party payer settlements. Following submission of the Medi-Cal Reconciliation Request Form, the Center will generally receive a tentative settlement from the Medi-Cal program with a final settlement made within three years of the date of submission. Management believes that any adjustment from subsequent audit by the Department will not materially affect the financial statements of the Center.

Other Third-Party Payers
The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred-provider organizations, and patients considered eligible for coverage under certain Federal Financial Assistance grants. The basis for payment to the Center under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Grants and Contracts
Support funded by grants is recognized as revenue as the Center performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions
Contributions primarily include unconditional promises to give cash or other assets. Contributions, whether temporarily restricted or unrestricted, are recognized as revenue when they are received. Unconditional promises to give are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions expire, whichever occurs first.

In-kind contributions
In-kind contributions consist principally of clothing and food contributions and professional medical services, all provided to clients. The Center reports in-kind contributions at fair value. The Center bases the fair value of professional medical services on the cost of similar services from comparable purchases, which is a Level 3 input. The Center only reports in-kind contributions of professional services when the professional services are of a professional or technical nature requiring expertise or education not available to the Center and the Center would have paid for the professional services if donors had not contributed them.

Income Taxes
The Center is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California revenue and taxation code and is generally not subject to federal or state income taxes. However, the Center is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

GAAP requires that an organization recognize in the financial statements the impact of a tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2018, the Center had no material unrecognized tax benefits, tax penalties or interest. As of June 30, 2018, information returns subsequent to 2014 filed by the Center are subject to examination by the taxing authorities.

Functional Allocation of Expenses
Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on management estimates.

Allocation of Joint Costs
The Center incurs costs that included fundraising and program components. The costs of conducting those activities which are not specifically attributable to a particular component of the activities are allocated based on square footage or full-time employees (FTE).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. The reclassifications had no impact on previously reported statements of financial position.

NOTE 3 CASH AND CASH EQUIVALENTS

At June 30, 2018 and 2017, cash and cash equivalents consisted of the following:

	2018			2017		
Description	Per Book	Per Bank	Uninsured Amount	Per Book	Per Bank	Uninsured Amount
Petty cash	$ 510	$ -	$ 510	$ 550	$ -	$ 550
Presidio Operating	1,275,464	1,351,993	1,101,993	1,529,530	1,533,147	1,283,147
Presidio Payroll	11,949	11,949	6,163	6,163	6,163	6,163
Bank of Marin	112,789	156,852	-	121,577	163,954	-
Merrill Lynch	59,244	59,244	-	42,031	42,031	-
Presidio Reserve	501,192	501,192	500,506	500,506	500,506	500,506
Charles Schwab & Co	-	-	-	442,109	442,109	442,109
Total cash and cash equivalents	1,961,148	$ 2,081,230	$ 1,609,172	2,642,466	$ 2,687,910	$ 2,232,475
Less: assets restricted as to use	(112,789)			(121,577)		
Total unrestricted cash	$ 1,848,359			$ 2,520,889		

NOTE 4 INVESTMENTS

At June 30, 2018 and 2017, investments consisted of the followings:

	2018			2017		
Account Summary	Balance	Concentration	Measurement Input	Balance	Concentration	Measurement Input
BulletShares Corp. Bond 2018	$ -	0.00%	Level 1	$ 75,788	26.61%	Level 1
BulletShares Corp. Bond 2019	104,975	14.24%	Level 1	106,300	37.32%	Level 1
EagleBank CD	-	0.00%	Level 1	49,949	17.54%	Level 1
Institutional portfolio	632,083	85.76%	Level 1	52,784	18.53%	Level 1
Total investments	$ 737,058	100.00%		$ 284,821	100.00%	

NOTE 5 PATIENT ACCOUNTS RECEIVABLE

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The accounts receivable from patients at June 30, 2018 and 2017 were as follows:

	2018		2017	
Payor Class	Balance	Concentration	Balance	Concentration
Medi-Cal	$ 251,908	70.38%	$ 3,379	1.62%
Medicare	53,379	14.91%	118,145	56.73%
Commercial Insurance and third-party payers	12,813	3.58%	31,534	15.14%
Private Pay	39,826	11.13%	55,191	26.50%
Subtotal	357,926	100.00%	208,249	100.00%
Less: allowance for doubtful accounts	(159,069)		(34,433)	
Total patient accounts receivable, net	$ 198,857		$ 173,816	

NOTE 6 GRANTS AND OTHER RECEIVABLES

At June 30, 2018 and 2017, grants and other receivables consisted of the following:

	2018	2017
Marin County	$ 142,825	$ 85,168
Homeless Emergency Assistance and Rapid Transition to Housing - Continuum of Care	42,392	9,194
Community Health Centers Program, Section 330 (ACA)	229,959	79,833
County Rapid Re-Housing Program	20,739	70,236
Other	7,619	38,268
Total grants and other receivables	$ 443,534	$ 282,699

NOTE 7 PROPERTY AND EQUIPMENT

At June 30, property and equipment consisted of the following:

	2018	2017
Building and building improvements	$ 476,029	$ 533,182
Equipment	48,371	48,371
Furniture and fixtures	101,030	91,400
Subtotal	625,430	672,953
Less: Accumulated depreciation	(589,397)	(585,710)
Property and equipment, net	$ 36,033	$ 87,243

Provision for depreciation expense for the fiscal years ended June 30, 2018 and 2017 were $36,600 and $46,793, respectively. During fiscal year 2018, the Center wrote-off property and equipment amounted of $66,634 related to leasehold improvements for the Center's old office space.

NOTE 8 OPERATING LEASE

The Center leases space under three operating leases that expire on various dates through December 31, 2021. Two of three leases contain escalation clauses with minimum and maximum annual increase of 4% and 6%, respectively, options to renew for five years and rights of first refusal to purchase the properties if sold. In addition, one lease calls for payment of property taxes annually and another lease calls for payment to repaint every five years. Future minimum office space lease payments for each of the years ending June 30, total as follows:

Years ending June 30		Amount
2019	$	216,414
2020		224,084
2021		141,915
Total	$	582,413

For the years ended June 30, 2018 and 2017, occupancy expense was $196,879 and $173,266, respectively.

NOTE 9 LINE OF CREDIT

The Center has a line-of-credit with Presidio Bank in the amount of $300,000 which expires on March 15, 2020. Interest is payable monthly at 4.25% on any outstanding balance. The Center did not have any outstanding balance under the line of credit as of June 30, 2018 and 2017.

NOTE 10 COMMITMENT AND CONTINGENCIES

Grants and Contracts

Continuing program funding from federal and state sources is contingent upon availability of funds and project performance. The funds are awarded on a yearly basis upon receipt and approval of program applications. In addition, expenses made under federal and state grants are subject to review and audit by the grantor agencies.

General Liability and Workers' Compensation

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters for which the Center carries commercial insurance. The Center purchases commercial insurance to cover the risk of loss for property and business liability. There are no known claims or incidents that may result in the assertion of material claims arising from potential losses.

NOTE 10 COMMITMENT AND CONTINGENCIES (CONTINUED)

Medical Malpractice Claims

The Center carries commercial insurance for its practicing physicians covered for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions.

GAAP requires a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Center's claim experience, no such accrual has been recorded as of June 30, 2018 and 2017. It is reasonably possible that this estimate could change materially in the near term.

Risks and Uncertainties

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

A summary of changes in temporarily restricted net assets for the years ended June 30, 2018 and 2017 are as follow:

At June 30, 2018

	Balance as of July 1, 2017	Contributions	Net assets released from restrictions	Balance as of June 30, 2018
Marin Community Foundation - Health Care	$ 48,108	$ 100,000	$ 103,480	$ 44,628
Hamilton Meadows	65,000	-	115	64,885
Other Restricted Grants	3,691	-	3,691	-
Total temporarily restricted	$ 116,799	$ 100,000	$ 107,286	$ 109,513

At June 30, 2017

	Balance as of July 1, 2016	Contributions	Net assets released from restrictions	Balance as of June 30, 2017
Marin Community Foundation - Health Care	$ -	$ 150,000	$ 101,892	$ 48,108
Hamilton Meadows	65,000	-	-	65,000
Other Restricted Grants	-	21,500	17,809	3,691
Total temporarily restricted	$ 65,000	$ 171,500	$ 119,701	$ 116,799

NOTE 12 DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

The Center's financial assets and liabilities include primarily cash and cash equivalents, short-term investments, receivables, assets restricted as to use, accounts payable and accrued expenses. Because of the short-term nature of the cash and cash equivalents, receivables, accounts payable and accrued expenses, the carrying amounts of these assets and liabilities approximate their fair value.

Investments
Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and would be classified as Level 2. In certain cases where Level 1 or 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Assets Restricted as to Use
Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and would be classified as Level 2. In certain cases where Level 1 or 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

NOTE 12 DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

	Level 1	Level 2	Level 3	Total
At June 30, 2018:				
Investments				
Exchange traded funds	**$ 104,975**	**$ -**	**$ -**	**$ 104,975**
Mutual funds	**632,083**	**-**	**-**	**632,083**
Total investments	**$ 737,058**	**$ -**	**$ -**	**$ 737,058**
Assets restricted as to use	**$ 112,789**	**-**	**$ -**	**$ 112,789**
At June 30, 2017:				
Investments				
Exchange traded funds	$ 182,088	$ -	$ -	$ 182,088
Mutual funds	52,784	-	-	52,784
Certificate of deposits	49,949	-	-	49,949
Total investments	$ 284,821	$ -	$ -	$ 284,821
Assets restricted as to use	$ 121,577	$ -	$ -	$ 121,577

NOTE 13 OPERATING RESERVE

The Board has designated $1,238,250 of net assets as of June 30, 2018 as an operating reserve. This reserve will be used for capital expenditures or at times of hardship.

NOTE 14 SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through February 6, 2019, the date on which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in the financial statements.

SUPPLEMENTARY INFORMATION

	Program Services	Fundraising	Management and General	Total
Personnel costs	$ 2,217,702	$ -	$ 839,017	$ 3,056,719
Provision for bad debts	135,060	-	-	135,060
Bank fees and interest	-	1,953	1,491	3,444
Client assistance	589,418	-	-	589,418
Client services	1,671	-	-	1,671
Communications	31,642	-	11,009	42,651
Dues and subscriptions	14,723	1,896	20,603	37,222
Equipment rental and repair	10,316	190	8,169	18,675
Insurance	7,159	-	18,471	25,630
Occupancy	299,858	7,428	82,239	389,525
Postage and delivery	1,699	1,169	4,071	6,939
Printing and publications	6,076	2,654	3,808	12,538
Professional services	203,424	13,153	327,626	544,203
Supplies	112,278	2,743	19,305	134,326
Taxes and licenses	10,638	-	541	11,179
Training	21,008	112	3,221	24,341
Travel	18,280	-	9,058	27,338
Miscellaneous	11,484	33,778	49,380	94,642
Loss on retirement of property and equipment	-	-	66,634	66,634
Depreciation	20,420	-	16,180	36,600
Total expenses	$ 3,712,856	$ 65,076	$ 1,480,823	$ 5,258,755

See report of independent auditors.

	Program Services	Fundraising	Management and General	Total
Personnel costs	$ 1,722,267	$ -	$ 705,936	$ 2,428,203
Provision for bad debts	19,268	-	-	19,268
Bank fees and interest	1	634	8,611	9,246
Client assistance	430,549	-	-	430,549
Client services	29,165	-	-	29,165
Communications	8,363	129	4,847	13,339
Dues and subscriptions	21,694	1,896	6,934	30,524
Equipment rental and repair	21,181	188	8,320	29,689
Insurance	13,892	-	11,311	25,203
Occupancy	315,750	1,351	54,335	371,436
Postage and delivery	1,230	56	3,967	5,253
Printing and publications	9,802	2,808	13,406	26,016
Professional services	255,240	6,382	191,495	453,117
Supplies	70,319	476	18,852	89,647
Taxes and licenses	26,828	-	12,050	38,878
Training	13,671	100	2,080	15,851
Travel	11,642	-	3,699	15,341
Miscellaneous	19,276	5,939	22,665	47,880
Depreciation	21,078	-	25,715	46,793
Total expenses	$ 3,011,216	$ 19,959	$ 1,094,223	$ 4,125,398

See report of independent auditors.

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Ritter Center
San Rafael, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ritter Center("the Center"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasquez & Company LLP

Glendale, California
February 6, 2019

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