Ritter Center
Audited Financial Statements
As of and for the Years Ended June 30, 2020 and 2019
with Independent Auditor's Report

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Independent Auditor's Report

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, 2020 and 2019, and the related statements of activities, functional expenses 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.

Auditor's 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, 2020 and 2019, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncements
As discussed in Note 2 to the financial statements, Ritter Center adopted new accounting standards, FASB ASU 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) and* FASB ASU 2014-09 - *Revenue from Contracts with Customers (Topic 606*). Disclosures have been enhanced to reflect the application of the new accounting standards.

Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, 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 grant 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.

Glendale, California
January 28, 2021

		June 30		
		2020		2019
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**1,654,757**	$	1,724,421
Investments		**1,617,420**		749,868
Patient accounts receivable, net		**341,357**		289,303
Grants and other receivables		**479,093**		523,823
Estimated settlement amounts due from third-party payers		**106,576**		351,062
Prepaid expenses and inventories		**125,189**		32,124
Assets restricted as to use		**136,173**		77,563
Deposits		**22,605**		22,605
Total current assets		**4,483,170**		3,770,769
Property and equipment, net		**64,892**		75,510
Total assets	**$**	**4,548,062**	$	3,846,279
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	**$**	**317,843**	$	273,411
Contract advances		**69,334**		-
Estimated settlement amounts due to third-party payers		**315,930**		171,562
Due to clients - funds held in trust		**136,173**		77,563
Total current liabilities		**839,280**		522,536
Net Assets				
Without donor restrictions		**3,237,615**		3,171,866
With donor restrictions		**471,167**		151,877
Total net assets		**3,708,782**		3,323,743
Total liabilities and net assets	**$**	**4,548,062**	$	3,846,279

See notes to financial statements.

	Years ended June 30	
	2020	2019
Operating revenues		
Unrestricted revenues, gains and other support		
Patient services revenues (net of contractual allowances)	**$ 971,604**	$ 1,143,435
Provision for bad debts	**(21,753)**	(96,462)
Net patient services revenues	**949,851**	1,046,973
Grants and contracts revenues	**4,107,105**	3,567,800
Contributions and support	**402,998**	260,238
In-kind contributions	**117,863**	229,650
Other income	**-**	2,941
Operating revenues before net assets released from restrictions used for operations	**5,577,817**	5,107,602
Net assets released from restrictions used for operations	**331,999**	82,636
Total operating revenues	**5,909,816**	5,190,238
Operating expenses		
Program services	**3,935,621**	3,514,044
Fundraising	**13,926**	141,945
Management and general	**1,894,520**	1,516,077
Total operating expenses	**5,844,067**	5,172,066
Increase in net assets without donor restrictions	**65,749**	18,172
Changes in net assets with donor restrictions		
Contributions	**651,289**	125,000
Net assets released from restrictions	**(331,999)**	(82,636)
Increase in net assets with donor restrictions	**319,290**	42,364
Change in net assets from operations	**385,039**	60,536
Net assets, beginning of year	**3,323,743**	3,263,207
Net assets, end of year	**$ 3,708,782**	$ 3,323,743

See notes to financial statements.

	2020			
	Program Services	**Fundraising**	**Management and General**	**Total**
Personnel costs	$ 2,457,187	$ 690	$ 749,439	$ 3,207,316
Bank fees and interest	28	2,524	2,577	5,129
Client assistance	854,876	2,144	29	857,049
Client services	30	-	-	30
Communications	7,894	-	11,469	19,363
Dues and subscriptions	11,085	1,957	10,919	23,961
Equipment rental and repair	849	-	23,937	24,786
Insurance	8,054	-	18,465	26,519
Occupancy	262,824	-	169,139	431,963
Postage and delivery	1,308	-	3,039	4,347
Printing and publications	4,354	3,682	3,464	11,500
Professional services	78,897	2,500	775,935	857,332
Supplies	104,604	429	98,006	203,039
Taxes and licenses	7,711	-	539	8,250
Training	2,867	-	950	3,817
Travel	39,621	-	8,593	48,214
Miscellaneous	82,825	-	6,680	89,505
Depreciation	10,607	-	11,340	21,947
Total expenses	$ 3,935,621	$ 13,926	$ 1,894,520	$ 5,844,067

See notes to financial statements.

	2019			
	Program Services	Fundraising	Management and General	Total
Personnel costs	$ 2,156,174	$	$ 703,266	$ 2,859,440
Bank fees and interest	-	1,423	1,974	3,397
Client assistance	677,602	-	-	677,602
Client services	852	-	-	852
Communications	20,647	-	9,689	30,336
Dues and subscriptions	10,066	1,756	11,016	22,838
Equipment rental and repair	5,147	-	11,963	17,110
Insurance	5,989	-	20,074	26,063
Occupancy	302,935	-	134,321	437,256
Postage and delivery	562	-	3,213	3,775
Printing and publications	4,843	4,066	6,323	15,232
Professional services	128,647	126,347	542,300	797,294
Supplies	86,864	3,537	35,991	126,392
Taxes and licenses	7,023	-	740	7,763
Training	3,236	-	1,846	5,082
Travel	45,322	-	9,750	55,072
Miscellaneous	40,790	4,816	17,895	63,501
Depreciation	17,345	-	5,716	23,061
Total expenses	$ 3,514,044	$ 141,945	$ 1,516,077	$ 5,172,066

See notes to financial statements.

	Years ended June 30	
	2020	2019
Cash flow from operating activities		
Change in net assets from operations	$ **385,039**	$ 60,536
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**21,947**	23,061
Unrealized loss (gain) on investments	**6,680**	(2,941)
Decrease (increase) in:		
Patient accounts receivable	**(52,054)**	(90,446)
Grants and other receivables	**44,730**	(80,289)
Prepaid expenses and inventories	**(93,065)**	(886)
Deposits	**-**	(4,223)
Estimated settlement amounts due from third-party payers	**244,486**	23,094
Increase (decrease) in:		
Accounts payable and accrued expenses	**44,432**	20,563
Contract advances	**69,334**	-
Estimated settlement amounts due to third-party payers	**144,368**	-
Net cash provided by (used in) operating activities	**815,897**	(51,531)
Cash flows from investing activities		
Purchase of investments	**(874,232)**	(9,869)
Acquisition of property and equipment	**(11,329)**	(62,538)
Net cash used in investing activities	**(885,561)**	(72,407)
Net decrease in cash and cash equivalents	**(69,664)**	(123,938)
Cash and cash equivalents at beginning of year	**1,724,421**	1,848,359
Cash and cash equivalents at end of year	$ **1,654,757**	$ 1,724,421

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 need or experiencing housing transitions.

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 available.

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, improving health, mental health and providing substance abuse treatment with a goal of 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 providing the following services: 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 emergency medically necessary showers, hygiene supplies, laundry facilities, and restrooms. Due to the COVID-19 crisis and the relatively small space for The Day Service Center laundry and showers, they were not safe to operate and they are temporarily closed. These services will re-open when it is safe to do so.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The financial statements of the Center have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Center to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions: Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center’s management and the Board of Directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are classified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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 . At times during the years ended June 30, 2020 and 2019, balances on deposit in financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) insured limits of $250,000. 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 statements of financial position. Net unrealized gain or loss in fair value of investments is included in other income in the statements of activities.

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 allowance for doubtful accounts as of June 30, 2020 and 2019 amounted to $108,877 and $254,943, respectively. There were no write-offs of receivables for the years ended June 30, 2020 and 2019.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fair market value at the time an asset is received.

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, 2020 and 2019.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, accrued vacation amounted to $90,154 and $76,974, respectively.

Revenue Recognition

The Center has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* and ASU No. 2014-09 - *Revenue from Contracts with Customers (Topic 606*), as amended as management believes the standard improves the usefulness and understandability of the Center’s financial reporting. Analysis of various provisions of these standards resulted in no significant changes in the way the Center recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The disclosures of revenue have been enhanced in accordance with the standard.

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 $106,576 and $351,062 as of June 30, 2020 and 2019, respectively. Such amounts are recorded on the statements of financial position as estimated settlement amounts due from third-party payers.

Medi-Cal (continued)

Additionally, the Center has also established an estimated third-party payer settlement payable in the amount of $315,930 and 171,562 as of June 30, 2020 and 2019 respectively, which is recorded on the statement of financial position as estimated settlement amounts due to third-party payers. 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 potential 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 services 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)

A portion of the Center's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. The Center received cost-reimbursable grant awards of $69,334 and $0 that have not been recognized at June 30, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred.

Amounts received prior to incurring qualifying expenditures are reported as contract advances in the statement of financial positions.

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, 2020, the Center had no material unrecognized tax benefits, tax penalties or interest. As of June 30, 2020, information returns subsequent to 2015 filed by the Center are subject to examination by the taxing authorities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

Reclassifications

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

NOTE 3 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, 2020 and 2019 consisted of the following:

	2020		2019	
Payor Class	**Balance**	**%**	Balance	%
Medi-Cal	$ **254,770**	**56.59%**	$ 272,937	50.15%
Medicare	**184,098**	**40.89%**	163,259	30.00%
Commercial Insurance and third-party payers	**11,366**	**2.52%**	39,708	7.30%
Private Pay	**-**	**0.00%**	68,342	12.56%
Subtotal	**450,234**	**100.00%**	544,246	100.00%
Less: allowance for doubtful accounts	**(108,877)**		(254,943)	
Total patient accounts receivable, net	$ **341,357**		$ 289,303	

NOTE 4 GRANTS AND OTHER RECEIVABLES

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

	2020	2019
Marin County	**$ 438,349**	$ 413,028
Community Health Centers Program, Section 330 (ACA)	**7,748**	88,295
Other	**32,996**	22,500
Total grants and other receivables	**$ 479,093**	$ 523,823

NOTE 5 PROPERTY AND EQUIPMENT

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

		2020		2019
Building and building improvements	$	476,029	$	476,029
Equipment		86,642		86,642
Furniture and fixtures		133,356		125,297
Construction in progress		3,270		-
Subtotal		699,297		687,968
Less: Accumulated depreciation		(634,405)		(612,458)
Property and equipment, net	$	64,892	$	75,510

Provision for depreciation for the fiscal years ended June 30, 2020 and 2019 were $21,947 and $23,061, respectively.

NOTE 6 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
2021		117,010
2022		59,652
Total	$	176,662

For the years ended June 30, 2020 and 2019, rent expense was $246,395 and $238,141, respectively. Such amounts are recorded on the schedule of functional expenses as a component of occupancy costs.

NOTE 7 LINE OF CREDIT

The Center has a line-of-credit with Heritage Bank of Commerce in the amount of $300,000 which expires on March 27, 2022. 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, 2020 and 2019.

NOTE 8 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. Management believes there are no known claims or incidents that may result in the assertion of material claims arising from potential losses.

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 claims experience, no such accrual is necessary to be recorded as of June 30, 2020 and 2019. It is reasonably possible that this estimate could change materially in the near term.

Risks and Uncertainties
Laws and regulations governing Medicare and Medi-Cal 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 Medi-Cal programs.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, net assets with donor restrictions consisted of the following:

At June 30, 2020

	Balance as of July 1, 2019	Contributions	Net assets released from restrictions	Balance as of June 30, 2020
Marin Community Foundation - Health Care	$ 65,003	$ 100,000	$ 78,071	$ 86,932
Marin Community Foundation, Housing 1st	-	200,000	167,754	32,246
Marin Community Foundation, COVID-19 Support	-	110,000	10,931	99,069
Marin Community Foundation, Anonymous	-	45,000	-	45,000
Marin Community Dental	-	14,289	-	14,289
Direct Relief	-	50,000	4,000	46,000
Partnership Health LIG Housing	-	74,500	3,312	71,188
Hamilton Meadows	64,885	-	-	64,885
Marin General Hospital	21,989	25,000	46,989	-
Other Restricted Grants	-	32,500	20,942	11,558
Total	$ 151,877	$ 651,289	$ 331,999	$ 471,167

At June 30, 2019

	Balance as of July 1, 2018	Contributions	Net assets released from restrictions	Balance as of June 30, 2019
Marin Community Foundation - Health Care	$ 44,628	$ 100,000	$ 79,625	$ 65,003
Hamilton Meadows	64,885	-	-	64,885
Other Restricted Grants	-	25,000	3,011	21,989
Total	$ 109,513	$ 125,000	$ 82,636	$ 151,877

NOTE 10 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.

NOTE 10 DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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 10 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 are classified at June 30, 2020 and 2019:

	Level 1	Level 2	Level 3	Total
At June 30, 2020:				
Investments				
Exchange traded funds	**$ 934,351**	**$ -**	**$ -**	**$ 934,351**
Mutual funds	**683,069**	**-**	**-**	**683,069**
Total investments	**$ 1,617,420**	**$ -**	**$ -**	**$ 1,617,420**
Assets restricted as to use	**$ 136,173**	**-**	**$ -**	**$ 136,173**

	Level 1	Level 2	Level 3	Total
At June 30, 2019:				
Investments				
Exchange traded funds	$ 163,918	$ -	$ -	$ 163,918
Mutual funds	585,950	-	-	585,950
Total investments	$ 749,868	$ -	$ -	$ 749,868
Assets restricted as to use	$ 77,563	-	$ -	$ 77,563

NOTE 11 AVAILABILITY OF RESOURCES AND LIQUIDITY

At June 30, the following represents the Center's financial assets

	2020	2019
Financial assets		
Cash and cash equivalents	**$ 1,654,757**	$ 1,724,421
Investments	**1,617,420**	749,868
Receivables, net	**1,113,850**	1,164,188
Assets restricted as to use	**136,173**	77,563
Total financial assets	**4,522,200**	3,716,040
Less amounts not available to be used within one year		
Assets restricted as to use	**(136,173)**	(77,563)
Financial assets available to meet general obligations over the next twelve months	**$ 4,386,027**	$ 3,638,477

NOTE 11 AVAILABILITY OF RESOURCES AND LIQUIDITY (CONTINUED)

As part of the Center's liquidity plan, the Center invests excess cash in short -term investments, including exchange traded funds and mutual funds. The Center reviews its cash position on a regular basis to ensure adequate funds are on hand to meet expenses. Moreover, the Center has a $300,000 line of credit available to meet cash flow needs.

NOTE 12 OPERATING RESERVE

The Board has designated $1,617,420 of net assets as of June 30, 2020 as an operating reserve. This reserve will be used for capital expenditures or at times of hardship.

NOTE 13 SBA PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 20, 2020, the Center received a loan of $530,665 from the Small Business Administration (SBA) under its Paycheck Protection Program (PPP). This loan program helps businesses keep their workforce employed during the Coronavirus (COVID-19) pandemic. Proceeds from the PPP loan are accounted for as a conditional contribution and recognized as a refundable advance until the conditions for forgiveness have been substantially met or explicitly waived.

This PPP loan is forgivable by the SBA if all employee retention criteria are met and the funds are used for eligible expenses. Loan payments will be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower's loan forgiveness (either 8 weeks or 24 weeks). On January 22, 2021, the Center submitted the application for loan forgiveness with the banking institution that is working with the SBA.

The Center recognized the proceeds from PPP loan as revenue as of June 30, 2020.

NOTE 14 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States.

NOTE 14 SUBSEQUENT EVENTS (CONTINUED)

On March 4, 2020, California Governor Gavin Newsom declared a State of Emergency in response to the spread of COVID-19 in the state of California. Healthcare and public health providers are identified as critical infrastructure by the United States Department of Homeland Security and the Center has activated its emergency response plan. The Center has instituted guidelines prescribed by the Centers for Disease Control to help prevent the spread of COVID-19.

It is unknown how long these conditions and orders will remain in effect, or what the complete financial effect will be to the Center. However, management does not expect the impact to be material to the Center's June 30, 2020 financial statements.

Management has evaluated subsequent events for recognition or disclosure through January 28, 2021, the date on which the financial statements were available to be issued. Other than the coronavirus pandemic disclosure described above, there were no other material subsequent events that require recognition or additional disclosures in these financial statements.

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Independent Auditor's Report 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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2021.

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) as a basis for designing 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 financial statements. 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.

Glendale, California
January 28, 2021

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