ritter center
health, home & community

Ritter Center
Audited Financial Statements
As of and for the Years Ended June 30, 2022 and 2021
with Independent Auditor's Report

VASQUEZ
+ COMPANY LLP

An independently owned member
RSM US Alliance
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Audited Financial Statements
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Independent Auditor's Report

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Ritter Center (the Center), a California nonprofit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of the Center's internal control over financial reporting and on 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 contol over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
March 30, 2023

		June 30		
		2022		2021
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**1,229,199**	$	1,487,609
Investments		**2,370,654**		2,784,175
Patient accounts receivable, net		**247,923**		261,789
Grants and other receivables		**859,875**		717,191
Estimated settlement amounts due from third-party payers		**25,870**		72,831
Prepaid expenses and inventories		**119,693**		25,883
Assets restricted as to use		**243,228**		222,007
Deposits		**22,605**		22,605
Total current assets		**5,119,047**		5,594,090
Property and equipment, net		**609,499**		225,539
Total assets	**$**	**5,728,546**	$	5,819,629
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	**$**	**453,650**	$	367,467
Estimated settlement amounts due to third-party payers		**97,387**		223,805
Due to clients - funds held in trust		**243,228**		222,007
Total current liabilities		**794,265**		813,279
Net Assets				
Without donor restrictions		**4,539,009**		4,322,918
With donor restrictions		**395,272**		683,432
Total net assets		**4,934,281**		5,006,350
Total liabilities and net assets	**$**	**5,728,546**	$	5,819,629

See notes to financial statements.

	Years ended June 30	
	2022	2021
Operating revenues		
Unrestricted revenues, gains and other support		
Patient services revenues (net of contractual allowances)	**$ 1,286,448**	$ 1,636,594
(Provision for) reversal of bad debts	**(3,811)**	10,805
Net patient services revenues	**1,282,637**	1,647,399
Grants and contracts revenues	**4,639,587**	5,190,836
Contributions and support	**958,017**	565,238
In-kind contributions	**366,000**	248,396
Unrealized (loss) gain on investments	**(111,905)**	33,483
Operating revenues before net assets released from restrictions used for operations	**7,134,336**	7,685,352
Net assets released from restrictions used for operations	**1,476,312**	673,189
Total operating revenues	**8,610,648**	8,358,541
Operating expenses		
Program services	**5,820,525**	4,462,852
Fundraising	**367,466**	200,861
Management and general	**2,206,566**	2,609,525
Total operating expenses	**8,394,557**	7,273,238
Increase in net assets without donor restrictions	**216,091**	1,085,303
Changes in net assets with donor restrictions		
Contributions	**1,188,152**	885,454
Net assets released from restrictions	**(1,476,312)**	(673,189)
(Decrease) increase in net assets with donor restrictions	**(288,160)**	212,265
Change in net assets from operations	**(72,069)**	1,297,568
Net assets, beginning of year	**5,006,350**	3,708,782
Net assets, end of year	**$ 4,934,281**	$ 5,006,350

See notes to financial statements.

	Program Services	Fundraising	Management and General	Total
Personnel costs	$ 3,676,816	$ -	$ 983,459	$ 4,660,275
Bank fees and interest	338	6,129	9,723	16,190
Client assistance	1,162,048	-	-	1,162,048
Client services	1,807	-	-	1,807
Communications	24,610	-	22,041	46,651
Dues and subscriptions	15,288	927	19,338	35,553
Equipment rental and repair	365	-	28,753	29,118
Insurance	14,089	-	35,574	49,663
Occupancy	348,050	-	195,778	543,828
Postage and delivery	175	-	10,060	10,235
Printing and publications	1,486	-	27,954	29,440
Professional services	114,695	347,800	730,322	1,192,817
Supplies	375,992	-	69,701	445,693
Taxes and licenses	7,755	12,610	12,150	32,515
Training	13,584	-	2,791	16,375
Travel	33,815	-	8,722	42,537
Miscellaneous	630	-	17,542	18,172
Depreciation	28,982	-	32,658	61,640
Total expenses	$ 5,820,525	$ 367,466	$ 2,206,566	$ 8,394,557

See notes to financial statements.

	Program Services	Fundraising	Management and General	Total
Personnel costs	$ 2,589,501	$ 96,990	$ 1,204,734	$ 3,891,225
Bank fees and interest	217	1,504	6,915	8,636
Client assistance	1,206,196	10,200	959	1,217,355
Client services	3,867	-	-	3,867
Communications	8,919	-	40,072	48,991
Dues and subscriptions	13,841	2,959	49,473	66,273
Equipment rental and repair	1,111	-	25,193	26,304
Insurance	10,857	-	20,740	31,597
Occupancy	279,158	-	192,118	471,276
Postage and delivery	356	740	12,899	13,995
Printing and publications	4,587	871	16,352	21,810
Professional services	101,464	64,398	715,331	881,193
Supplies	198,440	23,199	280,908	502,547
Taxes and licenses	7,813	-	1,064	8,877
Training	9,200	-	1,790	10,990
Travel	21,875	-	14,245	36,120
Miscellaneous	2,968	-	5,090	8,058
Depreciation	2,482	-	21,642	24,124
Total expenses	$ 4,462,852	$ 200,861	$ 2,609,525	$ 7,273,238

See notes to financial statements.

	Years ended June 30 2022	2021
Cash flows from operating activities		
Change in net assets from operations	**$ (72,069)**	$ 1,297,568
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**61,640**	24,124
Unrealized loss (gain) on investments	**111,905**	(33,483)
Decrease (increase) in:		
Patient accounts receivable	**13,866**	79,568
Grants and other receivables	**(142,684)**	(238,098)
Prepaid expenses and inventories	**(93,810)**	99,306
Estimated settlement amounts due from third-party payers	**46,961**	33,745
Increase (decrease) in:		
Accounts payable and accrued expenses	**86,183**	49,624
Contract advances	**-**	(69,334)
Estimated settlement amounts due to third-party payers	**(126,418)**	(92,125)
Net cash (used in) provided by operating activities	**(114,426)**	1,150,895
Cash flows from investing activities		
Proceeds from sale of investments	**301,616**	-
Purchase of investments	**-**	(1,133,272)
Acquisition of property and equipment	**(445,600)**	(184,771)
Net cash used in investing activities	**(143,984)**	(1,318,043)
Net decrease in cash and cash equivalents	**(258,410)**	(167,148)
Cash and cash equivalents at beginning of year	**1,487,609**	1,654,757
Cash and cash equivalents at end of year	**$ 1,229,199**	$ 1,487,609

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 need or experiencing housing transitions.

The Center was designated in November 2013 as a federally qualified health center (FQHC) under 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 otherwise 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 pandemic and the relatively small space for The Day Service Center laundry and showers, they were not safe to operate and 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 that are 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 an 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 U.S 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, 2022 and 2021, balances on deposits 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 regard 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, 2022 and 2021 amounted to $101,783 and $98,072, respectively. There were no write-offs of receivables for the years ended June 30, 2022 and 2021.

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 sales 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 amounts 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 a 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, 2022 and 2021.

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 employee’s 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, 2022 and 2021, accrued vacation amounted to $91,251 and $106,451, respectively.

Revenue Recognition

Net Patient Services Revenues
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.

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 $25,870 and $72,831 as of June 30, 2022 and 2021, respectively. Such amounts are recorded on the statements of financial position as estimated settlement amounts due from third-party payers.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Medi-Cal (continued)
Additionally, the Center has also established an estimated third-party payer settlement payable in the amount of $97,387 and $223,805 as of June 30, 2022 and 2021 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 audits 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 revenues are 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.

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 did not receive cost-reimbursable grant awards for the years ended June 30, 2022 and 2021.

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, 2022, the Center had no material unrecognized tax benefits, tax penalties or interest. As of June 30, 2022, information returns subsequent to 2017 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 include 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)

New Accounting Pronouncements
Management is evaluating the impact the following Accounting Standards Update (ASU) will have on the financial statements and related disclosures:

- ASU 2016-02 *Leases:* This ASU requires lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. This revised lease accounting standard is effective for fiscal years beginning after December 15, 2021.

NOTE 3 PATIENT ACCOUNTS RECEIVABLE

The Center grants credit without collateral to its patients, most of whom are residents and are insured under third-party agreements. The accounts receivable from patients at June 30, 2022 and 2021 consisted of the following:

	2022		2021	
Payor Class	**Balance**	**%**	Balance	%
Medi-Cal	**$ 170,604**	**48.78%**	$ 239,258	66.49%
Medicare	**43,807**	**12.53%**	55,539	15.43%
Commercial Insurance and third-party payers	**85,261**	**24.38%**	16,485	4.58%
Private Pay	**50,034**	**14.31%**	48,579	13.50%
Subtotal	**349,706**	**100.00%**	359,861	100.00%
Less: allowance for doubtful accounts	**(101,783)**		(98,072)	
Total patient accounts receivable, net	**$ 247,923**		$ 261,789	

NOTE 4 GRANTS AND OTHER RECEIVABLES

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

	2022	2021
Marin County	**$ 791,469**	$ 429,380
Community Health Centers Program, Section 330 (ACA)	**39,236**	280,474
Other	**29,170**	7,337
Total grants and other receivables	**$ 859,875**	$ 717,191

NOTE 5 PROPERTY AND EQUIPMENT

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

	2022	2021
Building and building improvements	**$ 293,561**	$ 513,905
Equipment	**205,983**	205,983
Furniture and fixtures	**201,957**	160,911
Software	**134,500**	-
Construction in progress	**267,324**	3,270
Subtotal	**1,103,325**	884,069
Less: Accumulated depreciation	**(493,826)**	(658,530)
Property and equipment, net	**$ 609,499**	$ 225,539

Provision depreciation for the fiscal years ended June 30, 2022 and 2021 was $61,640 and $24,124, respectively.

Fully depreciated building and building improvements with a total cost of $226,344 were written off during the year ended June 30, 2022. No gain or loss on write off was recognized.

Construction in progress pertains to total direct costs incurred in preparation for the construction of a new building of the Center. Total costs incurred for the years ended June 30, 2022 and 2021 were $264,054 and $3,270, respectively.

NOTE 6 OPERATING LEASE

The Center leases space under three operating leases that expire on various dates through May 14, 2026. Two of three leases contain escalation clauses with minimum and maximum annual increases 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
2023	$ 247,401
2024	24,900
2025	24,900
2026	12,450
Total	$ 309,651

For the years ended June 30, 2022 and 2021, rent expense was $272,704 and $255,082, 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 April 6, 2024. Interest is payable monthly at 4.25% on any outstanding balance. There was no outstanding balance under the line of credit as of June 30, 2022 and 2021.

NOTE 8 COMMITMENT AND CONTINGENCIES

Grants and Contracts
Continuing program funding from federal and state sources is contingent upon the 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.

U.S. 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, 2022 and 2021. 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, 2022

	Balance as of July 1, 2021	Contributions	Net assets released from restrictions	Balance as of June 30, 2022
Marin Community Foundation - Health Care	$ 146,084	$ 117,150	$ (229,437)	$ 33,797
Marin Community Foundation, Housing 1st	35,878	219,262	(214,150)	40,990
Marin Community Foundation, Anonymous	10,465	6,147	(16,612)	-
Marin Community Dental	8,249	-	(5,972)	2,277
Marin Health Quality Improvement	25,000	30,599	(37,638)	17,961
Marin Community Foundation, B/H Rest	2,500	-	-	2,500
Marin Community Foundation, Anonymous 2nd	30,000	38,064	(68,064)	-
Marin Community Foundation, COVID Rent Assist Grant	40,159	1,382	(41,541)	-
Bothin Foundation	6,991	-	(6,991)	-
Fairfax Rental Assistance	9,914	-	(3,200)	6,714
Hamilton Meadows	64,505	-	-	64,505
Kaiser - Marin Patient Navigator	25,000	20,977	(45,977)	-
Partnership Health Plan (PHP) Local Innovation Grant (LIG) on Housing	121,757	21,116	(90,269)	52,604
PHP Behavioral Health Integration	149,598	349,709	(461,159)	38,148
Other Restricted Grants	7,332	83,746	(55,302)	35,776
Marin Community Foundation - Buck Family	-	300,000	(200,000)	100,000
Total	$ 683,432	$ 1,188,152	$ (1,476,312)	$ 395,272

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

At June 30, 2021

	Balance as of July 1, 2020	Contributions	Net assets released from restrictions	Balance as of June 30, 2021
Marin Community Foundation - Health Care	$ 86,932	$ 100,000	$ (40,848)	$ 146,084
Marin Community Foundation, Housing 1st	32,246	200,000	(196,368)	35,878
Marin Community Foundation, COVID-19 Support	99,069	-	(99,069)	-
Marin Community Foundation, Anonymous	45,000	-	(34,535)	10,465
Marin Community Dental	14,289	100	(6,140)	8,249
Marin Health Quality Improvement	-	25,000	-	25,000
Marin Community Foundation, B/H Rest	-	2,500	-	2,500
Marin Community Foundation, Anonymous 2nd	-	30,000	-	30,000
Marin Community Foundation, COVID Rent Assist Grant	-	168,659	(128,500)	40,159
Bothin Foundation	-	25,000	(18,009)	6,991
Direct Relief	46,000	-	(46,000)	-
Fairfax Rental Assistance	-	30,000	(20,086)	9,914
Hamilton Meadows	64,885	-	(380)	64,505
Kaiser - Marin Patient Navigator	-	42,750	(17,750)	25,000
PHP LIG on Housing	71,188	68,000	(17,431)	121,757
PHP BHI Plan	-	182,405	(32,807)	149,598
Other Restricted Grants	11,558	11,040	(15,266)	7,332
Total	$ 471,167	$ 885,454	$ (673,189)	$ 683,432

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.

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, 2022 and 2021:

	Level 1	Level 2	Level 3	Total
At June 30, 2022:				
Investments				
Exchange traded funds	**$ 644,923**	**$ -**	**$ -**	**$ 644,923**
Mutual funds	**1,725,731**	**-**	**-**	**1,725,731**
Total investments	**$ 2,370,654**	**$ -**	**$ -**	**$ 2,370,654**
Assets restricted as to use - money market funds	**$ 243,228**	**-**	**$ -**	**$ 243,228**

	Level 1	Level 2	Level 3	Total
At June 30, 2021:				
Investments				
Exchange traded funds	$ 911,364	$ -	$ -	$ 911,364
Mutual funds	1,872,811	-	-	1,872,811
Total investments	$ 2,784,175	$ -	$ -	$ 2,784,175
Assets restricted as to use - money market funds	$ 222,007	-	$ -	$ 222,007

NOTE 11 AVAILABILITY OF RESOURCES AND LIQUIDITY

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

	2022	2021
Financial assets		
Cash and cash equivalents	**$ 1,229,199**	$ 1,487,609
Investments	**2,370,654**	2,784,175
Receivables, net	**1,133,668**	1,051,811
Assets restricted as to use	**243,228**	222,007
Total financial assets	**4,976,749**	5,545,602
Less amounts not available to be used within one year		
Assets restricted as to use	**(243,228)**	(222,007)
Financial assets available to meet general obligations over the next twelve months	**$ 4,733,521**	$ 5,323,595

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.

NOTE 12 OPERATING RESERVE

The Board has designated $2.35 million of net assets as of June 30, 2022 as an operating reserve. This reserve will be used for capital without donor restrictions, expenditures or at times of hardship.

NOTE 13 IMPACT OF COVID-19 ON THE CENTER'S OPERATIONS

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.

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, 2022 financial statements.

NOTE 14 SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through March 30, 2023, 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, 2022, 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 March 30, 2023.

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 or significant deficiencies may exist that were not 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.

Vasquez & Company LLP

Glendale, California
March 30, 2023

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