health, home & community

Ritter Center

Audited Financial Statements

As of and for the Years Ended June 30, 2024 and 2023

with Independent Auditor's Report

VASQUEZ
+ COMPANY LLP

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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, 2024 and 2023, 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, 2024 and 2023, 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 (GAAP).

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 audits. 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 GAAP, 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 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 31, 2025 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 31, 2025

	June 30	
	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	**$ 3,137,118**	$ 2,775,903
Investments	**706,707**	897,441
Patient accounts receivable	**234,301**	318,506
Grants and other receivables	**1,061,344**	1,597,320
Prepaid expenses and supply inventories	**115,713**	107,092
Assets restricted as to use	**261,575**	301,189
Total current assets	**5,516,758**	5,997,451
Noncurrent assets		
Deposits	**61,022**	61,022
Property and equipment, net	**8,330,863**	7,531,542
Right-of-use assets, net	**121,699**	328,831
Total noncurrent assets	**8,513,584**	7,921,395
Total assets	**$ 14,030,342**	$ 13,918,846
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	**$ 659,181**	$ 246,970
Accrued expenses	**308,604**	280,846
Settlement payable	**-**	250,000
Estimated settlement amounts due to third-party payor	**289,711**	328,314
Due to clients - funds held in trust	**261,575**	301,189
Loan payable	**4,290,000**	4,290,000
Lease liabilities, current portion	**97,276**	207,946
Total current liabilities	**5,906,347**	5,905,265
Noncurrent liabilities		
Lease liabilities, net of current portion	**26,101**	123,377
Total noncurrent liabilities	**26,101**	123,377
Total liabilities	**5,932,448**	6,028,642
Net Assets		
Without donor restrictions	**7,869,214**	7,219,359
With donor restrictions	**228,680**	670,845
Total net assets	**8,097,894**	7,890,204
Total liabilities and net assets	**$ 14,030,342**	$ 13,918,846

See notes to financial statements.

Revenue and support	Without Donor Restrictions	With Donor Restrictions	Total
Net patient service revenue	$ 2,620,713	$ -	$ 2,620,713
Government grants and contracts	4,675,473	-	4,675,473
Contributions and support	861,945	1,478,183	2,340,128
Contributions of nonfinancial assets	137,700	-	137,700
Unrealized gain on investments	28,262	-	28,262
Investment income	41,454	-	41,454
Other income	587,151	-	587,151
Net assets released from restrictions	1,920,348	(1,920,348)	-
Total revenue and support	10,873,046	(442,165)	10,430,881
Expenses			
Program services	7,200,219	-	7,200,219
Fundraising	1,011,852	-	1,011,852
Management and general	2,037,889	-	2,037,889
Total expenses	10,249,960	-	10,249,960
Excess of expenses over revenues	623,086	(442,165)	180,921
Contributions and support used for acquisition of property and equipment - capital campaign	-	26,769	26,769
Net assets released from restrictions used to acquire property and equipment - capital campaign	26,769	(26,769)	-
Total - capital campaign	26,769	-	26,769
Change in net assets	649,855	(442,165)	207,690
Net assets, beginning of year	7,219,359	670,845	7,890,204
Net assets, end of year	$ 7,869,214	$ 228,680	$ 8,097,894

See notes to financial statements.

Revenue and support	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Net patient service revenue	$ 1,781,379	$ -	$ 1,781,379
Government grants and contracts	4,798,711	-	4,798,711
Contributions and support	735,541	749,874	1,485,415
Contributions of nonfinancial assets	414,314	-	414,314
Unrealized gain on investments	40,126	-	40,126
Investment income	52,067	-	52,067
Other income	292,560	-	292,560
Net assets released from restrictions	474,301	(474,301)	-
Total revenue and support	8,588,999	275,573	8,864,572
Expenses			
Program services	6,542,238	-	6,542,238
Fundraising	314,981	-	314,981
Management and general	2,573,006	-	2,573,006
Total expenses	9,430,225	-	9,430,225
Excess of expenses over revenues	(841,226)	275,573	(565,653)
Contributions and support received for acquisition of property and equipment - capital campaign	-	3,521,576	3,521,576
Net assets released from restrictions used to acquire property and equipment - capital campaign	3,521,576	(3,521,576)	-
Total - capital campaign	3,521,576	-	3,521,576
Change in net assets	2,680,350	275,573	2,955,923
Net assets, beginning of year	4,539,009	395,272	4,934,281
Net assets, end of year	$ 7,219,359	$ 670,845	$ 7,890,204

See notes to financial statements.

	Program Services	Fundraising	Management and General	Total
Personnel costs	$ 4,293,893	$ 498,901	$ 348,778	$ 5,141,572
Bank fees and interest	2,328	1,384	407,455	411,167
Client assistance	204,246	137,700	-	341,946
Client services	931,595	-	-	931,595
Communications	8,578	1,538	80,372	90,488
Dues and subscriptions	85,256	26,513	23,775	135,544
Equipment rental and repair	20,528	1,542	221,985	244,055
Auto expense	15,515	22	4,111	19,648
Insurance	72,174	2,789	72,174	147,137
Occupancy	336,701	824	163,725	501,250
Postage and delivery	1,568	3,786	1,528	6,882
Printing and publications	8,264	24,079	4,933	37,276
Professional services	985,172	224,906	521,812	1,731,890
Supplies	156,775	70,242	18,540	245,557
Taxes and licenses	9,745	7,229	1,481	18,455
Training	11,402	1,044	7,420	19,866
Travel	27,824	8,253	20,088	56,165
Miscellaneous	-	1,100	-	1,100
Depreciation	28,655	-	139,712	168,367
Total expenses	$ 7,200,219	$ 1,011,852	$ 2,037,889	$ 10,249,960

See notes to financial statements.

	Program Services	Fundraising	Management and General	Total
Personnel costs	$ 3,723,810	$ 56,936	$ 1,049,066	$ 4,829,812
Bank fees and interest	74,302	11,745	12,967	99,014
Client assistance	1,073,485	-	-	1,073,485
Communications	50,895	1,717	4,628	57,240
Dues and subscriptions	56,288	5,467	94,528	156,283
Equipment rental and repair	247,153	-	77,584	324,737
Auto expense	21,219	-	-	21,219
Insurance	80,614	1,223	25,588	107,425
Occupancy	215,801	374	115,578	331,753
Postage and delivery	10,482	74	45	10,601
Printing and publications	7,306	19,659	16,757	43,722
Professional services	517,539	170,893	1,119,254	1,807,686
Supplies	188,791	43,282	28,226	260,299
Taxes and licenses	5,405	150	4,640	10,195
Training	13,958	40	10,389	24,387
Travel	55,797	3,421	770	59,988
Miscellaneous	119,793	-	-	119,793
Depreciation	79,600	-	12,986	92,586
Total expenses	$ 6,542,238	$ 314,981	$ 2,573,006	$ 9,430,225

See notes to financial statements.

		2024		2023
Cash flows from operating activities				
Change in net assets	**$**	**207,690**	$	2,955,923
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		**65,344**		92,586
Lease expense in accordance with Topic 842, net of cash paid		**3,698**		3,500
Unrealized gain on investments		**(28,262)**		(40,126)
Decrease (increase) in:				
Patient accounts receivable		**84,205**		(70,583)
Grants and other receivables		**535,976**		(737,445)
Prepaid expenses and inventories		**(8,621)**		12,601
Deposits		**-**		(38,417)
Estimated settlement amounts due from third-party payers		**-**		25,870
Increase (decrease) in:				
Accounts payable		**412,211**		147,630
Accrued expenses		**27,758**		176,536
Settlement payable		**(250,000)**		-
Estimated settlement amounts due to third-party payers		**(38,603)**		230,927
Net cash provided by operating activities		**1,011,396**		2,759,002
Cash flows from financing activities				
Proceeds from loan payable		**-**		4,290,000
Payments on obligations under finance lease		**(4,512)**		(1,008)
Net cash provided by (used in) financing activities		**(4,512)**		4,288,992
Cash flows from investing activities				
Purchases of investments		**(785,991)**		(300,040)
Proceeds from sales of investments		**1,004,987**		1,813,379
Acquisition of property equipment		**(864,665)**		(7,014,629)
Net cash used in investing activities		**(645,669)**		(5,501,290)
Net increase in cash and cash equivalents		**361,215**		1,546,704
Cash and cash equivalents at beginning of year		**2,775,903**		1,229,199
Cash and cash equivalents at end of year	**$**	**3,137,118**	$	2,775,903
Supplemental disclosure of noncash information				
Right-of-use assets obtained in exchange for obligations under operating leases	**$**	**-**	$	570,563

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; outpatient 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 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 physical health, mental health and providing substance abuse treatment with the 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 gear, 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.

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 accounting principles generally accepted in the United States of America (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. See Note 14 regarding the Board designated operating reserve.

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. There are no perpetually restricted net assets as of June 30, 2024 and 2023.

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

Excess of Expenses Over Revenues

The statements of activities include the classification of excess of expenses over revenues, which is considered the operating indicator. Changes in net assets that are excluded from the operating indicator include contributions of long-lived assets, including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets.

Use of Estimates

The preparation of financial statements in conformity with 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, 2024 and 2023, 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. In May 2023, the Center implemented an insured cash sweep program to further manage potential credit risk.

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 realized and unrealized gain or loss in fair value of investments is included in revenue and support in the statements of activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are recorded when billed or accrued and represent claims against individuals and third parties, primarily government agencies, which will be settled in cash and are due within 30 days. The Center does not charge interest on late payments. The carrying value of receivables, net of implicit price concessions and contractual adjustments, represents estimated net realizable value.

Supply Inventories

Supply 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. Supply inventories as of June 30, 2024 and 2023 amounted to $297 and $1,800, respectively, and are recorded as a component of prepaid expenses and supply inventories in the accompanying statements of financial position.

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 service revenue is 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 forty (40) year economic useful lives. Donated assets are recorded at fair market value at the time an asset is received.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Asset Impairment

The Center evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset carrying amount is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Vacation

Regular full-time employees accrue vacation at a rate of ten (10) days in their first year of employment. A 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, 2024 and 2023, accrued vacation amounted to $135,323 and $117,231, respectively, and is recorded as a component of accrued expenses on the statements of financial position.

Fair Value Measurements 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements of Assets and Liabilities (Continued)
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, receivables, assets restricted as to use, accounts payable and accrued expenses. Because of the short-term nature of these financial assets and liabilities, the carrying amounts approximate their fair value.

Revenue Recognition

Net Patient Service Revenue
Net patient service revenue is reported at amounts that reflect the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and include viable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per service, reimbursed costs, discounted charges, and per diem payments.

Retroactive adjustments are recorded on an estimated basis in the period the services are rendered and adjusted in future periods, as final settlements are determined. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Estimated third-party payor settlement amounts included in the accompanying statements of financial position approximate fair value.

Net patient service revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to the total expected or actual charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the clinic receiving inpatient care services.

The Center measures the performance obligation from admission into the clinic, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Net Patient Service Revenue (Continued)
The Center determines the transaction price based on the standard rates for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, or implicit price concessions provided to uninsured patients. The Center determines its estimated contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience with each patient class.

For uninsured patients who do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical experience, a significant portion of the Center’s uninsured patients are unable or unwilling to pay for the services provided. Thus, the Center records implicit price concessions related to uninsured patients in the period the services are provided.

Settlements with third-party payors for retroactive revenue adjustment due to audits, reviews, or investigations are considered variable considerations and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of payment agreements with the payor, correspondence from the payor and the Center's historical settlement activity, including assessment to ensure that it is probable that a significant adjustment in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known, that is, new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations.

The Center is approved as an FQHC for both Medicare and Medi-Cal reimbursement and has agreements with third-party payors 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 a final settlement determined after the 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.

Additionally, the Center has also established an estimated third-party payor settlement payable in the amount of $289,711 and $328,314 as of June 30, 2024 and 2023, respectively, which is recorded on the accompanying statements of financial position. 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 Payors

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.

The composition of net patient service revenue by primary payors for the years ended June 30, 2024 and 2023 were as follows:

	2024		2023	
	Balance	**%**	Balance	%
Medi-Cal	**$ 1,552,144**	**59%**	$ 891,700	50%
Medicare	**254,743**	**10%**	218,302	12%
Commercial and third-party payors	**813,826**	**31%**	671,377	38%
Net patient service revenue	**$ 2,620,713**	**100%**	$ 1,781,379	100%

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)

Grants and Contracts (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.

Contributions
Contributions primarily include unconditional promises to give cash or other assets. Contributions, whether given with or without donor restrictions, 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.

Contributions of Nonfinancial Assets
Contributions of nonfinancial assets consist principally of clothing and food contributions and professional services, all provided to clients. The Center reports such contributions at fair value. The Center bases the fair value of professional services on the cost of similar services from comparable purchases, which is a Level 3 input. The Center only reports 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.

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets related to donations of food totaling $137,700 and $414,314, respectively, were recognized in the statements of activities.

Leases
The Center recognizes and measures its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*.

The Center determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Center obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Center also considers whether its service arrangements include the right to control the use of an asset.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Center recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either capital leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of activities.

The ROU asset and lease liability is measured based on the present value of future lease payments over the lease term. The ROU asset also includes any initial direct costs incurred and lease payments made at or before the commencement date and is reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate.

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 net income, if any, from any unrelated trade or business, and 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, 2024, the Center had no material unrecognized tax benefits, tax penalties or interest. As of June 30, 2024, information returns after 2020 filed by the Center are subject to examination by the taxing authorities.

Functional Allocation of Expenses

The costs of providing the Center’s various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on management estimates.

The Center incurs costs that include program, fundraising, and management and general components. The costs of conducting those activities that 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)

Newly Adopted Accounting Pronouncement

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. ASU 2016-13 was effective for the Center as of July 1, 2023.

The adoption of ASU 2016-13 did not materially impact the recorded allowance for doubtful accounts at July 1, 2023, and consequently, there was no cumulative effect adjustment required to the opening balance of net assets.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2024 presentation. These reclassifications have no effect on total assets, total liabilities, total net assets, or total changes in net assets as previously reported.

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, government programs, and other third-party payors at June 30, 2024 and 2023 consisted of the following:

	2024		2023	
Payor Class	**Balance**	**%**	Balance	%
Medi-Cal	**$ 102,367**	**44%**	$ 247,167	78%
Medicare	**36,432**	**15%**	59,292	19%
Private Pay	**95,502**	**41%**	12,021	3%
Commercial Insurance and third-party payors	**-**	**0%**	26	0%
Total patient accounts receivable	**$ 234,301**	**100%**	$ 318,506	100%

As of June 30, 2022, patient accounts receivable was $247,923.

NOTE 4 GRANTS AND OTHER RECEIVABLES

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

		2024		2023
County of Marin	**$**	**463,485**	$	993,850
Community Health Centers Program, Section 330 (ACA)		**139,369**		563,762
U.S. Department of Housing and Urban Development		**107,845**		-
Ultragenyx Foundation		**25,000**		-
Emergency Solutions Grant Program		**23,827**		-
Enhanced Care Management		**149,450**		-
Partnership Health Plan - Quality Improvement Program		**50,472**		38,572
Other		**101,896**		1,136
Total grants and other receivables	**$**	**1,061,344**	$	1,597,320

Grants and other receivables totaled $859,875 at June 30, 2022.

NOTE 5 PROPERTY AND EQUIPMENT, NET

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

		2024		2023
Land	**$**	**2,536,985**	$	2,536,985
Building and building improvements		**4,363,026**		4,363,026
Equipment		**205,983**		205,983
Furniture and fixtures		**191,440**		192,265
Software		**134,500**		134,500
Construction in progress - building improvements		**1,653,710**		685,195
Subtotal		**9,085,644**		8,117,954
Less: Accumulated depreciation		**(754,781)**		(586,412)
Property and equipment, net	**$**	**8,330,863**	$	7,531,542

On March 29, 2023, the Center purchased property consisting of land and building (800 A Street) amounting to $6,606,450. The building was purchased with proceeds of $4,290,000 from a short-term loan (see Note 9), donations received for the capital campaign (see Note 7), and federal grant funds. The Center is currently renovating the building. The building improvements are expected to be completed in fiscal year 2026. The building will be used for the Center's administrative office and the new clinic with the purpose of expanding the Center's services to meet the needs of the vulnerable community.

Provision for depreciation for the fiscal years ended June 30, 2024 and 2023 was $168,369 and $92,586, respectively.

NOTE 6 LEASES

The Center leases space under three operating leases that expire on various dates through May 14, 2026, and have a 90-day termination clause. Two of the three leases contain escalation clauses with minimum and maximum annual increases of 3% and 7%, 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 the property every five years.

The Center's operating lease agreement for 16 Ritter St. expired on December 31, 2023. The Center did not renew the lease agreement but continues to pay the monthly rent.

On November 14, 2024, the Center's lease agreement for Suite 220, which would expire on December 31, 2024, was extended to December 31, 2025.

The Center also leases certain equipment under operating leases that expire on various dates through June 30, 2026. The Center also leases equipment under finance leases that will expire on March 25, 2026 with interest rates ranging from 3.85% to 4%. The Center's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU asset and interest expense for the outstanding lease liability, and results in a front-loaded expense pattern over the lease term.

The components of lease expense are as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Operating lease cost	**$ 208,256**	$ 255,235
Finance lease cost—amortization of right-of-use assets	**4,253**	1,063
Finance lease cost—interest on lease liabilities	**380**	120
Total lease expense	**$ 212,889**	$ 256,418

Total rent expense for operating leases were $208,526 and $255,235 for the years ended June 30, 2024 and 2023, respectively, and are recorded as components of occupancy expense and equipment rental and repair expense in the accompanying statements of functional expenses.

NOTE 6 LEASES (CONTINUED)

Supplemental balance sheet information related to leases is as follows as of June 30, 2024 and 2023:

Operating leases:

		2024		2023
Right-of-use assets	**$**	**269,513**	$	557,805
Accumulated amortization		**(155,256)**		(240,669)
Operating lease right-of-use assets, net	**$**	**114,257**	$	317,136
Lease liabilities, current portion	**$**	**92,985**	$	203,816
Lease liabilities, net of current portion		**22,772**		115,757
Total operating lease liabilities	**$**	**115,757**	$	319,573

Finance leases:

		2024		2023
Equipment	**$**	**12,758**	$	12,758
Accumulated depreciation		**(5,316)**		(1,063)
Finance lease, right-of-use assets, net	**$**	**7,442**	$	11,695
Lease liabilities, current portion	**$**	**4,291**	$	4,130
Lease liabilities, net of current portion		**3,329**		7,620
Total finance lease liabilities	**$**	**7,620**	$	11,750

Weighted-average remaining lease term:	
Operating leases	**1.19 years**
Finance leases	**1.75 years**
Weighted-average discount rate:	
Operating leases	**2.99%**
Finance leases	**3.85%**

Future undiscounted cash flows for each of the next two years and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of June 30, 2024:

Years ending June 30		Operating Leases		Finance Leases		Total
2025	$	94,656	$	4,510	$	99,166
2026		25,113		3,382		28,495
Total future lease payments		119,769		7,892		127,661
Less: imputed interest		(4,012)		(272)		(4,284)
Total present value of lease liabilities	$	115,757	$	7,620	$	123,377

NOTE 7 CAPITAL CAMPAIGN

During 2023, the Center initiated a capital campaign for the renovation of a building with the purpose of expanding the Center's services to meet the needs of the vulnerable community (see Note 5).

As of June 30, 2024, the Center has raised approximately $4.1 million towards a $7.2 million building renovation budget. Management and the Board believe that the current and future fundraising efforts are expected to meet the building renovation budget.

NOTE 8 LINE OF CREDIT

The Center has a line of credit with Heritage Bank of Commerce in the amount of $300,000. Interest is payable monthly at 4.25% on any outstanding balance. The Center has not drawn from the line of credit. There was no outstanding balance on the line of credit as of June 30, 2023. The line of credit expired on April 6, 2024 and was not renewed.

NOTE 9 LOAN PAYABLE

In March 2023, the Center entered into a loan agreement with Heritage Bank of Commerce (HBC) in the amount of $4,290,000 with an interest rate of 8% per annum. Proceeds from the loan were used for the purchase of the 800 A Street property (see Note 5).

Under the agreement, the Center is required to make regular monthly interest payments beginning April 29, 2023, with all subsequent interest payments to be due on the same day of each month. The Center had no unpaid interest balance as of June 30, 2024. The loan initially matured on June 30, 2024 and the maturity date was subsequently extended by HBC until December 19, 2024.

On December 19, 2024, the Center entered into a new loan agreement with HBC in the amount of $4,290,000. The loan matures on December 29, 2029 and bears an interest rate of 6.42% per annum. The principal and interest is payable in monthly installments of $29,000 starting January 19, 2025, with the balance due in a balloon payment at maturity. Maturity of the new loan agreement by year is as follows:

Years ending June 30	Amount
2025	$ 174,000
2026	348,000
2027	348,000
2028	348,000
2029	3,072,000
Total	$ 4,290,000

As of June 30, 2024 and 2023, the principal balance outstanding on the notes payable was $4,290,000.

NOTE 10 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. GAAP requires a healthcare 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, 2024 and 2023. It is reasonably possible that this estimate could change materially in the near term.

Medicare and Medi-Cal
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.

County of Marin Settlement
The Center provided various services to residents of the County of Marin (County) pursuant to a master contract between the Center and the County's Department of Health and Human Services. The services the Center provides under the contract include medical and psychiatric evaluations for General Relief clients to determine if they are exempt from General Relief work requirements. During the COVID-19 pandemic, the County suspended General Relief work requirements and the County funding intended to pay for General Relief services was repurposed to new County social services for the most vulnerable residents. The County initiated legal actions against the Center to recover payments previously made to the Center (overpayment) from the period from April 2020 to February 2023 related to the General Relief services.

NOTE 10 COMMITMENT AND CONTINGENCIES (CONTINUED)

County of Marin Settlement (Continued)
The Center contended that such funds were used to continue services to the County's homeless and indigent populations during the COVID-19 pandemic.

In March 2024, a settlement agreement was reached in which the Center shall pay $250,000 to the County as full and final repayment of the contended overpayment and, as the Center has contended, the County agreed to provide the Center a thirteen-month contract through July 31, 2023 in the amount of $275,000 to be used for continued services to the County's homeless and indigent populations during the COVID-19 pandemic.

As of June 30, 2023, the Center has recorded the contract receivable as a component of grants and other receivables amounting to $253,846, and a settlement payable amounting to $250,000 in the statement of financial position. On April 15, 2024, the Center paid the settlement amount of $250,000 to the County.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	Balance as of July 1, 2023	Contributions	Net assets released from restrictions	Balance as of June 30, 2024
Marin Community Foundation				
Marin Health Quality Improvement	$ 189,048	$ 84,937	$ (273,985)	$ -
Housing First	50,570	565,964	(616,534)	-
	239,618	650,901	(890,519)	-
County of Marin				
Dental	2,277	-	-	**2,277**
Capital Project	53,300	-	(53,300)	-
	55,577	-	(53,300)	**2,277**
Partnership Health Plan (PHP)				
Behavioral Health	10,438	-	(10,438)	-
California Advancing and Innovating Medi-Cal	292,284	169,227	(341,327)	**120,184**
Street Medicine	313	20,000	(20,313)	-
	303,035	189,227	(372,078)	**120,184**
Fairfax Rental Assistance	6,714			**6,714**
Marin Health	1,396	21,702	(23,098)	-
Hamilton Meadows	64,505			**64,505**
Ultragenyx Foundation	-	25,000	-	**25,000**
California Syringe Exchange Program	-	10,000	-	**10,000**
Capital Campaign	-	608,122	(608,122)	-
Total	$ 670,845	$ 1,504,952	$ (1,947,117)	$ **228,680**

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	Balance as of July 1, 2022	Contributions	Net assets released from restrictions	Balance as of June 30, 2023
Marin Community Foundation				
MCF23-Q12023	$ -	$ 160,500	$ (69,357)	$ **91,143**
Buck Family	100,000	156,497	(184,596)	**71,901**
MCF Q1	15,000	15,000	(15,000)	**15,000**
Dental	2,277	-	-	**2,277**
Health Care	33,797	-	(33,227)	**570**
Housing 1st	40,990	20,093	(61,083)	**-**
	192,064	352,090	(363,263)	**180,891**
County of Marin				
Marin Health Quality Improvement	17,961	-	-	**17,961**
B/H Rest	2,500	-	-	**2,500**
MC Q1 2023	8,828	25,000	(8,338)	**25,490**
MC HUD	2,700	-	(2,700)	**-**
Capital Project	-	60,500	-	**60,500**
	31,989	85,500	(11,038)	**106,451**
Partnership Health Plan (PHP)				
PHP Local Innovation Grant (LIG) Housing	52,604	-	(52,604)	**-**
PHP CALAIM	-	292,284	-	**292,284**
PHP STMED	-	20,000	-	**20,000**
PHP Behavioral Health Integration (BHI) Plan	38,148	-	(38,148)	**-**
PHP BHI	9,248	-	(9,248)	**-**
	100,000	312,284	(100,000)	**312,284**
Fairfax Rental Assistance	6,714	-	-	**6,714**
Hamilton Meadows	64,505	-	-	**64,505**
Capital Campaign	-	3,521,576	(3,521,576)	**-**
Total	$ 395,272	$ 4,271,450	$ (3,995,877)	$ **670,845**

NOTE 12 INVESTMENTS AND ASSETS RESTRICTED AS TO USE

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

NOTE 12 INVESTMENTS AND ASSETS RESTRICTED AS TO USE (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2024 and 2023:

Money Market Mutual Funds: Money market mutual funds aim to maintain a level net asset value (NAV) of $1 per share. Any excess earnings generated through interest on the portfolio holdings are distributed to the investors as dividend payments.

Mutual Funds and Exchange Traded Funds (ETFs): Valued at the daily closing price as reported by the fund. These securities are open-end mutual funds and ETFs registered with the U.S. Securities and Exchange Commission. These funds are required to publish daily net asset value and to transact at that price. The mutual funds and ETFs held by the Center are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair value measurements of investments 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:

	Level 1	Level 2	Level 3	Total
At June 30, 2024:				
Investments				
Exchange traded funds	**$ 556,463**	**$ -**	**$ -**	**$ 556,463**
Mutual funds	**150,244**	**-**	**-**	**150,244**
Total investments	**$ 706,707**	**$ -**	**$ -**	**$ 706,707**
Assets restricted as to use - money market funds	**$ 261,575**	**$ -**	**$ -**	**$ 261,575**
At June 30, 2023:				
Investments				
Exchange traded funds	$ 571,827	$ -	$ -	$ 571,827
Mutual funds	325,614	-	-	325,614
Total investments	$ 897,441	$ -	$ -	$ 897,441
Assets restricted as to use - money market funds	$ 301,189	$ -	$ -	$ 301,189

NOTE 12 INVESTMENTS AND ASSETS RESTRICTED AS TO USE (CONTINUED)

Investment Income
For the years ended June 30, 2024 and 2023, the components of investment income are as follows:

	2024	2023
Dividend income	**$ 35,991**	$ 50,040
Interest income	**5,463**	2,027
Total investment income	**$ 41,454**	$ 52,067

NOTE 13 AVAILABILITY OF RESOURCES AND LIQUIDITY

At June 30, the following represents the Center's financial assets available for general expenditures within one year:

	2024	2023
Financial assets		
Cash and cash equivalents	**$ 3,137,118**	$ 2,775,903
Investments	**706,707**	897,441
Patient accounts receivables, net	**234,301**	318,506
Grants and other receivables	**1,061,344**	1,597,320
Assets restricted as to use	**261,575**	301,189
Total financial assets	**5,401,045**	5,890,359
Less amounts not available to be used within one year		
Net assets with donor restrictions	**(228,680)**	(670,845)
Assets restricted as to use	**(261,575)**	(301,189)
Financial assets available to meet general obligations over the next twelve months	**$ 4,910,790**	$ 4,918,325

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. See disclosures regarding line of credit in Note 8.

NOTE 14 OPERATING RESERVE

The Board has designated $900,000 of net assets as of June 30, 2023 and 2024 as an operating reserve. This reserve will be used for capital without donor restrictions expenditures or at times of hardship.

NOTE 15 RISKS AND UNCERTAINTIES

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associate with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Center's investment portfolio and the amounts reported in the statements of financial position.

NOTE 16 CHARITY CARE AND COMMUNITY BENEFIT

The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size. The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients who do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by the policy. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records an explicit concession to uninsured patients in the period the services are provided based on historical experience. Community benefit services represent the cost of services for Medicaid, Medicare, and other public patients for which the Center is not reimbursed.

Based on the cost of patient services, charity care and community benefit for the years ended June 30, 2024 and 2023 was $8,217 and $14,407, respectively. These amounts are not reported as revenue.

NOTE 17 SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through March 31, 2025, the date on which the financial statements were available to be issued. See Note 9 for disclosure regarding the new loan agreement the Center entered into with HBC on December 19, 2024. Except as disclosed in Note 9, 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 statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2025.

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.

Report on 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 31, 2025