CLARE│MATRIX
Financial Statements
June 30, 2020
With Independent Auditor's Reports

Clare|Matrix
Table of Contents
June 30, 2020

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-14

withum
ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
CLARE|MATRIX:

Report on the Financial Statements

We have audited the accompanying financial statements of CLARE|MATRX (the "Organization"), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, PC

June 30, 2021

CLARE|MATRIX
Statement of Financial Position
June 30, 2020

Assets	
Current assets	
Cash and cash equivalents	$ 654,634
Unconditional promises to give	181,795
Contracts and grants receivable, net	2,730,276
Prepaid expenses and other current assets	181,859
Total current assets	3,748,564
Deposits	261,027
Property and equipment, net	9,591,126
Total assets	$ 13,600,717
Liabilities and Net Assets	
Current liabilities	
Accounts payable	$ 997,251
Accrued expenses	687,333
Accrued interest payable	1,124,308
Deferred revenue	863,782
Current portion of PPP loan payable	957,811
Current portion of long term debt	111,295
Total current liabilities	4,741,780
PPP loan payable, net of current portion	1,197,264
Long term debt, net of current portion and debt issuance costs	7,200,209
Total liabilities	13,139,253
Net assets (deficit)	
Without donor restrictions	(530)
With donor restrictions	461,994
Total net assets	461,464
Total liabilities and net assets	$ 13,600,717

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

CLARE|MATRIX
Statement of Activities
Year Ended June 30, 2020

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	2020
Support and revenues			
Government contracts	$ 13,210,665	$ -	$ 13,210,665
Contributions	843,169	161,691	1,004,860
COVID relief funds	1,137,586	-	1,137,586
In kind contributions	64,358	-	64,358
Service fees, net of discounts	46,603	-	46,603
Training income	449,007	-	449,007
Miscellaneous income	304,669	-	304,669
Forgiveness of debt	2,182,493	-	2,182,493
Interest and dividends	10,004	-	10,004
Total support and revenues	18,248,554	161,691	18,410,245
Fundraising events			
Fundraising events revenue	393,990	-	393,990
Less: Direct costs of donor benefits	(15,477)	-	(15,477)
Net revenue from fundraising events	378,513	-	378,513
Subtotal support and revenue	18,627,067	161,691	18,788,758
Net assets released from restrictions	352,759	(352,759)	-
Total support and revenue	18,979,826	(191,068)	18,788,758
Expenses			
Program services	15,004,190	-	15,004,190
Management and general	3,931,190	-	3,931,190
Fundraising	705,081	-	705,081
Total expenses	19,640,461	-	19,640,461
Other expense			
Investment return, net	(19)	-	(19)
Changes in net assets	(660,654)	(191,068)	(851,722)
Net assets (deficit)			
Beginning of year, as previously reported	1,608,213	653,062	2,261,275
Prior period adjustment	(948,089)	-	(948,089)
Beginning of year, as restated	660,124	653,062	1,313,186
End of year	$ (530)	$ 461,994	$ 461,464

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

CLARE|MATRIX
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services				Supporting Services			
	Treatment Programs	Sober Living Programs	Outpatient and Other Services	Program Services Total	Management and General	Fundraising	Direct Benefits to Donors	Totals
Salaries and wages	$ 2,605,356	$ 133,848	$ 4,319,440	$ 7,058,644	$ 1,979,899	$ 396,476	$ -	$ 9,435,019
Payroll taxes and benefits	416,910	20,754	1,938,801	2,376,465	306,499	64,190	-	2,747,154
Total payroll expense	3,022,266	154,602	6,258,241	9,435,109	2,286,398	460,666	-	12,182,173
Advertising	3,867	682	6,296	10,845	11,988	5,811	-	28,644
Bank charges and fees	5,656	998	9,850	16,504	17,536	9,668	-	43,708
Client hospitality and medical	220,727	3,549	219,620	443,896	15,336	181	-	459,413
Cost of direct benefits to donors	-	-	-	-	-	-	15,477	15,477
Depreciation	68,599	12,106	216,895	297,600	212,670	-	-	510,270
Dues and subscriptions	18,611	1,675	61,905	82,191	24,607	18,193	-	124,991
Information technology	32,039	1,738	56,367	90,144	25,677	5,181	-	121,002
Insurance	47,401	2,857	246,865	297,123	50,191	53	-	347,367
Interest expense	76,167	7,009	248,383	331,559	99,050	-	-	430,609
Miscellaneous expense	-	-	4,525	4,525	-	-	-	4,525
Occupancy	227,325	141,120	1,270,575	1,639,020	487,307	-	-	2,126,327
Office equipment and supplies	79,339	7,863	138,490	225,692	46,430	11,506	-	283,628
Printing and postage	8,137	721	18,884	27,742	7,465	12,328	-	47,535
Professional fees	368,840	29,459	1,118,072	1,516,371	517,518	94,918	-	2,128,807
Repairs and maintenance	57,394	4,922	246,961	309,277	43,643	72	-	352,992
Staff and board development	10,137	1,711	99,448	111,296	30,051	86,274	-	227,621
Telephone	38,493	2,094	26,529	67,116	17,694	-	-	84,810
Transportation	18,228	2,275	77,677	98,180	37,629	230	-	136,039
Total expense by function	4,303,226	375,381	10,325,583	15,004,190	3,931,190	705,081	15,477	19,655,938
Less: Expenses included in revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	-	(15,477)	(15,477)
Total expenses	$ 4,303,226	$ 375,381	$ 10,325,583	$ 15,004,190	$ 3,931,190	$ 705,081	$ -	$ 19,640,461

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

CLARE|MATRIX
Statement of Cash Flows
Year Ended June 30, 2020

Operating activities	
Change in net assets	$ (851,722)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	510,271
Amortization of debt issuance costs	48,389
Bad debt expense	100,000
Forgiveness of debt	(2,182,493)
Changes in operating assets and liabilities	
Unconditional promises to give	149,700
Contracts and grants receivable	(1,088,174)
Prepaid expenses and other assets	(56,304)
Deposits	19,624
Accounts payable	(1,689,742)
Accrued expenses	(558,750)
Accrued interest payable	694,103
Deferred revenue	132,700
Net cash used in operating activities	(4,772,398)
Investing activities	
Proceeds from sale of investments	245
Purchases of property and equipment	(730,921)
Net cash used in investing activities	(730,676)
Financing activities	
Proceeds from PPP loan payable	2,155,075
Proceeds from long term debt	3,000,000
Principal payments on long term debt	(57,600)
Net cash provided by financing activities	5,097,475
Net change in cash and cash equivalents	(405,599)
Cash and cash equivalents	
Beginning of year	1,060,233
End of year	$ 654,634
Supplemental disclosure of cash flow information	
Cash paid during the year for	
Interest	$ 36,218

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On April 2, 2018, CLARE|MATRIX (the "Organization") was formed through the merger of CLARE Foundation and The Matrix Institute on Addictions. The Organization is a nonprofit organization that changes the lives of individuals and families and strengthens communities affected by alcohol, substance use, and behavioral health issues by providing proven and effective treatment, education, research, and training. The CLARE Foundation and Matrix Institute on Addictions joined forces and today, have become an industry defining organization that successfully combines the CLARE Foundation's 50+ years of expertise delivering an extensive continuum of residential services with the Matrix Model – an evidenced-based practice that has worldwide recognition for its outpatient treatment model, research and training. The Organization's continuum of care includes assessment and referral, detoxification, residential or outpatient treatment, prevention and mental health services. The Organization's program services have been certified by the Commission on Accreditation of Rehabilitation Facilities ("CARF"), an international accrediting agency.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with US generally accepted accounting principles ("US GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset 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 Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

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

The Organization records gifts of cash and other assets as net assets with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from donor restrictions. Contributions with donor-imposed restrictions that are received and spent in the same year have been recorded as net assets without donor restrictions in the accompanying statement of activities.

Cash and Cash Equivalents

For purposes of the statement of financial position and statement of cash flows, the Organization considers highly liquid investments and investments with original maturities of three months or less to be cash and cash equivalents.

Receivables and Allowance for Doubtful Accounts

Contracts, grants and other receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for potential unrecoverable contract costs or for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts and other circumstances, which may affect the collectability of the various receivables. As of June 30, 2020, the Organization recorded an allowance for doubtful accounts of $387,992.

Debt Issuance Costs

Debt issuance costs are reported on the statement of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the effective interest method. The Organization reflects amortization of debt issuance costs within interest expense.

Property and Equipment

Property and equipment are stated at cost for purchased items, and at an estimated fair market value at date of gift, for donated items. the Organization uses the straight-line method of depreciation with a useful life of from three to ten years for transportation equipment, furniture and fixtures and other equipment and thirty-one years for buildings. Amounts over $1,000 are capitalized when such amounts are determined to benefit future periods.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Concentrations of Credit Risk

The Organization maintains cash deposits with major banking institutions which are Federal Depository Insurance Corporate (“FDIC”) insured up to $250,000. As of June 30, 2020, the Organization had certain monies deposited in excess of the FDIC insurance limit.

Contributed Services and Gifts In-Kind

Contributions of non-cash assets are recorded at estimated fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills, are recorded at estimated fair value in the period received. During the year ended June 30, 2020, contributed services and gifts in-kind amounted to $64,358.

Revenue and Recently Adopted Accounting Policies

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities* (Topic 958) - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This update requires a recipient of funds from a resource provider to determine if those funds should be classified as a reciprocal exchange transaction or as a contribution based on the value that the resource provider is receiving from the transaction. Additionally, the update requires recipient organizations to determine whether a contribution is conditional based on whether the agreement includes barriers that must be overcome, and either a right of return of assets transferred, or a right of release of a resource provider’s obligation to transfer assets. If the agreement includes both characteristics, the recipient is not entitled to the transferred assets, and therefore does not recognize the associated revenues, until the barrier is overcome.

The Organization adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified prospective method of transition. No adjustment to net assets as of July 1, 2019 was necessary. The Organization applied the new guidance using the practical expedient provided in Topic 958 that allows the guidance to be applied only to agreements that were not complete as of July 1, 2019. Adoption of the new guidance did not have a material impact on the Organization’s financial statements.

Grants

The Organization receives funding under grants from federal, state and county agencies, as well as from private grantors. This funding is subject to contractual conditions which must be met through incurring qualifying expenses for particular programs. Revenue is recognized only when the funds are utilized to carry out the activity stipulated in the grant agreement. Contracts and grants receivable represent amounts due from organizations for reimbursable expenses incurred.

Contributions

Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization's policy is to record restricted gifts that are received and spent in the same year as unrestricted support.

Unconditional promises to give are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

Deferred Revenue

Funds received in advance of program services or activities to be performed or delivered in future periods are recorded as deferred revenue in the accompanying Statement of Financial Position. Revenues relating to such advance payments are recognized as the required services or activities are performed and related exchange transaction is completed. The Organization had deferred revenues totaling $863,782 as of June 30, 2020.

Compensated Absences

Employees earn credits during the year for future compensated absences. The expense and corresponding liability are accrued when the benefits are earned rather than when benefits are paid.

Leases

The Organization leases certain property and equipment under operating and capital leases. Leases which meet certain criteria are classified as capital leases, and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of leased properties at the beginning of the respective lease terms. Such assets are amortized over the lesser of the related terms of the lease, inclusive of expected renewals, or their estimated economic lives. Interest expense relating to the lease liabilities is recorded at constant rates of interest over the terms of the leases. Leases which do not meet such criteria are classified as operating leases and related rentals are charged to expense as incurred.

Advertising Expense

Advertising and promotional costs are charged to operations when incurred. At June 30, 2020 advertising and promotional costs totaled $28,644.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The methods of expense allocation are as follows:

Method of Allocation	Allocation Expense
Based on % of Sq Ft:	Depreciation and amortization
	Insurance
	Interest expense
	Occupancy
	Repairs and maintenance
Charged directly to program:	Client hospitality and medical
	Miscellaneous expenses
Based on % of FTEs:	Advertising
	Bank charges and fees
	Dues and subscriptions
	Information technology
	Office equipment and supplies
	Payroll taxes and benefits
	Printing and postage
	Professional fees
	Salaries and wages
	Staff and board development
	Telephone
	Transportation

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“Code”). Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2020. Generally, the Organization ‘s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements Not Yet Adopted
In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Under Topic 606, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Topic 606 will be effective for the Organization's fiscal year ending June 30, 2021. The Organization is currently assessing the impact of Topic 606 on the financial statements.

In September 2020 the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which is effective for the Organization's fiscal year ending after June 30, 2022, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization does not expect this ASU to have a significant impact on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842*)*. Under ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ASU No. 2016-02 is effective for the Organization's fiscal year ended June 30, 2023. The Organization is currently evaluating the impact of this ASU on the financial statements.

Subsequent Events
The Organization evaluated subsequent events through June 30, 2021, the date these financial statements were available to be issued. Except for the events described in Notes 6, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. AVAILABILITY AND LIQUIDITY

The Organization receives significant unrestricted revenue from grantors which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization also periodically receives contributions which may or may not be restricted by donors for program use. Management of liquidity and reserves are conducted under three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses. The Organization forecasts its future cash flows, and monitors liquidity on an ongoing basis and during periodic meetings with the board of directors. The following represents the Organization's financial assets at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	$ 654,634
Unconditional promises to give	181,795
Contracts and grants receivable, net	2,730,276
Total available financial assets	3,566,705
Less financial assets not available for general expenditures within one year due to donor restriction for purpose	(461,994)
Financial assets available to meet general expenditures within on year	$ 3,104,711

Board-designated net assets consist of the following at June 30, 2020:	
Operating reserve	$ 8,960

3. UNCONDITIONAL PROMISSES TO GIVE

Net unconditional promises to give at June 30, 2020 consist of contributions for operations totaling $181,795. All contributions receivable are due within one year. Management believes all outstanding balances to be collectible and has not established an allowance for uncollectible promises to give at June 30, 2020.

4. CONTRACTS AND GRANTS RECEIVABLE, NET

Net contracts and grants receivable consist of the following at June 30, 2020:

Public funding agencies	$ 3,118,268
Less allowance for doubtful accounts	(387,992)
	$ 2,730,276

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 consist of the following:

Land	$ 1,383,339
Buildings and improvements	8,711,377
Construction in progress	4,534,988
Furniture and fixtures	1,347,153
Transportation equipment	189,900
Leasehold improvements	568,319
	16,735,076
Less: Accumulated depreciation	(7,143,950)
	$ 9,591,126

Depreciation expense totaled $510,271 the year ended June 30, 2020.

6. LONG-TERM DEBT AND SUBSEQUENT EVENTS

Long-term debt at June 30, 2020 is summarized as follows:

Mortgage loan to bank which was originated in March 2018, secured by deed of trust on property 1002 Pico Blvd., including interest at a fixed rate of 4.75%, maturing in April 2028.	$ 1,319,031	a
Mortgage loan to bank which was originated in March 2018, secured by deed of trust on property located at 1023 Pico Blvd., including interest at a fixed rate of 4.75%, maturing in April 2028.	1,216,064	a
Mortgage loan to bank which was originated in February 2017, secured by deed of trust on properties located in 1867-1871 and 1865-1869 Ninth St., including interest at a fixed rate of 4.75%, principal and interest paid over a 300-month amortization period, remaining principal due maturing in 10 years.	1,822,417	a
Loan from finance company originated in January 2020, secured by deed of trust on property located at 901-907 Pico Blvd. The note requires interest only payments at an interest rate of 7.9% through original maturity of February 2021. In February 2021, the agreement was amended to extend the maturity date to September 2021, at which time all principal and accrued interest is due.	3,000,000	
Total Long-Term Debt	7,357,512	
Less: Current portion	(111,295)	
Less: Unamortized debt issuance costs	(46,008)	
	$ 7,200,209	

a. As of January 2021, the Pacific Premier Bank called all of its debt agreements outstanding. In doing so, the bank set a new final maturity date of December 31, 2021, at which point all outstanding principal and accrued interest is due.

The Organization maintained various loans from California Department of Housing and community Development-EHAPCD, which were secured by subordinated deeds of trust on various commercial properties owned by the Organization. The principal and outstanding interest which accrued at 3.00% was forgiven in full during the year ended June 30, 2020.

Future maturities of long-term debt is as follows at June 30:

	Payments	Amortization
2021	$ 111,295	$ 27,442
2022	7,246,217	18,566
	$ 7,357,512	$ 46,008

7. POTENTIAL IMPACT OF COVID-19 AND PPP LOAN PAYABLE

There is significant uncertainty as to the severity and the longevity of the pandemic and how it will affect the revenues of the Organization revenues of the Organization. Management continues to evaluate the impact of the COVID-19 virus on the Organization, and has concluded that while it is reasonably possible that the pandemic response could have a negative effect on its financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements.

On April 18, 2020, the Organization issued an unsecured promissory note for $2,155,075 (the “PPP Loan”) through the Paycheck Protection Program ("PPP") established under the CARES Act, and administered by the U.S. Small Business Administration (“SBA”). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 8 or 24-week period after the PPP Loan was disbursed (“Covered Period”), and otherwise satisfied PPP requirements. The PPP Loan was made through Pacific Premier Bank (the “Lender”), has a two-year term, bears interest at 1.00% per annum, and matures on April 18, 2022. If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until 7 months after the end of the Covered Period, or November 2020. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. Accordingly, the Organization has reflected the PPP Loan as long-term debt in the accompanying statement of financial position. The Organization will record the forgiveness of the loan as a gain on extinguishment in the period in which legal release is received.

Future maturities of the PPP Loan, assuming it is not forgiven, are as follows at June 30:

2021	$ 957,811
2022	1,197,264
	$ 2,155,075

8. RETIREMENT PLANS

The Organization has a 403(b) Tax Sheltered Annuity Plan covering all eligible employees. Active participants may elect to have the Organization make salary reduction contributions on their behalf up to the maximum set by the applicable Internal Revenue Codes. The plan permits the Organization to make discretionary matching contributions on the first 6% of participant contributions. Matching contributions for the year ended June 30, 2020 totaled $116,729.

9. COMMITMENTS

Operating Lease

The Organization leases space under various leases, which expire through 2027. Future minimum rental payments for these leases as of June 30, 2020 are as follows:

2021	$ 1,236,715
2022	1,174,830
2023	1,122,848
2024	717,351
2025	717,351
Thereafter	1,185,388
	$ 6,154,483

Rent expense for the year ended June 30, 2020 totaled $1,682,257.

10. NET ASSETS

Net assets with donor restrictions as of June 30, 2020 consist of the following:

Subject to purpose restrictions:	
Women's treatment programs	$ 461,994

Net assets were released from donor restriction during the year ended June 30, 2020 as follows:

Satisfaction of purpose restrictions:	
Client residential programs	$ 95,790
Women's treatment program	204,697
Other programs	52,272
	$ 352,759

11. LITIGATION

The Company is involved in certain litigation arising in the normal course of its business. Management, having consulted with its counsel, believes these matters have either been adequately provided for in accrued expenses on the accompanying statement of financial position or will not have a material adverse impact on its operating results or financial position, either individually or in aggregate. Any estimated loss is subject to significant judgment and is based upon currently available information, a variety of assumptions, and known and unknown factors.

12. RELATED PARTY TANSCATIONS

During the year ended June 30, 2020 a board member had a 10% interest in the office building on Washington Boulevard in which the Organization rented space. Total rental payments related to this building during the year ended June 30, 2020 amounted to $17,819.

13. PRIOR PERIOD ADJUSTMENT

Net assets without donor restrictions as of June 30, 2019 has been decreased by $948,089 to reflect the correction of an error related to an overstatement of previously reported contracts and grants receivable.