CLARE│MATRIX
Financial Statements
June 30, 2021
With Independent Auditor's Reports

Clare|Matrix
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June 30, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
CLARE|MATRIX:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CLARE|MATRIX (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 1 to the financial statements, the Organization has suffered recurring losses from operations and has stated that substantial doubt exists about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of the uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As described above in Note 1, the Organization adopted Topic 842 as of July 1, 2020.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for 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 Organization'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 Organization'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 Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of the Organization'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 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 Organization's internal control over financial reporting and compliance.

WithumSmith+Brown, PC

September 30, 2022

CLARE|MATRIX
Statement of Financial Position
June 30, 2021

Assets		
Current assets		
Cash and cash equivalents	$	768,218
Contracts and grants receivable, net		1,104,506
Prepaid expenses and other current assets		154,355
Total current assets		2,027,079
Other receivables		2,084,378
Deposits		29,442
Right-of-use assets		3,103,827
Property and equipment, net		7,713,753
Total assets	$	14,958,479
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$	1,761,549
Accrued expenses		650,516
Deferred revenue		1,395,344
Current portion of PPP loan payable		2,155,075
Current portion of lease liabilities		523,942
Current portion of long term debt		4,236,460
Total current liabilities		10,722,886
PPP loan payable, net of current portion		1,999,997
Lease liabilities, net of current portion		2,632,021
Total liabilities		15,354,904
Net assets		
Without donor restrictions		(876,627)
With donor restrictions		480,202
Total net assets		(396,425)
Total liabilities and net assets	$	14,958,479

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

CLARE|MATRIX
Statement of Activities
Year Ended June 30, 2021

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Support and revenues			
Government contracts	$ 10,348,723	$ -	$ 10,348,723
Contributions	936,926	18,208	955,134
COVID relief funds	822,023	-	822,023
Training income	1,053,313	-	1,053,313
In-kind contributions	12,975	-	12,975
Service fees, net of discounts	4,420	-	4,420
Miscellaneous support	11,540	-	11,540
Total support and revenues	13,189,920	18,208	13,208,128
Fundraising events			
Fundraising events revenue	203,859	-	203,859
Less: Direct costs of donor benefits	(39,660)	-	(39,660)
Net revenue from fundraising events	164,199	-	164,199
Total support and revenue	13,354,119	18,208	13,372,327
Expenses			
Program services	15,123,207	-	15,123,207
Management and general	3,892,672	-	3,892,672
Fundraising	561,519	-	561,519
Total expenses	19,577,398	-	19,577,398
Other income			
Gain on sale of property and equipment	3,262,804	-	3,262,804
Employee retention credits	2,084,378	-	2,084,378
Total expenses	5,347,182	-	5,347,182
Changes in net assets	(876,097)	18,208	(857,889)
Net assets (deficit)			
Beginning of year	(530)	461,994	461,464
End of year	$ (876,627)	$ 480,202	$ (396,425)

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

CLARE|MATRIX
Statement of Functional Expenses
Year Ended June 30, 2021

	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	$ 2,477,500	$ 127,279	$ 4,107,466	$ 6,712,245	$ 1,882,737	$ 377,019	$ -	$ 8,972,001
Payroll taxes and benefits	341,904	17,020	1,589,994	1,948,918	251,357	52,642	-	2,252,917
Total payroll expense	2,819,404	144,300	5,697,460	8,661,163	2,134,094	429,661	-	11,224,918
Advertising	389	69	633	1,090	1,204	584	-	2,878
Bad debt expense	306,498	30,650	684,512	1,021,659	-	-	-	1,021,659
Bank charges and fees	3,955	698	6,888	11,542	12,263	6,761	-	30,566
Client hospitality and medical	465,354	7,482	463,020	935,856	32,333	382	-	968,570
Cost of direct benefits to donors	-	-	-	-	-	-	39,660	39,660
Depreciation	104,001	18,354	328,829	451,184	322,423	-	-	773,607
Dues and subscriptions	8,301	747	27,611	36,659	10,975	8,114	-	55,748
Information technology	80,073	4,344	140,874	225,291	64,173	12,949	-	302,412
Insurance	42,868	2,584	223,256	268,707	45,391	48	-	314,146
Interest expense	123,155	11,333	401,611	536,099	160,154	-	-	696,253
Lease expense	168,433	104,560	941,410	1,214,403	361,062	-	-	1,575,465
Office equipment and supplies	53,094	5,262	92,678	151,033	31,071	7,700	-	189,804
Printing and postage	9,341	828	21,679	31,848	8,570	14,152	-	54,570
Professional fees	213,870	17,082	648,308	879,259	300,080	55,038	-	1,234,377
Repairs and maintenance	37,543	3,220	161,542	202,304	28,548	47	-	230,899
Right-of-use assets amortization	90,451	15,962	285,988	392,401	280,417	-	-	672,818
Special projects	-	40,440	-	40,440	82,177	-	-	122,617
Staff and board development	3,062	517	30,042	33,621	9,078	26,062	-	68,761
Telephone	11,121	605	7,665	19,391	5,112	-	-	24,503
Transportation	1,719	215	7,324	9,257	3,548	22	-	12,827
Total expense by function	4,542,630	409,249	10,171,327	15,123,207	3,892,672	561,519	39,660	19,617,058
Less: Expenses included in revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	-	(39,660)	(39,660)
Total expenses	$ 4,542,630	$ 409,249	$ 10,171,327	$ 15,123,207	$ 3,892,672	$ 561,519	$ -	$ 19,577,398

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

CLARE|MATRIX
Statement of Cash Flows
Year Ended June 30, 2021

Operating activities	
Change in net assets	$ (857,889)
Adjustments to reconcile change in net assets	
to net cash used in operating activities	
Depreciation	773,607
Amortization of debt issuance costs	79,994
Amortization of right-of-use assets	672,818
Payment of lease liabilities	(620,682)
Bad debt expense	1,021,659
Gain on sale of property	(3,262,804)
Changes in operating assets and liabilities	
Unconditional promises to give	181,795
Contracts and grants receivable	604,111
Other receivables	(2,084,378)
Prepaid expenses and other assets	27,504
Deposits	231,585
Accounts payable	764,298
Accrued expenses	(36,817)
Accrued interest payable	(1,124,308)
Deferred revenue	531,562
Net cash used in operating activities	(3,097,945)
Investing activities	
Proceeds from sale of property and equipment	4,600,000
Purchases of property and equipment	(233,430)
Net cash provided by investing activities	4,366,570
Financing activities	
Principal payments on long term debt	(3,155,038)
Net cash provided by financing activities	(1,155,041)
Net change in cash and cash equivalents	113,584
Cash and cash equivalents	
Beginning of year	654,634
End of year	$ 768,218
Supplemental disclosure of cash flow information	
Cash paid during the year for	
Interest	$ 1,126,458

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.

Going Concern Uncertainty

The financial statements of the Organization have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, the Organization has been experiencing operating cash flow deficits, the latest being $3,097,945, and its overall financial position has been buoyed by liquidating properties and applying for various one-time funding programs through the CARES Act offered during the COVID-19 pandemic. In addition, the Organization's commercial lender called its outstanding debt, which was repaid subsequent to year end, and the Organization has had difficulty replacing the financing for working capital needs with traditional lending sources. These factors create substantial doubt about the Organization's ability to continue as a going concern. Management is monitoring the operations, cutting costs where it is able, aggressively pursuing collections on receivables and improving efficiency of operations in order to generate cash and continue as a going concern. However, there can be no assurances that management will be successful in these efforts. The financial statements do not include any adjustments that might result from this uncertainty.

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, 2021, the Organization recorded an allowance for doubtful accounts of $1,142,775.

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, 2021, the Organization had certain deposits 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, 2021, contributed services and gifts in-kind amounted to $12,975.

Revenue

For training courses provided to individuals and other organizations, revenues are recognized as the services have been provided, the appropriate party has been billed, and collection is likely.

Special event revenue is recognized upon completion of the events and recorded net of direct costs.

Grants and Contributions

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 $1,395,344 and $863,782 as of June 30, 2021 and 2020, respectively.

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 and Recently Adopted Accounting Pronouncement
In February 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") amending the accounting for leases. The Organization adopted the new standard effective July 1, 2020, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact to statements of income or cash flows and our debt-covenants calculations under our current agreements.

Upon adoption, the Organization recognized $3,776,644 in right-of-use ("ROU") assets related to its leased property and equipment. Corresponding lease liabilities of $3,776,644 were also recognized. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption.

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statement of financial position. The Organization had no finance leases during the year ended June 30, 2021.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, we account for these other services as a component of the lease. For all other leases, the services are accounted for separately and we allocate payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, using a discount rate based on similarly secured borrowings available to the Organization. Right of use assets are recognized based on the initial present value of the fixed lease payments plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Advertising Expense
Advertising and promotional costs are charged to operations when incurred. For the year ended June 30, 2021 advertising and promotional costs totaled $2,878.

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, 2021. 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.

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
	Lease expense
	Repairs and maintenance
Charged directly to program:	Bad debt expense
	Client hospitality and medical
	Special projects
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

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 September 2020 the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 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.

Subsequent Events

The Organization evaluated subsequent events through September 30, 2022, the date these financial statements were available to be issued. Except for the events described in Notes 6 and 7, 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, 2021:

Financial assets at year end:	
Cash and cash equivalents	$ 768,218
Contracts and grants receivable, net	1,104,506
Total available financial assets	1,872,724
Less financial assets not available for general expenditures within one year due to donor restriction for purpose	(480,202)
Financial assets available to meet general expenditures within one year	$ 1,392,522

3. CONTRACTS AND GRANTS RECEIVABLE, NET

Net contracts and grants receivable consist of the following at June 30, 2021:

Public funding agencies	$ 2,247,281
Employee retention credits	2,084,378
Contracts and grants receivable, gross	4,331,659
Less: Allowance for doubtful accounts	(1,142,775)
	$ 3,188,884

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 consist of the following:

Land	$ 1,133,339
Buildings and improvements	9,995,595
Computer equipment	2,198,895
Furniture and fixtures	470,239
Transportation equipment	29,310
Leasehold improvements	394,574
Property and equipment, at cost	14,221,951
Less: Accumulated depreciation	(6,508,198)
	$ 7,713,753

Depreciation expense totaled $773,607 the year ended June 30, 2021.

5. LONG-TERM DEBT AND SUBSEQUENT EVENTS

Long-term debt at June 30, 2021 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%, with an original maturity of April 2028. Subsequent to year end, the note was paid in full.	$ 1,287,052
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%, with an original maturity of April 2028. Subsequent to year end, the note was paid in full.	1,186,872
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. Subsequent to year end, the note was paid in full.	1,762,536
Loan from finance company originated in January 2020, secured by deed of trust on property located at 901-907 Pico Blvd. The note required interest only payments at an interest rate of 7.9% through maturity. The note was paid in full during the year ended June 30, 2021.	-
Total Long-Term Debt	4,236,460
Less: Current portion	(4,236,460)
	$ 0

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 was due.

Subsequent to the year ended June 30, 2021, all long-term debt has been repaid.

6. PPP LOANS PAYABLE AND SUBSEQUENT EVENT

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 Coronavirus Aid, Relief and Economic Security Act (“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 Organization has reflected the PPP Loan as long-term debt in the accompanying statement of financial position. The Organization received notification of forgiveness in November 2021, at which point it recorded the forgiveness of the loan as a gain on extinguishment of debt.

In February 2021, the Organization received a PPP loan in the amount of $1,999,997 under the Second Draw of the PPP (“PPP Loan 2”) of the CARES Act. The PPP Loan was 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 a defined period, and otherwise satisfied PPP requirements.

7. 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, 2021 totaled $144,772.

8. LEASES

Operating Lease

The Organization leases space under various leases, which expire through October 2027. The leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

Because the rates implicit in the leases are generally not available, the Organization utilizes its incremental borrowing rate as the discount rate. The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2021:

2022	$ 742,048
2023	667,133
2024	555,399
2025	572,060
2026	589,222
Thereafter	809,198
	3,935,060
Less: Imputed interest	(779,097)
	$ 3,155,963

Lease expense for the year ended June 30, 2021 totaled $1,575,465. The weighted average remaining lease term is 4.9 years and the weighted average discount rate associated with operating leases as of June 30, 2021 is 7.5%. Operating cash flows related to the lease liabilities during the year ended June 30, 2021 was $858,511.

9. NET ASSETS

Net assets with donor restrictions as of June 30, 2021 consist of the following:

Subject to purpose restrictions:	
Women's treatment programs	$ 480,202

There were no net assets released from donor restriction during the year ended June 30, 2021.

10. LITIGATION

The Organization 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.