CLARE│MATRIX
Financial Statements
June 30, 2022
With Independent Auditor's Reports

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ADVISORY TAX AUDIT

CLARE|MATRIX
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June 30, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

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.

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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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2022, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2023 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.

Withum Smith+Brown, PC

December 18, 2023

CLARE|MATRIX
Statement of Financial Position
June 30, 2022

Assets	
Current assets	
Cash and cash equivalents	$ 1,524,053
Contracts and grants receivable, net	2,617,232
Prepaid expenses and other current assets	75,022
Other receivables	3,362,631
Total current assets	7,578,938
Deposits	43,362
Right-of-use assets - operating, net	3,757,747
Property and equipment, net	2,450,570
Total assets	$ 13,830,617
Liabilities and Net Assets	
Current liabilities	
Accounts payable	$ 1,986,513
Accrued expenses	768,607
Deferred revenue	1,328,791
Current portion of lease liabilities - operating	1,070,813
Total current liabilities	5,154,724
Paycheck Protection Program loan payable	1,999,997
Long-term debt	3,168,750
Lease liabilities - operating, net of current portion	2,790,784
Total liabilities	13,114,255
Net assets	
Without donor restrictions	716,362
Total liabilities and net assets	$ 13,830,617

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

CLARE|MATRIX
Statement of Activities
Year Ended June 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenues			
Government contracts	$ 10,517,437	$ -	$ 10,517,437
Contributions	938,316	-	938,316
COVID relief funds	2,155,075	-	2,155,075
Training income	813,189	-	813,189
Service fees, net of discounts	12,192	-	12,192
Miscellaneous support	99,189	-	99,189
Total support and revenues	14,535,398	-	14,535,398
Fundraising events			
Fundraising events revenue	62,903	-	62,903
Subtotal support and revenue	14,598,301	-	14,598,301
Net assets released from restrictions	480,202	(480,202)	-
Total support and revenue	15,078,503	(480,202)	14,598,301
Expenses			
Program services	14,261,021	-	14,261,021
Management and general	3,641,093	-	3,641,093
Fundraising	600,756	-	600,756
Total expenses	18,502,870	-	18,502,870
Other income			
Gain on sale of property and equipment	3,985,692	-	3,985,692
Employee retention credits	1,031,664	-	1,031,664
Total other income	5,017,356	-	5,017,356
Changes in net assets	1,592,989	(480,202)	1,112,787
Net assets (deficit)			
Beginning of year	(876,627)	480,202	(396,425)
End of year	$ 716,362	$ -	$ 716,362

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

CLARE|MATRIX
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Supporting Services		
	Treatment Programs	Sober Living Programs	Outpatient and Other Services	Program Services Total	Management and General	Fundraising	Totals
Salaries and wages	$ 2,267,934	$ 116,513	$ 3,760,027	$ 6,144,474	$ 1,723,481	$ 345,128	$ 8,213,083
Payroll taxes and benefits	328,823	16,369	1,529,162	1,874,354	241,741	50,628	2,166,723
Total payroll expense	2,596,757	132,882	5,289,189	8,018,828	1,965,222	395,756	10,379,806
Bank charges and fees	1,821	321	3,172	5,314	5,647	3,113	14,074
Client hospitality and medical	479,251	7,706	476,847	963,804	33,298	393	997,495
Depreciation	71,605	12,637	226,401	310,643	221,990	-	532,633
Dues and subscriptions	10,902	981	36,261	48,144	14,414	10,657	73,215
Information technology	86,082	4,670	151,446	242,198	68,989	13,920	325,107
Insurance	51,149	3,083	266,382	320,614	54,159	57	374,830
Interest expense	128,456	11,821	418,898	559,175	167,048	-	726,223
Lease expense	265,497	164,817	1,483,928	1,914,242	569,135	-	2,483,377
Miscellaneous expenses	-	-	108,770	108,770	-	-	108,770
Office equipment and supplies	40,880	4,051	71,358	116,289	23,923	5,928	146,140
Printing and postage	7,775	689	18,043	26,507	7,133	11,779	45,419
Professional fees	291,202	23,258	882,727	1,197,187	408,585	74,939	1,680,711
Repairs and maintenance	47,119	4,041	202,747	253,907	35,829	59	289,795
Special projects	-	10,081	-	10,081	20,485	-	30,566
Staff and board development	9,886	1,669	96,982	108,537	29,306	84,136	221,979
Telephone	27,961	1,521	19,271	48,753	12,853	-	61,606
Transportation	1,491	186	6,351	8,028	3,077	19	11,124
Total expenses	$ 4,117,834	$ 384,414	$ 9,758,773	$ 14,261,021	$ 3,641,093	$ 600,756	$ 18,502,870

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

CLARE|MATRIX
Statement of Cash Flows
Year Ended June 30, 2022

Operating activities	
Change in net assets	$ 1,112,787
Adjustments to reconcile change in net assets	
to net cash used in operating activities	
Depreciation	532,633
Amortization of right-of-use assets - operating, net	867,506
Forgiveness of debt	(2,155,075)
Gain on sale of property	(3,985,692)
Changes in operating assets and liabilities	
Contracts and grants receivable	(1,512,726)
Other receivables	(1,278,253)
Prepaid expenses and other assets	79,333
Deposits	(13,920)
Accounts payable	224,964
Accrued expenses	118,091
Deferred revenue	(66,553)
Lease liabilities - operating	(815,792)
Net cash used in operating activities	(6,892,697)
Investing activities	
Proceeds from sale of property and equipment	8,883,965
Purchases of property and equipment	(167,723)
Net cash provided by investing activities	8,716,242
Financing activities	
Proceeds from long-term debt	3,168,850
Principal repayments on long term debt	(4,236,560)
Net cash used in financing activities	(1,067,710)
Net change in cash and cash equivalents	755,835
Cash and cash equivalents	
Beginning of year	768,218
End of year	$ 1,524,053
Supplemental disclosure of cash flow information	
Cash paid during the year for	
Interest	$ 712,473

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 $6,892,697, 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 during the year, causing the Organization to mortgage other real property to generate liquidity for operations. 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, 2022, the Organization recorded an allowance for doubtful accounts of $589,303.

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 has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of $250,000. Any loss incurred or lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows.

Contributed Services and Contributed Nonfinancial Assets

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU') 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which 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 adopted the requirements of the new guidance as of July 1, 2021 on a retrospective basis. Adoption of the new guidance does not have a significant impact on the Organization's financial position, results of activities or cash flows.

Donated materials and other nonfinancial contributions are reflected in the accompanying financial statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

The Organization did not receive any donation of non-cash items for the year ended June 30, 2022.

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 statement 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 as of July 1, 2021.

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 categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization 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, 2022.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Organization accounts for these other services as a component of the lease. For all other leases, the services are accounted for separately and the Organization allocates 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.

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, 2022. 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.

Subsequent Events

The Organization evaluated subsequent events through December 18, 2023, the date these financial statements were available to be issued. Except for the event described in Note 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, 2022:

Financial assets at year end	
Cash and cash equivalents	$ 1,524,053
Contracts and grants receivable, net	2,617,232
Financial assets available to meet general expenditures within one year	$ 4,141,285

3. CONTRACTS AND GRANTS RECEIVABLE, NET

Net contracts and grants receivable consist of the following at June 30, 2022:

Public funding agencies	$ 3,760,007
Less: Allowance for doubtful accounts	(1,142,775)
	$ 2,617,232

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 consist of the following:

Land	$ 363,857
Buildings and improvements	4,347,190
Computer equipment	2,198,895
Construction in progress	76,826
Furniture and fixtures	446,506
Transportation equipment	45,218
Leasehold improvements	429,098
Property and equipment, at cost	7,907,590
Less: Accumulated depreciation	(5,457,020)
	$ 2,450,570

Depreciation expense totaled $532,633 the year ended June 30, 2022.

5. LONG-TERM DEBT

Long-term debt at June 30, 2022 is summarized as follows:

Loan from residential financing company which originated in November 2021, secured by a deed of trust on property located at 844-846 Pico Boulevard, including interest at a rate of 10.990% with interest only payments with a maturity of September 2026.	$	1,462,250
Loan from residential financing company which originated in September 2021, secured by a deed of trust on property located at 1002 Pico Boulevard, including interest at a rate of 8.50% with interest only payments with a maturity of October 2026.		1,206,600
Economic Injury Disaster Loan ("EIDL") in the amount of $500,000. The loan bears interest at a rate of 2.75%. Monthly payments of principal and interest are due beginning in 2023 and continue through maturity of the loan in 2051. Each payment will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal. The loan is collateralized by substantially all of the assets of the Organization.		499,900
Total long-term debt		3,168,750
Less: Current portion		-
	$	3,168,750

The maturities of long-term debt are as follows at June 30:

2023	$	-
2024		-
2025		-
2026		-
2027		2,668,850
Thereafter		499,900
	$	3,168,750

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 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 Paycheck Protection Program 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 2 was guaranteed by the SBA. The PPP Loan 2 may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan 2 at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements.

Subsequent to June 30, 2022, the Organization was informed that its application for forgiveness of $1,999,997 of the PPP Loan 2 was approved. Accordingly, the Organization will record it as forgiveness of debt in November 2022.

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, 2022 totaled $191,141.

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, 2022:

2023	$ 1,070,813
2024	969,459
2025	996,472
2026	734,229
2027	606,899
Thereafter	202,299
	4,580,171
Less: Imputed interest	(718,574)
	$ 3,861,597

Right-of-use assets obtained in exchange for new operating lease liabilities was $1,521,426 for the year ended June 30, 2022. Lease expense for the year ended June 30, 2022 totaled $2,483,377 which includes variable expenses of $1,296,015. The weighted average remaining lease term is 4.9 years and the weighted average discount rate associated with operating leases as of June 30, 2022 is 7.5%. Operating cash flows related to the lease liabilities during the year ended June 30, 2022 was $919,220.

9. NET ASSETS

During the year ended June 30, 2022, the Organization released all remaining restricted net assets from donor restriction, totaling $480,202 related to Women’s treatment programs. There were no net assets with donor restriction as of June 30, 2022.

10. EMPLOYEE RETENTION CREDIT

The Organization has applied for the Employee Retention Credit (“ERC”) in the total amount of $3,116,042. The credit will be claimed against the Organization’s payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. For the year ended June 30, 2022, the Organization recorded revenue totaling $1,031,664 in the accompanying statement of activities. As of June 30, 2022, the Organization has not yet received payment for any refundable portion of the ERC, and thus a receivable of $3,116,042 is included in other receivables on the accompanying statement of financial position.

11. 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.