

CLARE|MATRIX
Financial Statements
June 30, 2024
With Independent Auditor's Report

CLARE|MATRIX
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Independent Auditor's Report

To the Board of Directors of
CLARE|MATRIX:

Opinion

We have audited the CLARE|MATRIX (the "Organization"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, 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, 2024, 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"). 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 within one year after the date 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 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, 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.

Withum Smith + Brown, PC

December 16, 2025

CLARE|MATRIX
Statement of Financial Position
June 30, 2024

Assets

Cash and cash equivalents	\$ 664,927
Government grant receivables	3,208,257
Other receivables	434,737
Prepaid expenses	111,958
Property and equipment	2,292,225
Right-of-use assets, operating leases	2,765,330
Deposits	55,873
Total assets	\$ 9,533,307

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 2,424,047
Debt	4,618,750
Deferred revenue	1,898,111
Operating lease liabilities	2,978,266
Total liabilities	11,919,174

Net assets

Net assets without donor restrictions	(2,385,867)
Total liabilities and net assets	\$ 9,533,307

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

CLARE|MATRIX
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Without Donor Restriction
Support and revenues	
Government contracts	\$ 11,107,538
Contributions	369,717
Training income	423,434
Special event revenue	180,224
Total support and revenues	<u>12,080,913</u>
Expenses	
Program services	11,223,452
Management and general	3,004,219
Fundraising	672,159
Total expenses	<u>14,899,830</u>
Other income	
Legal settlement	<u>1,000,000</u>
Changes in net assets	(1,818,917)
Net assets	
Beginning of year	(566,950)
End of year	<u><u>\$ (2,385,867)</u></u>

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

CLARE|MATRIX
Statement of Functional Expenses
Year Ended June 30, 2024

	Treatment Programs	Sober Living	Outpatient and Other Services	Program Services Total	Management and General	Fundraising	Totals
Salaries and wages	\$ 1,601,018	\$ 82,251	\$ 2,654,341	\$ 4,337,610	\$ 1,216,668	\$ 243,639	\$ 5,797,917
Payroll taxes and benefits	216,404	10,773	1,006,367	1,233,544	159,093	33,319	1,425,956
Total payroll expense	1,817,422	93,024	3,660,708	5,571,154	1,375,761	276,958	7,223,873
Bad debt recoveries	(24,675)	(2,467)	(55,106)	(82,248)	-	-	(82,248)
Bank charges and fees	2,209	390	3,847	6,446	6,850	3,776	17,072
Client hospitality and medical	429,591	6,907	427,437	863,935	29,848	352	894,135
Depreciation	52,986	9,351	167,531	229,868	164,268	-	394,136
Dues and subscriptions	10,709	964	35,622	47,295	14,160	10,469	71,924
Information technology	83,354	4,522	146,647	234,523	66,803	13,479	314,805
Insurance	33,488	2,018	174,407	209,913	35,459	37	245,409
Interest expense	63,175	5,813	206,015	275,003	82,155	-	357,158
Lease expense	184,831	114,740	1,033,066	1,332,637	396,214	-	1,728,851
Miscellaneous expense	-	-	116,411	116,411	-	-	116,411
Office equipment and supplies	49,102	4,866	85,710	139,678	28,735	7,121	175,534
Printing and postage	9,050	802	21,004	30,856	8,303	13,712	52,871
Professional fees	375,728	30,009	1,138,951	1,544,688	527,182	96,691	2,168,561
Repairs and maintenance	46,595	3,996	200,494	251,085	35,431	58	286,574
Special projects	-	62,839	-	62,839	127,693	-	190,532
Staff and board development	29,315	4,948	287,591	321,854	86,904	249,493	658,251
Telephone	35,587	1,936	24,526	62,049	16,358	-	78,407
Transportation	1,015	127	4,324	5,466	2,095	13	7,574
Total expenses	\$ 3,199,482	\$ 344,785	\$ 7,679,185	\$ 11,223,452	\$ 3,004,219	\$ 672,159	\$ 14,899,830

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

CLARE|MATRIX
Statement of Cash Flows
Year Ended June 30, 2024

Operating activities

Change in net assets \$ (1,818,917)

Adjustments to reconcile net loss to net cash used in operating activities

Provision for credit losses 747,071

Depreciation and amortization 394,136

Amortization of right-of-use assets 1,211,531

Changes in operating assets

Contracts and grants receivable (1,360,963)

Other receivables 379,860

Prepaid expenses 186,944

Other assets 48,420

Changes in operating liabilities

Accounts payable and accrued expenses 215,131

Operating lease obligations (1,204,069)

Deferred revenue (523,392)

Net cash used in operating activities (1,724,248)

Investing activities

Purchase of property and equipment (180,647)

Financing activities

Proceeds from issuance of debt 1,450,000

Net change in cash, cash equivalents, and restricted cash (454,895)

Cash, cash equivalents, and restricted cash

Beginning of year 1,119,822

End of year \$ 664,927

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

CLARE|MATRIX
Notes to Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies

a. 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.

b. 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, which were \$1,960,177 during the year ended June 30, 2024, and its overall financial position has decreased with a net asset deficit of \$2,385,867. Additionally, over \$4,000,000 of debt is scheduled to mature by December 2026. 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, applying for new grant funds, 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.

c. 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.

d. Measure of Operations

The statement of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing purpose. Nonoperating activities are limited to resources that generate returns from investments and activities considered to be of a more unusual or nonrecurring nature.

CLARE|MATRIX
Notes to Financial Statements
June 30, 2024

e. 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.

f. Receivables and Allowance for Credit Losses Policy

Contracts, grants and other receivables are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations in the year in which those differences are determined, with an offsetting entry to the valuation allowance for accounts receivable. Balances that are still outstanding after management used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The adequacy of the Organization's reserves for credit losses are reviewed on an ongoing basis, using historical payments trends, assessment of economic conditions and write off experience.

In accordance with Accounting Standards Update ("ASU") 2025-05, the Organization elected the practical expedient for estimating expected credit losses on current accounts receivable and contract assets arising from service revenue transactions under Topic 606. This expedient allows for the assumption that conditions at June 30, 2024 will remain consistent throughout the assets' lives.

ASU 2025-05 also allows the Organization to consider cash collection activity after June 30, 2024 when estimating expected credit losses. Subsequent cash collections were evaluated through November 2025 resulting in the Organization recording an allowance for credit losses of \$1,895,435 as of June 30, 2024.

g. 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.

h. Property and Equipment

Property and equipment are recorded 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.

i. 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.

j. 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. As of June 30, 2024, the Organization's cash accounts exceeded federally insured limits by approximately \$404,000.

CLARE|MATRIX
Notes to Financial Statements
June 30, 2024

k. Contributed Services and Contributed Nonfinancial Assets

Contributed goods are recorded at their fair value at the date of the gift. In the absence of time or donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization did not receive any donation of non-cash items for the year ended June 30, 2024.

l. 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.

m. Grants and Contribution

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.

n. 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 \$1,843,113 as of July 1, 2023.

o. 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.

CLARE|MATRIX
Notes to Financial Statements
June 30, 2024

p. 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, 2024.

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.

q. Advertising Expense

Advertising and promotional costs are charged to operations when incurred.

r. Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "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, 2024. 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.

s. 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.

CLARE|MATRIX
Notes to Financial Statements
June 30, 2024

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

t. Recent Accounting Pronouncements - Adopted

In July 2025, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2025-05, *Financial Instruments—Credit Losses (Topic 326): Improvements to the Measurement of Current Accounts Receivable and Current Contract Assets*. The new standard, which is effective for annual reporting periods beginning after December 15, 2025, with early adoption permitted, provides a simplified approach for measuring expected credit losses on current accounts receivable and current contract assets accounted for under Topic 606.

The Organization has early adopted ASU 2025-05 prospectively as of July 1, 2023.

u. 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.

v. Subsequent Events

The Organization evaluated subsequent events through December 16, 2025, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

CLARE|MATRIX
Notes to Financial Statements
June 30, 2024

w. Fair Value Measurements

The Organization measures certain financial instruments at fair value on a recurring basis at each reporting period. Certain assets are measured at fair value on a nonrecurring basis annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Fair value is estimated as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value estimates involve uncertainty and significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially when quoted prices are unavailable. Changes in assumptions or market conditions could significantly affect these estimates.

Fair Value Hierarchy

Assets and liabilities recorded at fair value are measured and classified in accordance with a fair value hierarchy consisting of three “levels” based on the observability of valuation inputs:

Level 1 - Fair value measurements based on quoted prices (unadjusted) in active markets that the has the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. The Organization does not adjust the quoted price for such instruments.

Level 2 - Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Fair value measurements based on valuation techniques that use significant unobservable inputs. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, the Organization must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

The Organization maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Financial instruments with quoted prices in active markets generally have more pricing observability and require less judgment in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, liquidity and general market conditions.

In certain cases, the inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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.

CLARE|MATRIX
Notes to Financial Statements
June 30, 2024

The following represents the Organization's financial assets at June 30, 2024:

Financial assets

Cash and cash equivalents	\$ 664,927
Contracts and grants receivable	3,444,186
Other receivables	434,737
Total financial assets and liquidity resources available within one year for general expenditure	<u><u>\$ 4,543,850</u></u>

3. Contracts and Grants Receivable, Net

Net contracts and grants receivable consist of the following at June 30, 2024:

Public funding agencies	\$ 5,103,692
Less: Allowance for credit losses	(1,895,435)
	<u><u>\$ 3,208,257</u></u>

4. Property and Equipment

Property and equipment at June 30, 2024 consist of the following:

Land	\$ 363,857
Buildings and improvements	4,400,521
Furniture and fixtures	569,947
Transportation equipment	45,219
Leasehold improvements	631,101
	<u>6,010,645</u>
Less: Accumulated depreciation	(3,718,420)
	<u><u>\$ 2,292,225</u></u>

Depreciation expense totaled \$394,136 the year ended June 30, 2024.

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Notes to Financial Statements
June 30, 2024

5. Debt

Debt at June 30, 2023 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 December 2026.	\$ 2,912,250
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
	<u>\$ 4,618,750</u>

The aggregate amounts of principal maturities and sinking fund requirements of long-term debt outstanding at June 30, 2024 are as follows:

	<u>Future Payments</u>
2026	\$ 4,118,850
Thereafter	499,900
Total long-term debt	<u>\$ 4,618,750</u>

6. 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, 2024 totaled \$131,104.

7. 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.

CLARE|MATRIX
Notes to Financial Statements
June 30, 2024

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, 2024:

2025	\$ 1,563,916
2026	890,406
2027	606,899
2028	225,475
	<hr/> 3,286,696
Less: Imputed interest	(308,430)
	<hr/> <u>\$ 2,978,266</u>

Lease expense for the year ended June 30, 2024 totaled \$1,728,851, which includes variable lease expense of \$391,878. The weighted average remaining lease term is 2.30 years and the weighted average discount rate associated with operating leases as of June 30, 2024 is 6.62%. Operating cash flows related to the lease liabilities during the year ended June 30, 2024 was \$1,474,502.

8. Net Assets

There were no net assets with donor restriction as of June 30, 2024.

9. 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.