



Financial Statements

**For the Years Ended
June 30, 2022 and 2021**

With Independent Auditors' Report Thereon

Clinic By The Bay

(A California Not-for-Profit Corporation)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Clinic By The Bay

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Clinic By The Bay (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, cash flows, and, functional expenses 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 Clinic By The Bay 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). 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 Clinic By The Bay 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.

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 Clinic By The Bay's ability to continue as a going concern for one year after the date that the financial statements are available to be issued September 7, 2023.

INDEPENDENT AUDITORS' REPORT

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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 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 generally accepted 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 GPF'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 GPF'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 Matters

We have previously audited Clinic By The Bay's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California
September 7, 2023

Regalia & Associates

Clinic By The Bay

Statements of Financial Position June 30, 2022 and 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	\$ 3,118,791	\$ 1,359,792
Pledges and grants receivable	269,868	911,415
Other assets	369	-
Total current assets	3,389,028	2,271,207
Noncurrent assets:		
Property and equipment, net	1,292,320	1,281,776
Right of use asset	24,277	-
Other assets	6,200	6,200
Total noncurrent assets	1,322,797	1,287,976
Total assets	\$ 4,711,825	\$ 3,559,183

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 27,872	\$ 262,554
Accrued payroll liabilities	13,070	24,493
Operating lease payable - current portion	4,413	-
Total current liabilities	45,355	287,047
Noncurrent liabilities:		
Operating lease payable - noncurrent portion	20,441	-
Total liabilities	65,796	287,047
Net assets:		
Without donor restrictions	1,552,042	1,664,786
With donor restrictions	3,093,987	1,607,350
Total net assets	4,646,029	3,272,136
Total liabilities and net assets	\$ 4,711,825	\$ 3,559,183

Clinic By The Bay

Statement of Activities and Changes in Net Assets For the Years Ended June 30, 2022 and 2021

	Net Assets		Total 2022	2021
	Without Donor Restrictions	With Donor Restrictions		
<i>Changes in net assets:</i>				
Revenue and support:				
Contributions	\$ 385,684	\$ 1,588,250	\$ 1,973,934	\$ 1,809,995
In-kind donations	481,549	-	481,549	495,115
Special events	251,486	-	251,486	517,670
Investment income	752	-	752	518
Other	-	-	-	67
Net assets released from restrictions	101,613	(101,613)	-	-
Total revenue and support	1,221,084	1,486,637	2,707,721	2,823,365
Expenses:				
Programs	1,061,307	-	1,061,307	1,797,207
Fundraising	144,209	-	144,209	181,217
General and administrative	128,312	-	128,312	134,895
Total expenses	1,333,828	-	1,333,828	2,113,319
Increase in net assets	(112,744)	1,486,637	1,373,893	710,046
Net assets at beginning of year	1,664,786	1,607,350	3,272,136	2,562,090
Net assets at end of year	\$ 1,552,042	\$ 3,093,987	\$ 4,646,029	\$ 3,272,136

Clinic By The Bay

Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

	2022	2021
<i>from operating activities</i>		
Increase in net assets	\$ 1,373,893	\$ 710,046
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	2,248	16,281
Changes in:		
Accounts receivable	-	2,600
Pledges and grants receivable	641,547	1,180,216
Accounts payable and accrued liabilities	(234,682)	19,575
Refundable advance	-	(104,800)
Accrued payroll liabilities	(11,423)	9,204
Net cash provided by operating activities	1,771,214	1,833,122
<i>Cash flows from investing activities:</i>		
Acquisition of property and equipment	(12,792)	(991,085)
Net cash used for investing activities	(37,069)	(991,085)
Increase in cash and cash equivalents	1,758,999	842,037
Cash and cash equivalents at beginning of year	1,359,792	517,755
Cash and cash equivalents at end of year	\$ 3,118,791	\$ 1,359,792
<i>Additional cash flow information:</i>		
State registraion taxes paid	\$ 200	\$ 200
Interest paid	\$ -	\$ -

Clinic By The Bay

**Statement of Functional Expenses
For the Year Ended June 30, 2022**

(with Summarized Financial Information for the Year Ended June 30, 2021)

	Programs	Fund- raising	General and Admin- istrative	2022 Total	2021 Total
Bad debt expense	\$ -	\$ -	\$ 7,000	\$ 7,000	\$ -
Conferences and meetings	250	69	1,329	1,648	1,192
Depreciation	1,830	254	164	2,248	16,281
Dues, licenses and fees	4,251	1,064	2,431	7,746	10,486
Equipment lease and purchase	10,477	925	598	12,000	12,100
Insurance and taxes	12,162	621	401	13,184	12,051
Grant expense	9,655	-	-	9,655	703,757
Medical supplies and services	87,889	-	-	87,889	120,847
Office and related expenses	5,326	739	478	6,543	3,107
Outreach and volunteer expenses	2,769	-	-	2,769	464
Postage and printing	2,429	1,530	218	4,177	2,421
Professional services and other fees	17,711	14,906	26,490	59,107	90,066
Rent, maintenance, and utilities	54,281	7,536	4,868	66,685	85,713
Salaries, payroll taxes and benefits	785,022	111,772	81,238	978,032	986,266
Special events	32,167	-	-	32,167	33,232
Travel and transportation	559	-	-	559	47
Utilities, telephone and internet	34,529	4,793	3,097	42,419	35,289
Totals	\$ 1,061,307	\$ 144,209	\$ 128,312	\$ 1,333,828	\$ 2,113,319

**Notes to Financial Statements
June 30, 2022 and 2021**

1. Organization

Clinic By The Bay (the Clinic) is a California tax-exempt, non-profit corporation founded in 2008 under the legal name Volunteers In Medicine – San Francisco. Clinic by the Bay provides free healthcare to the working uninsured in San Francisco and San Mateo counties. The Clinic provides a caring medical home to patients through a holistic philosophy centered on compassion, wellness, and dignity. The Clinic's personalized care is 100% free and is provided by volunteer doctors, nurses, and support staff specializing in integrated medical treatment, primary care, preventative testing and screening, and ongoing counseling, education, and support. Services are offered in English, Spanish and Chinese.

2. Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Clinic have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“US GAAP”).

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 Company's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – The Clinic cash consists of cash on deposit with banks. Cash equivalents represent savings, cash deposits and money market accounts with maturity dates of three months or less from the date of purchase.

Concentrations of Credit Risk – Financial instruments that potentially subject The Clinic to concentrations of credit risk consist principally of cash and cash equivalents and deposits. The Company maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Company manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, The Clinic has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of the Company's mission.

Comparative Financial Information – The accompanying financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Accounts, Grants and Pledges Receivable – The Clinic records receivables that are expected to be collected within one year at net realizable value. When material, receivables expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts (when applicable) will be included in contribution revenue on the statement of activities and changes in net assets.

The Clinic determined that no allowance for doubtful uncollectible accounts receivable is needed based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of the organization to periodically assess receivables to determine proper carrying value. Receivables are written off when deemed uncollectible.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Clinic groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Property and Equipment – The Clinic’s policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

Costs of maintenance and repairs are expensed currently. The Clinic reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Clinic has determined that no long-lived assets were impaired during the years ended June 30, 2022.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but it has not opted to do so as of June 30, 2022 and 2021.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions of Nonfinancial Assets – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities and statements of functional expenses.

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Income Taxes – The Clinic is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Company has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Company has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Clinic has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Revenue and Revenue Recognition - Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from contracts with Customers (Topic 606)*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute is accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income (such as special events), and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

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.

The Clinic has adopted Accounting Standards Update (*ASU*) *No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made (Topic 605)* as amended, as management believes the standard improves the usefulness and understandability of the Clinic’s financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Clinic recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires us 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 reported period. Actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires the Clinic to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries and benefits, utilities, and other overhead) have been allocated based on time and effort using the Clinic By The Bay's payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with specific services received from vendors.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of September 7, 2023 (the date of the Independent Auditors' Report), The Clinic management has made this evaluation and has determined that the Company has the ability to continue as a going concern.

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Clinic has adjusted the presentation of these statements accordingly.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. This new pronouncement is effective for fiscal years beginning after December 15, 2021. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

**Notes to Financial Statements
June 30, 2022 and 2021**

2. Summary of Significant Accounting Policies *(continued)*

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) removes inconsistencies and weaknesses in existing revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosure requirements, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, The Clinic has incorporated these clarifying standards within the audited financial statements.

In September 17, 2021, the FASB issued *Accounting Standards Update (ASU) 2020-07; Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by non-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an 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. It also requires that an organization disclose:

1. A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.
2. For each category of nonfinancial assets recognized:
 - Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used.
 - The organization’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
 - A description of any donor-imposed restrictions associated with the contributed nonfinancial assets
 - A description of the valuation techniques and inputs used to arrive at a fair value measure in accordance with requirements in *Topic 820, Fair Value Measurement*, at initial recognition.
 - The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

**Notes to Financial Statements
June 30, 2022 and 2021**

3. Cash and Cash Equivalents

Cash and cash equivalents of \$3,118,791 and \$1,359,792 at June 30, 2022 and 2021, respectively, includes cash on hand and deposits in checking, savings, and money market accounts at a local financial institution. The money market account reflected a balance of \$1,011,278 at June 30, 2021 bearing interest at a rate of 0.10% per annum. All other cash accounts are noninterest-bearing. At certain times during the year, domestic deposits may exceed federally insurance limits. The Clinic attempts to minimize its credit risk associated with cash equivalents by utilizing highly rated financial institutions.

4. Grants and Pledges Receivables

Total receivables of \$269,868 and \$911,415 at June 30, 2022 and 2021, respectively, reflect amounts due from various individuals, corporations, foundations, and governmental entities based on written commitments. The Clinic carefully evaluates all outstanding grants and pledges and uses the direct write-off method with regards to grants and pledges receivable which are deemed to be uncollectible. Bad debt expense amounted to \$7,000 for the year ended June 30, 2022. There were no bad debt write-offs involving grants and pledges receivable for the year ended June 30, 2021. Management has evaluated the grants and pledges receivable as of June 30, 2022 and determined that such amounts are fully collectible based on the financial strength of the donors involved.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021
Medical and dental equipment	\$ 68,508	\$ 68,508
Leasehold improvements	1,475,518	1,462,726
Total property and equipment	1,544,026	1,531,234
Less accumulated depreciation	(251,706)	(249,458)
Total property and equipment (net)	\$ 1,292,320	\$ 1,281,776

Depreciation expense amounted to \$2,248 and \$16,281 for the years ended June 30, 2022 and 2021, respectively, and is reflected on the statement of functional expenses.

6. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, The Clinic is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$13,070 and \$24,493 at June 30, 2022 and 2021, respectively.

Clinic By The Bay

Notes to Financial Statements June 30, 2022 and 2021

7. Liquidity

The Clinic regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. The Company has various sources of liquidity at its disposal, including cash and equivalents, receivables, and other sources (including the future collection of grants and contributions receivable).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Clinic By The Bay considers all expenditures related to its ongoing activities in support of community initiatives to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year comprise the following at June 30:

	2022	2021
Cash and cash equivalents	\$ 3,118,791	\$ 1,359,792
Pledges and grants receivable	269,868	911,415
Total financial assets	3,388,659	2,271,207
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(3,035,653)	(1,572,350)
Financial assets available to meet general expenditures over the next year	\$ 353,006	\$ 698,857

The Clinic receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Company must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Clinic's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

8. Contributions of Nonfinancial Assets

The Clinic recognizes donated materials which create and enhance non-financial assets or that require specialized skills. The Clinic was the recipient of certain in-kind contributions which satisfied the provisions of under *ASC 958.605.30-11 Revenue Recognition of Not-For-Profit Entities* and these donated services and materials were recorded at their estimated fair market values as program and supporting revenues and expenses. The values of these contributions as reflected on the statement of activities and changes in net assets amounted to \$481,549 and \$495,115 at June 30, 2022 and 2021, respectively. Contributions of nonfinancial assets consist primarily of medicines donated to the Clinic which are then utilized in programmatic activities with the dispensing of medications to beneficiaries of services provided by the Clinic.

A substantial number of unpaid volunteers have made significant contributions of time to various departments or programs of The Clinic as well as receipt of COVID and flu vaccines. The value of these contributed nonfinancial assets are not reflected in the financial statements because it is not susceptible to objective measurement or valuation and therefore did not meet the criteria for recognition under *ASC 958.605.30-11*.

**Notes to Financial Statements
June 30, 2022 and 2021**

9. Retirement Plan

The Clinic offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b). Under the terms of the Plan, contributions in the form of payroll deductions are invested at the direction of the Plan participant into one or more of the investment vehicles available under the Plan. The Plan is funded through elective salary deferrals by participating employees. Contributions by employees and investment earnings in the plan grow tax deferred until withdrawal, at which time they are taxed in accordance with applicable rules and regulations.

10. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions of \$1,552,042 and \$1,664,786 at June 30, 2022 and 2021, respectively, represents the cumulative operating surpluses of The Clinic since its inception.

Net Assets with Donor Restrictions

The Clinic recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets restricted by donor for time and purpose are summarized as follows at June 30:

Restricted For:	2022	2021
Capital project	\$ 2,985,653	\$ 1,544,850
Behavioral Health Screening and Access Program	50,000	37,500
Time restricted	58,334	25,000
Total donor restricted net assets	\$ 3,093,987	\$ 1,607,350

During the years ended June 30, 2022 and 2021 The Clinic received donor restricted contributions of \$1,588,250 and \$1,177,500, respectively. Net assets released from restrictions amounted to \$101,613 and \$1,752,964 during the years ended June 30, 2022 and 2021, respectively.

11. Capital Campaign

As of June 30, 2022, the Clinic is in the process of renovating a new clinic at 35 Onondaga Avenue in San Francisco. The total budget for the construction is estimated at \$7,400,000 and the project is being funded by donations from governmental agencies, individuals, foundations, and corporations. Additionally, the Clinic anticipates using its \$200,000 operating reserve.

The Clinic has engaged Nibbi Bros as the general contractor and Hammel, Green and Abrahamson as the architect to renovate the facility. The total contract commitment for these two vendors amounts to \$2,838,000. As of June 30, 2022, \$2,004,379 has been expended under this arrangement. Management anticipates the project will be completed in 2023.

**Notes to Financial Statements
June 30, 2022 and 2021**

12. Lease Commitments

The Clinic leases its clinic under a multi-year operating lease agreement expiring October 31, 2023. The clinic lease provides for a rental payment of \$4,250 per month as of June 30, 2022. The Clinic is also obligated under a lease agreement for its new clinic facility at 35 Onondaga Avenue expiring July 31, 2033. Lease payment for this facility will begin once renovation is complete, estimated to be in 2023. The Clinic also leases its copier under an equipment lease agreement requiring a monthly payment of \$477. This lease has commitment periods running through March 31, 2027.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) – Accounting for Leases*. This ASU increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The Clinic is currently assessing the impact that adoption of this ASU will have on its financial statements.

As of June 30, 2022, minimum annual payments on all operating leases for the next five years with written agreements extending beyond one year are as follows: Amounts due during years ending June 30: **2023** - \$56,734; **2024** - \$72,422; **2025** - \$57,907; **2026** - \$60,516; **2027** - \$71,825; and **thereafter** \$346,387. Total occupancy expense (including rent, utilities, and janitorial services) amounted to \$66,685 and \$85,713 for the years ended June 30, 2022 and 2021, respectively.

13. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) grant restrictions and donor conditions which obligate The Clinic to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond The Clinic control, such as generosity of donors and general economic conditions, (c) employment and service agreements with key management personnel, including executive officers of the organization, and (d) financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments, contingencies, and risks will not have a material adverse effect on the financial statements.

14. COVID-19

As a result of COVID-19 and its variants, the worldwide threat continues to (a) influence financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which the Clinic conducts operations. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges.

15. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, the Clinic has evaluated subsequent events through September 7, 2023, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which necessitate disclosure.