The Davis Street Community Center Incorporated d/b/a Davis Street

Independent Auditor's Reports and Consolidated Financial Statements

June 30, 2024 and 2023

The Davis Street Community Center Incorporated d/b/a Davis Street
Contents
June 30, 2024 and 2023

Forvis Mazars, LLP
111 Center Street, Suite 1600
Little Rock, AR 72201
P 501.372.1040 | F 501.372.1250
forvismazars.us

Independent Auditor's Report

Board of Directors
The Davis Street Community Center Incorporated
d/b/a Davis Street
San Leandro, California

Opinion

We have audited the consolidated financial statements of The Davis Street Community Center Incorporated d/b/a Davis Street (the Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Consolidated 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 audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Little Rock, Arkansas
November 13, 2024

The Davis Street Community Center Incorporated d/b/a Davis Street
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	$ 2,100,581	$ 1,648,720
Restricted cash	487,321	194,747
Patient accounts receivable	450,249	335,766
Estimated amounts due from third-party payors	150,815	170,664
Government grant and contracts receivable	1,800,674	1,628,237
Contributions receivable	110,000	110,000
Other receivable	236,303	-
Investments	2,740,145	1,575,169
Prepaid expenses	197,097	163,866
Total Current Assets	8,273,185	5,827,169
Property and Equipment, at Cost		
Land and land improvements	1,410,690	1,410,690
Buildings and leasehold improvements	7,182,717	7,181,362
Equipment	785,179	415,313
Construction-in-progress	299,925	249,333
	9,678,511	9,256,698
Less accumulated depreciation	1,770,843	1,494,542
	7,907,668	7,762,156
Other Assets		
Contributions receivable – long-term	-	87,171
Investments – long-term	240,000	-
Right-of-use assets – operating leases	259,247	311,584
Other assets	40,897	40,897
	540,144	439,652
Total Noncurrent Assets	8,447,812	8,201,808
Total Assets	$ 16,720,997	$ 14,028,977

The Davis Street Community Center Incorporated d/b/a Davis Street
Consolidated Statements of Financial Position
June 30, 2024 and 2023 (Continued)

	2024	2023
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 1,300,692	$ 1,046,279
Accrued expenses	761,691	557,855
CDE/CDSS reserves	487,321	194,747
Advanced apportionments from CDE/CDSS	36,320	110,076
Deferred revenue	2,220,882	590,647
Current maturities of long-term debt	189,335	183,746
Current portion of operating lease liabilities	52,945	52,945
Total Current Liabilities	5,049,186	2,736,295
Long-Term Debt	8,864,360	9,053,656
Long-Term Operating Lease Liabilities	206,301	258,639
Total Liabilities	14,119,847	12,048,590
Net Assets		
Without donor restrictions	2,124,483	1,354,238
With donor restrictions	476,667	626,149
Total Net Assets	2,601,150	1,980,387
Total Liabilities and Net Assets	$ 16,720,997	$ 14,028,977

The Davis Street Community Center Incorporated d/b/a Davis Street
Consolidated Statements of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contract revenue			
Federal and state	$ 18,702,344	$ -	$ 18,702,344
Child care food program	40,651	-	40,651
County, city, and regional	629,484	-	629,484
Total contract revenue	19,372,479	-	19,372,479
Contribution revenue	1,672,605	116,667	1,789,272
In-kind revenue	686,874	-	686,874
Fee for service	728,366	-	728,366
Patient service revenue	3,251,748	-	3,251,748
Other	213,017	-	213,017
Fundraising revenue	495,360	-	495,360
Investment income	284,008	-	284,008
Net assets released from restrictions for operations	266,149	(266,149)	-
Total Revenue, Gains and Other Support	26,970,606	(149,482)	26,821,124
Functional Expenses			
Program services			
Child care programs	16,885,890	-	16,885,890
Family support services	1,304,098	-	1,304,098
Primary care clinic	4,818,621	-	4,818,621
Disabilities programs	1,141,779	-	1,141,779
Counseling	252,280	-	252,280
Total Program Services	24,402,668	-	24,402,668
Support services			
Management and general	1,382,663	-	1,382,663
Fundraising and development	415,030	-	415,030
Total Support Services	1,797,693	-	1,797,693
Total Functional Expenses	26,200,361	-	26,200,361
Change in Net Assets	770,245	(149,482)	620,763
Net Assets, Beginning of Year	1,354,238	626,149	1,980,387
Net Assets, End of Year	$ 2,124,483	$ 476,667	$ 2,601,150

The Davis Street Community Center Incorporated d/b/a Davis Street
Consolidated Statements of Activities
Year Ended June 30, 2023 (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contract revenue			
Federal and state	$ 16,455,941	$ 181,990	$ 16,637,931
Child Care Food Program	30,851	-	30,851
County, city, and regional	692,219	-	692,219
Total contract revenue	17,179,011	181,990	17,361,001
Contribution revenue	1,492,356	-	1,492,356
In-kind revenue	602,408	-	602,408
Fee for service	1,530,419	-	1,530,419
Patient service revenue	2,520,482	-	2,520,482
PPP loan forgiveness and other	150,966	-	150,966
Fundraising revenue	434,162	-	434,162
Investment loss	(3,920)	-	(3,920)
Net assets released from restrictions	110,000	(110,000)	-
Total Revenue, Gains and Other Support	24,015,884	71,990	24,087,874
Functional Expenses			
Program services			
Child care programs	13,903,128	-	13,903,128
Family support services	1,286,779	-	1,286,779
Primary care clinic	4,553,792	-	4,553,792
Disabilities programs	1,017,108	-	1,017,108
Counseling	301,279	-	301,279
Total Program Services	21,062,086	-	21,062,086
Support services			
Management and general	1,092,911	-	1,092,911
Fundraising and development	390,803	-	390,803
Total Support Services	1,483,714	-	1,483,714
Total Functional Expenses	22,545,800	-	22,545,800
Change in Net Assets	1,470,084	71,990	1,542,074
Net Assets (Deficit), Beginning of Year	(115,846)	554,159	438,313
Net Assets, End of Year	$ 1,354,238	$ 626,149	$ 1,980,387

The Davis Street Community Center Incorporated d/b/a Davis Street
Consolidated Statements of Functional Expenses
Year Ended June 30, 2024

	Child Care Programs	Family Support Services	Primary Care Clinic	Disabilities Program	Counseling	Fundraising and Development	Management and General	Total
Personnel costs								
Salaries and wages	$ 2,501,432	$ 205,787	$ 2,913,754	$ 762,180	$ 108,151	$ 181,533	$ 222,082	$ 6,894,919
Payroll taxes	186,408	16,132	224,029	59,798	8,216	13,627	21,012	529,222
Employee benefits	282,707	39,407	230,841	178,559	21,428	6,429	39,111	798,482
Total personnel costs	2,970,547	261,326	3,368,624	1,000,537	137,795	201,589	282,205	8,222,623
Provider payments	13,241,573	-	-	-	-	-	-	13,241,573
Rent and occupancy	107,029	53,109	150,601	15,872	5,885	3,605	56,649	392,750
Consulting services	120,524	8,261	482,087	21,943	54,883	11,232	268,016	966,946
Program and clinical supplies	49,986	278,446	232,331	3,093	59	259	3,648	567,822
Insurance	24,377	1,887	25,133	12,090	1,281	1,278	20,145	86,191
Communication	150,386	11,701	320,671	51,014	49,924	8,109	18,249	610,054
Community, outreach, promotion	32,043	18,877	32,751	720	514	11,338	26,511	122,754
Travel, conference, trainings	21,042	6,365	7,876	25,479	-	412	49,412	110,586
Equipment maintenance and rental	21,124	6,848	24,531	434	521	482	2,035	55,975
Membership and dues	56,287	2,281	24,866	952	107	3,375	95,562	183,430
Administrative and general support	40,470	4,162	54,593	8,783	1,251	20,057	66,255	195,571
Fundraising	2,775	128	15,556	285	43	136,738	700	156,225
Depreciation and amortization	47,727	13,833	29,458	520	17	268	237,352	329,175
Interest and finance charges	-	-	49,543	57	-	35	252,959	302,594
In-kind expense	-	636,874	-	-	-	-	-	636,874
Other expenses	-	-	-	-	-	16,253	2,965	19,218
	$ 16,885,890	$ 1,304,098	$ 4,818,621	$ 1,141,779	$ 252,280	$ 415,030	$ 1,382,663	$ 26,200,361

The Davis Street Community Center Incorporated d/b/a Davis Street
Consolidated Statements of Functional Expenses
Year Ended June 30, 2023

	Child Care Programs	Family Support Services	Primary Care Clinic	Disabilities Program	Counseling	Management and General	Fundraising and Development	Total
Personnel costs								
Salaries and wages	$ 1,498,169	$ 200,935	$ 2,535,281	$ 615,790	$ 168,592	$ 166,922	$ 193,695	$ 5,379,384
Payroll taxes	134,159	15,517	194,376	50,373	13,431	12,607	15,613	436,076
Employee benefits	255,675	37,138	207,549	177,391	35,819	21,880	14,146	749,598
Total personnel costs	1,888,003	253,590	2,937,206	843,554	217,842	201,409	223,454	6,565,058
Provider payments	9,899,556	-	-	-	-	-	-	9,899,556
Direct Payments to Providers – Stipend	996,806	-	-	-	-	-	-	996,806
Rent and occupancy	137,412	55,785	138,822	8,396	5,827	44,273	2,489	393,004
Consulting services	336,122	17,810	747,730	16,215	16,361	305,645	9,663	1,449,546
Program and clinical supplies	50,398	266,317	140,039	1,933	36	580	2,760	462,063
Insurance	242,162	3,287	22,575	12,817	1,928	20,627	349	303,745
Communication	146,156	20,207	271,867	71,538	53,324	35,946	10,942	609,980
Community, outreach, promotion	7,782	7,810	104,588	517	150	13,108	8,287	142,242
Travel, conference, trainings	9,730	5,249	14,127	34,351	897	26,782	1,290	92,426
Equipment maintenance and rental	60,513	16,854	24,727	1,105	21	10,320	1,537	115,077
Membership and dues	23,932	683	9,606	-	5	36,851	11,476	82,553
Administrative and general support	33,561	2,517	58,911	10,564	2,025	48,060	8,849	164,487
Fundraising	525	180	12,058	55	8	93	100,644	113,563
Depreciation and amortization	3,873	6,597	15,426	-	-	233,429	-	259,325
Interest and finance charges	66,597	27,485	56,110	16,063	2,855	115,788	9,063	293,961
In-kind expense	-	602,408	-	-	-	-	-	602,408
	$ 13,903,128	$ 1,286,779	$ 4,553,792	$ 1,017,108	$ 301,279	$ 1,092,911	$ 390,803	$ 22,545,800

The Davis Street Community Center Incorporated d/b/a Davis Street
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	$ 620,763	$ 1,542,074
Items not requiring operating cash flows		
provided by operating activities		
Depreciation and amortization	276,838	259,324
Noncash operating lease expense	52,337	47,508
Net realized and unrealized gains on investments	(134,551)	(49,690)
Grants of or for the acquisition of property and equipment	(100,889)	-
Changes in operating assets and liabilities		
Patient accounts receivable	(114,483)	(38)
Estimated amounts due from third-party payors	19,849	3,556
Grants and contract receivables	(172,437)	(536,227)
Contributions receivable	87,171	146,988
Other receivable	(236,303)	-
Advanced apportionments from CDE/CDSS	(73,756)	(84,602)
Accounts payable and accrued expenses	458,249	(14,762)
CDE/CDSS reserves	292,574	2,378
Deferred revenue	1,630,235	578,951
Operating leases liability	(52,338)	(47,508)
Other current assets and liabilities	(33,231)	(19,074)
Net Cash Provided by Operating Activities	2,520,028	1,828,878
Investing Activities		
Purchase of property and equipment	(422,350)	(6,128,608)
Purchases of investments	(1,270,425)	(421,599)
Net Cash Used in Investing Activities	(1,692,775)	(6,550,207)
Financing Activities		
Proceeds from notes payable	-	6,528,718
Payments of lines of credit	-	(527,845)
Payments of related note payable	(183,707)	(300,000)
Proceeds from grants for acquisition of property and equipment	100,889	-
Net Cash Provided by (used in) Financing Activities	(82,818)	5,700,873
Net Increase in Cash and Restricted Cash	744,435	979,544
Cash and Restricted Cash, Beginning of Year	1,843,467	863,923
Cash and Restricted Cash, End of Year	$ 2,587,902	$ 1,843,467
Cash and Restricted Cash Consisted of the Following:		
Cash	$ 2,100,581	$ 1,648,720
Restricted cash	487,321	194,747
	$ 2,587,902	$ 1,843,467
Supplemental Cash Flows Information		
Interest paid	$ 302,593	$ 293,961
ROU Assets obtained in exchange for new operating lease liabilities	$ -	$ 81,223

Note 1: Nature of Operations

Nature of Operations

The Davis Street Community Center Incorporated d/b/a Davis Street, (Davis Street) is a private nonprofit organization incorporated on May 22, 1990, under the laws of the state of California, for the purpose of providing outpatient primary health services to medically underserved populations and additional services including, but not limited to, child care, housing assistance, food distribution and other emergency services. Additionally, Davis Street provides a continuum of programs and services to adults and children with a developmental disability including, but not limited to, developing, promoting and managing services, and programs to support persons with disabilities, including intake and assessment for employment, job development, personal, vocational and social adjustment tutoring, independent living services, and mobility training. These services are provided in the Alameda County area.

Davis Street derives its support through Child Care Development grants with the California Department of Education, California Department of Social Services, state and local grants, private grants and contributions, and through public insurance programs, such as Medi-Cal and Medicare.

Davis Street is the sole member of the Davis Street Foundation (Foundation). The Foundation is a nonprofit public benefit corporation whose purpose is to raise funds to support Davis Street's facilities and programs and to carry on other charitable and educational activities.

Primary Programs

Child Care Programs: Davis Street offers child care services through its Alternative Payment Programs and its Center-Based Programs. The Alterative Payment Program provides quality parental choice subsidized child care to working parents. The program is a voucher subsidy program for eligible CalWorks and low-income families caring for children 0 to 12 years of age. Davis Street's center-based child care provides quality, affordable child care at four licensed sites. The program also provides children's health, medical and nutritional services, and antiviolence prevention programs.

Basic Needs and Family Support Services: The family resource center programs offer help with the transition to self-sufficiency by giving families individualized and culturally competent help in critical areas. Services provided include counseling, support groups, child care, food, and clothing. There is a food pantry for emergency food assistance, education, training, and employment services to assist clients become job ready and/or secure employment, and life skills workshops and classes.

Counseling Services: Community Counseling is the mental health program of Davis Street. The counseling program has licensed psychologists, marriage and family therapists, and social workers providing the therapeutic services as well as interns/trainees. The program offers individual therapy, family therapy, couples therapy, and psychological assessments.

Primary Care Clinic: The Davis Street Primary Care Clinic helps sick children, including those who are already clients in its child care facilities and families in its Basic Needs program. The primary care clinic, which is directly attached to the Family Resource Center, provides another community resource for citizens needing a helping hand and is designated as a Federally Qualified Health Center (FQHC).

Disabilities Program: Davis Street Disabilities Services provides support to individuals with intellectual and developmental disabilities. Services include supported employment job coaching, pre-vocational training, activity programs, and 1:1 instruction to support daily living.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Davis Street and the Foundation (collectively, the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including money market funds, are not considered to be cash and cash equivalents.

At June 30, 2024, the Organization's cash accounts exceeded federally insured limits by approximately $2,138,000.

Restricted Cash

Restricted cash includes assets held in reserve as a requirement of contracts with the California Department of Education.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for co-pays, coinsurance, and deductibles is determined. Patient accounts receivable are due in full when billed.

If, subsequent to providing the services, the Organization becomes aware of patient-specific events, facts, or circumstances indicating patients no longer have the ability or intention to pay the amount of consideration to which the Organization expected to be entitled for providing the patient services, then the related patient receivable balances are written off as credit loss expense and reported in the accompanying consolidated statements of operations as other operating expenses. No material credit loss expense has been recognized for the years ended June 30, 2024 and 2023.

Equity Investments

The Organization measures equity securities, other than investments that qualify for the equity method of accounting, at fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Net Investment Return

Investment return includes dividend, interest and other investment income; and realized and unrealized gains and losses on investments carried at fair value; less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

The Organization records purchased property with extended useful lives at cost and donated property and equipment at fair market value on the date received. Depreciation may not be claimed for reimbursement under child development contracts for assets donated or purchased with public funds.

The Organization capitalizes and depreciates all property and equipment in accordance with its policies and reports the transactions on the financial statements in conformity with accounting principles generally accepted in the United States of America. The Organization’s capitalization threshold is $5,000. Depreciation is recorded over the useful lives of the property and equipment using the straight-line method.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	20–30 years
Leasehold improvements	8–10 years
Equipment and furniture and fixtures	3–10 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some 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 restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. The Organization had no net assets with perpetual restrictions at June 30, 2024 and 2023.

Patient Service Revenue

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

Fee-for-Service Revenue

The Organization receives family fee and tuition revenue for child care services based on a set fee schedule and income guidelines. Revenue is recognized as services are provided.

Deferred Revenue

Deferred revenue or contract liabilities include deposits for child care tuition fees that will be recognized over the periods to which the fees relate.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level yield method.

When a donor-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 consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

Davis Street and the Foundation are tax exempt not-for-profit corporations under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. However, Davis Street and the Foundation are subject to federal income tax on any unrelated business taxable income. Davis Street and the Foundation file tax returns in the U.S. federal jurisdiction.

Foundation

The Foundation received contributions of $716,960 and $596,143 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, the Foundation had $490,693 and $659,610 in cash, and $2,952,485 and $1,547,519 in investments, respectively.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs benefited, management and general and fundraising categories based on the cost allocation plan (see Note 11).

Allowance for Credit Losses

Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, related to the impairment of financial instruments was effective July 1, 2023. This guidance, commonly referred to as Current Expected Credit Loss (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost including trade receivables and notes receivable. It also applies to off-balance-sheet credit exposures and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in Topic 326 were trade accounts receivable.

The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

Note 3: Grant Reimbursements Receivable and Future Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2024, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2024:

Grant	Term	Grant Amount	Earned Through June 30, 2024	Funding Available
Health Center Program Cluster	6/01/2024-5/31/2025 9/01/2023-12/31/2024 9/01/2023-08/31/2024	$ 1,472,575	$ 411,531	$ 1,061,044
Health Center Infrastructure Support	9/15/2021-9/14/2024	531,996	5,000	526,996
Alemeda County Health PAC	7/1/2024-6/30/2025	312,771	-	312,771
Child Care Development Fund Grants	7/1/2024-6/30/2025	21,264,519	-	21,264,519
		$ 23,581,861	$ 416,531	$ 23,165,330

Note 4: Contributions Receivable

Contributions receivable of $110,000 and $197,171 at June 30, 2024 and 2023, respectively, are payable over periods of one to two years and are recorded in contributions receivable and contributions receivable – long-term on the consolidated statements of financial position.

Note 5: Investments and Investment Return

Investments at June 30 include:

	2024	2023
Certificates of deposits	$ 1,210,231	$ -
Money market funds	37,191	-
Fixed income	938,933	1,016,919
Equities	671,999	335,509
Mutual funds	94,131	158,588
Other investments	27,660	64,153
Total Investments	$ 2,980,145	$ 1,575,169

Note 6: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2024 and 2023 is:

	2024	2023
Medicare	11%	16%
Medi-Cal	71%	63%
Other third-party payors	14%	21%
Self-pay	4%	0%
	100%	100%

Note 7: Line of Credit

The Organization has a $500,000 line of credit collateralized by property maturing in March 2026. At June 30, 2024 and 2023, there were no borrowings against the line with an interest rate of 9.5% for 2024 and 2023.

Note 8: Long-term Debt

	2024	2023
Note payable, Shellback Trust (A)	$ 2,598,378	$ 2,651,893
Note payable, Shellback Trust (B)	5,605,317	5,735,509
Note payable, Foundation (C)	850,000	850,000
	9,053,695	9,237,402
Less current maturities	189,335	183,746
	$ 8,864,360	$ 9,053,656

(A) Note payable due in 2052; 360 monthly payments of $11,440, including interest at 3.0%; secured by real estate.

(B) Note payable due in 2052; 360 monthly payments of $24,632, including interest at 3.0%; secured by real estate.

(C) Note payable due in 2029; 84 monthly interest payments due at a rate of 5.25% or $3,719; unsecured. On June 23, 2029, one balloon payment due for the outstanding principal.

Aggregate annual maturities of long-term debt at June 30, 2024 are:

2025	$ 189,335
2026	195,093
2027	201,027
2028	207,142
2029	213,442
Thereafter	8,047,656
	$ 9,053,695

Note 9: Medical Malpractice Claims

The U.S. Department of Health and Human Services has deemed the Organization and its practicing providers are covered under the *Federal Tort Claims Act* (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claim experience, no accrual has been made for the Organization's medical malpractice costs for the years ended June 30, 2024 and 2023. However, because of the risk in providing healthcare services, it is possible that an event has occurred which will be the basis of a future material claim.

Note 10: Leases

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for all leases.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into the following lease arrangements:

Operating Leases

The Organization leases day care office space and equipment that expire in various years through 2029. These leases generally do not contain renewal options and require the Organization to pay all executory costs (property taxes, maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

The Organization has no material related-party leases.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2024 and 2023, are:

	2024	2023
Lease cost		
Operating lease cost	$ 52,945	$ 56,266
Other information		
Operating cash flows from operating leases	49,645	47,508
Right-of-use assets obtained in exchange for new operating lease liabilities	-	81,111
Weighted-average remaining lease term		
Operating leases	3.95 years	5.65 years
Weighted-average discount rate		
Operating leases	3.39%	3.08%

Future minimum lease payments and reconciliation to the balance sheet at June 30, 2024, are as follows:

	Operating Leases
2025	$ 60,684
2026	62,073
2027	63,503
2028	52,350
2029	39,664
Total future undiscounted lease payments	278,274
Less imputed interest	(19,028)
Lease liabilities	$ 259,246

Note 11: Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed, and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the Organization's clinics.

The Organization measures the performance obligation from commencement of a service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services.

Transaction Price

The Organization determines the transaction price based on standard charges for services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's sliding fee discount program policy and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Third-Party Payors

The Organization is approved as a Federal Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare – Covered FQHC services rendered to Medicare program beneficiaries are paid under a prospective payment system (PPS). Medicare payment, including patient coinsurance, is based on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medi-Cal – Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided. Services not covered under the FQHC benefit are paid based on established fee schedules. The Organization is required to submit an annual Medi-Cal Reconciliation Request Form to the California Department of Health Care Services (the "Department") for purposes of determining results in the determination of any underpayment or overpayment by the Medi-Cal program for the affected visits. The Organization has recorded estimated settlements for the Medi-Cal Reconciliation Request Forms for the years June 30, 2024 and 2023. Such amounts are recorded on the consolidated statements of financial position as estimated amounts due from third-party payors.

Other – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates and discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organization have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to cost report or other audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2024 and 2023.

Patient and Uninsured Payors

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as co-pays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients, and the amounts the Organization expects to collect based on its collection history with those patients.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2024 and 2023, no significant revenue was recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit loss expense.

Refund Liabilities

From time to time, the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2024 and 2023, the Organization had no significant liability for refunds to third-party payors and patients recorded.

Revenue Composition

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, and method of reimbursement. Tables providing details of these factors are presented below:

- Payors
- Geography of service location
- Method of reimbursement
- Service lines

The composition of patient and customer service revenue based on lines of business for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Timing of revenue and recognition and service lines		
Healthcare and child care services transferred over time		
Medical	$ 1,904,976	$ 1,238,069
Dental	802,927	876,926
Behavioral health	543,845	218,913
Disabilities	1,072,719	1,016,364
Child care services	631,510	1,530,419
Total	$ 4,955,977	$ 4,880,691

Financing Component

The Organization has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payor pays for that service will be one year or less.

Contract Costs

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Contract Balances

The following table provides information about the Organization's receivables from contracts with customers and grantors:

	2024	2023
Patient accounts receivable, beginning of year	$ 335,766	$ 335,728
Patient accounts receivable, end of year	$ 450,249	$ 335,766
Child care tuition (included in deferred revenue), beginning of year	$ 439,452	$ -
Child care tuition (included in deferred revenue), end of year	$ 1,351,083	$ 439,452

Note 12: Cost Allocation Plan

The Organization updates its cost allocation plan annually and obtains approval from its board of directors. The Organization allocates its costs based on the relative benefits received by the programs or activities. Accordingly, the Organization applies several methods for allocating costs:

Direct Costs. Costs identified 100% to a specific program are charged directly to that program.

Indirect Costs. Costs that benefit the operations of the entire organization, which cannot be identified to specific programs or activities, are allocated according to an indirect cost allocation plan.

Shared Costs. Costs identified to specific multiple programs or activities are shared between the programs benefiting.

- Payroll costs are allocated to programs based on percentages determined using the prior year's actual time. Monthly (no less frequent than quarterly), the Organization compares actual time spent by employees in each program from individual timesheets to the percentages used with cost allocation. At year-end, a final adjustment is made to record payroll costs allocation to percentages of actual time spent based on timesheet reports.

- Rent and associated utilities, maintenance, insurance, etc. are allocated using the square footage of building space occupied by each program, according to floor plans and/or room measurements.

- Office expenses such as supplies, telephone, and postage for the Teagarden facility are allocated based on the percentage of FTEs devoted to each department.

Note 13: Retirement Plan

The Organization has adopted an Internal Revenue Code Section 403(b) defined contribution plan covering substantially all employees. The Organization provides a matching contribution equal to 100% of each participant's eligible contribution that does not exceed 3% of compensation. Retirement plan expense was $46,578 and $50,933 for the years ended June 30, 2024 and 2023, respectively.

Note 14: Contributed Nonfinancial Assets

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	2024	2023
Food	$ 686,874	$ 602,408

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Other Contributed Items

Contributed items were utilized in the following programs:

Contributed Items	Programs
Food	Domestic community development and services to community shelters

The following basis was used for valuing contributed items:

Contributed Items	Valuation Basis
Food	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States

Contributions of services, if any, are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate.

Note 15: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2024	2023
Subject to expenditure for specified purpose		
Foundation growth fund	$ 250,000	$ 250,000
Capital projects	-	181,990
Senior Health Services	116,667	-
Subject to the passage of time		
For periods after June 30	110,000	194,159
	$ 476,667	$ 626,149

Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

	2024	2023
Subject to expenditure for specified purpose		
Capital projects	$ 181,990	$ -
	181,990	-
Expiration of time restrictions	84,159	110,000
	$ 266,149	$ 110,000

Note 16: Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure at June 30, 2024 and 2023, are:

	2024	2023
Cash	$ 2,587,902	$ 1,648,720
Patient accounts receivable	450,249	335,766
Estimated amounts due from third-party payors	150,815	170,664
Government grant and contracts receivable	1,800,674	1,628,237
Contributions receivable	110,000	197,171
Investments	2,980,145	1,575,169
	8,079,785	5,555,727
Less amounts unavailable for general expenditures within one year		
Restricted cash	487,321	-
Long-term investments	240,000	-
Net assets with donor restrictions	476,667	626,149
	1,203,988	626,149
	$ 6,875,797	$ 4,929,578

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization operates with a balanced budget.

Note 17: Reserve Account

Child development contractors with the California Department of Education (CDE) and California Department of Social Services (CDSS) are allowed, with prior CDE or CDSS approval, to maintain a reserve account from earned but unexpended child development contract funds for three types of programs: Center Based, Resource and Referral, and Alternative Payment. Transfers from a reserve account are considered restricted income for child development programs but may be applied to any of the contracts that are eligible to contribute to that particular program type. Reserves of $487,321 and $194,747 at June 30, 2024 and 2023, respectively, are recorded in CDE/CDSS reserves on the consolidated balance sheets.

Note 18: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30,2024.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2024				
Fixed income	$ 938,933	$ 938,933	$ -	$ -
Money market fund	37,191	37,191	-	-
Equities	671,999	671,999	-	-
Mutual funds	94,131	94,131	-	-
Other investments	27,660	27,660	-	-
	1,769,914	$ 1,769,914	$ -	$ -
Investments not carried at fair value				
Certificates of deposit - short-term	970,231			
Certificates of deposit - long-term	240,000			
Total Investments	$ 2,980,145			
June 30, 2023				
Fixed income	$ 1,016,919	$ 1,016,919	$ -	$ -
Equities	335,509	335,509	-	-
Mutual funds	158,588	158,588	-	-
Other investments	64,153	64,153	-	-
	$ 1,575,169	$ 1,575,169	$ -	$ -

Note 19: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerability due to certain concentrations. Those matters include the following:

Grant Revenues

A concentration of revenues and receivables related to grant awards and other support is described in Note 3.

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in Notes 2 and 11.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Note 9.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Organization's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 20: Government Pandemic Funding

Health Center Program

The Organization received $507,985 in federal grant awards from the Health Center *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). Funding totaling $463,989 was recognized as revenue during the year ended June 30, 2024.

$1,012,250 in funding for the American Rescue Plan was awarded to the Organization to provide it with direct relief and to help contain COVID-19 as part of a one-time funding to health centers funded under the Health Center Program. Funding totaling $605,203 was recognized as revenue for the year ended June 30, 2023.

Each grant award contains specific terms and conditions that must be followed when utilizing this funding.

Note 21: California Department of Education and California Department of Social Services Performance Review Audit

The Organization is the subject of a Performance Review Audit by the California Department of Education (CDE) and California Department of Social Services (CDSS) regarding potential violation of compliance with requirements of the child development program. The investigation is related to costs of $677,062 incurred during the period July 1, 2018 through June 30, 2019. Management believes the Organization is in compliance with the guidelines and has filed its written objections to the assessment and is requesting a waiver of liability. No provision has been made in the consolidated financial statements for any adverse outcome that might ultimately result from this matter or any other matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 22: Subsequent Events

Subsequent events have been evaluated through November 13, 2024, which is the date the financial statements were available to be issued.