Clinic by the Bay

Free Healthcare for the Working Uninsured

Financial Statements

For the year ended June 30, 2020

With Independent Auditors' Report Thereon

(A California Not-for-Profit Corporation)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Clinic By The Bay

We have audited the accompanying financial statements of Clinic By The Bay (a California nonprofit organization) which comprise the statements of financial position as of June 30, 2020 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.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clinic By The Bay as of June 30, 2020, 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.

Regalia & Associates

Danville, California
December 14, 2020

Statement of Financial Position
June 30, 2020

ASSETS

Current assets:		
Cash and cash equivalents	$	517,755
Accounts receivable		2,600
Pledges and grants receivable		2,091,631
Total current assets		2,611,986
Noncurrent assets:		
Property and equipment, net		306,972
Other assets		6,200
Total noncurrent assets		313,172
Total assets	$	2,925,158

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	$	242,979
Accrued payroll liabilities		15,289
Loan payable to SBA		104,800
Total current liabilities		363,068
Net assets:		
Without donor restrictions		379,276
With donor restrictions		2,182,814
Total net assets		2,562,090
	$	2,925,158

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Revenue and support:			
Contributions	$ 570,419	$ 2,572,000	$ 3,142,419
In-kind donations	788,775	-	788,775
Special events	271,201	-	271,201
Investment income	128	-	128
Other	790	-	790
Net assets released from restrictions	389,186	(389,186)	-
Total revenue and support	2,020,499	2,182,814	4,203,313
Expenses:			
Programs	1,411,824	-	1,411,824
Fundraising	205,886	-	205,886
General and administrative	110,340	-	110,340
Total expenses	1,728,050	-	1,728,050
Increase in net assets	292,449	2,182,814	2,475,263
Net assets at beginning of year	86,827	-	86,827
Net assets at end of year	$ 379,276	$ 2,182,814	$ 2,562,090

Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities	
Increase in net assets	$ 2,475,263
Adjustments to reconcile to cash provided by (used for) operating activities:	
Depreciation	25,985
Changes in:	
Accounts receivable	2,400
Pledges and grants receivable	(2,091,631)
Accounts payable and accrued liabilities	227,891
Accrued payroll liabilities	(3,875)
Net cash provided by operating activities	636,033
Cash flows from investing activities:	
Acquisition of property and equipment	(291,816)
Net cash used for investing activities	(291,816)
Cash flows from financing activities:	
Proceeds from loan payable to SBA	104,800
Net cash provided by financing activities	104,800
Increase in cash and cash equivalents	449,017
Cash and cash equivalents at beginning of year	68,738
Cash and cash equivalents at end of year	$ 517,755
Additional cash flow information:	
State registraion taxes paid	$ 75
Interest paid	$ -

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Programs	Fund-raising	General and Admin-istrative	2020 Total
Conferences and meetings	$ 250	$ 153	$ 663	$ 1,066
Depreciation	20,190	3,690	2,105	25,985
Dues, licenses and fees	2,259	2,405	2,281	6,945
Equipment lease and purchase	38,386	6,888	3,929	49,203
Insurance and taxes	10,726	500	285	11,511
Grant expense	82,352	-	-	82,352
Medical supplies and services	123,472	-	-	123,472
Office and related expenses	2,872	525	299	3,696
Outreach and volunteer expenses	1,949	-	-	1,949
Postage and printing	-	2,316	133	2,449
Professional services and other fees	28,636	1,825	3,623	34,084
Rent, maintenance, and utilities	67,052	12,255	6,990	86,297
Salaries, payroll taxes and benefits	1,011,867	139,305	87,659	1,238,831
Special events	-	32,037	-	32,037
Travel and transportation	-	-	98	98
Utilities, telephone and internet	21,813	3,987	2,275	28,075
Totals	$ 1,411,824	$ 205,886	$ 110,340	$ 1,728,050

Notes to Financial Statements
June 30, 2020

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 statements 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.

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.

(continued)

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

Accounts, Grants and Pledges Receivable *(continued)*
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.

(continued)

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, 2020.

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.

Donated Services and In-Kind Contributions – 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.

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.

(continued)

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

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 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, and it has opted to do so as reflected on the statements of financial position.

Net Assets With Donor Restrictions
Net assets 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 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.

Revenue and Revenue Recognition - 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 are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

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 management believes the standard improves the usefulness and understandability of the Organization’s financial reporting.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. 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 (such as salaries and wages, rent and utilities, insurance, and other overhead) have been allocated based on time and effort using The Clinic payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

(continued)

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

Recent and Relevant Accounting Pronouncements – The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017:

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. Topic 842 was subsequently amended by *ASU No. 2018-01*, *ASU No. 2018-10*, and *ASU No. 2018-11*. This new pronouncement is effective for fiscal years beginning after December 15, 2020.

The new 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.

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 January 27, 2020 (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 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 Organization has incorporated these clarifying standards within the audited financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents of $517,755 at June 30, 2020 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 $143,550 at June 30, 2020 bearing interest at a rate of 0.25% per annum as of June 30, 2020. All of the other cash balances 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. Accounts, Grants and Pledges Receivables

Total receivables of $2,094,231 at June 30, 2020 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. There were no bad debt write-offs involving grants and pledges receivable for the year ended June 30, 2020. Management has evaluated the grants and pledges receivable as of June 30, 2020 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, 2020:

Medical and dental equipment	$ 57,266
Leasehold improvements	482,883
Total property and equipment	540,149
Less accumulated depreciation	(233,177)
Total property and equipment (net)	$ 306,972

Depreciation expense amounted to $25,985 for the year ended June 30, 2020 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 $15,289 at June 30, 2020.

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, the Company 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 of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 517,755
Accounts, grants and pledges receivable	2,094,231
Total financial assets	2,611,986
Less: amounts not available to be used within one year:	
Net assets with donor restrictions for programs	(2,155,814)
Financial assets available to meet general expenditures over the next year	$ 456,172

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. In-Kind Contributions

The Clinic recognizes donated materials which create and enhance non-financial assets or that require specialized skills. During the year ended June 30, 2020, 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 $788,775.

A substantial number of unpaid volunteers have made significant contributions of time to various departments or programs of The Clinic. The value of this contributed time is 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.

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 (previously unrestricted net assets) of $379,276 at June 30, 2020 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, 2020:

Restricted For:	
Capital project	$ 2,155,814
Time restricted	27,000
Totals	$ 2,182,814

During the years ended June 30, 2020 The Clinic received donor restricted contributions of $2,572,000. Net assets released from restrictions amounted to $389,186 during the year ended June 30, 2020.

11. Capital Campaign

As of June 30, 2020, 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 $4,500,000 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 $2,693,737. As of June 30, 2020, $291,815 has been expended under this arrangement. Management anticipates the project will be completed during July 2021.

12. PPP Loan Program Under the CARES Act

During May 2020, The Clinic applied for and received $104,800 in a forgivable loan under the Small Business Administration Paycheck Protection Program ("PPP"). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(a) small business lending program to fund loans of up to $10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities.

The Clinic expended the funds for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. Management fully anticipates that it will satisfy the PPP's eligibility and loan forgiveness criteria, enabling the funds to be reclassified from a liability to contributed income.

As of June 30, 2020, loan payable to SBA amounted to $104,800 on the statements of financial position. Based on the guidance in *FASB ASC 405-20-40-1, Liabilities*, the proceeds from the loan would remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been "legally released" or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received. The Clinic is instructed to reduce the liability by the amount forgiven and record the forgiven loan as income.

13. Lease Commitments

The Clinic leases its clinic under a multi-year operating lease agreement expiring July 31, 2021. The clinic lease provides for a rental payment of $6,075 per month as of June 30, 2020. The Clinic is also obligated under a lease agreement for its new clinic facility at 35 Onondaga Avenue expiring July 31, 2031. Lease payment for this facility will begin once renovation is complete, estimated to be July 1, 2021.

The Clinic also leases its copier under an equipment lease agreement requiring a monthly payment of $420. This lease has commitment periods running through April 30, 2025.

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 ASU is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. The Clinic is currently assessing the impact that adoption of this ASU will have on its financial statements.

As of June 30, 2020, 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 year ending June 30, 2021: $77,940; Year ending June 30, 2022: $54,675; Year ending June 30, 2023: $54,738; Year ending June 30, 2024: $57,223; Year ending June 30, 2025: $58,992; and thereafter $474,874. Total occupancy expense (including rent, utilities, and janitorial services) amounted to $86,297 for the year ended June 30, 2020.

14. COVID-19

In late 2019, an outbreak of a novel strain of coronavirus (COVID-19) was first detected in China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The novel coronavirus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which The Clinic conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

Management is carefully monitoring the situation and evaluating its options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by The Clinic as a result of these events.

15. 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.

Certain of the grants and contracts (including current and prior costs) are subject to adjustment upon review and final acceptance by the granting agency. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) – Accounting for Leases*. The 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 ASU is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. The Clinic is currently assessing the impact that adoption of this ASU will have on its financial statements.

16. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, the Clinic has evaluated subsequent events through December 14, 2020, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.