RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2023 AND 2022

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Richmond Area Multi-Services, Inc., a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Richmond Area Multi-Services, Inc. as of June 30, 2023 and 2022, 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) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Richmond Area Multi-Services, Inc. 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 opinions.

Emphasis of Matter – New Accounting Standard

As discussed in Note 2 to the financial statements, Richmond Area Multi-Services, Inc. adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Richmond Area Multi-Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Richmond Area Multi-Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Richmond Area Multi-Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 29 to 30, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of Richmond Area Multi-Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Richmond Area Multi-Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richmond Area Multi-Services, Inc.'s internal control over financial reporting and compliance.

Lindquist, von Husen and Joyce LLP

December 20, 2023

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,139,656	$ 3,807,237
Contracts/accounts receivable – net (Notes 2, 3, and 4)	8,120,192	7,189,763
Prepaid expenses and other assets (Note 5)	217,870	256,106
Funds held for clients	12,345	10,286
Total current assets	9,490,063	11,263,392
Cash restricted for property improvements (Note 6)	1,168,461	-
Property and equipment – net (Note 6)	7,638,523	2,334,969
Deposits	61,512	61,512
Right-of-use assets – operating lease (Note 11)	2,258,207	-
Total assets	$ 20,616,766	$ 13,659,873
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 692,903	$ 750,220
Accrued salaries and bonuses	950,317	1,102,435
Accrued employee benefits	2,346,321	1,996,253
Other liability (Note 9)	222,494	1,982,816
Deferred revenue (Note 2)	74,582	95,707
Funds held for clients	12,345	10,286
Interest payable (Note 8)	1,337	1,379
Note payable – current portion (Note 8)	28,279	27,186
Operating lease liability – current (Note 11)	940,465	-
Total current liabilities	5,269,043	5,966,282
Note payable – net of current portion (Note 8)	837,950	865,070
Operating lease liability – net of current portion (Note 11)	1,249,644	-
Total liabilities	7,356,637	6,831,352
Net assets:		
Without donor restrictions	6,740,161	6,765,305
With donor restrictions (Note 10)	6,519,968	63,216
Total net assets	13,260,129	6,828,521
Total liabilities and net assets	$ 20,616,766	$ 13,659,873

The accompanying notes are an integral part of these financial statements.

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Support and revenue:			
Mental health counseling/consultation services	$ 14,312,976	$ -	$ 14,312,976
Broderick street adult residential facility services and rent	3,039,602	-	3,039,602
Vocational services	13,989,976	-	13,989,976
Community services	10,077	-	10,077
AFI fee for services	-	-	-
Revenue from contracts with customers (Note 4)	797,572	-	797,572
Social enterprises	95,594	-	95,594
Contributions	100,805	6,569,550	6,670,355
In-kind contributions (Note 2)	231,192	-	231,192
Interest and dividend income	19,545	-	19,545
Sublease rental income (Note 11)	77,273	-	77,273
Miscellaneous	51,568	-	51,568
Net assets released from restrictions (Note 10)	112,798	(112,798)	-
Total support and revenue	32,838,978	6,456,752	39,295,730
Expenses:			
Program services	28,771,168	-	28,771,168
Management and general	3,944,742	-	3,944,742
Fundraising	148,212	-	148,212
Total expenses	32,864,122	-	32,864,122
Change in net assets	(25,144)	6,456,752	6,431,608
Net assets, beginning of year	6,765,305	63,216	6,828,521
Net assets, end of year	$ 6,740,161	$ 6,519,968	$ 13,260,129

The accompanying notes are an integral part of these financial statements.

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2022		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Support and revenue:			
Mental health counseling/consultation services	$ 11,549,329	$ -	$ 11,549,329
Broderick street adult residential facility services and rent	2,463,128	-	2,463,128
Vocational services	11,288,468	-	11,288,468
Community services	49,133	-	49,133
AFI fee for services	27,943	-	27,943
Revenue from contracts with customers (Note 4)	915,710	-	915,710
Social enterprises	35,552	-	35,552
Contributions	157,481	125,000	282,481
In-kind contributions (Note 2)	242,237	-	242,237
Interest and dividend income	730	-	730
Sublease rental income (Note 11)	62,724	-	62,724
Paycheck Protection Program grant (Note 9)	1,218,809	-	1,218,809
Miscellaneous	1,642	-	1,642
Net assets released from restrictions (Note 10)	113,469	(113,469)	-
Total support and revenue	28,126,355	11,531	28,137,886
Expenses:			
Program services	23,274,930	-	23,274,930
Management and general	3,352,617	-	3,352,617
Fundraising	119,998	-	119,998
Total expenses	26,747,545	-	26,747,545
Change in net assets	1,378,810	11,531	1,390,341
Net assets, beginning of year	5,386,495	51,685	5,438,180
Net assets, end of year	$ 6,765,305	$ 63,216	$ 6,828,521

The accompanying notes are an integral part of these financial statements.

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023									
	Program Services							*Supportive Services*		
	Mental Health Counseling / Consultation Services	*Broderick Street Adult Residential Facility*	*Vocational Services*	*Community Services*	*AFI Fee for Services*	*Social Enterprises*	*Total Program Services*	*Management and General*	*Fundraising*	*Total*
Salaries	$ 8,652,181	$ 1,762,553	$ 8,414,185	$ 542,375	$ 10,576	$ 199,875	$ 19,581,745	$ 2,595,840	$ 123,291	$ 22,300,876
Payroll taxes and fringe benefits	2,007,021	547,001	2,163,657	126,425	1,080	42,292	4,887,476	485,545	17,834	5,390,855
Consultant/subcontractor	922,193	-	116,212	16,500	-	-	1,054,905	124,765	-	1,179,670
Volunteer counselors	231,192	-	-	-	-	-	231,192	-	-	231,192
Services and professional fees	-	-	-	-	-	-	-	211,018	-	211,018
Office supplies, mailing, and printing	82,638	66,625	237,524	7,320	5,925	2,901	402,933	97,897	220	501,050
Food and other client related expenses	34,165	120,416	239,835	59,253	-	218	453,887	501	630	455,018
Travel, conference, recruiting, and training	136,634	24,887	77,372	69,957	-	359	309,209	97,054	3,067	409,330
Equipment and office rental (Note 11)	341,052	5,227	647,064	8,331	-	44,410	1,046,084	16,847	1,484	1,064,415
Maintenance and repairs	23,472	19,196	126,210	388	-	7,898	177,164	15,342	-	192,506
Utilities	111,192	91,818	138,528	11,695	477	13,361	367,071	20,435	-	387,506
Insurance	86,629	24,930	93,204	5,391	93	3,153	213,400	87,047	1,255	301,702
Interest expense (Note 8)	-	-	-	-	-	-	-	39,308	-	39,308
Miscellaneous	6,924	12,458	6,058	-	508	2,439	28,387	84,277	431	113,095
Total operating expenses before depreciation	12,635,293	2,675,111	12,259,849	847,635	18,659	316,906	28,753,453	3,875,876	148,212	32,777,541
Depreciation	-	-	17,715	-	-	-	17,715	68,866	-	86,581
Total expenses	$ 12,635,293	$ 2,675,111	$ 12,277,564	$ 847,635	$ 18,659	$ 316,906	$ 28,771,168	$ 3,944,742	$ 148,212	$ 32,864,122

The accompanying notes are an integral part of these financial statements.

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2023 AND 2022

2022

	Program Services							*Supportive Services*		
	Mental Health Counseling / Consultation Services	*Broderick Street Adult Residential Facility*	*Vocational Services*	*Community Services*	*AFI Fee for Services*	*Social Enterprises*	*Total Program Services*	*Management and General*	*Fundraising*	*Total*
Salaries	$ 6,789,142	$ 1,442,904	$ 6,609,778	$ 490,781	$ 91,178	$ 68,396	$ 15,492,179	$ 1,938,862	$ 90,642	$ 17,521,683
Payroll taxes and fringe benefits	1,697,280	429,650	1,796,728	102,854	12,932	17,917	4,057,361	489,402	18,447	4,565,210
Consultant/subcontractor	708,628	-	36,095	10,075	-	-	754,798	223,525	-	978,323
Volunteer counselors	242,237	-	-	-	-	-	242,237	-	-	242,237
Services and professional fees	-	-	-	-	-	-	-	189,103	-	189,103
Office supplies, mailing, and printing	157,310	41,944	225,940	71,812	8,705	7,005	512,716	111,950	8,480	633,146
Food and other client related expenses	12,558	117,371	223,173	164	-	-	353,266	-	-	353,266
Travel, conference, recruiting, and training	55,320	9,895	73,274	442	-	456	139,387	101,283	-	240,670
Equipment and office rental (Note 11)	293,561	8,797	692,119	6,088	3,400	42,906	1,046,871	17,060	1,558	1,065,489
Maintenance and repairs	10,960	21,675	44,928	166	-	5,213	82,942	13,330	-	96,272
Utilities	79,184	81,601	125,591	35,570	1,166	10,604	333,716	21,496	-	355,212
Insurance	68,519	21,960	79,881	4,638	609	2,020	177,627	78,468	871	256,966
Interest expense (Notes 8, and 9)	-	-	-	-	-	-	-	40,481	-	40,481
Miscellaneous	9,281	12,792	30,639	120	3,230	-	56,062	59,462	-	115,524
Total operating expenses before depreciation	10,123,980	2,188,589	9,938,146	722,710	121,220	154,517	23,249,162	3,284,422	119,998	26,653,582
Depreciation	-	-	25,768	-	-	-	25,768	68,195	-	93,963
Total expenses	$ 10,123,980	$ 2,188,589	$ 9,963,914	$ 722,710	$ 121,220	$ 154,517	$ 23,274,930	$ 3,352,617	$ 119,998	$ 26,747,545

The accompanying notes are an integral part of these financial statements.

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Changes in net assets	$ 6,431,608	$ 1,390,341
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	86,581	93,963
Interest expense – amortization of permanent financing cost	1,159	1,158
Paycheck Protection Program loan forgiveness	-	(1,175,294)
Paycheck Protection Program interest forgiveness	-	(43,514)
Paycheck Protection Program forgiveness to be paid to CCSF	-	(1,528,098)
Amortization of right-of-use asset – operating lease	802,477	-
Government grant for purchase of property	(6,500,000)	-
(Increase) decrease in assets:		
Contracts/accounts receivable	(930,429)	(1,139,491)
Prepaid expenses and other assets	38,236	106,289
Deposits	-	3,400
Increase (decrease) in liabilities:		
Accounts payable	(57,317)	42,009
Accrued salaries	(152,118)	(439,710)
Accrued employee benefits	350,068	173,589
Other liability	(1,760,322)	1,982,816
Deferred revenue	(21,125)	37,909
Interest payable	(42)	(40)
Operating lease liability	(870,575)	-
Net cash used in operating activities	(2,581,799)	(494,673)
Cash flows from investing activities:		
Purchase of property and equipment	(5,390,135)	-
Net cash used in investing activities	(5,390,135)	-
Cash flows from financing activity:		
Payment of note payable	(27,186)	(26,041)
Proceeds from government grant for purchase of property	6,500,000	-
Net cash provided by (used in) financing activity	6,472,814	(26,041)
Decrease in cash and cash equivalents	(1,499,120)	(520,714)
Cash and cash equivalents, beginning of year	3,807,237	4,327,951
Cash and cash equivalents, end of year	$ 2,308,117	$ 3,807,237
Cash	$ 1,139,656	$ 3,807,237
Cash restricted for property improvements	1,168,461	-
Total cash and restricted cash shown on the statements of cash flows	$ 2,308,117	$ 3,807,237
Supplementary information:		
Cash paid for interest	$ 38,191	$ 39,363

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Richmond Area Multi-Services, Inc. (RAMS) is a California nonprofit public benefit corporation. RAMS provides and advocates for mental health and wellness services that are centered in clients, community and culture, with expertise in serving Asian and Pacific Islander Americans. Since 1974, the agency has supported those who have the least amount of resources and opportunities to achieve their highest potential. We do this by providing integrated services that include counseling, job training, capacity building for partner organizations and advanced training of mental health professionals. Grounded by the core values of inclusion, impact, insight, integrity and innovation, RAMS envisions mental wellness for all people. From January 1, 2022 through December 31, 2022, RAMS served approximately 16,000 adults, children, and families, and currently provides services in over 30 languages and dialects.

RAMS' programs are as follows:

Mental Health Counseling/Consultation Services: RAMS has an ongoing contract with San Francisco Department of Public Health (DPH) – Behavioral Health Services (BHS) to provide mental health counseling (including peer-to-peer counseling) and psychiatric services to adults, older adults, children, youth, and families. These services are delivered at the RAMS Outpatient Clinic, San Francisco Human Services Agency (HSA) County Adult Assistance Programs (CAAP), as well as community settings including youth centers and schools. Special targeted programs consist of (i) Serious Emotional Disturbance (SED), (ii) Early and Periodic Screening, Diagnosis, and Treatment (EPSDT), (iii) Fu Yau Project – an on-site prevention and early intervention mental health services for children ages 0-5 at childcare centers, and (iv) an integrated behavioral health and consultation services at San Francisco public high schools. In collaboration with the HSA and DPH, RAMS also extends culturally competent outpatient behavioral health counseling services to participants of CAAP, the county's public assistance programs.

RAMS offers clinical training programs (Doctoral Internship and Practicum Traineeship), which train graduate students to become culturally competent mental health professionals, with expertise in working with Asian & Pacific Islander Americans and other underserved populations. The interns and trainees provide services to adults and older adults and children, youth, and families as part of the BHS contract.

Broderick Street Adult Residential Facility: Also included in the BHS agreement, RAMS provides culturally competent mental health and medical support services for adults who are residing at a licensed adult residential facility located on Broderick Street in San Francisco. Broderick Street income includes residential rental income of $473,061 and $406,280 for the years ended June 30, 2023 and 2022, respectively.

Vocational Services: The vocational clients are served mainly within Hire-Ability, CAAP, and CalWORKs programs, primarily funded by the State of California Department of Rehabilitation, the DPH-BHS, HSA, and SF Department of Children, Youth and Their Families (DCYF). RAMS provides (i) pre-vocational services and functional assessments for San Francisco welfare-to-work programs: CalWORKs and CAAP's Personal Assisted Employment Services (PAES), (ii) employee development services, (iii) vocational information technology (IT) training (help desk and desktop support) through classroom and on-the-job skills, (iv) vocational rehabilitation services, (v) transitional age youth (TAY) vocational services, (vi) peer-based services & training, and (vii) employment services including vocational assessment, job development, and placement and retention services to clients with mental health conditions. The goal of the program is to enable participants to gain successful employment while improving self-sufficiency by giving a continuum of culturally competent services to maintain long-term employment. RAMS runs a Peer Specialist Mental Health Certificate program, designed to prepare consumers and/or family members for peer specialist/counseling roles in the behavioral health care system.

Community Services: RAMS is committed to building partnerships with other community-based organizations and groups by establishing collaborative agreements to provide culturally competent clinical, outreach, and preventive services. The major collaborative activities include: (i) clinical case consultation and case management for the recently immigrated families, (ii) after school collaborative, (iii) school-based programs, and (iv) mental health consultation services.

AFI Fee for Services: The Asian Family Institute (AFI) provides culturally competent mental health and psychiatric services to adults and children, youth, and families. The program services are offered as fee-for-services (private insurance or self-pay on a sliding fee scale). This program was discontinued in December 2022.

Social Enterprises: In line with the vocational training and assessment services, RAMS operates social enterprises including a sheltered workshop (assembly and packaging), and a janitorial service program.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

RAMS uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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 revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

RAMS reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of RAMS.

- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. 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. When a donor restriction expires – that is, when a stipulated time restrictions ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. RAMS has no net assets with donor restrictions in perpetuity as of June 30, 2023 and 2022.

Revenue Recognition

Contributions:

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When promises to give without other donor restrictions are to be received in future periods there is an implied time restriction and contribution revenue is reported as an increase in net assets with donor restrictions.

Contributed services are stated at their estimated fair value if they are ordinarily purchased and are of a specialized nature. The estimated value of services provided by psychology trainees who volunteered 20 hours per week is recognized in the financial statements as in-kind contribution support and as volunteer counselors expense in the amounts of $231,192 and $242,237 in 2023 and 2022, respectively.

Gifts of long-lived assets, such as equipment, are reported as unrestricted net assets support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire or construct long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give are recognized as contribution revenue in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

Conditional contributions – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. A portion of RAMS' revenue is derived from cost-reimbursable government grants and contracts, which are conditioned upon the incurrence of allowable qualifying expenses. These contributions are recognized as revenue when RAMS incurs reimbursable expenditures in compliance with specific contract or grant provisions. Another portion of RAMS' revenue is derived from government contracts that are conditioned upon providing units of service and these contributions are recognized to the extent that qualifying services are performed.

Amounts received prior to incurring qualifying expenditures or otherwise meeting the conditions are reported as refundable advances in the statement of financial position. RAMS had been awarded contracts of $64,410,661 and $34,149,572, at June 30, 2023 and 2022, respectively, which represent conditional contributions that have not yet been recognized because qualifying expenditures have not yet been incurred or because qualifying services have not yet been performed (see Note 12). The amount of refundable advances, included in other liabilities in the statements of financial position, was $43,415 and $53,492 as of June 30, 2023 and 2022, respectively.

Revenue from Contracts with Customers:

A small portion of RAMS' revenue is earned by performing services for other organizations and individuals. Revenue is recognized when RAMS' right to bill occurs, which is when services have been performed. Amounts received before services are performed are recorded as deferred revenue on the statement of financial position.

New Accounting Standard on Leases

A new accounting standard on leases, required by accounting principles generally accepted in the United States of America, amends both lessor and lessee accounting with the most significant change being the requirement for lessees to account for leases as either finance leases or operating leases and to recognize right-of-use (ROU) assets and corresponding lease liabilities on the statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the ROU asset, and for operating leases, lessees would recognize straight-line total rent expense. The accounting standard also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases.

RAMS adopted the leasing standard effective July 1, 2022, using the modified retrospective approach with July 1, 2022 as the initial date of application. RAMS elected to use all available practical expedients provided in the transition guidance. These practical expedients allow entities to not reassess the identification, classification and initial direct costs of lease agreements, to not separate lease and non-lease components for underlying equipment assets, and to use hindsight in lease agreements for determining lease term and ROU asset impairment, as applicable.

RAMS accounts for their existing leases as operating leases. As of July 1, 2022, adoption of the new leasing standard resulted in a recognition of ROU asset of $3,060,684 and an increase in operating lease liability of $3,060,684.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of three months or less qualify as cash equivalents.

Accounts Receivable

Management records an allowance for doubtful collections based on a review of outstanding receivables, historical collection information, and existing economic conditions. Management estimates an allowance for credit losses on customer account balances that may not be collected. A review is made of each customer balance where all or a portion of the unpaid balance exceeds 60 days from the invoice date. Based on an assessment of the customer's current creditworthiness, an estimate of the balance that may not be collected is made. In addition, an amount of estimated credit losses on the aggregate remaining accounts receivable is made based on past collection experience. Once all efforts to collect have been undertaken, the unpaid balance is written off as a charge to the allowance for doubtful accounts.

The allowance for doubtful collections was $-0- as of June 30, 2023 and 2022.

Property and Equipment

Property and equipment is stated at cost of acquisition, or at fair value if donated. The cost of property and equipment, including maintenance and repairs, below $5,000 that neither significantly adds to the permanent value of property and equipment nor prolongs its intended useful life is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Building improvements	40 years
Computer hardware and software	5 years
Equipment and furniture	5 to 7 years
Vehicle	5 to 9 years
Leasehold improvements	Lease terms

Permanent Financing Costs

Costs incurred in order to obtain permanent financing are stated at cost and amortized on a straight-line basis into interest expense over the term of the loan. Permanent financing costs are reported as a direct deduction from the face amount of the related debt.

Income Taxes

RAMS is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

RAMS believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. RAMS' federal and state information returns for the years 2019 through 2022 are subject to examination by regulatory agencies, generally for three (3) years and four (4) years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of program and supporting services activities are summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function and are allocated among functions on a reasonable basis. Labor related costs such as payroll service fee, health insurance, and workers compensation are allocated on the basis of salaries per function over total salaries of all functions. Occupancy costs such as rent, utilities, repair and maintenance, property insurance, liability insurance and other supplies are allocated on the basis of square footage.

Subsequent Events

Management has evaluated subsequent events through December 20, 2023, the date on which the financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2022 financial statements were reclassified to conform to the 2023 presentation for comparative purposes.

NOTE 3 – CONTRACTS/ACCOUNTS RECEIVABLE

The contracts/accounts receivable, net of allowance for doubtful collections, are expected to be received in less than one year and are summarized as follows:

	2023	2022
BHS (Adult outpatient, employee development, vocational IT, vocational rehabilitation and child, youth and family services)	$ 4,846,438	$ 3,855,963
BHS (vocational rehab)	850,916	872,852
BHS (Broderick adult residential)	450,536	453,045
BHS – CAAP	236,800	312,443
Human Service Agency	366,770	398,352
State Department of Rehabilitation (vocational training)	338,609	293,381
San Francisco Unified School District	754,420	706,662
AFI billings	270	1,089
Other	275,433	295,976
Total contracts/accounts receivable – net	$ 8,120,192	$ 7,189,763

NOTE 4 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers are included in contracts/accounts receivable in the statements of financial position and are summarized as follows:

	Mental Health Services		
	Organization	*Individuals*	*Total*
Receivable as of June 30, 2022	$ 716,302	$ 1,089	$ 717,391
Revenue recognized as services are performed	763,189	34,383	797,572
Collection of fees for services performed	(724,888)	(35,202)	(760,090)
Receivable, as of June 30, 2023	$ 754,603	$ 270	$ 754,873

	Mental Health Services		
	Organization	*Individuals*	*Total*
Receivable as of June 30, 2021	$ 603,672	$ 3,758	$ 607,430
Revenue recognized as services are performed	771,832	143,878	915,710
Collection of fees for services performed	(659,202)	(146,547)	(805,749)
Receivable, as of June 30, 2022	$ 716,302	$ 1,089	$ 717,391

NOTE 5 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets are summarized as follows:

	2023	2022
Health insurance	$ 194,076	$ 139,206
Rents	-	101,938
Other	23,794	14,962
Total prepaid expenses and other assets	$ 217,870	$ 256,106

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2023	2022
Land [(1)]	$ 3,316,666	$ -
Building improvements	2,482,931	2,482,931
Computer hardware and software	206,912	206,912
Equipment and furniture	119,651	119,651
Vehicle	84,965	67,153
Leasehold improvements	15,321	15,321
	6,226,446	2,891,968
Less: accumulated depreciation	(602,797)	(556,999)
	5,623,649	2,334,969
Development in progress – 601 Clement St. [(1)]	2,014,874	-
Total property and equipment – net	$ 7,638,523	$ 2,334,969

[(1)] In May 2023, RAMS acquired real property at 601 Clement Street in San Francisco to house their Outpatient Clinic and Wellness Centers programs. The acquisition was funded by a $6,500,000 grant from the State of California. Acquisition cost of the property totaled $5,306,630, of which $3,316,666 is allocated to land. RAMS expended $24,909 making improvements to the property as of June 30, 2023. The remaining $1,168,461 unspent grant funding will be used for renovations subsequent to year-end.

NOTE 7 – LINE OF CREDIT

In February 2022, RAMS increased their revolving line of credit with Bank of San Francisco from $1,000,000 to $2,500,000. The line of credit currently has a maturity date of January 2024. The outstanding balance is secured by RAMS' accounts receivable and certain other business assets. Interest is subject to change based on the Prime Rate as published in the Wall Street Journal (the Index) which was 8.25% at June 30, 2023. Terms of the line of credit require maintaining a debt service coverage ratio of at least 1.25.

There were no draws made on the line of credit for the years ended June 30, 2023 and 2022.

NOTE 8 – NOTE PAYABLE

RAMS has a mortgage note payable to Bank of San Francisco in the original amount of $1,000,000, which bears an annual simple interest of 4.25%, and requires interest only payments for the first three months, thereafter, monthly principal and interest payments of $5,448 through December 2027, with the entire outstanding principal and accrued interest to be repaid in January 2028, including a balloon payment of approximately $740,000. The mortgage is secured by the commercial property and assignment of rents.

The mortgage had a principal balance of $871,539 and $898,725 as of June 30, 2023 and 2022, respectively. Accrued interest payable balance was $1,337 and $1,379 as of June 30, 2023 and 2022, respectively. Total interest expense was $38,149 and $39,323 in 2023 and 2022, respectively.

Costs incurred in order to obtain permanent financing were $11,586 and are amortized on a straight-line basis into interest expense over the term of the loan. Interest expense for amortization of permanent financing costs was $1,159 and $1,158 in 2023 and 2022, respectively. The unamortized balance of permanent financing costs was $5,310 and $6,469 as of June 30, 2023 and 2022, respectively.

Note payable net of permanent financing costs, as shown on the accompanying statements of financial position, was $866,229 and $892,256 as of June 30, 2023 and 2022, respectively.

Required future annual principal payments over the next five (5) years are as follows:

Year Ended June 30,	
2024	$ 28,279
2025	29,624
2026	30,926
2027	32,285
2028	750,425
Thereafter	-

NOTE 9 – PAYCHECK PROTECTION PROGRAM

On April 7, 2020, RAMS received loan proceeds of $3,552,200 from a promissory note issued by Bank of San Francisco, under the Paycheck Protection Program (“PPP”) which was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). The term on the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan proceeds if used for payroll costs, rent, and utility expenses and the maintenance of workforce and compensation levels with certain limitations. RAMS expects to meet the PPP’s eligibility criteria for a portion of the loan and has concluded that a portion of the PPP loan represents, in substance, a grant that is expected to be forgiven, and accordingly has accounted for the PPP loan as a conditional contribution.

The portion of the PPP loan that will be forgiven is considered to be a conditional contribution grant. Proceeds received under the PPP are recognized as revenue when RAMS incurs eligible expenditures in compliance with the PPP provisions.

On November 30, 2021, RAMS received the notice from SBA approving the loan forgiveness application for the full amount of the PPP loan. Accordingly, PPP loan and its related interest have been recognized as forgiven as follows:

Year Ended June 30,	*Principal*	*Interest*
2020	$ 452,686	$ -
2021	396,122	-
2022	2,703,392	43,514
Total PPP loan forgiven	$ 3,552,200	$ 43,514

The City and County of San Francisco (CCSF) policy states that grantees should not include costs that were reimbursed by the PPP forgiveness as eligible costs for cost-reimbursement type grants. CCSF has finalized the cost reports associated with their contracts with RAMS for years ended June 30, 2021 and 2020. The final cost reports included adjustments for PPP loan and client fees received and applied by RAMS to each contract. The cost settlement due to CCSF amounted to $1,982,816, which is included as other liability in the statement of financial position, of which $1,528,098 was attributed to costs that were both funded by the PPP loan and CCSF. The amount of the PPP grant shown on the statement of activities is net of the cost settlement due to CCSF at June 30, 2022.

The June 30, 2023 balance owed to CCSF is $222,494 which is based on a settlement calculation for the contract year ended June 30, 2022 representing payments received by RAMS in excess of the amount earned. The largest component of this adjustment is caused by Medicare payments received by RAMS for services covered by the CCSF grant. Management has accrued a liability for $102,513 in Medicare payments received during the year ended June 30, 2023, which is included in accounts payable. The remaining settlement calculation for the contract year ended June 30, 2023 is not yet available but management does not anticipate that it will be a material amount.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are for the following purposes or periods:

	2023			
	June 30, 2022	*Contributions*	*Releases from Restrictions*	*June 30, 2023*
Mental Health Counseling / Consultation Services	$ 7,237	$ -	$ -	$ 7,237
Mental Health Stigma Reduction Initiative – Asian and Pacific Islander Health Parity Coalition	4,872	-	(707)	4,165
Vocational Services	26,000	-	(25,000)	1,000
Broderick Street Adult Residential Facility	7,566	-	-	7,566
Unity Road Trip (Stop the Hate)	17,541	69,550	(87,091)	-
601 Clement Street Purchase and Rehabilitation	-	6,500,000	-	6,500,000
	$ 63,216	$ 6,569,550	$ (112,798)	$ 6,519,968

	2022			
	June 30, 2021	*Contributions*	*Releases from Restrictions*	*June 30, 2022*
Mental Health Counseling / Consultation Services	$ 7,237	$ -	$ -	$ 7,237
Mental Health Stigma Reduction Initiative – Asian and Pacific Islander Health Parity Coalition	4,872	-	-	4,872
Vocational Services	32,010	25,000	(31,010)	26,000
Broderick Street Adult Residential Facility	7,566	-	-	7,566
Unity Road Trip (Stop the Hate)	-	100,000	(82,459)	17,541
	$ 51,685	$ 125,000	$ (113,469)	$ 63,216

NOTE 11 – LEASING ACTIVITIES

Lessor

In August 2022 RAMS subleased office space to an organization under an operating lease expiring in July 2024. Total lease payments received from the lessee in the year ended June 30, 2023 was $42,126. Future sublease income expected to be received through July 2024 was $66,595 as of June 30, 2023.

RAMS also subleases a portion of their rented space to other organizations on a month-to-month basis. Lease payments received from the lessees in the years ended June 30, 2023 and 2022 were $32,711 and $62,724 respectively.

The total lease income included in the statements of activities as sublease rental income was $77,273 and $62,724 in the years ended June 30, 2023 and 2022, respectively.

Lessee

RAMS leases certain office spaces and equipment under operating leases. RAMS elected to apply the short-term lease exception to all leases with a term of one year or less, so the short term leases are not included in the amounts shown below.

Office Leases:

RAMS leases multiple office spaces in San Francisco to house their service programs. The leases have remaining lease terms ranging from one (1) to six (6) years. The lease assets and liabilities were calculated using risk free discount rates ranging from 2.85% to 3.39%, depending on the terms of each lease, in accordance with RAMS' elected policy. RAMS did not consider the option to extend certain leases when assessing the value of the lease since RAMS has no expectation to extend the leases. Rental expense included in operating expenses in 2023 was $994,662. Rental expense in 2022, prior to adoption of the new leasing standard was $994,361.

Equipment / Vehicle Leases:

RAMS leases vehicles and equipment under operating leases. The leases have remaining lease terms of three (3) to six (6) years. The lease assets and liabilities were calculated using risk free discount rates ranging from 2.85% to 3.54%, depending on the terms of each lease, in accordance with RAMS' elected policy. Rental expense included in operating expenses in 2023 was $69,753. Rental expense in 2022, prior to adoption of the new leasing standard was $71,128.

The line items in the statement of financial position which include amounts for the operating leases as of June 30, 2023 are summarized as follows:

	Office Space	*Equipment / Vehicle*	*Total*
Right-of-use assets – operating lease	$ 2,009,183	$ 249,024	$ 2,258,207
Total operating lease liabilities	$ 1,941,085	$ 249,024	$ 2,190,109
Less: current portion	(877,490)	(62,975)	(940,465)
Long-term portion	$ 1,063,595	$ 186,049	$ 1,249,644

The maturities of lease liabilities are estimated as follows:

	Office Space	*Equipment*	*Total*
Year ended June 30,			
2023	$ 909,077	$ 69,331	$ 978,408
2024	662,119	65,483	727,602
2025	230,149	64,763	294,912
2026	195,848	64,154	260,002
2027	32,859	-	32,859
Thereafter	-	-	-
Total lease payments	2,030,052	263,731	2,293,783
Less amount representing interest	(88,967)	(14,707)	(103,674)
Present value of lease liability	$ 1,941,085	$ 249,024	$ 2,190,109

NOTE 12 – CONDITIONAL CONTRIBUTIONS

RAMS receives conditional contributions which are not recognized as revenue until the conditions upon which they depend have been met. A portion of RAMS's revenue is derived from multi-year government contracts, which are conditioned upon incurring allowable qualifying expenses or providing units of service in the future. The purpose of these grants is to fund RAMS' various programs (see Note 1). The following are the conditional contributions awarded to RAMS that had not yet been recognized as revenue:

Program / Funder	*Contract Commitments Awarded*	*Conditional Balance Remaining as of June 30, 2023*	*Contract Commitments Awarded*	*Conditional Balance Remaining as of June 30, 2022*
Adult, Children and Peer-to-Peer Counseling				
CCSF – Department of Public Health	$ 145,328,044	$ 58,389,006	$ 78,481,175	$ 21,756,657
Vocational Rehabilitation				
CCSF – Department of Public Health	12,069,912	3,338,233	12,069,912	9,224,651
CCSF – Department of Human Services	7,294,066	-	7,294,066	2,310,697
State of California – Health and Human Services Agency	3,063,354	2,042,236	3,063,354	-
Community Services				
Sierra Health Foundation	184,700	43,415	184,700	53,492
Public Health Institute	829,150	597,771	829,150	804,075
Total conditional contributions outstanding	$ 168,769,226	$ 64,410,661	$ 101,922,357	$ 34,149,572

On June 30, 2022, California Assembly Bill 178 was passed as the state's Budget Act of 2022. The bill includes a statement that $6,500,000 shall be granted to RAMS for clinic building acquisitions. The amounts appropriated pursuant to this statement will reflect legislative priorities. The grant is contingent upon future legislation, including amendments to specify details regarding administration of the amount. RAMS received the $6,500,000 funding in March 2023 (see Note 6).

NOTE 13 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year of the statement of financial position consisting of the following:

	2023	2022
Financial assets at end of year:		
Cash and cash equivalents	$ 1,139,656	$ 3,807,237
Contracts/accounts receivable	8,120,192	7,189,763
	9,259,848	10,997,000
Less financial assets at end of year not available for general expenditures within one year:		
Net assets with donor restrictions	(19,968)	(63,216)
Contracts/accounts receivable set aside for other liability	(222,494)	(1,982,816)
Advances from various grantors and tenants	(74,582)	(95,707)
Financial assets available for general expenditures within one year	$ 8,942,804	$ 8,855,261

Financial assets include amounts that will be used to pay accounts payable, accrued expenses, and other liabilities from operating cash flow, if any, in the subsequent year. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

RAMS management manages liquidity requirements by frequently updating cash forecasts and monthly budget versus actual financial results which are presented to the Board. In addition, a $2,500,000 line of credit has been secured (see Note 7) to manage unforeseen liquidity requirements.

NOTE 14 – PENSION PLAN

RAMS has established a defined contribution 401(k) pension plan (the Plan) for the benefit of its employees. The Plan covers all employees who have attained the age of 18, excluding non-resident aliens and employees subject to collective bargaining agreements. Employee contributions are immediately vested. RAMS may also make employer profit sharing contributions to the Plan on behalf of qualifying participants. RAMS did not make any profit sharing contributions to the Plan during 2023 and 2022.

NOTE 15 – CONTINGENCIES AND OTHER MATTERS

Contingencies

RAMS is supported primarily through government grants, donor contributions, and program service fees. RAMS is especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding and contributions located in San Francisco. Government grant income is subject to examination for compliance with grant provisions by the awarding agencies in future years which could result in adjustment to previously recognized revenue. Based on past experience, management does not expect the results of such examinations to be significant.

RAMS occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately $2,053,000 as of June 30, 2023. Management periodically assesses the financial condition of the financial institutions and believes the risk of loss is minimal.

RAMS employees are subject to collective bargaining agreement. An agreement was negotiated and finalized on July 1, 2021, which covers the period from January 1, 2021 to December 31, 2023. Approximately 25% of RAMS employees are covered by a collective bargaining agreement.

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Richmond Area Multi-Services, Inc.
San Francisco, California

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Richmond Area Multi-Services, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Richmond Area Multi-Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richmond Area Multi-Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Richmond Area Multi-Services, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richmond Area Multi-Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Richmond Area Multi-Services, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richmond Area Multi-Services, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

December 20, 2023

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Board of Directors
Richmond Area Multi-Services, Inc.
San Francisco, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Richmond Area Multi-Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Richmond Area Multi-Services, Inc.'s major federal program for the year ended June 30, 2023. Richmond Area Multi-Services, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Richmond Area Multi-Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Richmond Area Multi-Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Richmond Area Multi-Services, Inc.'s compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to Richmond Area Multi-Services, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Richmond Area Multi-Services, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Richmond Area Multi-Services, Inc.'s compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Richmond Area Multi-Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Richmond Area Multi-Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Richmond Area Multi-Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding No. 2023-001. Our opinion is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Richmond Area Multi-Services, Inc.'s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Richmond Area Multi-Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

December 20, 2023

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/ Program Title / Pass-Through Grantor	*Assistance Listing Number*	*Agency or Pass-Through Number*	*Federal Expenditures*	*Expenditures to Subrecipients*
Department of Education				
Rehabilitation Services – Vocational Rehabilitation Grants to States				
Passed through California State Department of Rehabilitation	84.126	32014	$ 995,355	$ -
Total Department of Education			995,355	-
Department of Health and Human Services				
Block Grants for Community Mental Health Services:				
Passed through City and County of San Francisco	93.958	1000010838	183,470	-
	93.958	1000010838	89,712	-
	93.958	1000020708	14,816	-
	93.958	1000020708	111,223	-
	93.958	1000020708	120,055	-
	93.958	1000020708	235,787	-
Passed through Sierra Health	93.958		10,077	-
Total Block Grants for Community Mental Health Services			765,140	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance				
Passed through Public Health Institute	93.243		79,219	-
477 Cluster				
Temporary Assistance for Needy Families (TANF)				
Passed through San Francisco Human Services Agency	93.558	1000010839 DPSS17000133 DPSS16000279	438,960	-
Total 477 Cluster			438,960	-
Total Department of Health and Human Services			1,283,319	-

Federal Grantor/ Program Title / Pass-Through Grantor	*Assistance Listing Number*	*Agency or Pass-Through Number*	*Federal Expenditures*	*Expenditures to Subrecipients*
Department of Agriculture Food and Nutrition Service				
Supplemental Nutrition Assistance Program (SNAP) Cluster:				
State Administration Matching Grants for the Supplemental Nutrition Assistance Program:				
Passed through San Francisco Human Services Agency	10.561	DPSS17000133/ DPSS16000279	96,094	-
Total SNAP Cluster			96,094	-
Total Department of Agriculture Food and Nutrition Service			96,094	-
Total Federal Awards			$ 2,374,768	$ -

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant and loan activities of Richmond Area Multi-Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The purpose of the Schedule is to present a summary of those activities of Richmond Area Multi-Services, Inc. for the year ended June 30, 2023, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between Richmond Area Multi-Services, Inc. and the federal government. Richmond Area Multi-Services, Inc. did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – PRIOR YEARS' EXPENDITURES

The accompanying Schedule of Expenditures of Federal Awards includes $-0- in expenditures from prior years for which continuing compliance is required.

RICHMOND AREA MULTI-SERVICES, INC.

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	X Yes	____ No
Identification of major programs:	*Name of Federal Program or Cluster*	
Assistance Listing #84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Finding no. 2023-001: Allowable Cost

Criteria:
Title 2 U.S. Code Part 200.430(i)(1)(vii) requires that there is documentation of personnel expenses charged to the grant, including support to reflect the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one award.

Condition:
Certain salary amounts billed to the grant were incorrectly allocated, hence overstating the salary billed to the grant. One employee's salary was allocated 25% to the major program (AL # 84.126) from their date of hire in April 2023 Through June 2023, whereas the allocation should have been 2.5% resulting in a $3,227 over-charge. Another employee hired in June 2023 worked 80.23% for the same major program but the program was billed for 100% of their salary, resulting in a $865 over-charge.

Cause:
RAMS miscalculated the salary amount that should be charged to the grant which caused the overstatement of their cost-reimbursement billing due to using incorrect time allocations.

Effect:
Salary costs were charged to the program that were unsupported in accordance with allowable cost principles.

Questioned Costs:
Total questioned costs identified were $4,092.

Context:
The total amount of salary tested during our audit was $66,576, representing approximately 10% of salary charges to the major program. The amount of questioned costs identified above in relation to the total amount sampled was 6.15%.

Recommendation:
RAMS should consider creating appropriate procedures to monitor salary allocation calculations and ensure that all costs billed are supported by adequate documentation.

View of Responsible Officials:
Subsequent to year-end, RAMS changed its billing procedure to prevent over-billing or inaccurate allocation of payroll costs from happening again. On July 24, 2023, the program manager, divisional director, billing specialist and accounting personnel met to discuss RAMS' billing workflows and changed the procedures to assure that payroll cost allocations are based on the actual hours reported and not estimated allocations of hours recorded in ADP. The effective date of this change was July 1, 2023.