



Financial Statements

June 30, 2023

Desert AIDS Project, Inc.
d/b/a DAP Health

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position – Assets	4
Statement of Financial Position – Liabilities and Net Assets	5
Statement of Activities.....	6
Statement of Functional Expenses.....	7
Statement of Cash Flows	8
Notes to Financial Statements	9
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 <i>Government Auditing Standards</i>	34
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	36
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	41
Schedule of Findings and Questioned Costs	42



Independent Auditor's Report

Board of Directors
Desert AIDS Project, Inc. d/b/a DAP Health
Palm Springs, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Desert AIDS Project, Inc. d/b/a DAP Health (Organization), 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Desert AIDS Project, Inc. d/b/a DAP Health as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for 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 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

The 2022 financials statement of the Organization were audited by other auditors whose report was dated November 22, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
August 14, 2024

DAP Health
Statement of Financial Position – Assets
June 30, 2023
(With Comparative Totals for June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 6,735,741	\$ 469,772	\$ 7,205,513	\$ 10,096,168
Investments	28,503,219	2,105,352	30,608,571	25,630,537
Receivables				
Patients	7,982,559	-	7,982,559	6,030,974
Other	999,612	-	999,612	5,000
Pledges receivable, current	-	93,325	93,325	169,686
Inventory	511,991	-	511,991	577,141
Prepaid expenses	1,170,870	-	1,170,870	624,731
Due to (due from) other funds	(6,177,083)	6,177,083	-	-
Total current assets	39,726,909	8,845,532	48,572,441	43,134,237
Property and Equipment, net	23,211,423	-	23,211,423	20,333,887
Right of Use	8,588,615	-	8,588,615	-
Other Assets				
Pledges receivable, net of current portion	-	103,142	103,142	63,794
Art collection	1,118,850	441,250	1,560,100	1,801,536
Deposits and other	2,240,423	-	2,240,423	171,282
Charitable remainder trust receivable	-	11,540	11,540	11,540
Investment - annuity/ insurance policy	346,823	-	346,823	340,023
Total other assets	3,706,096	555,932	4,262,028	2,388,175
Total assets	\$ 75,233,043	\$ 9,401,464	\$ 84,634,507	\$ 65,856,299

DAP Health
Statement of Financial Position – Liabilities and Net Assets
June 30, 2023
(With Comparative Totals for June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Liabilities and Net Assets				
Current Liabilities				
Current portion				
Long-term debt	\$ 222,847	\$ -	\$ 222,847	\$ 214,337
Lease liabilities	980,781	-	980,781	-
Annuity payable	-	-	-	51,000
Accounts payable				
Trade	4,564,581	-	4,564,581	5,009,202
Related party	-	-	-	9,043
Accrued expenses				
Salaries and wages	768,448	-	768,448	697,457
Vacation	909,993	-	909,993	722,418
Payroll taxes and other	97,360	-	97,360	341,151
Deferred income	170,000	-	170,000	125,805
Total current liabilities	<u>7,714,010</u>	<u>-</u>	<u>7,714,010</u>	<u>7,170,413</u>
Long-Term Liabilities				
Long-term debt, less current portion	4,200,241	-	4,200,241	4,420,998
Lease liabilities, less current portion	7,879,137	-	7,879,137	-
Annuity payable, less current portion	-	-	-	305,556
Total long-term liabilities	<u>12,079,378</u>	<u>-</u>	<u>12,079,378</u>	<u>4,726,554</u>
Total liabilities	<u>19,793,388</u>	<u>-</u>	<u>19,793,388</u>	<u>11,896,967</u>
Net Assets				
Without donor restrictions	23,966,214	-	23,966,214	15,512,839
Without donor restrictions - board designated	31,473,441	-	31,473,441	28,260,429
With donor restrictions	-	9,401,464	9,401,464	10,186,064
Total net assets	<u>55,439,655</u>	<u>9,401,464</u>	<u>64,841,119</u>	<u>53,959,332</u>
Total liabilities and net	<u>\$ 75,233,043</u>	<u>\$ 9,401,464</u>	<u>\$ 84,634,507</u>	<u>\$ 65,856,299</u>

DAP Health

Statement of Activities

Year Ended June 30, 2023

(With Comparative Totals for Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues				
Support				
Contributions, net	\$ 3,013,881	\$ 262,013	\$ 3,275,894	\$ 4,069,798
Fundraising/special events	626,466	-	626,466	644,272
Fundraising/thrift stores, net	675,247	-	675,247	873,012
Contributed non-financial assets	6,816,210	3,500	6,819,710	6,282,055
Net assets released from restrictions	1,404,613	(1,404,613)	-	-
Total support	12,536,417	(1,139,100)	11,397,317	11,869,137
Revenue				
Program Revenue, net				
Grants	11,117,747	354,500	11,472,247	7,747,927
Fees for services	68,320,263	-	68,320,263	52,670,200
Interest and dividends	1,051,449	-	1,051,449	561,365
Realized gains (losses) on investments	(845,981)	-	(845,981)	(55,436)
Unrealized gains (losses) on investments	1,657,321	-	1,657,321	(3,038,657)
Other income	103,796	-	103,796	161,251
Total revenue	81,404,595	354,500	81,759,095	58,046,650
Total support and revenue	93,941,012	(784,600)	93,156,412	69,915,787
Expenses				
Program services:				
Clinic services	47,537,049	-	47,537,049	36,747,504
Community health	7,121,059	-	7,121,059	4,426,911
Social services	13,152,782	-	13,152,782	10,612,684
Total program services	67,810,890	-	67,810,890	51,787,099
Supporting services:				
Fundraising/thrift stores	8,906,081	-	8,906,081	5,146,748
Fundraising/special events	99,498	-	99,498	2,466,001
Management and general	5,458,156	-	5,458,156	4,914,211
Total supporting services	14,463,735	-	14,463,735	12,526,960
Total expenses	82,274,625	-	82,274,625	64,314,059
Change in Net Assets	11,666,387	(784,600)	10,881,787	5,601,728
Net Assets, Beginning of Year	43,773,268	10,186,064	53,959,332	48,357,604
Net Assets, End of Year	\$ 55,439,655	\$ 9,401,464	\$ 64,841,119	\$ 53,959,332

See Notes to Financial Statements

DAP Health
Statement of Functional Expenses
Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023									
	Programs				Supporting Services				Totals	2022 Total
	Clinic Services	Community Health	Social Services	Total Program Services	Fundraising/ Thrift Stores	Fundraising/ Special Events	Management and General	Total Support Services		
Salaries and Benefits	\$ 10,915,775	\$ 2,403,234	\$ 3,639,920	\$ 16,958,929	\$ 4,245,372	\$ 55,721	\$ 4,263,263	\$ 8,564,356	\$ 25,523,285	\$ 20,960,264
Professional Services	568,915	10,905	31,035	610,855	36,610	21,910	287,295	345,815	956,670	1,371,772
Advertising, Printing and Marketing	203,798	287,784	82,862	574,444	476,110	9,234	16,272	501,616	1,076,060	823,972
Facilities Costs	599,192	87,882	221,780	908,854	2,295,786	-	27,982	2,323,768	3,232,622	2,708,094
Medical Supplies	3,097,808	286,759	364,492	3,749,059	-	-	3,049	3,049	3,752,108	1,762,966
Office	65,902	26,214	46,448	138,564	129,463	140	87,246	216,849	355,413	278,273
Technology	322,385	84,793	120,644	527,822	123,290	-	535,965	659,255	1,187,077	919,023
Events and Outreach	7,917	7,394	12,638	27,949	946,924	-	39,992	986,916	1,014,865	865,400
Banking and Merchant Fees	16,064	(139)	1	15,926	222,871	9,493	96,731	329,095	345,021	391,120
Pharmaceuticals	30,675,773	3,638,325	7,147,264	41,461,362	-	-	-	-	41,461,362	31,287,099
Travel and Transportation	24,823	58,679	11,714	95,216	86,548	-	29,969	116,517	211,733	165,054
Client Assistance	623	50,657	946,340	997,620	720	3,000	2,033	5,753	1,003,373	776,638
Other Expenses	28,682	7,840	5,371	41,893	25,589	-	66,880	92,469	134,362	113,177
Depreciation	728,304	122,740	378,319	1,229,363	186,589	-	229	186,818	1,416,181	1,329,077
Insurance	173,445	29,851	88,039	291,335	130,209	-	1,250	131,459	422,794	375,204
Interest	107,643	18,141	55,915	181,699	-	-	-	-	181,699	186,926
Total	\$ 47,537,049	\$ 7,121,059	\$ 13,152,782	\$ 67,810,890	\$ 8,906,081	\$ 99,498	\$ 5,458,156	\$ 14,463,735	\$ 82,274,625	\$ 64,314,059

DAP Health
Statement of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 10,881,787	\$ 5,601,728
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation and amortization	1,416,181	1,329,077
Change in unrealized gains and losses on investments	(1,657,321)	3,038,657
Gain on sale of property and equipment	(3,000)	-
Donated artwork	(3,500)	(425,000)
Change in assets and liabilities		
Accounts receivable	(2,946,197)	4,083,855
Inventory	65,150	(178,665)
Prepaid expenses	(546,139)	(71,214)
Pledges and charitable remainder trusts receivable	37,013	254,263
Deposits and other assets	(2,069,141)	(28,029)
Investment - annuity/insurance policy	(6,800)	(6,668)
Operating leases	271,303	-
Accounts payable and accrued liabilities	(453,664)	2,207,992
Accrued payroll and vacation	14,775	276,892
Deferred income	44,195	97,220
Annuity payable	(356,556)	(38,250)
Net Cash from Operating Activities	4,688,086	16,141,858
Investing Activities		
Purchase of property and equipment	(4,293,717)	(3,840,469)
Purchase of investments	(3,320,713)	(11,560,757)
Proceeds from sale of art collection	244,936	-
Proceeds from sale of property and equipment	3,000	-
Proceeds from sales of investments	-	5,844,738
Net Cash Used for Investing Activities	(7,366,494)	(9,556,488)
Financing Activity		
Principal payments on long-term debt	(212,247)	(204,143)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(2,890,655)	6,381,227
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	10,096,168	3,714,941
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 7,205,513	\$ 10,096,168
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 181,699	\$ 186,926

Note 1 - Principal Business Activity and Significant Accounting Policies

Organization

The mission of Desert AIDS Project, Inc. d/b/a DAP Health (Organization) is to enhance and promote the health and well-being of the community. Founded in 1984 as a non-profit organization, the principal area of service is Eastern Riverside County Southern California, with a broader reach to the rural areas of Riverside and San Bernardino counties. As a Federally Qualified Organization, the Organization offers a broad continuum of clinical and social services designed to meet the health and wellness needs of low-income community members. The Organization's area of expertise is to provide the provision of medical care and social services to marginalized populations. The accounting policies of the Organization reflect practices common to nonprofit organizations and conform to accounting principles generally accepted in the United States of America.

The Organization's principal programs and services are comprised of:

Health Care Services

As a Federally Qualified Organization (FQHC) 330 Grantee, the Organization provides primary outpatient medical care, comprehensive HIV-Specialty care, pharmaceutical assistance and medical education to low-income, uninsured or under-insured community members. The Organization accepts clients with various insurance plans, including Medi-Cal (California's Medicaid Program), Medicare and County Indigent service plans. For the uninsured, services are provided on a sliding fee scale depending on individual client income eligibility.

Co-located on the main campus in Palm Springs, the Organization delivers medical care through dedicated medical clinics, a separate dedicated walk-in sexual wellness and sexual transmitted infection (STI) clinic. To expedite treatment adherence and for the convenience of their clients and patients, the Organization's on-site Pharmacy and Laboratory Partners lease space in the main building. A satellite sexual wellness clinic operates in Indio, California.

Revivals – Re-Sale Stores

The Organization operates four resale stores in the service area as a fundraising endeavor. Most items for sale are donated by individuals and include clothing, furniture, home décor, artwork, jewelry and books. New furniture, carpets/rugs, mattresses and other new items are also available. Over 275 volunteers (many of whom are also clients) donated more than 68,000 hours of their time to staff the stores increasing net revenue available to be allocated to community health programs, clinical care and social services.

Dental Services

The Organization provides oral health care to low-income, uninsured or under-insured community members in the dental clinic at the main campus. The dental clinic offers health education in combination with a broad spectrum of preventative and restorative oral healthcare. The Organization accepts clients with various insurance plans including Medi-Cal (California's Medicaid Program), and for the uninsured, services are provided on a sliding scale depending on individual client income eligibility.

Behavioral Health Services

The Organization's Behavioral Health services are offered at the main campus to low-income, uninsured or under-insured community members. The Behavioral Health program offers psychiatry and individual and group therapy provided by licensed clinicians (psychiatrists, psychologists, licensed clinical social workers and psychiatric nurse practitioners). Clients also benefit from substance abuse disorder counseling and other psychosocial support services offered through their Social Services department. For individual therapy, the Organization accepts clients with various insurance plans including Medi-Cal (California's Medicaid Program), and Medicare. For the uninsured, services are provided on a sliding scale depending on individual client income eligibility.

Community Health - Education and Prevention

The Organization's commitment to testing, education and prevention is continually exercised by its Community Health Department. Community health educators/testing counselors provide rapid HIV, sexually transmitted infection (STI), Hepatitis C (HCV) tests on-site at the Palm Springs main campus in the sexual wellness clinic, in the second sexual wellness clinic in Indio, CA, in the mobile testing van, and offsite at community partner's (medical and non-medical) locations or at special events. Sexual wellness clinicians provide rapid access to HIV and HIV prevention education medication to prevent disease transmission. Education presentations about HIV, HCV, and other STI's are routinely offered to adults and youth throughout Riverside and San Bernardino Counties. Early intervention services staff link individuals to medical care and treatment; provide needs assessments and referrals for services to promote entry into and retention in care; benefit navigation and enrollment assistance; and referrals to ongoing case management services. Department personnel are also fully trained to educate at-risk individuals about HIV prevention including HIV prevention medication, Pre-exposure prophylaxis (PREP) and post-exposure prophylaxis (PEP). Sexual wellness clinics provide specialized services for clients with HIV who are challenged by substance use disorder.

Through the department's mobile van, the department provides harm reduction services at a fixed location in Palm Springs twice per week, as well as at homeless encampments and other targeted Palm Springs locations. The Organization's harm reduction program provides syringe services and naloxone to counteract overdose. The program links substance users to the Organization's wrap-around services including HIV/HCV/STI testing; on-site case management, medical and dental care, behavioral healthcare and substance use disorder counseling, peer support relapse prevention group and individual counseling; and other supportive social services such as housing placement assistance, food distribution and medical transportation.

Social - Wellness Services

The Organization maintains an extensive Social Services department providing many services to low-income, uninsured or under-insured community members. The department offers psychological support services including: HIV and aging, stress management, substance use disorder support group, building healthy relationships, building a positive life, and talking circle. Peer-run groups include: sewing with a purpose, knitting group, 12 step meetings, book club, and clay sculpting. Additional wellness services such as chair yoga, chair massage, reiki, fitness classes, acupuncture, and gentle yoga are under the social services umbrella. The department also includes support services providing housing, food, and medical transportation resource and referral assistance.

Case Management Services

Under the Social Services umbrella, the Organization provides case management to low-income, uninsured or under-insured community members. Services are provided at the main campus and their satellite office in Indio. Case management consists of service coordination on behalf of clients to remove barriers to, avoid duplication of, and maintain engagement in medical care and other needed services. The team of case managers assess needs, identify barriers and provide individuals with referrals and advocacy designed to facilitate linkage to services offered at the Organization or other community agencies. They provide assistance with medical insurance enrollment, offer guidance on budgeting, and monitor health outcomes. For those who are at risk of falling out of care, they provide intensive medical case management.

Home Health Services

The Organization provides home healthcare to low-income, uninsured or under-insured community members. Their staff bring particular expertise to serving those living with HIV. The care team consists of nurse case managers, social workers who coordinate in-home mental health therapy and skilled health services provided by homemakers and certified home health aides. Clients served are those who are determined by a physician to have a chronic medical dependency due to physical or cognitive impairment from HIV infection. All services are provided in the home of the client.

Income Taxes

The Organization is a nonprofit corporation that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and from California franchise taxes under related state tax regulations and classified by the Internal Revenue Service as other than a private foundation. The Organization is required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS). The Organization may be subject to tax on income from any unrelated business operations. The Organization currently has unrelated business taxable income from the thrift store operations. The Organization's Form 990, Return of Organization Exempt from Income Tax are subject to examination by the IRS, generally for three years after they were filed.

The Organization's believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restriction and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Net Assets Without Donor Restrictions - These funds represent all resources over which the Board of Directors has discretionary control for use in operating the Organization, as well as all property and equipment of the Organization.

Net Assets Without Donor Restrictions - Board Designated - These funds represent all resources over which the Board of Directors has discretionary control for use in operating the Organization. The Board of Directors have designated funds for reserves for the Organization. The Board has designated reserve funding to support approximately four months of operations in anticipation of possible federal funding changes due to the Affordable Care Act.

Net Assets With Donor Restrictions - These funds represent those resources that are received with donor stipulations that limit the use of the donated assets. 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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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. When a donor restriction expires, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Comparative Data

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. The Organization does not charge interest on unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes accounts for adverse changes in a patient's or third-party payor's ability to pay that may have occurred subsequent to recognition. Management regularly reviews specific data about receivable balances and its past history with similar cases to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

The Organization's patient and other receivable balance as of July 1, 2021, was \$10,119,829.

Pledges Receivable

Pledges receivable (i.e., unconditional promises to give) expected to be collected within one year are recorded at net realizable value. Pledges receivable 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 assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges receivable are written off when deemed uncollectible.

Inventory

Inventory consists of medical supplies are stated at cost (first-in, first-out) or net realizable value.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Property and Equipment

Property and equipment acquisitions in excess of \$5,000 are capitalized. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment range from 5 to 40 years. Expenditures for maintenance and repairs are charged to operations as incurred. The costs of betterments, which materially extend the useful lives of assets, are capitalized.

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to net assets without donor restrictions unless explicit donor restrictions 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 long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

The Organization considers whether indicators or impairments are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairments were identified for the years ended June 30, 2023 and 2022.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is reflected in the statement of activities as either restricted or unrestricted depending on any donor restrictions on the underlying investments.

Art Collection

Fine art donated to the Organization is considered inexhaustible and recorded at the estimated fair value at the date of the gift. The art collection includes paintings and other similar objects with individual values ranging from \$350 to \$425,000. Certain art work is considered restricted as the Organization must retain art work for three years before it can be disposed of or sold.

During the years ended June 30, 2023 and 2022, the Organization received art work valued at \$3,500 and \$425,000, respectively.

The following table shows the amount of unrestricted and restricted balances in the Art Collection:

	2023	2022
Unrestricted	\$ 1,118,850	\$ 836,116
Restricted	441,250	965,420
Total Art Collection	<u>\$ 1,560,100</u>	<u>\$ 1,801,536</u>

Deferred Income

Deferred income consists of payments received from individuals and corporations for fiscal year 2024 programs and sponsorships. All deferred income as of June 30, 2023 is expected to be recognized as revenue in 2024. All deferred income as of June 30, 2022 has been recognized as revenue in 2023.

Program Service Revenue - Grant Revenue

Grants from federal, state and local governmental agencies included in program revenue are on a cost-reimbursement basis and, therefore, revenue is recorded as expenses are incurred, using the accrual basis of accounting.

Program Service Revenue - Fee for Services

Patient Service Revenue

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

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in related to the total expected (or actual) charge. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization views each patient encounter as a separate performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided. Any related subsequent encounter is recognized as revenue as the performance obligation is satisfied.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and/or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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

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

340B Program Revenue

The contract pharmacy agreements provide that the Organization, as the covered entity, is entitled to negotiated amounts of income per prescription, less a dispensing fee which is paid to the retail pharmacy. 340B contract pharmacy revenue is recognized when a pharmaceutical is dispensed by a contract pharmacy, identified as 340B eligible, and replenished by the Organization. 340B contract pharmacy revenue is measured as the amount of consideration the Organization expects to receive under the agreement. Dispensing fees and purchases of 340B drugs for the contract pharmacies are recorded as operating expenses. Revenues from the 340B Program are recognized when obligations under the terms of the contract are satisfied and are recognized at a point in time.

Other Revenue

Other operating revenue includes income from rentals, ancillary services, and other operating transactions. Revenues for all other operating revenue is recognized when obligations under the contract are satisfied and are generally recognized at a point in time.

Donor-Restricted Gifts

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of changes in net assets as net assets released from restrictions.

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.

Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time. For the years ended June 30, 2023 and 2022, total hours were 80,617 and 78,828 to develop programs and assist with fundraising activities. The value of donated volunteer services is not reflected in the accompanying financial statements because they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts and investments with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023 and 2022, the Organization had approximately \$4,390,000 and \$6,455,000, respectively, in excess of FDIC-insured limits.

Fair Value of Instruments

The carrying values of the Organization's financial instruments are considered to approximate the fair value. Cash, accounts receivable, accounts payable and accrued expenses are settled so close to the statement of financial position date that the fair value does not differ significantly from the stated amount.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses, including volunteer and training services that are common to several functions, are allocated by various statistical bases.

Reclassifications

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

Adoption of Account Standards Codification Topic 842

Effective May 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Organization elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statements of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, the beginning of the adoption period, an operating lease liability of \$9,686,278 and an operating right-of-use asset of \$9,686,278. The adoption of the new standard did not materially impact the Organization's Statements of Activities or Statements of Cash Flows. See Note 10 for further disclosure of the Organization's lease contracts.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 6,735,741	\$ 5,649,356
Receivables	8,982,171	6,035,974
Total financial assets	<u>\$ 15,717,912</u>	<u>\$ 11,685,330</u>

The Organization is committed to investing liquid assets conservatively which may be drawn upon in the event of an unanticipated liquidity need. Cash and investments from donor-restricted sources are restricted for specific purposes and therefore, are not available for general expenditure. Even though the Board has the ability to release Board designated funds for operating needs at any time, since the Board designated amounts were not available for operations as of June 30, 2023 and 2022, these amounts have been excluded from the amounts listed above. The Organization is in the beginning of a capital expansion project and included in these investments are donations towards this project as well as additional funds the Board has designated to pay for these capital expenditures.

As part of a liquidity management plan, cash in excess of daily requirements is maintained in checking and savings accounts.

Note 3 - Program Revenue - Fee for Services

Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare. The Organization is licensed as a Federally Qualified Health Clinic (FQHC). The Organization is reimbursed for most services at cost up to a per visit cap with final settlement determined after submission of annual cost reports by the Organization subject to audits thereof by the Medicare fiscal intermediary. The Organization's cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2022.

Medi-Cal. Services rendered to Medicaid program beneficiaries under Medicaid's Prospective Payment System (PPS) are paid at a predetermined rate which encompasses reimbursement for all services during a single visit and is adjusted annually for inflation. Medicaid Fee for Service (FFS) claims are paid at rates which do not exceed the PPS rate. Capitation for Medicaid Managed Care is paid for each member of a plan on the assigned member roster at a contracted rate determined by cost reports and age of member. The per member per month (PMPM) payment is made for each member for each month on the assigned roster. Each visit is reported to the contracting plan as a zero claim. In addition, incentive payments can be earned for managing patient care.

Blue Cross. Services are reimbursed based on a set fee schedule. The prospectively determined rates are not subject to retroactive adjustment.

The Organization has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Concentration of gross revenues by major payor accounted for the following percentages of the Organization's patient service revenues for the years ended June 30, 2023 and 2022:

	2023	2022
Medicare	18%	21%
Medi-Cal	41%	37%
Commercial Insurance	23%	25%
Private pay and other	18%	17%
	<u>100%</u>	<u>100%</u>

Patient service revenue for the years ended June 30, 2023 and 2022 totaled \$9,175,349 and \$8,319,157.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. The ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2023 and 2022 was not significant.

The nature, amount, timing and uncertainty of revenue and cash flows are affected by several factors that the Organization considers in its recognition of revenue. Following are some of the factors considered:

- Payors
- Geography
- Type of service

For the years ended June 30, 2023 and 2022, the Organization recognized patient service revenue of \$9,175,349 and \$8,319,157 from services and goods provided over time.

340B Program Revenue

340B program revenue for the years ended June 30, 2023 and 2022 totaled \$59,144,914 and \$44,351,043. These revenues were recognized at a point in time. The 340B program revenue represents 63% of the Organization's total revenue for each of the years ended June 30, 2023 and 2022.

Note 4 - Accounts Receivable

Accounts receivable consist of amounts due from local government agencies under various contracts with the Organization which were earned, but not received, as of June 30, 2023 and 2022, and fees for services, net of allowances for uncollectible amounts.

The following summarizes accounts receivable as of June 30, 2023 and 2022:

	2023	2022
Fee for service, non-Clinic	\$ 6,093,535	\$ 5,533,306
Fee for service, Clinic	967,138	1,175,311
Grants and other contracts	1,430,522	38,632
Other receivables	999,612	5,000
	<u>9,490,807</u>	<u>6,752,249</u>
Less allowance for uncollectible amounts	<u>(508,636)</u>	<u>(716,275)</u>
	<u><u>\$ 8,982,171</u></u>	<u><u>\$ 6,035,974</u></u>

Fee for service, non-Clinic, receivables includes the following at June 30, 2023 and 2022:

	2023	2022
340B Program	\$ 5,064,293	\$ 4,257,483
Grants	910,388	1,055,762
Other	118,854	220,061
	<u><u>\$ 6,093,535</u></u>	<u><u>\$ 5,533,306</u></u>

The Organization grants credit without collateral to its patients most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients (Fee for service, Clinic) at June 30, 2023 and 2022 was as follows:

	2023	2022
Medicare	15%	25%
Medi-Cal	66%	45%
Commercial Insurance	15%	28%
Private pay and other	4%	2%
	<u>100%</u>	<u>100%</u>

Note 5 - Pledges Receivable

Pledges receivables have been pledged for future special events, memberships, and to support future expansion, net of allowance accounts. Pledges receivable consist of the following at June 30, 2023 and 2022:

	2023	2022
Pledges receivable	\$ 403,634	\$ 477,660
Less allowance for doubtful accounts	<u>(207,167)</u>	<u>(244,180)</u>
	<u>\$ 196,467</u>	<u>\$ 233,480</u>

Pledges receivable are included in the statements of financial position as follows at June 30, 2023 and 2022:

	2023	2022
Pledges receivable, current portion	\$ 93,325	\$ 169,686
Pledges receivable, noncurrent portion	<u>103,142</u>	<u>63,794</u>
Total pledges receivable	<u>\$ 196,467</u>	<u>\$ 233,480</u>

Pledges receivable collections are expected to occur through the year ending June 30, 2029.

Note 6 - Fair Value Measurements

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

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 transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they comprise U.S. Treasury obligations, exchange traded and close-end mutual funds, and equity securities, with readily determinable fair values based on daily redemption values. The corporate bonds, other government obligations, real estate and specialty assets, and alternative investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

The following table summarizes assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2023:

	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level2)	Significant Unobservable Inputs (Level 3)
Assets				
U.S. Treasury obligations	\$ 7,096,234	\$ 7,096,234	\$ -	\$ -
Other government obligations	1,397,440	-	1,397,440	-
Exchange traded and close end funds	16,633,385	16,633,385	-	-
Equity securities	3,142,257	3,142,257	-	-
Corporate bonds	1,132,556	-	1,132,556	-
Mutual funds	1,206,699	1,206,699	-	-
	<u>\$ 30,608,571</u>	<u>\$ 28,078,575</u>	<u>\$ 2,529,996</u>	<u>\$ -</u>

The following table summarizes assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2022:

	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level2)	Significant Unobservable Inputs (Level 3)
Assets				
Government obligations	\$ 4,955,003	\$ -	\$ 4,955,003	\$ -
Corporate bonds	3,431,903	-	3,431,903	-
Equity securities	7,769,374	7,769,374	-	-
Mutual funds	4,936,783	4,936,783	-	-
Real estate and specialty assets	2,534,139	-	2,534,139	-
Alternative investments	2,003,335	-	2,003,335	-
	<u>\$ 25,630,537</u>	<u>\$ 12,706,157</u>	<u>\$ 12,924,380</u>	<u>\$ -</u>

Note 7 - Charitable Remainder Trusts Receivable

The Organization is named in two irrevocable trusts. Total outstanding charitable remainder trusts receivable at June 30, 2023 and 2022 amounted to \$11,540.

Note 8 - Investment - Annuity/Insurance Policy

The Organization invested in an annuity and life insurance policy on the life of a donor who has executed a gift agreement. As of June 30, 2023 and 2022, the investment annuity had a value of \$346,823 and \$340,023, respectively.

Note 9 - Property and Equipment

Property and equipment consist of the following at June 30:

	2023		2022	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 1,236,890	\$ -	\$ 1,236,890	\$ -
Buildings	26,076,925	9,257,850	22,762,105	8,371,760
Equipment	3,762,392	3,049,052	3,657,087	2,722,962
Leasehold improvements	1,565,029	1,253,451	1,430,993	1,094,149
Furniture and fixtures	188,920	188,835	188,920	188,813
Vehicles	522,322	476,975	522,322	432,297
Construction in progress	4,085,108	-	3,345,551	-
	<u>\$ 37,437,586</u>	<u>\$ 14,226,163</u>	<u>\$ 33,143,868</u>	<u>\$ 12,809,981</u>
Net property and equipment		<u>\$ 23,211,423</u>		<u>\$ 20,333,887</u>

Construction in progress at June 30, 2023 represents costs for numerous projects related to campus expansion of varying length and total estimated costs. The following schedule provide the information regarding the larger projects currently in process:

Project	CIP as of June 30, 2023	Estimated Cost Remaining	Estimated Completion Dates
Pavilion (1)	\$ 939,360	\$ -	12/2025
HVAC replacement and cooling tower	600,683	646,000	12/2023, 8/2024
Emergency generator	950,334	1,333,000	12/2023
CDBG SS Wing	418,741	695,000	8/2024
Campus expansion (1)	794,121	-	9/2023, 12/2025
Other various (2)	381,869	-	12/2023-12/2025
	<u>\$ 4,085,108</u>	<u>\$ 2,674,000</u>	

- (1) These projects are in the planning and development phase. At this time, no contracts for construction are signed.
- (2) There are minimal expected costs are these contracts or no contracts for construction are signed.

Note 10 - Leased Facilities

The Organization has entered into seven non-cancelable operating leases for the leasing of the Revivals Thrift Shops in Palm Springs, Cathedral City, Palm Desert, Indio, a retail processing center, the Organization's Indio office and various office space for administration. The monthly lease payments range from \$1,194 to \$28,370 per month through July 2032. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Also, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

The weighted average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable, the Organization estimates an applicable borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Total lease costs for the year ended June 30, 2023 were as follows:

	<u>2023</u>
Operating lease cost	\$ 1,333,173

Total lease expense for the year ended June 30, 2022 for all operating leases was \$1,453,147.

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 1,238,915

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	<u>2023</u>
Weighted-average remaining lease term	
Operating leases	7.43
Weighted-average discount rate	
Operating leases	4.9%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2023:

	<u>Operating</u>
2024	\$ 1,301,741
2025	1,332,288
2026	1,363,751
2027	1,396,158
2028	1,414,666
Thereafter	<u>3,494,207</u>
Total lease payments	10,302,811
Less: Interest	<u>(1,442,893)</u>
Present value of lease liabilities	<u><u>\$ 8,859,918</u></u>

Future minimum lease payments determined under the guidance in Topic 840 are listed below as of June 30, 2022:

	<u>Operating</u>
2023	\$ 1,514,411
2024	1,549,386
2025	1,357,382
2026	668,602
2027	458,802
Thereafter	<u>38,311</u>
Total lease payments	<u><u>\$ 5,586,894</u></u>

Note 11 - Line of Credit

The Organization has an available line of credit of \$3,000,000 with JPMorgan Chase Bank as of June 30, 2023. The line is secured by the Organization's accounts receivable, equipment, inventory and general intangibles. Advances under the line of credit accrue interest at the adjusted SOFR rate (Note Rate) and at the rate of 3% per annum above the Note Rate and matures May 2025. There was no outstanding balance on the line of credit as of June 30, 2023.

Note 12 - Long-Term Debt

Long-term debt at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
3.9% note payable to bank, due in monthly installments of \$32,439 including interest, to April 2038, secured by property	\$ 4,423,088	\$ 4,635,335
Less current maturities	<u>(222,847)</u>	<u>(214,337)</u>
Long-term debt, net of current maturities	<u><u>\$ 4,200,241</u></u>	<u><u>\$ 4,420,998</u></u>

Long-term debt principal payment requirements are as follows:

Year Ending June 30,	Amount
2024	\$ 222,847
2025	229,449
2026	238,559
2027	248,031
2028	257,879
Thereafter	3,226,323
	<u>\$ 4,423,088</u>

Note 13 - Health Reimbursement Arrangement

The Organization has a health reimbursement arrangement (HRA) that is funded solely through Organization contributions. The HRA allows eligible participants to be reimbursed tax free for qualified medical expenses subject to a specified ceiling. Amounts remaining at the end of the year can generally be carried over to the next year. The Organization is not permitted to refund any part of the balance to the participants; the account cannot be used for anything other than reimbursements for qualified medical expenses; and remaining amounts are not portable upon termination once the participant leaves the Organization. The Organization provides \$5,000 per eligible employee. The Organization has accrued an estimated expense of \$33,654 and \$324,838 at June 30, 2023 and 2022 representing amounts likely to be utilized by employees for qualified medical expenses based on the history of use to date.

Note 14 - Annuity Payable

The Organization received an annuity of \$1 million whereby the Organization will pay the donor for his life, an annual annuity of \$51,000 (5.1% gift value) in equal quarterly payments of \$12,750 at the end of each period. The total annuity payable as of June 30, 2023 and 2022 was \$- and \$356,556, respectively. The donor passed away during the year ended June 30, 2023 and the remaining amount of the annuity was recorded as income in the accompanying statement of activities. These investments will be transferred to the Organization's investment portfolio in fiscal year 2024.

Note 15 - Employees' 401(k) Plan

Eligible employees who have attained age 21 and have completed three (3) consecutive months of service may participate in the Organization's 401(k) Profit Sharing plan (401(k) Plan). The funds in the 401(k) Plan all became 100% vested at date of rollover. Employees may contribute 1% to 100% of their compensation with a maximum allowed by the IRS. Employees are always 100% vested in their contributions to the plan.

The Organization will make Safe Harbor matching contributions up to 4% and may make additional discretionary matching contributions up to 7% of an employee's eligible pay for those who have completed 500 hours of service. The Safe Harbor matching contributions are 100% vested. The 401(k) Plan also allows for elective profit-sharing contributions by the Organization.

Additional discretionary contributions as approved by the Board are vested as follows:

Years of Vesting Service	Vesting Percentage
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

Amounts contributed to employees' 401(k) and 457(B) plans by the Organization were \$873,963 and \$724,345 for the years ended June 30, 2023 and 2022, respectively. Plan forfeitures in the 401(k) Plan are used to pay administrative expenses of the 401(k) Plan and to reduce employer contributions.

The 401(K) Plan is intended to satisfy all of the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code, ERISA and other applicable federal and state laws. The Organization is the Plan Administrator with the Board Treasurer acting as its agent for the 401(k) Plan. Participants exercise control over some or all of the investments in their 401(k) Plan accounts. This limits the liability of the fiduciaries for losses resulting from investment decisions made by the participants.

Note 16 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

	2023	2022
Building improvements	\$ 8,496,974	\$ 8,465,310
Charitable remainder trust services	11,540	11,540
Grants	451,700	743,794
Art collection	441,250	965,420
Net assets with donor restrictions	<u>\$ 9,401,464</u>	<u>\$ 10,186,064</u>

During 2023 and 2022, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes and the expiration of time restrictions in the amounts of \$1,404,613 and \$1,209,521. These amounts are included in net assets released from restrictions in the accompanying statements of activities.

Note 17 - Revivals Thrift Shops Operations

The Organization has Revivals Thrift Shops operations as a component of fundraising activity. The amounts on the statements of activities are reported at net value. The following summarizes the gross revenues received and costs of goods sold for the years ending June 30, 2023 and 2022:

	2023	2022
Thrift store sales	\$ 8,167,688	\$ 7,638,317
Cost of goods sold	<u>(7,492,441)</u>	<u>(6,765,305)</u>
	675,247	873,012
Thrift store - merchandise donated	<u>6,699,570</u>	<u>5,791,829</u>
	\$ 7,374,817	\$ 6,664,841
Fundraising/thrift stores - net	<u><u>\$ 7,374,817</u></u>	<u><u>\$ 6,664,841</u></u>

Note 18 - Contributed Non-Financial Assets

The Organization received the following contributions of non-financial assets for the years ending June 30, 2023 and 2022:

	2023	2022
Thrift store - merchandise donated	\$ 6,699,570	\$ 5,791,829
Art work, net	3,500	425,000
Medication	89,821	65,226
Sponsorships	15,000	-
Other	<u>11,819</u>	<u>-</u>
	<u><u>\$ 6,819,710</u></u>	<u><u>\$ 6,282,055</u></u>

The contributed thrift store merchandise are valued when sold. The contributed artwork, medication, sponsorship, and other items are valued using estimated prices of identical or similar products using pricing data under a *like-kind* methodology considering the goods' condition and utility for use at the time of the contribution. Contributed thrift store merchandise is used for fundraising and development. Contributed artwork, medication, sponsorships and other items are used primarily in program services. All contributed non-financial assets, except the art work, during the years ended June 30, 2023 and 2022 were unrestricted.

Note 19 - Concentration of Revenue

For the years ended June 30, 2023 and 2022, the Organization received 12% and 11%, respectively, of revenue from grants funded by governmental sources. A significant portion of government grant funding is provided by the federal Ryan White grant program and the HIV Prevention Activities Program. The Organization's strategic plan has anticipated decreased Ryan White funding and is in process of and has implemented programs and to enable the continuation of services into the future.

Note 20 - Rental Income

The Organization has entered an exclusive lease agreement with Walgreen Co. for a pharmacy as a convenience and benefit to the Organization's clients in the Sunrise building. The lease has a twenty five-year term that expires November 2027 with monthly rental income of \$3,675. There are also leases with two other entities with monthly rentals of \$2,690 in fiscal year 2024, one of which increases 3% annually, through June 30, 2028.

Minimum future rental income to be received on these leases is as follows:

Year Ending June 30,	Amount
2024	\$ 76,378
2025	77,304
2026	78,268
2027	79,261
2028	47,210
	\$ 358,421

Note 21 - Related Party Balance and Transactions

The Organization is the sole member of Sunrise DAP, LLC, a California limited liability company. Sunrise DAP, LLC, is the Administrative General Partner of Vista Sunrise II, L.P. (Partnership), with other partners being CVHC Sunrise Vista LLC (Managing General Partner); Miles Avenue Housing, Inc. (Withdrawing Limited Partner); and Wells Fargo Affordable Housing Community Development Corporation (Investor Limited Partner). The purposes of the Partnership are to acquire, finance, own, construct, rehabilitate, maintain, improve, operate, lease and if appropriate or desirable, sell or otherwise dispose of the Vista Sunrise II Apartment Complex (Complex).

The Complex is being constructed on the the Organization's campus and consists of studios and one-bedroom units for individuals and families who experience chronic illnesses, physical or mental disabilities, or those who are homeless. The project will be funded by federal and state tax credits along with additional funding through Riverside County and the City of Palm Springs. Title to the Complex will remain with the Partnership and no partner has any ownership interest in the Complex. The Managing General Partner will perform ongoing partnership management throughout the term of the fifteen-year tax credit compliance period and shall be paid an ongoing partnership management fee equal to 80% of any partnership management, and/or incentive management fees receive for the project. Sunrise DAP, LLC will provide CVHC Sunrise Vista LLC ongoing tenant concerns throughout the fifteen-year term, including recommending replacement of property manager. The Organization shall receive 20% of the developer fee which amounted to \$120,000 during the June 30, 2023 fiscal year. The Organization is deferring the developer fee over the fifteen-year term. The Organization shall have the Right of First Refusal (for the period of two years) and first option to Purchase the Project upon expiration of the fifteen-years (or earlier if permitted by the investor).

The Organization has a ground lease with the Partnership effective January 31, 2022 through January 31, 2121 unless terminated earlier in accordance with the lease. The rent of one dollar annually shall be paid in advance on or before January 1 of each year during the lease term. The Organization will be responsible for 75% of the costs for keeping and maintaining the park improvements, carports and the combined driveway. The Partnership will reimburse the Organization for 25% of the reasonable out-of-pocket costs incurred by the Organization for any repairs or replacements to the park improvements or the shared driveway.

The Organization has an amount due from Vista Sunrise II, L.P. in the amount of \$4,772 as of June 30, 2023 and 2022 for reimbursement of property tax.

The Organization conducts various services with companies owned by members of the Board of Directors and relations of employees in the normal course of business. All transactions are at arm's length. The transactions relating to these Board of Directors related party transactions amounted to \$275,800 and \$271,936 at June 30, 2023 and 2022, respectively. Related party payables were \$11,570 and \$9,043, as of June 30, 2023 and 2022, respectively.

Note 22 - Contingencies

Malpractice Insurance

The Organization has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences occurring during its term, but reported subsequently, would be uninsured.

The Organization has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis through the Federal Tort Claims Act (FTCA) and through additional liability insurance (gap insurance) for those situations not covered by the FTCA. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences occurring during its term, but reported subsequently, would be uninsured.

Litigation, Claims, and Disputes

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Organization.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Note 23 - Subsequent Events

Effective August 1, 2023, the Organization entered into an asset acquisition agreement to purchase the assets of Borrego Health for \$50 million plus the payment of certain costs and the assumption of certain obligations. The purchase included 21 clinics, a pharmacy, and various other assets. The two healthcare systems will operate as one integrated system with approximately 850 employees serving 100,000 patients at 25 clinics in southern California. The acquisition was financed with long-term debt and operating cash.

The Organization evaluated all potential subsequent events as of August 14, 2024 when the financial statements were authorized and available to be issued.



Federal Awards Reports in Accordance with the Uniform
Guidance

June 30, 2023

Desert AIDS Project, Inc.

d/b/a DAP Health



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*

The Board of Directors
Desert AIDS Project, Inc. d/b/a DAP Health
Palm Springs, California

We have audited in accordance with 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 (*Government Auditing Standards*), the financial statements of Desert AIDS Project, Inc. d/b/a DAP Health (Organization) 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 August 14, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eric Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
August 14, 2024



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors
Desert AIDS Project, Inc. d/b/a DAP Health
Palm Springs, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Desert AIDS Project, Inc. d/b/a DAP Health (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the Organization 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 each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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 provisions of contracts or grant agreements applicable to the Organization'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 the Organization'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 GAAS, *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 the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Organization'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 the Organization'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 the Organization'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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2023, and have issued our report thereon dated August 14, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Fargo, North Dakota
August 14, 2024

DAP Health
Schedule of Expenditures of Federal Awards
June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Number		Federal Expenditures
U.S. Department of Health and Human Services			
<i>Direct programs:</i>			
Community Health Centers, Migrant Health Centers, Health Care for Homeless and Public Housing Primary Care	93.224		\$ 3,059,199
Community Health Centers, American Rescue Act for New and Expanded Services under the Health Center Program	93.527		<u>103,309</u>
Subtotal Community Health Center Cluster			<u>3,162,508</u>
Ryan White Part C Outpatient EIS Program	93.918		322,178
Ryan White Title III HIV Capacity Development and Planning	93.918		<u>118,269</u>
Subtotal Federal Financial Assistance #93.918			<u>440,447</u>
Special Projects of National Significance	93.928	(1)	214,120
Health Center Infrastructure Support	93.526		26,270
<i>Pass-through from San Bernardino County Department of Public Health</i>			
Ryan White HIV/AIDS Program Part A	93.914		2,454,535
Ending the HIV Epidemic: Ryan White HIV/AIDS Program Parts A and B	93.686	(2)	622,931
<i>Pass-through from Riverside County Department of Public Health</i>			
Ending the HIV Epidemic: Ryan White HIV/AIDS Program Parts A and B	93.686	(2)	9,601
HIV Prevention Activities Health Department Based	93.940		159,236
Viral Hepatitis Prevention and Control	93.270		83,853
Sexually Transmitted Diseases (STD) Prevention and Control	93.977		25,000
<i>Pass-through from AIDS United</i>			
Special Projects of National Significance	93.928	(1)	<u>152,844</u>
Total U.S. Department of Health and Human Services			<u>7,351,345</u>

DAP Health
Schedule of Expenditures of Federal Awards
June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Financial Assistance Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
<i>Pass-through from Housing Authority of the County of Riverside</i>		
Housing Opportunities for Persons with AIDS	14.241	\$ 306,167
COVID 19: Housing Opportunities for Persons with AIDS	14.241	<u>40,864</u>
Subtotal Federal Financial Assistance #14.241		<u>347,031</u>
Total U.S. Department of Housing and Urban Development		<u>347,031</u>
Total Expenditures of Federal Awards		<u><u>\$ 7,698,376</u></u>
 (1) Subtotal Federal Financial Assistance #93.928		 <u><u>\$ 366,964</u></u>
(2) Subtotal Federal Financial Assistance #93.686		<u><u>\$ 632,532</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Desert AIDS Project, Inc. d/b/a DAP Health (Organization) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified?	No
Significant deficiencies not considered to be material weaknesses?	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 Uniform Guidance 2 CFR 200.516(a):	No

Identification of Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Number</u>
Ryan White HIV/AIDS Program Part A	93.914
Ending the HIV Epidemic: Ryan White HIV/AIDS Program Parts A and B	93.686
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.