POSITIVE RESOURCE CENTER

Independent Auditor's Report
and Consolidated Financial Statements

For the Year Ended December 31, 2017

POSITIVE RESOURCE CENTER

Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Positive Resource Center

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Positive Resource Center (a California not-for-profit corporation), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expression of an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Positive Resource Center as of December 31, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

1550 Parkside Drive, Suite 260, Walnut Creek, CA 94596
www.bhlfcpa.com

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 19 to 21 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2018, on our consideration of Positive Resource Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Positive Resource Center's internal control over financial reporting and compliance.

BHLF LLP

Walnut Creek, California
May 29, 2018

POSITIVE RESOURCE CENTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

Current assets:	
Cash and equivalents	$ 4,242,871
Cash held by others	12,560
Accounts receivable	1,473,074
Government grants receivable	1,031,751
Pledges and grants receivable	64,626
Prepaid expenses	277,718
Restricted cash	45,801
Total current assets	7,148,401
Investments	2,236,135
Property and equipment, net	15,602,662
Intangibles, net	807,323
Deposit	109,888
Total assets	$ 25,904,409

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	$ 280,988
Accrued compensation	741,884
Deferred revenue	2,050,602
Unemployment trust	12,560
Current portion of capital leases	51,564
Current portion of long-term debt	33,588
Line of credit	410,000
Total current liabilities	3,581,186
Accrued interest	747,069
Deferred revenue, net of current portion	1,717,488
Deferred rent	189,696
Capital leases, net of current portion	52,030
Long-term debt, net of current	2,014,106
Other liabilities	458,613
Total liabilities	8,760,188
Net assets	
Unrestricted	17,114,347
Temporarily restricted	29,874
Total net assets	17,144,221
Total liabilities and net assets	$ 25,904,409

See notes to financial statements

POSITIVE RESOURCE CENTER

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Support			
Government awards	$ 13,323,991	$ -	$ 13,323,991
Foundation and corporate grants	307,523	163,320	470,843
Contributions	454,304	-	454,304
Contributions from AEF and Baker Places	17,132,561	-	17,132,561
Fundraising event, net	179,670	-	179,670
Total support	31,398,049	163,320	31,561,369
Revenue			
Program fees	957,448	-	957,448
Client rent	248,535	-	248,535
Interest	197,152	-	197,152
Other	91,698	-	91,698
Total revenue	1,494,833	-	1,494,833
Net assets released from restrictions for satisfaction of program and other restrictions	557,788	(557,788)	-
Total support and revenue	33,450,670	(394,468)	33,056,202
EXPENSES			
Program	14,855,495	-	14,855,495
Management and general	2,301,443	-	2,301,443
Fundraising	953,361	-	953,361
Total expenses	18,110,299	-	18,110,299
CHANGE IN NET ASSETS	15,340,371	(394,468)	14,945,903
Net assets, beginning of year	1,773,976	424,342	2,198,318
Net assets, end of year	$ 17,114,347	$ 29,874	$ 17,144,221

See notes to financial statements

POSITIVE RESOURCE CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2017

	Program	Management and General	Fundraising	Total
Salaries and wages	$ 8,114,850	$ 917,213	$ 535,002	$ 9,567,065
Retirement contributions	203,570	27,260	17,288	248,118
Other employee benefits	1,461,965	65,310	46,245	1,573,520
Payroll taxes	630,111	63,532	37,142	730,785
Total personnel	10,410,496	1,073,315	635,677	12,119,488
Occupancy	2,349,580	343,842	73,177	2,766,599
Fee for service	498,058	528,567	27,527	1,054,152
Office	492,345	78,626	65,331	636,302
Grants and contract	560,471	-	-	560,471
Other personnel	160,101	72,410	-	232,511
Advertising and promotion	133,316	14,414	67,301	215,031
Depreciation	8,501	185,678	-	194,179
Insurance	168,532	(423)	2,416	170,525
Travel and meetings	46,921	5,014	81,932	133,867
Miscellaneous	27,174	-	-	27,174
Total expenses	$ 14,855,495	$ 2,301,443	$ 953,361	$ 18,110,299

See notes to financial statements

POSITIVE RESOURCE CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 14,945,903
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:	
Depreciation	246,843
Amortization	143,885
Realized and unrealized gain on investments	(103,890)
Net unfavorable accretion of lease obligations	458,613
Changes in operating assets and liabilities	
Restricted cash	(45,801)
Accounts receivable	(1,348,543)
Government grants receivable	(456,071)
Pledges and grants receivable	(21,516)
Prepaid expenses	(268,009)
Beneficial interest in trust	345,000
Deposits	(84,385)
Accounts payable and accrued expenses	190,703
Accrued compensation	648,639
Accrued interest	747,069
Deferred rent	189,696
Deferred revenue	3,768,090
Net cash provided by operating activities	19,356,226
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	(15,849,505)
Acquisition of intangible assets	(951,208)
Acquisition of investments	(2,132,245)
Net cash used in investing activities	(18,932,958)
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowing on line of credit	410,000
Proceeds from capital lease	144,018
Repayments of capital lease obligations	(40,424)
Proceeds from long term debt	2,059,371
Repayments of long term debt	(11,677)
Net cash provided by financing activities	2,561,288
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,984,556
CASH AND CASH EQUIVALENTS	
Beginning of year	1,258,315
End of year	$ 4,242,871

See notes to financial statements

POSITIVE RESOURCE CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES

Positive Resource Center (the Organization) is a California non-profit public benefit corporation. The Organization whose mission is to assist people affected by or at risk for HIV/AIDS in making informed choices that maximize available benefits through counseling, education and advocacy. The Organization operates the following programs:

Benefits Counseling - Social security representation and benefits counseling services to people living with HIV/AIDS or mental health conditions.

Employment Services - Comprehensive employment preparation and job search assistance to people living with HIV/AIDS or mental health conditions.

Agreements of Affiliation - Effective March 31, 2017, the Organization entered into an Agreement of Affiliation with Baker Places, Inc. ("Baker Places"), a nonprofit corporation. Under this Agreement of Affiliation, the Organization is the sole corporate member of Baker Places, while both parties retain its separate corporate identity. Pursuant to the membership rights granted to the Organization, the Organization appointed directors who will serve as Board of Directors to Baker Places.

Baker Places is a California non-profit corporation providing an array of community-based services to residents of San Francisco with mental health, substance abuse and HIV/AIDS related issues. Baker Places is dedicated to assisting individuals in learning and regaining the skills to live their lives fully and productively in the community. This social rehabilitation approach guides and unifies all of the Baker Places' programs. Services are aimed at being accessible, flexible, consumer-driven and culturally competent.

Effective July 31, 2017, the Organization entered into an Agreement of Affiliation with AIDS Emergency Fund ("AEF"), a nonprofit corporation. Under this Agreement of Affiliation, the Organization is the sole corporate member of AEF, while both parties retain its separate corporate identity. Pursuant to the membership rights granted to the Organization, the Organization appointed directors who will serve as Board of Directors to Baker Places. In October 2017, the Organization dissolved AEF and fully merged AEF into the Organization.

AEF provides critical financial assistance to people living with disabling HIV/AIDS. AEF responds compassionately to the AIDS crisis by providing immediate, short term financial assistance to help people disabled by HIV/AIDS to cover their basic human needs and stabilize their living situations. This short-term financial assistance is a key element of San Francisco's continuum of care, and AEF collaborates with other service providers to insure that clients access all available resources and assistance. Through compassionate intervention by AEF, people living with HIV/AIDS can maintain access to medical care and drug therapies, avoid eviction and homelessness, and live with greater stability and dignity during their illness.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements are presented on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets - consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily restricted net assets - represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets may also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Organization.

Permanently restricted net assets - represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There are no permanently restricted net assets at December 31, 2017.

Principles of consolidation - The consolidated financial statements include the accounts of the following entities: Positive Resource Center and Baker Places. All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Business combinations - The Company accounts for business combinations under the acquisition method of accounting. Under this method, acquired assets, including separately identifiable intangible assets, and any assumed liabilities are recorded at their acquisition date estimated fair value. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed represents the goodwill amount resulting from the acquisition. Determining the fair value of assets acquired and liabilities assumed involves the use of significant estimates and assumptions.

Cash and equivalents - The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash deposits usually exceed the federally insured limits.

Restricted cash - The Organization has certain cash which is restricted to be used only for certain maintenance costs of specific programs.

Property and equipment - Purchased land, buildings and equipment are recorded at cost and donated property and equipment are recorded at the fair value at the date of the contribution. The Organization has established a capitalization threshold of $2,000 per item with useful lives greater than one year. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Maintenance and repairs are charged to operations when incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is determined using the straight-line method over the following estimated useful lives, which ranges from 3 to 20 years.

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets - Leases that existed at the date of acquisition with terms that were favorable to market at that date are recorded as intangible assets and amortized on a straight-line basis over the useful lives of the respective leases. The Organization evaluates the residual value of its intangible assets periodically and adjusts the amortization period and/or residual value when the Organization believes the residual value of the asset is not recoverable.

Accounts and grants receivable - The Organization reviews accounts and grants receivable on a monthly basis to determine if any receivables will be uncollectible. The Organization establishes an allowance for doubtful accounts for any balance determined to be uncollectible. At December 31, 2017, no allowance for doubtful accounts has been recorded as all amounts were considered collectible.

Revenue recognition - Grant awards are recognized as an increase in unrestricted net assets when conditions set forth in the grant instruments are substantially fulfilled. Failure to fulfill the conditions may constitute default and result in termination of grant instruments and return of funds to the grantors.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed services - Contributed services are reflected in the consolidated financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. At December 31, 2017, there are no contributed services.

Deferred revenue - Overpayments received from the San Francisco Department of Public Health from fiscal years 2008 through 2010 and 2016 under the Mental Health program are classified as deferred revenue, and decreased annually according to schedule agreed with the agency. In November 2017, the Organization renegotiated the payment terms and payments were deferred to 2018 with full repayment obligation to occur in fiscal year 2022. The Organization also receives annual advanced payments to be applied towards future grant revenues, which are recognized over the grant period.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program services and supporting services.

Income taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise taxes under Section 23701d of the Revenue and Taxation Act. Accordingly, no provision has been made for federal or state income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial position, results of activities or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2017.

With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2013.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively. The Organization has not recognized any interest and penalties in the year ended December 31, 2017.

3. AFFILIATION AGREEMENTS

As discussed in Note 1, the Organization entered into an affiliation agreement with AIDS Emergency Fund (AEF), a California nonprofit public benefit corporation, to become the sole corporate member of AEF and appoint individuals of the Organization's choice to serve as directors of AEF. In October 2017, the Organization dissolved AEF and fully merged AEF into the Organization.

The following table summarizes the fair value allocation of the assets acquired and liabilities assumed at the acquisition date for AEF.

Assets acquired:	
Cash and equivalents	$ 716,370
Accounts receivable	210,583
Prepaid expenses	1,469
Investments	2,132,245
Deposit	9,725
Total assets acquired	3,070,392
Liabilities assumed:	
Accrued compensation	20,465
Total liabilities assumed	20,465
Net assets acquired	$ 3,049,927

As a result the acquisition, the Organization recognized a contribution of $3,049,927.

As discussed in Note 1, the Organization entered into an affiliation agreement with Baker Places, Inc. (Baker Places), a California nonprofit public benefit corporation, to become the sole corporate member of Baker Places and appoint individuals of the Organization's choice to serve as directors of Baker Places.

3. AFFILIATION AGREEMENTS (CONTINUED)

The following table summarizes the fair value allocation of the assets acquired and liabilities assumed at the acquisition date for Baker Places.

Assets acquired:	
Cash and equivalents	$ 1,408,596
Restricted cash	43,457
Accounts and grants receivable, net	1,016,618
Prepaid expenses	295,699
Land, buildings, and equipment	15,849,505
Intangibles	951,208
Deposit	71,280
Total assets acquired	19,636,363
Liabilities assumed:	
Accounts payable and accrued expenses	88,261
Accrued compensation	358,519
Security deposits	39,279
Deferred revenue	1,487,548
Unfavorable lease liability	655,162
Accrued interest	721,571
Capital leases	144,018
Long-term debt	2,624,861
Debt discount	(565,490)
Total liabilities assumed	5,553,729
Net assets acquired	$ 14,082,634

As a result the acquisition, the Organization recognized a contribution of $14,082,634.

The fair value of the land and buildings is estimated using third party appraisals. The Organization recorded certain favorable and unfavorable leasehold interest as a result of the acquisition. The fair value of favorable leasehold interest is determined using the income approach, whereby the difference between contractual rent and market rent is calculated for each remaining term for each lease, and then discounted to present value. All leasehold interests are being amortized based upon patterns in which the economic benefits or obligations are expected to be realized. Accordingly, the favorable and unfavorable leasehold interests are being amortized over the respective lease terms of the properties.

The following are the favorable and unfavorable leasehold interests and their respective weighted average useful lives:

	Fair Value at Acquisition	Weighted Average Useful Life
Leasehold interests		
Favorable	951,208	13.4 Years
Unfavorable	(728,169)	2.5 Years
Net non-market leasehold interests	$ 223,039	

4. INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments are comprised of the following at December 31, 2017:

	Cost	Fair Value
Exchange-traded funds	$ 404,383	$ 540,136
Mutual funds	1,573,544	1,604,121
Cash	91,878	91,878
Total	$ 2,069,805	$ 2,236,135

The following table summarizes the total investment income, and net realized and unrealized gains and losses for the year ended December 31, 2017:

Dividends and interest income	$ 43,570
Net change in unrealized loss on investments reported at fair value	107,019
	150,589
Investment expenses	(3,129)
Total gain on investments	$ 147,460

The Organization reports its investments at fair value as described in ASC Topic 820, *Fair Value Measurements*, which establishes a single authoritative definition of fair value, sets out a framework of measuring fair value, and requires additional disclosure about fair value measurement of assets such as investments.

This standard establishes a framework for measuring fair value for the investments held by the Organization. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

Level 1: Inputs to the valuation methodology represent unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.

Level 2: Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

4. INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The investments in mutual funds are valued at net asset value (NAV) of shares, based on quoted market prices, held by the Institute at year-end. Common stocks are valued at the closing price reported in the active market in which the individual securities are traded. Money market funds are valued at cost, which approximates fair value.

The following tables sets forth by level, within the fair value hierarchy, the Institute's assets at fair value as of December 31, 2017.

	Level 1	Level 2	Level 3	Total
Exchange-traded funds	$ 540,136	$ -	$ -	$ 540,136
Mutual funds	1,604,121	-	-	1,604,121
Cash	91,878	-	-	91,878
Total investments	$ 2,236,135	$ -	$ -	$ 2,236,135

There have been no changes in the methodologies used at December 31, 2017.

5. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at December 31, 2017:

Land	$ 5,876,903
Buildings and improvements	9,763,097
Leasehold improvements	51,322
Office equipment and furniture	54,473
Capital leases	136,012
	15,881,807
Accumulated depreciation	(279,145)
	$ 15,602,662

6. INTANGIBLES

The Organization's intangible assets consist of the following at December 31, 2017:

	Amount	Remaining Weighted Average Amortization
Favorable leases	$ 951,208	12.7 Years
Accumulated amortization	(143,885)	
	$ 807,323	

7. LINE OF CREDIT

The Organization has a secured line of credit with Wells Fargo in the amount of $550,000 to be drawn down upon as needed, at the greater of a floating rate equal to the Prime rate plus 1% or the Floor Rate of 5% (5.50% at December 31, 2017). As of December 31, 2017 there is an outstanding balance of $410,000.

8. LONG TERM DEBT

Long term debt consists of the following as of December 31, 2017:

Mortgage Debt	
Note payable to Wells Fargo Bank collateralized by a first deed of trust on building and land and is payable in monthly installments including interest at a rate of 4.75%, through May 15, 2023.	$ 356,698
Note payable to Wells Fargo Bank collateralized by a first deed of trust on building and land and is payable in monthly installments including interest at a rate of 4.75%, through May 15, 2023.	581,418
Notes to Government Agencies	
Note payable to California Department of Housing and Community Development for funds provided by the State Special User Housing Rehabilitation Program. This note is collateralized by a deed of trust on building and land and accrues simple interest at 3% per annum. Principal and all accrued interest are due December 23, 2021.	175,000
Note payable to City and County of San Francisco is collateralized by a deed of trust on building and land. The note is payable with surplus cash generated by project annually and accrues simple interest at 3% per annum. Principal and all accrued interest are due December 28, 2055.	284,618

8. LONG TERM DEBT (CONTINUED)

Notes to Government Agencies (Continued) Note payable to San Francisco Mayor's Office of Housing and Community Development is collateralized by a deed of trust and assignment of rents. The note is payable with surplus cash generated by project annually and accrues simple interest at 3% per annum. Principal and all accrued interest are due February 28, 2051.	1,082,209
Note payable to San Francisco Mayor's Office of Housing and Community Development is collateralized by a deed of trust on building and land and accrues simple interest at 10% per annum. Interest is deferred until the end of term of the note and provided no default has occurred, accrued interest will be forgiven. Forgiveness conditions require the Organization to operate the property for the benefit of qualifying low-income residents. Principal is payable in annual installments. The note matures on November 18, 2041.	120,000
Debt Discount	(552,249)
Total debt	2,047,694
Less: current portion	(33,588)
Long-term debt, net of current portion	$ 2,014,106

The Organization estimated the fair value of debt of Baker Places using the discounted cash flow approach using the Organization's borrowing rate at the debt of acquisition.The $2,654,033 of total debt was valued at $2,088,543, generating a debt discount of $565,490.

Maturities of long term debt at December 31, 2017 are as follows:

2018	$ 33,588
2019	34,976
2020	36,431
2021	37,957
2022	39,557
Thereafter	2,417,434
	$ 2,599,943

9. CAPITAL LEASES

The Organization leases various copiers and computers, which provide for either title to pass to the Organization upon expiration of the lease period, or for which present value of future minimum lease payments exceed fair value of the equipment. The cost of equipment capitalized under capital leases is $136,012 at December 31, 2017. The accumulated depreciation of equipment under capital leases at December 31, 2017 is $40,846 .

5. CAPITAL LEASES (CONTINUED)

Capital lease obligations consisted of the following as of December 31, 2017:

Capital lease for copiers for the Organization's program office locations in monthly installments of $3,570 through March 2020.	$	95,753
Capital lease for computers payable in monthly installments of $1,488 through November 2019.		12,902
Capital lease obligations		108,655
Amounts representing interest		(5,061)
Present value of minimum lease payments		103,594
Current portion		(51,564)
Capital lease obligations, net of current portion	$	52,030

The future annual minimum lease payments required under the capital leases as of December 31, 2017, are as follow:

2018	$	55,742
2019		42,203
2020		10,710
Amounts representing interest		(5,061)
	$	103,594

10. UNEMPLOYMENT TRUST

The Organization has opted out of the state unemployment tax system, and instead participates in an unemployment trust. As of December 31, 2017, the Organization's trust account and unemployment liability provision has a balance of $12,560.

11. NET ASSETS

Temporarily restricted net assets at December 31, 2017 are as follows:

Employment services	$	17,375
Benefits counseling		12,500
	$	29,875

As of December 31, 2017, the Board of Directors designated of $1,202,075 as an operating reserve for the Organization.

12. PENSION PLAN

The Organization has a 403(b) defined contribution plan for all employees who have completed six months of services. The Organization elects to make matching contributions up to 5% of the employee's monthly salary. The amount contributed by the Organization is $96,331 for the year ended December 31, 2017.

Baker Places maintains a 403(b) defined contribution plan for all employees who have completed six months of service. Baker Places is required to contribute annually to the plan at a specified rate of each participant's annual salary and years of service. Participants with service of six months to three years receive an employer contribution of 1% of their salary. Participants with service of greater than three years of service receive an employer contribution of 4% of their salary. Total pension plan expense for the year ended December 31, 2017 is $151,786.

13. COMMITMENTS

The Organization leases real property for its administrative offices and short-term housing of clients as well as certain personal property. Rent expense for the year ended December 31, 2017 relating to long-term lease agreements is $1,589,609. Minimum future rental payments under the non-cancelable operating leases with lease terms greater than one year are as follows:

2018	$ 1,259,627
2019	1,631,651
2020	654,162
2021	274,784
2022	202,784
Thereafter	4,843,600
	$ 8,866,608

14. CONTINGENCIES

Forgivable Debt - Baker Places has received forgivable loans from the San Francisco Mayor's Office of Housing and Community Development and the California Department of Housing and Community Development. The loans are forgiven at the end of the their respective terms provided that Baker Places continues to provide services to persons with AIDS and affordable housing to low income individuals. If Baker Places were to stop providing these services, they would be in default on the loans which would become due and payable subject to 10% compounded interest from the date of disbursement. These loans, in the amount of $2,059,835, are recorded as contributions in the year they were received as the likelihood that Baker Places will not continue to provide these services is remote. The accrued interest on these loans as of December 31, 2017, is $294,000, which has not been recorded.

15. CONCENTRATIONS

The Organization receives a portion of its support and revenue from federal, state and city governments. Certain awards for which the Organization receives reimbursements are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although management believes they would not be material.

16. SUBSEQUENT EVENTS

The Organization's management has reviewed the results of operations for the period of time from its year ended December 31, 2017 through May 29, 2018, the date these financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events have occurred, the nature of which would require disclosure.

SUPPLEMENTAL INFORMATION

POSITIVE RESOURCE CENTER

SCHEDULE OF UNCONSOLIDATED ASSETS, LIABILITIES AND NET ASSETS
For The Year Ended December 31, 2017

ASSETS

Current assets:	
Cash and equivalents	$ 2,167,194
Cash held by others	12,560
Accounts receivable	88,443
Government grants receivable	1,031,751
Pledges and grants receivable	64,626
Prepaid expenses	15,851
Total current assets	3,380,425
Investments	2,236,135
Deposit	35,108
Total assets	$ 5,651,668
Current liabilities:	
Accounts payable and accrued expenses	$ 90,442
Accrued compensation	154,700
Unemployment trust	12,560
Line of credit	410,000
Total current liabilities	667,702
Deferred rent	100,287
Total liabilities	767,989
Net assets	
Unrestricted	4,853,805
Temporarily restricted	29,874
Total net assets	4,883,679
Total liabilities and net assets	$ 5,651,668

POSITIVE RESOURCE CENTER

SCHEDULE OF UNCONSOLIDATED REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Support			
Government awards	$ 4,394,632	$ -	$ 4,394,632
Foundation and corporate grants	307,523	163,320	470,843
Contributions	454,212	-	454,212
Fundraising event, net	179,670	-	179,670
Total support	5,336,037	163,320	5,499,357
Revenue			
Program fees	924,506	-	924,506
Investment income	196,778	-	196,778
Other	3,141,628	-	3,141,628
Total revenue	4,262,912	-	4,262,912
Net assets released from restrictions for satisfaction of program and other restrictions	557,788	(557,788)	-
Total support and revenue	10,156,737	(394,468)	9,762,269
EXPENSES			
Program	4,738,782	-	4,738,782
Management and general	1,384,765	-	1,384,765
Fundraising	953,361	-	953,361
Total expenses	7,076,908	-	7,076,908
CHANGE IN NET ASSETS	3,079,829	(394,468)	2,685,361
Net assets, beginning of year	1,773,976	424,342	2,198,318
Net assets, end of year	$ 4,853,805	$ 29,874	$ 4,883,679

POSITIVE RESOURCE CENTER

SCHEDULE OF UNCONSOLIDATED FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Programs						
	Benefits Counseling	Employment Services	AEF	Total Program	Management and General	Fundraising	Total
Salaries and wages	$ 1,610,939	$ 845,723	$ 69,402	$ 2,526,064	$ 471,084	$ 535,002	$ 3,532,150
Retirement contributions	42,972	22,843	858	66,673	12,370	17,288	96,331
Other employee benefits	217,257	164,296	8,960	390,513	44,525	46,245	481,283
Payroll taxes	113,942	59,946	4,853	178,741	33,813	37,142	249,696
Total personnel	1,985,110	1,092,808	84,073	3,161,991	561,792	635,677	4,359,460
Accounting fees	-	-	16,012	16,012	21,550	-	37,562
Fee for service	7,614	2,019	488,424	498,057	528,566	27,527	1,054,150
Advertising and promotion	91,068	5,506	36,742	133,316	14,414	67,301	215,031
Supplies	50,001	12,497	7,417	69,915	69,177	46,586	185,678
Telephone	4,677	2,616	6,173	13,466	854	977	15,297
Postage and shipping	2,649	116	1,792	4,557	495	2,832	7,884
Equipment rental and maintenance	24,745	72,544	315	97,604	2,648	3,059	103,311
Bank fees	-	-	2,160	2,160	19,081	155	21,396
Copy and printing	3,296	1,005	9,316	13,617	555	8,055	22,227
Occupancy	351,501	200,170	82,805	634,476	155,247	73,177	862,900
Travel and meals	22,797	4,661	-	27,458	6,994	81,932	116,384
Insurance	26,354	6,691	950	33,995	2,106	2,416	38,517
Dues, licenses, and service fees	5,953	119	1,536	7,608	1,286	3,667	12,561
Miscellaneous	-	-	24,550	24,550	-	-	24,550
Total expenses	$ 2,575,765	$ 1,400,752	$ 762,265	$ 4,738,782	$ 1,384,765	$ 953,361	$ 7,076,908

POSITIVE RESOURCE CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Grant Period	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Sub-recipients	Federal Expenditures
Department of Health and Human Services					
Direct Programs:					
Substance Abuse & Mental Health Services Administration	9/30/17-9/30/22	93.243		-	$ 69,149
Health Resources & Services Administration	9/30/17-9/30/20	93.928		-	31,145
Total Direct Programs				-	100,294
Pass-through the San Francisco Department of Public Health:					
HIV Emergency Relief Project Grants	3/1/16-2/28/17	93.914	BPHM14000007	-	85,059
HIV Emergency Relief Project Grants	3/1/17-2/28/18	93.914	BPHM14000007	-	444,884
HIV Emergency Relief Project Grants	3/1/17-2/28/18	93.914	DPHC16000456-02	-	483,819
				-	1,013,762
Pass-through the State of Office of Aids:					
HIV Care Formula Grants	7/1/16-3/31/17	93.917	DPHM17000249	-	58,197
Total Pass-Through Programs				-	1,071,959
Total Department of Health and Human Services				-	1,172,253
Department of Housing and Urban Development					
Pass-through the City and County of San Francisco:					
Community Development Block Grants/Entitlement Grants	7/1/16-6/30/17	14.218	B16MC060016	-	69,106
Community Development Block Grants/Entitlement Grants	7/1/17-6/30/18	14.218	B17MC060016	-	62,681
Community Development Block Grants/Entitlement Grants	10/1/16-6/30/17	14.218	B15MC060016	-	23,450
Community Development Block Grants/Entitlement Grants	7/1/16-6/30/17	14.218	B16MC060016	-	22,995
Community Development Block Grants/Entitlement Grants	7/1/17-6/30/18	14.218	B17MC060016	-	25,211
Community Development Block Grants/Entitlement Grants	7/1/16-6/30/17	14.218	B16MC060016	-	24,721
Community Development Block Grants/Entitlement Grants	7/1/17-6/30/18	14.218	B17MC060016	-	24,715
Total Department of Housing and Urban Development				-	252,879
Department of Education					
Pass-through the San Francisco Department of Public Health:					
State Vocational Rehabilitation Services	7/1/16-6/30/17	84.126A	29859	-	44,160
State Vocational Rehabilitation Services	7/1/17-6/30/18	84.126A	29859	-	46,062
Total Department of Education				-	90,222
Total expenditures of federal awards				$ -	$ 1,515,354

POSITIVE RESOURCE CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Positive Resource Center under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Positive Resource Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Positive Resource Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - 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.

Indirect costs - Positive Resource Center has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Indirect costs are charged to the federal award programs based on the Organization's negotiated indirect cost rate agreement with the Department of the Interior or as specified in the grant agreement.

OTHER REPORTS

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*

Board of Directors
Positive Resource Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Positive Resource Center (the Organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Positive Resource Center's internal control over financial reporting (internal control) to determine the 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 Positive Resource Center'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. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Positive Resource Center’s consolidated financial statements are free of 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 determination of financial statement amounts. 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*.

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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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHLF LLP

Walnut Creek, California
May 29, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Positive Resource Center

Report on Compliance for Each Major Federal Program

We have audited Positive Resource Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Positive Resource Center's major federal programs for the year ended December 31, 2017. Positive Resource Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Positive Resource Center’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Positive Resource Center’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Positive Resource Center’s compliance.

Opinion on Each Major Federal Program

In our opinion, Positive Resource Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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Report on Internal Control Over Compliance

Management of Positive Resource Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Positive Resource Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Positive Resource Center's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

BHLF LLP

Walnut Creek, California
May 29, 2018

POSITIVE RESOURCE CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2017

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 identified that are not considered to be material weaknesses?	None reported
• Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are 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 2 CFR section 200.516(a):	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

POSITIVE RESOURCE CENTER

SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended December 31, 2016

		Questioned Costs
Department of Health and Human Services HIV Emergency Relief Project Grants CFDA Numbers 93.914		
2016-001		
Condition:	During testing, it was noted that the Organization bills payroll expenses based on budgeted allocations, not actual time spent working on the contact.	
Context:	The auditor selected 2 monthly invoices submitted for reimbursement on this contract and tested all payroll expenses and derived shared costs.	
Cause:	The Organization did not track employees' time by funding source or conduct periodic time studies.	
Effect:	It is possible that payroll expenses along with shared cost allocations derived from payroll allocations could be incorrectly charge to this contract.	-
Recommendation:	Have employees track their actual hours worked on this contract through timesheets, or conduct and document time studies on a periodic basis, and use that as a basis to allocate expenses to this contract.	
Views of Responsible Officials and Planned Corrective Actions:	As of January 1, 2017, PRC will be conducting and documenting a time study on a semi-annual basis to ensure that all staff time is allocated properly across all contracts and funding sources. The first time study will be conducted mid-year during the budgeting process of our annual contract renewals. The second time study will be conducted at the end of the year with the goal of assuring that what was documented mid-year remains accurate and that staff time is still being allocated properly across all contracts and funding sources. This process will be conducted by the CFO working in conjunction with each program director. If during the course of this semi-annual process the CFO determines that the time study is not reflective of the actual time spent working on each contract and funding source, the process will be revised and conducted on a more frequent basis, as opposed to semi-annually, to ensure that staff time is always being allocated properly across all contracts and funding sources. The results of the study will be distributed to the CEO and Board of Directors.	
Current Status:	Corrected. The recommendation was adopted in 2017. No similar findings were noted in the 2017 audit.	