

PRC

**INDEPENDENT AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**(With summarized comparative totals as of and for the years ended
June 30, 2023)**



PRC
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
PRC
San Francisco, CA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of PRC (a non-profit organization) which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PRC as of June 30, 2024, 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PRC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PRC's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PRC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PRC's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. 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 presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the PRC's 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 01, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 June 6, 2025, on our consideration of PRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PRC'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 PRC's, internal control over financial reporting and compliance.

Harskmal & Company LLP

Oakland, California
June 6, 2025

CONSOLIDATED FINANCIAL STATEMENTS

PRC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,472,904	\$ 2,310,248
Investments	-	199,909
Accounts and grants receivable, net	5,225,120	8,977,012
Pledges receivable	73,001	100,000
Prepaid expenses and other	<u>349,710</u>	<u>184,053</u>
Total current assets	10,120,735	11,771,222
Deposits	57,052	56,802
Property and equipment, net	25,647,459	26,950,571
Operating lease right-of-use asset	4,605,496	5,066,286
Intangibles, net	<u>151,961</u>	<u>161,765</u>
Total assets	<u>\$ 40,582,703</u>	<u>\$ 44,006,646</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,342,353	\$ 2,086,300
Refundable advance	-	117,458
Paycheck Protection Program loan	117,114	156,426
Current portion of long-term debt	211,367	163,295
Operating lease liabilities, current portion	788,828	737,776
Finance leases, current portion	<u>15,490</u>	<u>45,296</u>
Total current liabilities	<u>3,475,152</u>	<u>3,306,551</u>
Accrued interest	1,534,910	1,333,220
Paycheck Protection Program loan, net of current portion	-	117,024
Long-term debt, net of current portion	18,102,853	20,349,536
Operating lease liabilities, net of current portion	5,871,344	6,529,512
Finance leases, net of current portion	<u>-</u>	<u>15,491</u>
Total liabilities	<u>28,984,259</u>	<u>31,651,334</u>
NET ASSETS		
Without donor restrictions	11,436,120	12,288,228
With donor restrictions	<u>162,324</u>	<u>67,084</u>
Total net assets	<u>11,598,444</u>	<u>12,355,312</u>
Total liabilities and net assets	<u>\$ 40,582,703</u>	<u>\$ 44,006,646</u>

The accompanying notes are an integral part of these financial statements

PRC
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	<u>2024</u>	<u>2023</u>
<i>REVENUE, GAINS, AND OTHER SUPPORT:</i>				
Government awards	\$ 25,698,258	\$ -	\$ 25,698,258	\$ 27,432,909
Program fees	97,030	-	97,030	375,132
Contributions	1,474,122	681,623	2,155,745	1,470,011
Fundraising event, net	-	-	-	411,763
Client rent	324,732	-	324,732	360,097
Investment return, net	125,683	-	125,683	11,168
In-kind contributions	-	-	-	375,257
Other	364,341	-	364,341	3,975,138
Net assets released from restrictions	<u>586,383</u>	<u>(586,383)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>28,670,549</u>	<u>95,240</u>	<u>28,765,789</u>	<u>34,411,475</u>
<i>EXPENSES:</i>				
Program	23,223,601	-	23,223,601	24,013,541
Management and general	5,496,893	-	5,496,893	5,457,311
Fundraising	<u>802,163</u>	<u>-</u>	<u>802,163</u>	<u>1,009,374</u>
Total expenses	<u>29,522,657</u>	<u>-</u>	<u>29,522,657</u>	<u>30,480,226</u>
Change in net assets	(852,108)	95,240	(756,868)	3,931,249
Net assets at beginning of year	<u>12,288,228</u>	<u>67,084</u>	<u>12,355,312</u>	<u>8,424,063</u>
Net assets at end of year	<u>\$ 11,436,120</u>	<u>\$ 162,324</u>	<u>\$ 11,598,444</u>	<u>\$ 12,355,312</u>

The accompanying notes are an integral part of these financial statements

PRC
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program	Management and General	Fundraising	Total	
				2024	2023
Salaries and benefits	\$ 15,802,524	\$ 2,588,943	\$ 408,360	\$ 18,799,827	\$ 18,337,579
Fee for service	751,624	660,013	189,513	1,601,150	2,766,889
Advertising and promotion	62,230	7,979	76,598	146,807	115,298
Grants and contract	1,892,300	17,785	83,771	1,993,856	1,852,721
Office	862,102	190,116	29,928	1,082,146	937,899
Occupancy and rent	2,870,684	376,003	12,725	3,259,412	3,940,459
Depreciation and amortization	391,358	1,121,602	-	1,512,960	1,359,131
Insurance	342,626	62,231	419	405,276	355,955
Interest	33,755	168,309	-	202,064	225,050
Miscellaneous	156,562	283,211	105	439,878	239,861
Travel and meetings	57,836	20,701	744	79,281	346,905
Loss on disposal	-	-	-	-	2,479
Total	\$ 23,223,601	\$ 5,496,893	\$ 802,163	\$ 29,522,657	\$ 30,480,226

The accompanying notes are an integral part of these financial statements

PRC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (756,868)	\$ 3,931,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,503,155	1,359,131
Amortization of ROU Assets	596,371	850,369
Favorable accretion of lease obligations	9,804	9,804
Amortization of loan expenses	44,103	22,954
Capitalization of accrued Interest	(112,904)	-
Loss on disposal	-	2,479
Changes in operating assets and liabilities:		
Accounts receivable, net	3,751,892	(7,069,979)
Pledges and grants receivable	26,999	(100,000)
Prepaid expenses	(165,657)	(52,712)
Deposits	(250)	468,011
Accounts payable and accrued expenses	256,053	(1,604,546)
Accrued interest	201,690	163,350
Deferred rent	-	(2,657,931)
Refundable advance	(117,458)	(83,552)
Operating Lease payable	(742,697)	1,350,633
<i>Net cash provided by/(used in) operating activities</i>	4,494,233	(3,410,740)
<i>Cash flows from investing activities:</i>		
Purchase of property and equipment	(87,139)	(271,230)
Purchase of investments, net	-	(9,763)
Proceeds from sale of investments, net	199,909	-
<i>Net cash used in investing activities</i>	112,770	(280,993)
<i>Cash flows from financing activities:</i>		
Repayment of finance lease obligations	(45,297)	(86,310)
Repayment of PPP loan	(156,336)	(154,782)
Repayment of long term debt	(2,242,714)	(259,169)
Proceeds from long term debt	-	4,862,767
<i>Net cash provided by/(used in) financing activities</i>	(2,444,347)	4,362,506
Net change in cash and cash equivalents	2,162,656	670,773
Cash and cash equivalents, beginning of year	2,310,248	1,639,475
Cash and cash equivalents, end of year	\$ 4,472,904	\$ 2,310,248
Supplemental disclosures:		
Cash paid for interest	\$ 165,527	\$ 95,395
Composition of cash and cash equivalents, end of year:		
Cash and cash equivalents	\$ 2,991,312	\$ 1,459,588
Restricted cash - Maintenance costs of specific programs	900,428	850,660
Restricted cash - Operating reserves	581,164	117,458
	\$ 4,472,904	\$ 2,310,248

The accompanying notes are an integral part of these financial statements

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: NATURE OF ACTIVITIES

PRC (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. During 2018 the Organization changed its name from Positive Resource Center to PRC. In 2019, the Organization changed its year end to June 30 from December 31. The Organization operates the following programs:

Emergency Financial Assistance: Emergency financial grants for basic human needs reaching 2,000 low-income, HIV+ adults annually.

Legal Advocacy: Legal representation and advocacy for disability benefits and health care access engaging 1,800 adults experiencing homelessness and/or issues related to mental health or HIV/AIDS.

Workforce Development: Accredited job training pathways and employment readiness, placement, and counseling services for 650 low income, health-challenged adults annually.

Housing Planning Program: Need assessments, housing-focused case management, referrals, and support accessing needed social services for low income adults.

Baker Places Inc. (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 was acquired by the Organization in 2017. 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. Baker Places Inc. also adopted Baker Places Grove Street LLC, a California limited liability company (the Company) as of February 13, 2020. The Company is a drug and alcohol addiction treatment center and Baker Places Inc. is a sole member of the Company. The Company is organized and operated exclusively for charitable purposes as specified in section 214 of the California Revenue and Taxation Code (RT Code).

On August 23, 2021, the San Francisco Mayor's Office of Housing and Community Development (MOHCD) and the Organization finalized an agreement for the Organization to own and manage Leland House as a transitional residential care facility (TRCF) beginning October 1, 2021. Leland House is California's second largest housing facility for people living with HIV/AIDS, with a capacity to house 45 residents. The property was owned by Mercy Housing California, who acquired the building in 1996, and operated by Catholic Charities, who opened the facility in 1997. As a state-licensed RCFCI, Leland House has provided permanent placement and on-site medical and case management care to low-income San Francisco residents who have disabling HIV/AIDS.

Per the agreement, the Organization will also oversee future rehabilitation of the 20,000 square foot building nestled in San Francisco's Visitacion Valley neighborhood.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

Net assets with donor restrictions - Net assets are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Principles of consolidation - Effective March 31, 2017, the Organization entered into an Agreement of Affiliation with Baker Places 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. On September 30, 2021, the Organization formed Leland House LLC, a California Limited Liability Company, under the laws of the State of California. The Organization is a sole member of Leland House LLC. The consolidated financial statements include the accounts of the following entities: PRC, Baker Places, and Leland House, LLC. The Organization as used in these financial statements refers to PRC individually, or collectively with Baker Places, Inc, and Leland House LLC, as the context may require. All significant 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.

Cash and cash 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. In addition, the Organization has restricted cash held for operating reserves relating to the operation of Leland House and other facilities managed by Baker Places, Inc.

Investments - Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

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 \$5,000 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.

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

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.

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, pledges, 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. As of June 30, 2024, allowance for doubtful accounts amounting to \$166,581 had been recorded.

Revenue recognition - Grant awards are recognized as an increase in net assets without donor restrictions when conditions or service obligations as 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, 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. Contributions and grants without donor restrictions are recorded as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Program fees consist of client fees and rent related to the residential treatment programs. Service obligations are satisfied as the program services or room and board are provided.

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. During 2023, the Organization recorded \$375,257 legal services received on pro bono basis. This amount was recognized as in-kind contribution and non-program expense in the consolidated statement of activities.

Advertising - Advertising costs are expensed as incurred.

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy and rent	Square footage
Grants and contract	Time and effort
Fee for service	Time and effort
Office	Time and effort
Depreciation and amortization	Square footage
Insurance	Time and effort
Interest	Time and effort
Miscellaneous	Time and effort
Travel and meetings	Time and effort
Advertising and promotion	Time and effort

Comparative Financial Information - The consolidated 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with entity's consolidated financial statements for the year ended June 30, 2023, from which summarized information was derived.

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 23701(d) of the Revenue and Taxation Act. Accordingly, no provision has been made for federal or state income taxes.

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 effect 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 June 30, 2024.

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 2021.

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 for the year ended June 30, 2024.

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

Recently Adopted Accounting Pronouncements - In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016 - 13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

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

NOTE 3: AVAILABILITY AND LIQUIDITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. The following represents the Organization's financial assets available to meet general expenditures in one year at June 30, 2024 and 2023.

	2024	2023
Cash and cash equivalents	\$ 4,472,904	\$ 2,310,248
Investments	-	199,909
Accounts receivable	5,225,120	8,977,012
Pledges and grants receivable	73,001	100,000
	9,771,025	11,587,169
Amounts not available to be used within one year:		
Net asset with donor restrictions	(162,324)	(67,084)
Restricted cash	(1,481,592)	(968,118)
Financial assets available to meet general expenses within one year	\$ 8,127,109	\$ 10,551,967

The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments, which are classified as Level 1 in the fair value hierarchy, consists of the following at June 30:

	Fair Value	
	2024	2023
Mutual funds	\$ -	\$ 171,054
Exchange-Traded & Closed-End Funds	-	22,232
Cash	-	6,623
Total	\$ -	\$ 199,909

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENT - (CONT'D)

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.

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 Organization at year-end. Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 6,777,334	\$ 11,542,035
Buildings and improvements	6,854,856	11,828,677
Leasehold improvements	5,930,461	6,032,891
Office equipment, furniture and vehicles	10,045,630	519,115
Construction in progress	92,304	5,165
Capital leases	<u>-</u>	<u>54,074</u>
	29,700,585	29,981,957
Less: Accumulated depreciation	<u>4,053,126</u>	<u>3,031,386</u>
	<u>\$ 25,647,459</u>	<u>\$ 26,950,571</u>

NOTE 6: INTANGIBLES

The Organization's intangible assets consist of the following at at June 30:

	<u>2024</u>	<u>2023</u>
Favorable leases	\$ 951,208	\$ 951,208
Accumulated amortization	<u>(799,247)</u>	<u>(789,443)</u>
	<u>\$ 151,961</u>	<u>\$ 161,765</u>
Remaining weighted average amortization	15.58 Years	16.58 Years

NOTE 7: LONG TERM DEBT

Long term debt consists of the following as of at June 30:

	<u>2024</u>	<u>2023</u>
Note payable to Northeast Bank collateralized by a first deed of trust on building and land and is payable in monthly installments of \$2,382, which includes interest at the Prime Rate plus 0.5% per annum, adjusted monthly with a minimum rate of 8.75%, through May 15, 2024. The note was fully paid during the fiscal year ended 2024.	\$ -	291,379
Note payable to Northeast Bank collateralized by a first deed of trust on building and land and is payable in monthly installments of \$3,883, which includes interest at the Prime Rate plus 0.5% per annum, adjusted monthly with a minimum rate of 8.75%, through May 15, 2024. The note was fully paid during the fiscal year ended 2024.	-	474,949

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7: LONG TERM DEBT - (CONT'D)

<p>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 was due December 2021. In May 2023, the loan was extended for 30 years.</p>	175,000	175,000
<p>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 2055.</p>	284,618	284,618
<p>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 2051.</p>	1,082,209	1,082,209
<p>Note payable to City and County of San Francisco, a municipal corporation, represented by the Mayor's Office of Housing and Community Development is collateralized by a deed of trust and accrues simple interest at 3% per annum. Principal and all accrued interest are due January 2050.</p>	3,940,000	3,903,179
<p>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 in December 2041.</p>	90,000	110,000
<p>Note payable to Northern California Community Loan Fund, a nonprofit benefit corporation, to finance leasehold improvements for the Organization's offices. Under the note payable agreement, the Organization can draw up to \$1,900,000 during the draw period as defined in the agreement. The note is collateralized by a deed of trust on building and land and accrues interest at 5.75% per annum. Interest only payments are required to be made for the first six months on the then outstanding loan amount. On February 24, 2021, the loan amount was amended to \$1,726,300 with a monthly principal and interest payment of \$25,052. The note matures on June 12, 2024. The note was fully paid during the fiscal year ended 2024.</p>	-	1,227,238

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7: LONG TERM DEBT - (CONT'D)

The Organization's total debt to the San Francisco Department of Public Health (DPH) consists of an advance payment of \$6,546,363 and \$1,304,352 in overpayments received during fiscal years 2008 through 2010 and 2016 under the Mental Health program. In May 2023, the Organization and DPH entered into a formal agreement to restructure the repayment of this liability. Under the terms of the agreement, the Organization will repay the outstanding balance, including any applicable interest, over a period of approximately 20 years. Repayment will be made through a combination of proceeds from the sale of real estate and offsets against services provided under contract with the City. The repayment period commenced with services rendered in July 2023 and will continue through services provided in May 2043.

7,622,547 7,850,715

On July 6, 2022, the Organization assumed an outstanding debt of \$5,582,373 in connection with the purchase of Leland House, located at 141 Leland Avenue, San Francisco, CA 94134. The debt consists of the following:

1) Note payable with a principal amount of \$1,952,751 to the Department of Housing and Community Development is collateralized by a deed of trust on building and land and accrues simple interest at 3% per annum on the Original Principal Amount, which was \$1,260,000. The principal amount includes accrued interest of \$692,751 as of the date of this Note (July 1, 2022). Principal and all accrued interest are due on June 1, 2077.

2) Note payable with a principal amount of \$3,629,622 to the City and County of San Francisco is collateralized by a deed of trust on building and land and accrues interest 0% per annum. The Note is due on July 7, 2044.

5,582,373 5,620,174

Unamortized Debt Discount (437,494) (455,149)

Unamortized Debt Issuance Costs (25,033) (51,481)

Total debt 18,314,220 \$20,512,831

Less: current portion 211,367 2,436,758

Long-term debt, net of current portion \$18,102,853 \$18,076,073

Debt Discount - At the date of Baker Places' acquisition in 2017, the Organization estimated the fair value of debt of Baker Places using the discounted cash flow approach and the Organization's borrowing rate. At the date of acquisition, the \$2,654,033 of total debt was valued at \$2,088,543, generating a debt discount of \$565,490. At June 30, 2024, the total unamortized debt discount is \$437,494.

Debt Issuance Cost - Costs incurred in connection with obtaining financing are deferred and captured as a direct reduction to the financing arrangement they relate to and are amortized over the life of the note payable. For the year ended June 30, 2024, the total amortization expense of \$26,448 was presented as interest expense on the accompanying consolidated statement of activities.

Maturities of long term debt future payments are as follows:

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7: LONG TERM DEBT - (CONT'D)

2025	\$ 211,367
2026	181,583
2027	199,714
2028	201,906
2029	204,123
Thereafter	<u>17,778,054</u>
	<u>\$ 18,776,747</u>

NOTE 8: PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Organization entered into a promissory note agreement with Umpqua Bank in the amount of \$2,442,300 pursuant to the paycheck protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES) and governed by the Small Business Administration (SBA). The note accrues interest at one percent per annum and was scheduled to mature in May 2022. Up to 100% percent of the loan is forgivable when used to pay specified payroll and other costs within the qualified period (generally 24 weeks after receiving the funds). In March 2022, the Small Business Administration (SBA) had forgiven \$1,984,016 of the PPP loan, and renegotiated the terms for the remaining \$458,284. Under the terms of the new agreement, Baker Places is required to make 36 monthly principal and interest payments of \$13,197, which began on April 8, 2022. The loan is eligible for forgiveness under the CARES Act and the terms of PPP of the SBA. The loan balance as of June 30, 2024, and 2023 was \$117,114, and \$273,450, respectively.

NOTE 9: LEASES

The Organizations recognize right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Organizations have operating leases for office and residential service buildings used in operations, and vehicles. The Organization has finance leases for various equipment.

The Organization's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. The Organizations utilize its risk free rate to the lease term as the discount rate for its leases unless the Organizations can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. The Organizations have made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its right-of-use assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9: LEASES - (CONT'D)

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not expensed when incurred. In evaluating contracts to determine if they qualify as a lease, the Organizations consider factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organizations can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, the Organizations assess whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors.

These evaluations may require significant judgment. Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. The ROU assets resulting from operating leases are disclosed separately as right-of-use asset - operating lease and the related liabilities are included in lease liability - operating leases in the Statements of Financial Position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk free rate.

Operating lease cost is recognized on a straight-line basis over the lease term as occupancy in the accompanying Statements of Functional Expenses. Lease and non-lease components of office lease agreements are accounted as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The Organization determines if an arrangement is a lease at inception. All leases are recorded on the Statements of Financial Position except for leases with an initial term less than 12 months for which the Organization made the short-term lease election. The Organization's right-of-use assets and lease liabilities at June 30 are as follows:

	2024	2023
Right-of-use assets		
Finance lease assets	\$ -	\$ 70,063
Operating lease assets	<u>4,605,496</u>	<u>5,066,286</u>
Total right-of-use assets	<u>\$ 4,605,496</u>	<u>\$ 5,136,349</u>
Lease liabilities		
Finance lease liabilities, current	\$ 15,490	\$ 45,296
Finance lease liabilities, noncurrent	<u>-</u>	<u>15,491</u>
Total finance lease liabilities	<u>\$ 15,490</u>	<u>\$ 60,787</u>
Operating lease liabilities, current	\$ 788,828	\$ 737,776
Operating lease liabilities, noncurrent	<u>5,871,344</u>	<u>6,529,512</u>
Total operating lease liabilities	<u>\$ 6,660,172</u>	<u>\$ 7,267,288</u>

The components of lease expense were as follows:

	2024	2023
Finance lease cost		
Amortization expense	\$ 19,663	\$ 41,334
Interest on lease liabilities	<u>1,227</u>	<u>9,085</u>
Total finance lease cost	<u>\$ 20,890</u>	<u>\$ 50,419</u>

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9: LEASES - (CONT'D)

Operating lease costs	\$ <u>801,927</u>	\$ <u>929,422</u>
Other information related to leases were as follows:		
	<u>2024</u>	<u>2023</u>
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 20,999	\$ 50,463
Operating cash flow from operating leases	\$ 953,914	\$ 451,467
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ 135,580	\$ 5,054,923
Weighted average remaining lease term:		
Finance leases	0.75 years	1.75 years
Operating leases	7.18 years	8.18 years
Weighted average discount rate:		
Finance leases	5.00 %	5.00 %
Operating leases	3.07 %	3.07 %

Maturities of lease liabilities as of June 30, 2024, are as follows:

Year Ending June 30, 2023	Finance Leases	Operating Leases
2025	\$ 15,750	\$ 982,372
2026		989,784
2027	-	1,003,341
2028	-	1,011,069
2029	-	610,718
Thereafter	-	3,330,300
Total	\$ 15,750	\$ 7,927,584
Less: amount representing interest	260	1,267,412
Present value of lease liabilities	\$ 15,490	\$ 6,660,172

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 amounting to \$162,324 represents the outstanding funds that were received as contributions where the timing or the purpose restrictions as stipulated by donors were not satisfied through June 30, 2024. Additions to net assets with donor restrictions for the year ended June 30, 2024 were \$681,623 and releases from net assets with donor restrictions for the year ended June 30, 2024 were \$586,383.

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11: PENSION PLAN

PRC 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 was \$194,616 for the year ended June 30, 2024.

Baker Places maintains a 403(b) defined contribution plan for all employees who have completed six months of service. Baker Places may make annual discretionary contributions to the plan based on 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 expenses for the year ended June 30, 2024 were \$148,091.

NOTE 12: COMMITMENTS AND 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 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, were recorded as contributions in the year they were received, as the likelihood that Baker Places will not continue to provide these services is remote.

Grants and Contracts - The Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose of such audits is to determine whether program funds were used in accordance with their respective guidelines and regulations. While management believes program funds were utilized in accordance with program guidelines, it is possible that funded program costs could ultimately be disallowed. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has recorded no additional provisions for the possible disallowance of program costs on its financial statements.

Contingencies - The Organization, during the normal course of operating its business, may be subject to various lawsuits, billing investigations, reviews, and government audits. The Organization defends itself vigorously against any such claims. Management believes that losses resulting from these matters, if any, will not have a material adverse effect on the Organization's statements of financial position or statement of activities and changes in net assets.

NOTE 13: 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 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.

PRC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 14: SUBSEQUENT EVENTS

The Organization's management has reviewed the results of operations for the period of time from its year ended June 30, 2024 through June 6, 2025, the date these consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements nor have any subsequent events occurred, the nature of which would require disclosure, other than the item disclosed below:

1. In September 2022, the Organization has been threatened with a claim in connection with its facility at 2153-57 Grove Street in San Francisco (Grove Street House). Since 2021, the Claimant has raised objections in connection with a major renovation project at Grove Street House, with the Claimant contending that the Organization has created a nuisance and been negligent in its handling of the construction, and that the Claimant has lost the use of her property and suffered other damages. On September 13, 2022, the Claimant's attorney sent the Organization a demand letter, claiming \$1 million in damages, but also stating the Claimant to mediate the dispute. On June 15, 2023, the Claimant filed a lawsuit in State Court. The Organization contends that any property damage was caused by the Organization's contractors and should be resolved by the contractors or their insurance. The Claimant has filed a lawsuit. The outcome of the claim is considered indeterminable and the range of possible loss is uncertain.
2. On October 11, 2024, the Organization sold the property located at 333 7th Street, San Francisco, CA 94103, referred to as Jo Ruffin Place, for \$3,000,000. The proceeds from the sale were used to partially repay the outstanding loan owed to DPH (see Note 6).

SUPPLEMENTARY INFORMATION

PRC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Grant Period</u>	<u>Federal Assistance Listing Number (ALN)</u>	<u>Pass-Through Grantor Identification Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipient</u>
US Department of Housing and Urban Development					
<i>Pass-through: City and County of San Francisco</i>					
Community Development Block Grants / Entitlement Grants	7/1/23-6/30/24	14.218	204139-23	\$ 163,432	\$ -
Community Development Block Grants / Entitlement Grants	7/1/23-6/30/24	14.218	206548-23	116,757	-
Subtotal ALN 14.218				280,189	-
Housing Opportunities for Persons With AIDS	7/1/23-6/30/24	14.241	203997-23	2,025,272	1,628,266
Total Department of Housing and Urban Development				2,305,461	1,628,266
US Department of Education					
<i>Pass-through: State of California</i>					
State Vocational Rehabilitation Services Program	7/1/23-6/30/24	84.126	32110	76,237	-
US Department of Health and Human Services					
<i>Direct</i>					
Congressional Directives	9/30/22-10/29/23	93.493	N/A	161,423	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	9/30/22-9/229/23	93.243	N/A	148,111	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	9/30/23-9/29/24	93.243	N/A	293,977	-
Total Direct Awards				603,511	-
<i>Pass-through: City and County of San Francisco</i>					
HIV Emergency Relief Formula Grant	4/1/23-3/31/24	93.914	1000010913	420,957	-
HIV Emergency Relief Formula Grant	4/1/24-3/31/25	93.914	1000010913	91,584	-
HIV Emergency Relief Formula Grant	3/1/23-2/28/24	93.914	1000009024	115,341	-
HIV Emergency Relief Formula Grant	3/1/24-2/28/25	93.914	1000009024	193,364	-
HIV Emergency Relief Formula Grant	3/1/23-2/28/24	93.914	1000009024	418,075	-
HIV Emergency Relief Project Grants	3/1/24-2/28/25	93.914	1000009024	102,572	-
Subtotal ALN 93.914				1,341,893	-
<i>Pass-through: City and County of San Francisco</i>					
HIV Emergency Relief Formula Grant	4/1/23-3/31/24	93.917	1000010913	319,774	284,251
HIV Emergency Relief Formula Grant	4/1/24-3/31/25	93.917	1000010913	3,941	-
Subtotal ALN 93.917				323,715	284,251
Total Pass-Through Awards				1,665,608	284,251
Total US Department of Health and Human Services				2,269,119	284,251
Total expenditures of federal awards				\$ 4,650,817	\$ 1,912,517

See the accompanying notes to Schedule of Expenditures of Federal Awards

PRC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of PRC under programs of the federal government for the year ended June 30, 2024. 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 PRC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of PRC.

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 - PRC 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 as specified in the grant agreements.

NOTE 3 - AMOUNTS PROVIDED TO SUBRECIPIENTS

The amount provided to the Subrecipient is summarized as follows:

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal Assistance Listing Number</u>	<u>Contract or Program Number</u>	<u>Subrecipient</u>	<u>Amount</u>
US Department of Housing and Urban Development				
<i>Pass-through: City and County of San Francisco</i>				
Housing Opportunities for Persons With AIDS	14.241	203997-23	Baker Places, Inc.	\$1,628,266
HIV Emergency Relief Formula Grant	93.917	1000010913	Baker Places, Inc.	<u>284,251</u>
				<u>\$1,912,517</u>

OTHER INDEPENDENT AUDITOR'S 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***

To the Board of Directors of
PRC
San Francisco, CA

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 PRC, (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statement of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 6, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered PRC'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of PRC's internal control. Accordingly, we do not express an opinion on the effectiveness of PRC's internal control.

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

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

Report on Compliance and Other Matters

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

Harshmal & Company LLP

Oakland, California
June 6, 2025

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

To the Board of Directors of
PRC
San Francisco, CA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited PRC 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 PRC's major federal programs for the year ended June 30, 2024. The PRC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the PRC 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, 2024.

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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the PRC 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 PRC'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 PRC's federal programs.

Auditors' 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 PRC'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 PRC'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 PRC'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 PRC'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 PRC'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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on PRC's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. PRC's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Harshmal & Company LLP

Oakland, California
June 6, 2025

PRC
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2024**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes
Type of auditors' report issued on compliance for major program(s):	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

IDENTIFICATION OF MAJOR PROGRAM(S):

Assistance Listing Numbers (ALN)	Name of Federal Program or Cluster
93.917	HIV Emergency Relief Formula Grant
14.241	Housing Opportunities for Persons With AIDS
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

PRC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

PRC
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2024**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2024-001: Reporting (Significant Deficiency)

ALN Number	Federal Agency	Pass-Through Identification Number	Award Year
93.917	U.S. Department of Human Health and Services	1000010913	2024
14.241	U.S. Department of Housing and Urban Development	203997-23	2024

Criteria: The OMB Uniform Guidance and contract with federal funding agency require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements as follows:

Section 2 CFR 200.512 of the Uniform Guidance states:

- I. General. (1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or federal holiday, the reporting package is due the next business day.
- II. Data Collection. The FAC is the repository of record for Subpart F-Audit Requirements of this Part reporting packages and the data collection form. All federal agencies, pass-through entities and others interested in a reporting package and data collection form must obtain it by accessing the FAC.

Cause: The audit package and data collection form were not submitted to the Federal Audit Clearinghouse for the reporting year ended June 30, 2024, within 9 months after the audit period.

Effect: Non-compliance with the Office of Management and Budget's Uniform Guidance. Potential reduction or delay in federal and state funding as well as the effects of being placed on high-risk status by a federal and/or state agency.

Questioned Costs: None.

Repeat finding: No

Cause: The turnover of key finance staff caused a delay in the audit preparation, which impacted the timely submission of the report.

PRC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS- (CONT'D)

2024-001: Reporting (Significant Deficiency) - Cont'd

Recommendation: PRC should establish centralized controls, which includes the identification of all required reports and their due dates, effective controls over the preparation of reports, and a monitoring function to ensure that controls are in place and operating effectively for report submission.

Views of Responsible Officials: See separately prepared Corrective Action Plan.

PRC
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

There were no findings reported in the previous year that require a status update.

**PRC
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024**



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**Corrective Action Plan
For the year ended June 30, 2024**

2024-001 Compliance Over Reporting

Response and Corrective Action Plan: The June 30, 2024 audit package were delayed due to several factors including a change in finance leadership whereby the new leadership was not part of the 2023-2024 accounting oversight. Additionally, during the fiscal year several system transitions occurred including a change in accounting software, change in accounts payable approval software, change in banks and investment accounts. Finally, without permanent accounting leadership, proper account reconciliations had been neglected are prepared well after the fiscal year end.

A full time, permanent CFO was hired July 1, 2024 and has been working with the existing finance team to maintain proper accounting records including an updated general ledger reconciled to sub ledgers for all balance sheet accounts. It is anticipated that the audit package for fiscal year end June 30, 2025 will be completed timely.

Anticipated Completion Date: The process to improve timely audit package report has been ongoing throughout fiscal year 2025 and the 2025 audit is projected to be completed by December 31, 2025.

Responsible party: Brent Willman, CFO and Lanny Suwarno, Controller