

DESERT AIDS PROJECT, INC.
PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Desert AIDS Project, Inc.
Palm Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of Desert AIDS Project, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard 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 financial statements are free from material misstatement.

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

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

Independent Auditors' Report
(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desert AIDS Project, Inc. as of June 30, 2020 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

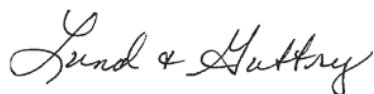
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, on our consideration of Desert AIDS Project Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Desert AIDS Project Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Desert AIDS Project's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent in all material respects, with the audited financial statement from which it has been derived.



November 24, 2020

DESERT AIDS PROJECT, INC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

ASSETS

	2020			2019
	Without Donor Restriction	With Donor Restriction	Total	(Memorandum Only)
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,430,796	\$ -	\$ 6,430,796	\$ 1,300,818
Investments - Note 3	9,108,534	915,607	10,024,141	13,516,415
Accounts receivable, net - Note 5	3,935,695	233,326	4,169,021	3,262,775
Pledges receivable, current portion - Note 6	-	759,371	759,371	707,950
Inventory	340,792	-	340,792	419,068
Prepaid expenses	472,235	-	472,235	489,219
Due to (due from) other funds	(6,737,470)	6,737,470	-	-
Total current assets	13,550,582	8,645,774	22,196,356	19,696,245
PROPERTY AND EQUIPMENT, NET - Note 7	17,865,936	-	17,865,936	16,393,609
OTHER ASSETS				
Pledges receivable - net of current portion, net - Note 6	-	101,621	101,621	538,340
Art collection, net - Note 8	836,116	527,670	1,363,786	1,274,386
Deposits and other	87,051	-	87,051	115,885
Charitable remainder trusts receivable - Note 10	-	11,540	11,540	11,540
Investment - annuity/insurance policy - Note 11	326,819	-	326,819	320,411
Total other assets	1,249,986	640,831	1,890,817	2,260,562
TOTAL ASSETS	\$ 32,666,504	\$ 9,286,605	\$ 41,953,109	\$ 38,350,416

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,055,964	\$ -	\$ 2,055,964	\$ 1,571,104
Accrued payroll and vacation	908,012	-	908,012	906,991
Deferred income	75,143	-	75,143	93,665
Related party payable - Note 9	243,428	-	243,428	16,755
Annuity payable - current portion - Note 15	51,000	-	51,000	51,000
Loan payable - current portion - Note 12	198,279	-	198,279	190,707
Total current liabilities	3,531,826	-	3,531,826	2,830,222
LONG-TERM LIABILITIES				
Annuity payable - net of current portion - Note 15	394,806	-	394,806	445,806
Loan payable - net of current portion - Note 12	4,837,546	-	4,837,546	4,987,437
Total long term liabilities	5,232,352	-	5,232,352	5,433,243
TOTAL LIABILITIES	8,764,178	-	8,764,178	8,263,465
NET ASSETS				
Without donor restriction	13,419,422	-	13,419,422	8,318,319
Without donor restriction- board designated - Note 3	10,482,904	-	10,482,904	13,313,995
With donor restriction - Note 14	-	9,286,605	9,286,605	8,454,637
Total net assets	23,902,326	9,286,605	33,188,931	30,086,951
TOTAL LIABILITIES AND NET ASSETS	\$ 32,666,504	\$ 9,286,605	\$ 41,953,109	\$ 38,350,416

(The accompanying notes are an integral part of these financial statements)

DESERT AIDS PROJECT, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Total	2019
	Without Donor Restriction	With Donor Restriction		(Memorandum Only)
SUPPORT AND REVENUES				
Support:				
Contributions, net - Note 14	\$ 2,018,998	\$ 571,919	\$ 2,590,917	\$ 2,701,196
Government grant- Note 21	-	2,725,236	2,725,236	-
Fundraising/special events	753,315	-	753,315	1,146,932
Fundraising/thrift stores - net - Note 16	4,102,549	-	4,102,549	4,961,570
Bequests	-	-	-	180,870
Other non-cash contributions	115,017	89,000	204,017	1,201,917
Net assets released from restrictions	<u>3,719,766</u>	<u>(3,719,766)</u>	<u>-</u>	<u>-</u>
Total support	<u>10,709,645</u>	<u>(333,611)</u>	<u>10,376,034</u>	<u>10,192,485</u>
Revenue:				
Program revenue, net				
Grants	4,738,371	1,135,834	5,874,205	5,254,771
Fees for services	32,491,276	-	32,491,276	28,813,418
Interest and dividend income	308,670	22,297	330,967	380,893
Investment gain (loss) - net	173,773	7,448	181,221	546,674
Other income - Note 19	<u>392,190</u>	<u>-</u>	<u>392,190</u>	<u>363,324</u>
Total revenue	<u>38,104,280</u>	<u>1,165,579</u>	<u>39,269,859</u>	<u>35,359,080</u>
TOTAL SUPPORT AND REVENUE	<u>48,813,925</u>	<u>831,968</u>	<u>49,645,893</u>	<u>45,551,565</u>
EXPENSES				
Program services:				
Clinic Services	22,019,556	-	22,019,556	22,532,192
Community health	4,217,915	-	4,217,915	3,799,834
Social services	<u>10,757,157</u>	<u>-</u>	<u>10,757,157</u>	<u>8,194,195</u>
Total program services	<u>36,994,628</u>	<u>-</u>	<u>36,994,628</u>	<u>34,526,221</u>
Supporting services:				
Fundraising/special events	2,230,615	-	2,230,615	2,379,363
Fundraising/thrift stores	3,576,317	-	3,576,317	3,897,631
Management and general	<u>3,742,353</u>	<u>-</u>	<u>3,742,353</u>	<u>3,174,014</u>
Total supporting services	<u>9,549,285</u>	<u>-</u>	<u>9,549,285</u>	<u>9,451,008</u>
TOTAL EXPENSES	<u>46,543,913</u>	<u>-</u>	<u>46,543,913</u>	<u>43,977,229</u>
INCREASE IN NET ASSETS	<u>2,270,012</u>	<u>831,968</u>	<u>3,101,980</u>	<u>1,574,336</u>
NET ASSETS, BEGINNING OF YEAR	<u>21,632,314</u>	<u>8,454,637</u>	<u>30,086,951</u>	<u>28,512,615</u>
NET ASSETS, END OF YEAR	<u>\$ 23,902,326</u>	<u>\$ 9,286,605</u>	<u>\$ 33,188,931</u>	<u>30,086,951</u>

(The accompanying notes are an integral part of these financial statements)

DESERT AIDS PROJECT, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2020									2019	
	Programs				Support Services					Totals	(Memorandum Only)
	Clinic Services	Community Health	Social Services	Total Program Services	Fundraising/ Special Events	Fundraising/ Thrift Stores	Management and General	Total Support Services			
Salaries and benefits	\$ 8,463,696	\$ 1,353,568	\$ 3,936,275	\$ 13,753,539	\$ 725,073	\$ 1,614,676	\$ 2,723,690	\$ 5,063,439	\$ 18,816,978	\$ 19,367,225	
Professional services	2,247,089	443,099	932,964	3,623,152	114,180	329	411,917	526,426	4,149,578	3,217,172	
Banking and merchant fees	4,011	485	1,282	5,778	104,999	46,595	117,993	269,587	275,365	284,937	
Printing and marketing	113,028	63,484	56,432	232,944	146,701	141,481	16,054	304,236	537,180	580,817	
Medical supplies	510,300	63,902	3,822	578,024	-	-	5,133	5,133	583,157	578,351	
Pharmaceuticals	9,017,757	1,938,389	3,941,513	14,897,659	-	-	-	-	14,897,659	12,571,634	
Client Assistance	10,179	32,124	1,030,353	1,072,656	37,559	115	2,523	40,197	1,112,853	1,236,241	
Event and outreach	21,740	13,003	13,511	48,254	856,967	6,278	58,462	921,707	969,961	1,084,437	
Facilities costs	447,016	84,641	215,010	746,667	44,289	1,359,921	2,189	1,406,399	2,153,066	2,233,010	
Office	56,282	10,912	32,730	99,924	9,933	57,801	23,428	91,162	191,086	218,502	
Technology	210,086	45,913	138,432	394,431	46,489	61,129	203,374	310,992	705,423	674,086	
Travel and transportation	45,556	24,693	27,482	97,731	26,167	32,844	69,498	128,509	226,240	348,245	
Other expenses	3,290	1,303	635	5,228	24,226	16,135	106,545	146,906	152,134	(2,694)	
Depreciation	654,301	104,175	321,095	1,079,571	-	225,313	-	225,313	1,304,884	1,206,403	
Interest	123,499	19,663	60,607	203,769	-	-	1,117	1,117	204,886	-	
Insurance	91,726	18,561	45,014	155,301	94,032	13,700	430	108,162	263,463	383,433	
Gain on disposal of assets	-	-	-	-	-	-	-	-	-	(4,670)	
TOTAL	\$ 22,019,556	\$ 4,217,915	\$ 10,757,157	\$ 36,994,628	\$ 2,230,615	\$ 3,576,317	\$ 3,742,353	\$ 9,549,285	\$ 46,543,913	\$ 43,977,129	

(The accompanying notes are an integral part of these financial statements)

DESERT AIDS PROJECT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2020	(Memorandum Only) 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 3,101,980	\$ 1,574,336
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,304,884	1,206,403
Gain on disposals of property and equipment	-	(4,670)
Net unrealized investment loss (gain)	431,287	(546,674)
Donated artwork and other non-cash contributions	(204,017)	(1,201,917)
(Increase) decrease in assets		
Accounts receivable	(906,246)	(525,616)
Prepaid expenses	16,984	124,156
Pledges and charitable remainder trusts receivable	385,298	(293,210)
Inventory	78,276	4,754
Deposits and other assets	28,834	(6,311)
Investment - annuity/insurance policy	(6,408)	94,309
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	728,288	(447,783)
Accrued payroll and vacation	1,021	184,158
Deferred income	(18,522)	(336,565)
Annuity payable	(51,000)	9,609
Net cash provided (used) for operating activities	<u>4,890,659</u>	<u>(165,021)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Principal payments on debt	<u>(142,319)</u>	<u>(183,416)</u>
Net cash used for capital financing activities	<u>(142,319)</u>	<u>(183,416)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,763,718)	(3,752,568)
Proceeds from sales of investments	5,758,809	2,359,492
Purchases of investments	<u>(2,613,453)</u>	<u>(3,591,148)</u>
Net cash provided (used) for investing activities	<u>381,638</u>	<u>(4,984,224)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>5,129,978</u>	<u>(5,332,661)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,300,818</u>	<u>6,633,479</u>
END OF YEAR	<u>\$ 6,430,796</u>	<u>\$ 1,300,818</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 204,886</u>	<u>\$ 205,560</u>

(The accompanying notes are an integral part of these financial statements)

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Desert AIDS Project, Inc. (D.A.P.) is a California non-profit organization which was formed in 1984. The mission of D.A.P. is to enhance and promote the health and well-being of our community. The principal service area is eastern Riverside County in Southern California, with a broader reach to the rural areas of Riverside and San Bernardino counties. As a Federally Qualified Health Center, D.A.P. offers a broad continuum of clinical and social services designed to meet the health and wellness needs of low-income community members. D.A.P.'s area of expertise is the provision of care and services for those who are infected with, affected by and at risk for acquiring HIV.

Financial Statement Presentation

D.A.P. reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restriction, net asset without donor restriction – board designated, and net assets with donor restriction, based upon the existence or absence of donor-imposed restrictions.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

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

Net Assets Without Donor Restrictions – Board Designated – These funds represent all resources over which the Board of Directors has discretionary control for use in operating the Organization. The Board of Directors have designated funds for an endowment and reserves for the Organization. The Board has designated reserve funding to support approximately four months of operations in anticipation of possible federal funding changes due to the Affordable Care Act. (See Note 3)

Net Assets With Donor Restrictions – These funds represent those resources that are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. (See Note 14)

Basis of Accounting

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

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash with original maturities of 90 days or less.

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Investments

Investments are valued at their fair values.

Property and Equipment

Property and equipment are recorded at cost or fair market value at the date of purchase or donation and are depreciated on the straight-line method over the estimated useful lives ranging from 5 – 40 years. Expenditures for maintenance and repairs are charged to operations as incurred. The costs of betterments, which materially extend the useful lives of assets, are capitalized. It is D.A.P.'s current policy to capitalize property and equipment over \$5,000.

Contributions

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

Pledges Receivable

Pledges are recorded as receivables and recognized as revenue in the year made. Pledges receivable over a period of more than one year are discounted on a current net present value rate. Management has made allowances as deemed necessary for the possibility of uncollectible pledge receivable balances. For financial statement presentation management has presented pledge revenues net of the allowance established for the current fiscal year.

Income Taxes

D.A.P. is a not-for-profit corporation that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and from California franchise taxes under related state tax regulations and classified by the Internal Revenue Service as other than a private foundation. D.A.P. may be subject to tax on income from any unrelated business operations. D.A.P. currently has unrelated business taxable income from the thrift store operations.

D.A.P.'s Form 990, *Return of Organization Exempt from Income Tax* are subject to examination by the IRS, generally for three years after they were filed.

Grant Revenue

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

Fair Value of Instruments

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

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time. For the year ended June 30, 2020 and 2019 total hours were 59,995 and 74,775 to develop programs and assist with fundraising activities. The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

Functional Expenses

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

The D.A.P.'s principal programs and services are comprised of:

Medical Services

As a Federally Qualified Health Center (FQHC) 330 Grantee, D. A. P. provides primary outpatient medical care, comprehensive HIV-Specialty care, pharmaceutical assistance and medical education to low-income, uninsured or under-insured community members. We accept clients with various insurance plans, including Medi-Cal, Medicare and County Indigent service plans. For the uninsured, services are provided on a sliding fee scale depending on individual client income eligibility.

Co-located on our main campus in Palm Springs, medical care was delivered through a dedicated medical clinic and a separate dedicated walk-in sexual wellness and sexual transmitted infection (STI) clinic. To expedite treatment adherence, and for the convenience of our clients, On-site Pharmacy and Laboratory Partners lease space in our main building.

Revivals – Re-Sale Stores

D.A.P. Operates three re-sale stores in our service area as a fundraising endeavor. Most items for sale are donated by individuals and include clothing, furniture, home décor, artwork, jewelry and books. New furniture, carpets/rugs, mattresses and other new items are also available. Over 400 volunteers (many of whom are also clients) donated more than 59,000 hours of their time to staff the stores increasing net revenue available to be allocated to community health programs, clinical care and social services.

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Community Health – Education and Prevention

D.A.P.'s commitment to testing, education and prevention is continually exercised by our Community Health Department. Staff provides rapid HIV and Hepatitis C (HCV) tests on-site at our main campus, in our mobile testing van, and offsite at community partners (medical and non-medical) locations or at special events. Education presentations about HIV, Hepatitis C, and other sexually transmitted infections are routinely offered to adults and youth throughout Riverside and San Bernardino Counties. Department personnel are also fully trained in educating at-risk individuals on HIV prevention.

Dental Services

D.A.P. provides oral health care to low-income, uninsured or under-insured community members in our dental clinic at our main campus. The dental clinic offers health education in combination with a broad spectrum of preventative and restorative oral health care. We accept clients with various insurance plans including Medi-Cal, and for the uninsured, services are provide on a sliding scale depending on individual client income eligibility.

Behavioral Health Services

D.A.P.'s Behavioral Health services are offered at our main campus to low-income, uninsured or under-insured community members. The Behavioral Health program offers psychiatry and individual and group therapy provided by licensed clinicians. Clients also benefitted from substance abuse counseling and other psychosocial support services offered through our Social Services department. Our staff brings particular expertise in serving those living with HIV.

Social Services

D.A.P. maintains an extensive Social Services department providing many services to low-income, uninsured or under-insured community members. Our staff brings particular expertise in serving those living with HIV and delivers these services at our main campus and our satellite office in Indio. The department offers psychological support services including many organized clinician-led groups.

Case Management

Under the Social Services umbrella, D.A.P. provides case management to low-income, uninsured or under-insured community members, most of whom are over the age of 50 years and living with HIV. Services are provided at our main campus and our satellite office in Indio. Case management consists of service coordination on behalf of clients to remove barriers to, avoid duplication of, and maintain engagement in medical care and other needed services. The team of case managers assess needs, identify barriers and provide individuals with referrals and advocacy designed to facilitate linkage to services offered at D.A.P. or other community agencies. They provide assistance with medical insurance enrollment, offer guidance on budgeting, and monitor health outcomes. For those who are at risk of falling out of care, they provide intensive medical case management.

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Home Health Services

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

Reclassifications

Certain reclassifications have been made to the 2019 amounts to conform to the 2020 presentation.

2. FAIR VALUE MEASUREMENTS

D.A.P. applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis.

GAAP establishes 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. At June 30, 2020 and 2019, all marketable securities are measured at fair value on a recurring basis and were valued at Level 1 inputs. Fair value for marketable securities at June 30, 2020 and 2019 were \$10,024,141 and \$13,516,415, respectively (see Note 3).

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. BOARD DESIGNATED NET ASSETS AND INVESTMENTS

The Board of Directors have designated funds for an endowment and reserves for D.A.P. Board designated funds at June 30, 2020 of \$10,482,904 consists of cash (\$1,374,370) and investments (\$9,108,534). Investments consist of the following at June 30, 2020:

	Fair Market Value	Cost	Unrealized Gain(Loss) At 6/30/20
Government obligations	\$ 1,288,904	\$ 1,195,082	\$ 93,822
Corporate obligations	2,085,906	1,981,553	104,353
International obligations, equities and mutual funds	338,168	288,231	49,937
Mutual Funds	522,475	588,299	(65,824)
Fund and equity investments	3,460,468	2,676,337	784,131
Real estate and specialty assets	727,737	771,698	(43,961)
Alternative investments	684,876	773,000	(88,124)
	<u>\$ 9,108,534</u>	<u>\$ 8,274,200</u>	<u>\$ 834,334</u>

The Board of Directors have designated funds for an endowment and reserves for D.A.P. Board designated funds at June 30, 2019 of \$13,313,995 consists of cash (\$759,467) and investments (\$12,554,528). Investments consist of the following at June 30, 2019:

	Fair Market Value	Cost	Unrealized Gain(Loss) At 6/30/19
Government obligations	\$ 1,681,509	\$ 1,658,230	\$ 23,279
Corporate obligations	1,909,458	1,878,327	31,131
International obligations, equities and mutual funds	733,819	728,988	4,831
Mutual Funds	1,079,920	1,078,528	1,392
Fund and equity investments	4,990,732	3,790,786	1,199,946
Real estate and specialty assets	1,047,627	944,995	102,632
Alternative investments	1,111,463	1,196,738	(85,275)
	<u>\$ 12,554,528</u>	<u>\$ 11,276,592</u>	<u>\$ 1,277,936</u>

The Organization also holds donor restricted investments consisting of equities and fixed income with a fair market values of \$915,607 and \$961,887 and unrealized gains of \$15,339 and \$18,047 as of June 30, 2020 and 2019, respectively (see Note 14).

4. CONCENTRATION OF CREDIT RISK

All bank accounts are fully insured by either the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SPIC), or backed by the United States government. The FDIC guarantees up to \$250,000 on all deposit accounts and the SPIC guarantees up to \$500,000 on stocks, bonds, certificates of deposit and certain other investments identified as securities.

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

4. CONCENTRATION OF CREDIT RISK – (Continued)

Given the existing size of D.A.P.'s operations, it is not unusual for this limit to be exceeded on a periodic basis. Management is aware of this matter and evaluates alternatives for safeguarding cash while at the same time maximizing operational performance.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due from local government agencies under various contracts with the Organization which were earned, but not received, as of June 30, 2020 and 2019, and fees for services, net of allowances for uncollectible amounts.

	<u>2020</u>	<u>2019</u>
Fees for service	\$ 4,815,702	\$ 3,430,596
Grants and other contracts	238,326	826,703
Other receivables	16,963	28,109
	<u>5,070,991</u>	<u>4,285,408</u>
Less: allowance for uncollectible amounts	(901,970)	(1,022,633)
	<u>\$ 4,169,021</u>	<u>\$ 3,262,775</u>

6. PLEDGES RECEIVABLE

Pledges receivable amounted to \$860,992 and \$1,246,290 at June 30, 2020 and 2019, respectively. Pledge receivables have been pledged for future special events, memberships, and to support future expansion, net of allowance accounts.

Pledges receivable consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Pledges	\$ 1,732,686	\$ 2,492,580
Less: allowance for uncollectible amounts	(871,694)	(1,246,290)
	<u>\$ 860,992</u>	<u>\$ 1,246,290</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 19,770,374	\$ 17,126,085
Equipment	3,146,293	2,249,018
Leasehold improvements	1,249,556	958,668
Vehicles	460,249	455,601
Furniture and fixtures	188,920	188,762
Land	1,716,307	1,716,307
	<u>26,531,699</u>	<u>22,294,441</u>
Less: accumulated depreciation	(10,076,964)	(8,782,812)
	<u>16,454,735</u>	<u>13,911,629</u>
Construction in process	1,411,201	2,481,980
Total	<u>\$ 17,865,936</u>	<u>\$ 16,393,609</u>

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

8. ART COLLECTION

Fine art donated to the D.A.P. and considered inexhaustible, is recorded at estimated fair value at the date of the gift. The art collection includes paintings and similar objects with individual values ranging from \$350 to \$80,000.

Unrestricted art collection at June 30, 2020 and 2019 amounted to \$836,116 both years, respectively.

During the year ended June 30, 2020, D.A.P. received artwork valued at \$89,400. The artwork is donor restricted in that the Organization must retain the artwork for three years from the date of donation. Donor restricted art collection at June 30, 2020 and 2019 amounted to \$527,670 and \$438,270, respectively.

9. RELATED PARTY RECEIVABLE (PAYABLE) AND TRANSACTIONS

D.A.P. is the sole owner of Vista Sunrise Inc. a 501(c)(3) organization. D.A.P. formed Vista Sunrise Inc. to be the Managing General Partner of Vista Sunrise Apartments, L.P. (a California Limited Partnership). Vista Sunrise Apartments, L.P. ("Partnership") is the owner and operator of an 80-unit low income housing project for people living with HIV/AIDS called the Vista Sunrise Apartments, located adjacent to the Desert AIDS Project.

Vista Sunrise Inc. has delegated its substantial management duties of the Vista Sunrise Apartments to McCormack Baron Ragan Management Services, Inc. ("MBR"), a management company with extensive experience in the management of low-income projects. MBR is affiliated with MBS Urban Development Co., the development general partner of the Partnership. The Board of Vista Sunrise Inc. provides oversight to determine that the delegated management duties are being adequately performed by MBR. Vista Sunrise Inc. is operated by members of the Board of Directors of D.A.P.. Vista Sunrise Inc. does not maintain an office or place of business separate from D.A.P., nor has it hired separate, paid staff members. These financial statements include consolidated financial information from Vista Sunrise Inc. D.A.P. has spent a great deal of staff time and expenses for architectural, legal and other costs pertaining to the above project.

There was no balance payable at June 30, 2020 and \$16,755 payable at June 30, 2019 relating to the above indicated related party transactions.

The D.A.P. conducts various services with companies owned by members of the Board of Directors and relations of employees in the normal course of business. All transactions are at arm's length. The balances payable relating to these Board of Directors related party transactions amounted to \$243,428 at June 30, 2020.

10. CHARITABLE REMAINDER TRUSTS RECEIVABLE

D.A.P. is named in two irrevocable trusts. Total outstanding charitable remainder trusts receivable at June 30, 2020 and 2019 amounted to \$11,540.

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

11. INVESTMENTS – ANNUITY/ INSURANCE AND ANNUITY PAYABLE

D.A.P. invested in an annuity and life insurance policy on the life of a donor who has executed a gift agreement. As of June 30, 2020 and 2019 the investment annuity had a value of \$326,819 and \$320,411, respectively.

12. LOAN PAYABLE

The D.A.P. established a loan with Wells Fargo Bank in March 2013 for \$2,420,000 for the refinance of the Sunrise Building. The terms of the \$2,420,000 are monthly payments of \$32,032, calculated with 2.95% interest and principal balances in 84 installment payments. During April 2018, D.A.P. established a new loan with Wells Fargo for \$5,400,000 to refinance the remaining balance of the Sunrise Building loan and purchase the neighboring building also on North Sunrise Way. Commencing May 15, 2018, D.A.P. will make monthly payments of \$32,439, with a fixed rate interest of 3.9% and the loan shall mature on April 15, 2038. As of June 30, 2020 and 2019, the outstanding principal balances were \$5,035,825 and \$5,178,144, respectively. Future maturities of this loan payable balance are as follows:

Year ended <u>June 30,</u>	
2021	\$ 198,279
2022	206,151
2023	214,336
2024	222,847
2025	231,695
Thereafter	<u>3,962,517</u>
	<u>\$ 5,035,825</u>

13. LINE OF CREDIT

D.A.P. had an available line of credit of \$1,000,000 with Wells Fargo Bank at June 30, 2017. The line was secured by the Sunrise building. Advances under the line of credit accrue interest at the prime interest rate plus .15 spread with a floor of 4% and matured in April 2018. D.A.P. renewed the line of credit as part of the loan transaction disclosed in Note 12, and increased the balance to \$2,000,000 with the same interest terms carried forward. There was no outstanding balance on the line of credit as of June 30, 2020 and 2019.

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Building improvements	\$ 7,847,668	\$ 8,004,827
PPP – government grant (note 21)	899,727	-
Charitable remainder trusts receivable (note 10)	11,540	11,540
Art collection (note 8)	<u>527,670</u>	<u>438,270</u>
	<u>\$ 9,286,605</u>	<u>\$ 8,454,637</u>

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

14. NET ASSETS WITH DONOR RESTRICTIONS – (Continued)

During the fiscal year June 30, 2020, D.A.P. received two pledges totaling \$50,000, and of the total pledges received during the 2020 fiscal year, \$49,722 remain receivable for a total pledge receivable of \$1,732,686 as of June 30, 2020. Pledges receivable is offset by \$871,694 in allowance for uncollectible amounts (Note 6) for a net building pledges receivable balance of \$860,992 as of June 30, 2020. Total donor restricted contributions revenue related to the capital campaign was \$571,919 as stated on the statement of activities.

15. ANNUITY PAYABLE

During the fiscal year ended June 30, 2018, D.A.P. received an annuity of \$1 million whereby D.A.P. will pay the donor for his life, an annual annuity of \$51,000 (5.1% gift value) in equal quarterly payments of \$12,750 at the end of each period. The total annuity payable as of June 30, 2020 and 2019 is \$445,806 and \$496,806, respectively.

16. REVIVALS THRIFT SHOPS OPERATIONS

D.A.P. has Revivals Thrift Shops operations as a component of fundraising activity. The amounts on the statement of activities are reported at net value. The following summarizes the gross revenues received and costs of goods sold for the years ending June 30;

	<u>2020</u>	<u>2019</u>
Thrift Store Sales	\$ 5,048,879	\$ 6,243,204
Thrift Store – Merchandise Donated	3,483,225	4,156,080
Cost of Goods Sold	(4,429,555)	(5,437,714)
Fundraising/Thrift Stores - Net	<u>\$ 4,102,549</u>	<u>\$ 4,961,570</u>

17. LEASED FACILITIES

D.A.P. has entered into seven non-cancelable operating leases for the leasing of the Revivals Thrift Shops in Palm Springs, Cathedral City, Palm Desert, a retail processing center, the D.A.P. Indio office and various office space for administration. The monthly lease payments range from \$1,093 to \$27,544 per month through February 2025.

Total rent expense of \$1,234,367 and \$1,215,904 for the years ended June 30, 2020 and 2019, respectively, are included in the accompanying statement of functional expenses-program services and statement of functional expenses-supporting services. The following summarizes annual commitments including options to extend, as of June 30, 2020 under the terms of these leases:

Year ended <u>June 30,</u>	
2021	\$ 1,208,860
2022	1,162,212
2023	752,096
2024	763,676
2025	<u>573,817</u>
	<u>\$ 4,460,661</u>

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

18. CONCENTRATION OF REVENUE

For the years ended June 30, 2020 and 2019, D.A.P. received 55% and 51%, respectively of revenue from the 340B Drug Pricing program. See Note 1 – Medical Services for a description of this program.

For the years ended June 30, 2020 and 2019, D.A.P also received 12% and 11%, respectively of revenue from grants funded by governmental sources. A significant portion of government grant funding is provided by the federal Ryan White grant program and the HIV Prevention Activities Program. The Organization’s strategic plan has anticipated decreased Ryan White funding and is in process of and has implemented programs and to enable the continuation of services into the future.

19. RENTAL INCOME

D.A.P. has entered into two lease agreements to lease space in the Sunrise building. An exclusive lease agreement was entered into with Walgreen Co. for a pharmacy as a convenience and benefit to the D.A.P. clients. The lease has a twenty five-year term that expires November 2027 with monthly rental income of \$3,675. D.A.P. also entered into a lease agreement with the County of Riverside for the use of D.A.P. property to operate a medical clinic with monthly rental income of \$4,537. In February 2018 D.A.P. amended its lease agreement with the County of Riverside for the use of D.A.P. property to operate a medical clinic to now include the portion of D.A.P.’s new building that the County is leasing in addition to the existing leased property. The lease provides for monthly payments in the amount of \$10,435 through May 2021.

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

<u>Year ended June 30,</u>	
2021	\$ 158,885
2022	44,100
2023	44,100
2024	44,100
2025	44,100
2026 and thereafter	<u>88,200</u>
	<u>\$ 423,485</u>

Rental income for the years ended June 30, 2020 and 2019 totaled \$343,860 and \$334,159, respectively. These amounts are reported with other income in the accompanying statement of activities.

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

20. EMPLOYEES' 401(k) PLAN

Eligible employees who have attained age 21 and have completed three (3) consecutive months of service may participate in the D.A.P. 401(k) Profit Sharing plan. This plan replaced the D.A.P. 401(k) Tax Deferred Annuity Plan and became effective on January 1, 2008. The funds in the 401(k) plan all became 100% vested at date of rollover. Employees may contribute 1% to 100% of their compensation with a maximum allowed by the Internal Revenue Service. Employees are always 100% vested in their contributions to the plan.

D.A.P. will make Safe Harbor matching contributions up to 4% and may make additional discretionary matching contributions up to 7% of an employee's eligible pay for those who have completed 500 hours of service. The Safe Harbor matching contributions are 100% vested. Additional discretionary contributions as approved by the Board are vested as follows:

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

The plan also allows for elective profit sharing contributions by D.A.P.

Amounts contributed to employees' 401(k) and 457(B) plans by D.A.P. were \$593,092 and \$700,663 for the years ended June 30, 2020 and 2019, respectively. Plan forfeitures in the 401(k) plan are used to pay administrative expenses of the plan and to reduce employer contributions.

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

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

21. UNCERTAINTIES

As a result of the COVID-19 pandemic, economic uncertainties have arisen which have negatively impacted fundraising revenues for the year ended June 30, 2020. Although the Organization was limited in hosting fundraising events during the second half of their fiscal year, they anticipate resuming events in the 2020/2021 year.

However, there continues to be is uncertainty as to when these activities will be allowed to resume and the impact of potential future closures or limitations of operations for all operations.

On May 7, 2020, the Organization received \$2,725,236 in Paycheck Protection Program (PPP) loan funding to provide the Organization assistance with payroll and other qualifying expenses. This loan was offered to qualifying small businesses in order to provide financial assistance during the COVID-19 pandemic which resulted in many businesses to temporarily close operations due to government mandates.

The Organization has elected to record the funds following accounting standard codification (ASC) 958-605 whereby the funds will be considered a restricted government grant and will be released from restriction once the funds are spent for their allowable purposes. While the funds from the PPP loan are considered a loan until forgiven, the Organization considers it probable that the conditions for forgiveness/recognition have been met. The Organization has released \$1,825,509 from restrictions as they have spent those funds for the restricted purpose as of June 30, 2020. The remaining \$899,727 is restricted as of June 30, 2020, however, the Organization has spent these funds subsequently for their restricted purpose prior to the allowed 24 week period from original receipt of the funds ending October 22, 2020. The Organization expects that the entire amount will be forgiven.

22. LIQUIDITY

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

Cash	\$ 5,056,426
Accounts receivable	<u>3,935,695</u>
	<u>\$ 8,992,121</u>

The Organization is committed to investing liquid assets conservatively and has a line of credit available, either of which may be drawn upon in the event of an unanticipated liquidity need. Cash and investments from donor-restricted sources is restricted for specific purposes and therefore, is not available for general expenditure. Even though the Board has the ability to release Board designated funds for operating needs at any time, since the Board designated amounts were not available for operations as of June 30,2020 these amounts have been excluded from the amounts listed above. D.A.P. is in the beginning of a capital expansion project and included in these investments are donations towards this project as well as additional funds the Board has designated to pay for these capital expenditures.

DESERT AIDS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

23. SUBSEQUENT EVENTS

D.A.P. evaluated all potential subsequent events as of November 24, 2020 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2020 or as of November 24, 2020 that require disclosure to the financial statements.

SUPPLEMENTARY INFORMATION



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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
Desert AIDS Project, Inc.
Palm Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Desert AIDS Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control over Financial Reporting

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

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

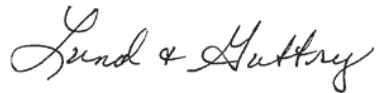
Our consideration of internal control over was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did 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 Desert AIDS Project Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Lund & Guttry".

November 24, 2020



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

Board of Directors
Desert AIDS Project, Inc.
Palm Springs, California

Report on Compliance for Each Major Federal Program

We have audited Desert AIDS Project Inc.'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 Desert AIDS Project Inc.'s major federal programs for the year ended June 30, 2020. The Desert AIDS Project'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Desert AIDS Project Inc.'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* by the Comptroller General of the United States; and the audit requirements of Title 3 U.S. *Code of Federal Regulation* 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 Desert AIDS Project Inc.'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 the Desert AIDS Project Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Desert AIDS Project, 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 June 30, 2020.

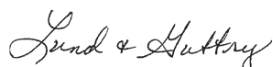
Report on Internal Control Over Compliance

Management of Desert AIDS Project, 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 Desert AIDS Project Inc.'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 Desert AIDS Project Inc.'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.



November 24, 2020

DESERT AIDS PROJECT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass-Through Agency/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Direct programs:			
Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care	93.224	6 H80CS28988-02-03	\$ 1,256,673
Subtotal Department of Health and Human Services direct programs			<u>1,256,673</u>
Pass-through programs from:			
County of Riverside Health Services Agency Department of HIV/AIDS Ryan White HIV/AIDS Program Part B	93.917	14-027	95,887
San Bernardino County Department of Public Health Ryan White HIV/AIDS Program Part A	93.914	17-81	2,212,285
Ryan White HIV/AIDS Program Part C	93.918		<u>325,689</u>
Subtotal of HIV Emergency Relief Project Grants Cluster			2,537,974
Riverside County Department of Public Health HIV Prevention Activities Health Department Based	93.940	#HSARC94855-001-06/13	<u>33,744</u>
Subtotal Department of Health and Human Services pass-through programs			<u>2,667,605</u>
Total U.S. Department of Health and Human Services			<u>3,924,278</u>
U.S. Department of Housing and Urban Development			
Pass-through programs from:			
County of Riverside Housing Authority Housing Opportunities for Persons with AIDS	14.241		327,625
City of Palm Springs Community Development Block Grant/Entitlement	14.218		<u>243,327</u>
Total U.S. Department of Housing and Urban Development			<u>570,952</u>
Total expenditures of federal awards			<u>\$ 4,495,230</u>

DESERT AIDS PROJECT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Desert AIDS Project, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Desert AIDS Project, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Desert AIDS Project.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

Desert AIDS Project, Inc. has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

DESERT AIDS PROJECT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Desert AIDS Project, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Desert AIDS Project, Inc., were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and Internal Control Over Compliance Required By The Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for Desert AIDS Project, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that should be disclosed in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were:

<u>Program Name</u>	<u>CFDA#</u>
Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care	93.224
Ryan White HIV/AIDS Program Part A	93.914
Ryan White HIV/AIDS Program Part C	93.918

8. The dollar threshold used for distinguishing between Type A and B programs was \$750,000.
9. Desert AIDS Project, Inc. was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

DESERT AIDS PROJECT, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

C. Findings And Questioned Costs – Major Federal Award Programs Audit

There were no findings and questioned costs for the year ended June 30, 2020.

FEDERAL COMPLIANCE

There were no prior year findings and questioned costs for the year ended June 30, 2019.