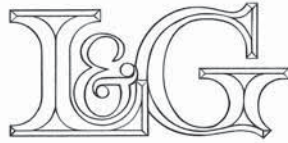


DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH
PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2021 AND 2020



LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS
36917 COOK STREET • SUITE 102 • PALM DESERT, CALIFORNIA 92211
Telephone (760) 568-2242 • Fax (760) 346-8891
www.lundandguttry.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Desert AIDS Project, Inc., dba DAP Health (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, 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.

Independent Auditors' Report
(continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desert AIDS Project, Inc., dba DAP Health as of June 30, 2021 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

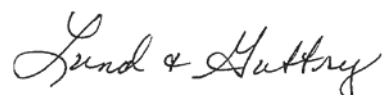
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 January 25, 2022, 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., dba DAP Health's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Desert AIDS Project, Inc., dba DAP Health's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent in all material respects, with the audited financial statement from which it has been derived.



January 25, 2022

DESERT AIDS PROJECT, INC
DBA DAP HEALTH

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR JUNE 30, 2020

ASSETS

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	(Memorandum Only)
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,895,541	\$ 819,400	\$ 3,714,941	\$ 6,430,796
Investments - Note 3	22,086,418	914,732	23,001,150	10,024,141
Accounts receivable, net - Note 5	10,119,829	-	10,119,829	4,169,021
Pledges receivable, current portion - Note 6	-	448,821	448,821	759,371
Inventory	398,476	-	398,476	340,792
Prepaid expenses	553,517	-	553,517	472,235
Due to (due from) other funds	(5,646,257)	5,646,257	-	-
Total current assets	<u>30,407,524</u>	<u>7,829,210</u>	<u>38,236,734</u>	<u>22,196,356</u>
PROPERTY AND EQUIPMENT, NET - Note 7	<u>17,777,012</u>	<u>-</u>	<u>17,777,012</u>	<u>17,865,936</u>
OTHER ASSETS				
Pledges receivable - net of current portion, net - Note 6	-	38,922	38,922	101,621
Art collection, net - Note 8	836,116	540,420	1,376,536	1,363,786
Deposits and other	143,253	-	143,253	87,051
Charitable remainder trusts receivable - Note 10	-	11,540	11,540	11,540
Investment - annuity/insurance policy - Note 11	333,355	-	333,355	326,819
Total other assets	<u>1,312,724</u>	<u>590,882</u>	<u>1,903,606</u>	<u>1,890,817</u>
TOTAL ASSETS	<u>\$ 49,497,260</u>	<u>\$ 8,420,092</u>	<u>\$ 57,917,352</u>	<u>\$ 41,953,109</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,801,211	\$ -	\$ 2,801,211	\$ 2,055,964
Accrued payroll and vacation	1,484,134	-	1,484,134	908,012
Deferred income	28,585	-	28,585	75,143
Related party payable - Note 9	11,535	-	11,535	243,428
Annuity payable - current portion - Note 15	51,000	-	51,000	51,000
Loan payable - current portion - Note 12	206,151	-	206,151	198,279
Total current liabilities	<u>4,582,616</u>	<u>-</u>	<u>4,582,616</u>	<u>3,531,826</u>
LONG-TERM LIABILITIES				
Annuity payable - net of current portion - Note 15	343,806	-	343,806	394,806
Loan payable - net of current portion - Note 12	4,633,327	-	4,633,327	4,837,546
Total long term liabilities	<u>4,977,133</u>	<u>-</u>	<u>4,977,133</u>	<u>5,232,352</u>
TOTAL LIABILITIES	<u>9,559,749</u>	<u>-</u>	<u>9,559,749</u>	<u>8,764,178</u>
NET ASSETS				
Without donor restriction	16,255,226	-	16,255,226	13,419,422
Without donor restriction- board designated - Note 3	23,682,285	-	23,682,285	10,482,904
With donor restriction - Note 14	-	8,420,092	8,420,092	9,286,605
Total net assets	<u>39,937,511</u>	<u>8,420,092</u>	<u>48,357,603</u>	<u>33,188,931</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 49,497,260</u>	<u>\$ 8,420,092</u>	<u>\$ 57,917,352</u>	<u>\$ 41,953,109</u>

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

DESERT AIDS PROJECT, INC
DBA DAP HEALTH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Total	2020
	Without Donor Restriction	With Donor Restriction		(Memorandum Only)
SUPPORT AND REVENUES				
Support:				
Contributions, net - Note 14	\$ 1,813,616	\$ 636,779	\$ 2,450,395	\$ 2,590,917
Government grant - Note 14	-	-	-	2,725,236
Fundraising/special events	116,568	-	116,568	753,315
Fundraising/thrift stores - net - Note 16	5,628,677	-	5,628,677	4,102,549
Other non-cash contributions	121,280	12,750	134,030	204,017
Net assets released from restrictions	<u>2,223,592</u>	<u>(2,223,592)</u>	<u>-</u>	<u>-</u>
Total support	<u>9,903,733</u>	<u>(1,574,063)</u>	<u>8,329,670</u>	<u>10,376,034</u>
Revenue:				
Program revenue, net				
Grants	5,948,152	703,417	6,651,569	5,874,205
Fees for services	43,365,296	-	43,365,296	32,491,276
Interest and dividend income	355,215	4,133	359,348	330,967
Realized investment gain	271,592	-	271,592	610,679
Unrealized investment gain (loss)	1,660,092	-	1,660,092	(431,287)
(Loss) gain on disposal of assets	(99,125)	-	(99,125)	1,829
FQHC rate adjustment income - Note 21	6,998,170	-	6,998,170	-
Other income - Note 19	<u>410,541</u>	<u>-</u>	<u>410,541</u>	<u>392,190</u>
Total revenue	<u>58,909,933</u>	<u>707,550</u>	<u>59,617,483</u>	<u>39,269,859</u>
TOTAL SUPPORT AND REVENUE	<u>68,813,666</u>	<u>(866,513)</u>	<u>67,947,153</u>	<u>49,645,893</u>
EXPENSES				
Program services:				
Clinic Services	30,970,898	-	30,970,898	22,019,556
Community health	3,543,794	-	3,543,794	4,217,915
Social services	<u>8,765,341</u>	<u>-</u>	<u>8,765,341</u>	<u>10,757,157</u>
Total program services	<u>43,280,033</u>	<u>-</u>	<u>43,280,033</u>	<u>36,994,628</u>
Supporting services:				
Fundraising/thrift stores	4,124,312	-	4,124,312	3,576,317
Fundraising/special events	1,682,883	-	1,682,883	2,230,615
Management and general	<u>3,691,253</u>	<u>-</u>	<u>3,691,253</u>	<u>3,742,353</u>
Total supporting services	<u>9,498,448</u>	<u>-</u>	<u>9,498,448</u>	<u>9,549,285</u>
TOTAL EXPENSES	<u>52,778,481</u>	<u>-</u>	<u>52,778,481</u>	<u>46,543,913</u>
INCREASE (DECREASE) IN NET ASSETS	<u>16,035,185</u>	<u>(866,513)</u>	<u>15,168,672</u>	<u>3,101,980</u>
NET ASSETS, BEGINNING OF YEAR	<u>23,902,326</u>	<u>9,286,605</u>	<u>33,188,931</u>	<u>30,086,951</u>
NET ASSETS, END OF YEAR	<u>\$ 39,937,511</u>	<u>\$ 8,420,092</u>	<u>\$ 48,357,603</u>	<u>33,188,931</u>

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

DESERT AIDS PROJECT, INC.
DBA DAP HEALTH

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	2021								2020	
	Programs				Support Services				(Memorandum Only)	
	Clinic Services	Community Health	Social Services	Total Program Services	Fundraising/ Thrift Stores	Fundraising/ Special Events	Management and General	Total Support Services	Totals	
Salaries and benefits	\$ 7,973,446	\$ 1,395,727	\$ 3,274,082	\$ 12,643,255	\$ 1,921,337	\$ 889,804	\$ 2,760,011	\$ 5,571,152	\$ 18,214,407	\$ 18,816,978
Professional services	4,315,145	357,740	842,216	5,515,101	2,898	65,202	407,888	475,988	5,991,089	4,149,578
Banking and merchant fees	15,161	932	2,873	18,966	124,576	32,310	131,333	288,219	307,185	275,365
Printing and marketing	192,875	136,580	67,021	396,476	151,795	168,499	18,702	338,996	735,472	537,180
Medical supplies	634,484	89,594	4,499	728,577	-	-	5,329	5,329	733,906	583,157
Pharmaceuticals	16,079,609	1,164,818	2,901,700	20,146,127	-	-	-	-	20,146,127	14,897,659
Client Assistance	244	32,686	830,814	863,744	215	10,008	1,146	11,369	875,113	1,112,853
Event and outreach	807	6,338	4,000	11,145	1,083	254,512	-	255,595	266,740	969,961
Facilities costs	494,256	73,321	215,465	783,042	1,530,804	4,403	15,727	1,550,934	2,333,976	2,153,066
Office	42,049	24,179	30,062	96,290	76,987	9,744	22,613	109,344	205,634	191,086
Technology	264,800	77,704	99,701	442,205	79,311	55,989	284,402	419,702	861,907	705,423
Travel and transportation	8,677	18,372	6,407	33,456	34,308	9,623	27,113	71,044	104,500	226,240
Other expenses	13,858	3,917	562	18,337	2,609	5,431	16,989	25,029	43,366	152,134
Depreciation	723,717	121,967	375,935	1,221,619	182,324	-	-	182,324	1,403,943	1,304,884
Interest	118,689	20,002	61,653	200,344	-	-	-	-	200,344	204,886
Insurance	93,081	19,917	48,351	161,349	16,065	177,358	-	193,423	354,772	263,463
TOTAL	\$ 30,970,898	\$ 3,543,794	\$ 8,765,341	\$ 43,280,033	\$ 4,124,312	\$ 1,682,883	\$ 3,691,253	\$ 9,498,448	\$ 52,778,481	\$ 46,543,913

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

DESERT AIDS PROJECT, INC.
DBA DAP HEALTH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>	<u>(Memorandum Only) 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 15,168,672	\$ 3,101,980
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,403,943	1,304,884
Net unrealized investment loss (gain)	(1,660,092)	433,116
Loss (gain) on disposal of assets	99,125	(1,829)
Donated artwork and other non-cash contributions	(134,030)	(204,017)
(Increase) decrease in assets		
Accounts receivable	(5,950,808)	(906,246)
Prepaid expenses	(81,282)	16,984
Pledges and charitable remainder trusts receivable	373,249	385,298
Inventory	(57,684)	78,276
Deposits and other assets	(56,202)	28,834
Investment - annuity/insurance policy	(6,536)	(6,408)
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	501,819	728,288
Accrued payroll and vacation	576,122	1,021
Deferred income	(46,558)	(18,522)
Annuity payable	(51,000)	(51,000)
Net cash provided by operating activities	<u>10,078,738</u>	<u>4,890,659</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Principal payments on debt	<u>(196,347)</u>	<u>(142,319)</u>
Net cash used for capital financing activities	<u>(196,347)</u>	<u>(142,319)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,416,995)	(2,763,718)
Proceeds from sales of investments	2,170,464	5,758,809
Purchases of investments	<u>(13,351,715)</u>	<u>(2,613,453)</u>
Net cash (used) provided for investing activities	<u>(12,598,246)</u>	<u>381,638</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(2,715,855)</u>	<u>5,129,978</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,430,796</u>	<u>1,300,818</u>
END OF YEAR	<u>\$ 3,714,941</u>	<u>\$ 6,430,796</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 200,344</u>	<u>\$ 204,886</u>

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

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Desert AIDS Project, Inc., dba DAP Health (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.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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.

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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, 2021 and 2020 total hours were 65,123 and 59,995 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.

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revivals – Re-Sale Stores

D.A.P. Operates four 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 300 volunteers (many of whom are also clients) donated more than 65,000 hours of their time to staff the stores increasing net revenue available to be allocated to community health programs, clinical care and social services.

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.

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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 2020 amounts to conform to the 2021 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, 2021 and 2020, 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, 2021 and 2020 were \$23,001,150 and \$10,024,141, respectively (see Note 3).

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 of \$23,682,285 consists of cash (\$1,595,867) and investments (\$22,086,418). Investments consist of the following at June 30, 2021:

	Fair Market Value	Cost	Unrealized Gain(Loss) At 6/30/21
Government obligations	\$ 2,507,562	\$ 2,481,288	\$ 26,274
Corporate obligations	4,226,148	4,199,016	27,132
International obligations, equities and mutual funds	1,096,771	1,112,047	(15,276)
Mutual Funds	3,707,083	3,670,413	36,670
Fund and equity investments	6,722,972	4,740,275	1,982,698
Real estate and specialty assets	2,021,541	1,668,522	353,019
Alternative investments	1,804,341	1,812,558	(8,217)
	<u>\$ 22,086,418</u>	<u>\$ 19,684,119</u>	<u>\$ 2,402,300</u>

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 Organization also holds donor restricted investments consisting of equities and fixed income with fair market values of \$914,732 and \$915,607 and unrealized gains of \$134,789 and \$15,339 as of June 30, 2021 and 2020, 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.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020, and fees for services, net of allowances for uncollectible amounts.

	<u>2021</u>	<u>2020</u>
Fees for service	\$ 6,117,095	\$ 4,815,702
FQHC rate adjustment (see Note 21)	4,697,687	-
Grants and other contracts	518,973	238,326
Other receivables	897	16,963
	<u>11,334,652</u>	<u>5,070,991</u>
Less: allowance for uncollectible amounts	<u>(1,264,823)</u>	<u>(901,970)</u>
	<u>\$ 10,069,829</u>	<u>\$ 4,169,021</u>

6. PLEDGES RECEIVABLE

Pledges receivable amounted to \$487,743 and \$860,992 at June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Pledges	\$ 986,186	\$ 1,732,686
Less: allowance for uncollectible amounts	<u>(498,443)</u>	<u>(871,694)</u>
	<u>\$ 487,743</u>	<u>\$ 860,992</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 19,909,088	\$ 19,770,374
Equipment	3,382,907	3,146,293
Leasehold improvements	1,249,556	1,249,556
Vehicles	469,899	460,249
Furniture and fixtures	188,920	188,920
Land	1,236,890	1,716,307
	<u>26,437,260</u>	<u>26,531,699</u>
Less: accumulated depreciation	<u>(11,480,905)</u>	<u>(10,076,964)</u>
	14,956,355	16,454,735
Construction in process	2,820,657	1,411,201
Total	<u>\$ 17,777,012</u>	<u>\$ 17,865,936</u>

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

7. PROPERTY AND EQUIPMENT – (Continued)

As of June 30, 2021 construction in progress consists of numerous projects related to campus expansion of varying length and total estimated costs. Larger projects include Campus expansion estimated at a total cost of \$12 million and to be completed in 2024, fire suppression estimated at a total cost of \$350,000 and to be completed in 2023, and the BH Remodel which was completed in November 2021 at a total approximate cost of \$900,000. Many of these projects are ongoing with portions placed in service as phases are completed.

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, 2021 and 2020 amounted to \$836,116 both years, respectively.

During the year ended June 30, 2021, D.A.P. received artwork valued at \$12,750. 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, 2021 and 2020 amounted to \$540,420 and \$527,670, 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.

As of June 30, 2021, Vista Sunrise Inc. has been dissolved and there are no balances payable at June 30, 2021 and 2020.

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

9. RELATED PARTY RECEIVABLE (PAYABLE) AND TRANSACTIONS –
(Continued)

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 transactions relating to these Board of Directors related party transactions amounted to \$546,554 and \$243,428 at June 30, 2021 and 2020, respectively. Related party payables were \$11,535 and \$243,428 as of June 30, 2021 and 2020, respectively.

10. CHARITABLE REMAINDER TRUSTS RECEIVABLE

D.A.P. is named in two irrevocable trusts. Total outstanding charitable remainder trusts receivable at June 30, 2021 and 2020 amounted to \$11,540.

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, 2021 and 2020 the investment annuity had a value of \$333,355 and \$326,819, 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, 2021 and 2020, the outstanding principal balances were \$4,839,478 and \$5,035,825, respectively. Future maturities of this loan payable balance are as follows:

Year ended	
<u>June 30,</u>	
2022	\$ 206,151
2023	214,336
2024	222,847
2025	231,695
2026	240,609
Thereafter	<u>3,723,840</u>
	<u>\$ 4,839,478</u>

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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. This line of credit expired in April 2021 and has not been renewed. There was no outstanding balance on the line of credit as of June 30, 2021 and 2020.

14. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Building improvements	\$ 7,868,132	\$ 7,847,668
PPP – government grant	-	899,727
Charitable remainder trusts receivable (note 10)	11,540	11,540
Art collection (note 8)	<u>540,420</u>	<u>527,670</u>
	<u>\$ 8,420,092</u>	<u>\$ 9,286,605</u>

During the fiscal year June 30, 2021, D.A.P. received a pledge totaling \$25,000, and of the total pledges received during the 2021 fiscal year, \$25,000 remain receivable for a total pledge receivable of \$986,186 as of June 30, 2021. Pledges receivable is offset by \$498,443 in allowance for uncollectible amounts (Note 6) for a net building pledges receivable balance of \$487,743 as of June 30, 2021. Total donor restricted contributions revenue related to the capital campaign was \$586,413 and is included in the total shown on the statement of activities.

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 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 had released \$1,825,509 from restrictions as they have spent those funds for the restricted purpose as of June 30, 2020. The remained \$899,727 is restricted as of June 30, 2020. The Organization has spent these funds for their restricted purpose prior to the allowed 24 week period from original receipt of the funds and the official forgiveness was granted in July 2021.

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020 is \$394,806 and \$445,806, 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>2021</u>	<u>2020</u>
Thrift Store Sales	\$ 6,671,485	\$ 5,048,879
Thrift Store – Merchandise Donated	4,879,795	3,483,225
Cost of Goods Sold	(5,922,603)	(4,429,555)
Fundraising/Thrift Stores - Net	<u>\$ 5,628,677</u>	<u>\$ 4,102,549</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, Indio, 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 2026.

Total rent expense of \$1,337,007 and \$1,234,367 for the years ended June 30, 2021 and 2020, 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, 2021 under the terms of these leases:

Year ended <u>June 30,</u>	
2022	\$ 1,481,084
2023	1,059,649
2024	1,083,528
2025	900,543
2026	<u>220,933</u>
	<u>\$ 4,745,737</u>

18. CONCENTRATION OF REVENUE

For the years ended June 30, 2021 and 2020, D.A.P. received 57% and 55%, respectively of revenue from the 340B Drug Pricing program. See Note 1 – Medical Services for a description of this program.

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

18. CONCENTRATION OF REVENUE – (Continued)

For the years ended June 30, 2021 and 2020, D.A.P also received 10% and 12%, 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>	
2022	\$ 44,100
2023	44,100
2024	44,100
2025	44,100
2026	44,100
2027 and thereafter	<u>55,125</u>
	<u>\$ 275,625</u>

Rental income for the years ended June 30, 2021 and 2020 totaled \$323,342 and \$343,860, respectively. These amounts are reported with other income in the accompanying statement of activities.

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.

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

20. EMPLOYEES' 401(k) PLAN – (Continued)

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 \$498,581 and \$593,092 for the years ended June 30, 2021 and 2020, 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.

21. FQHC RATE ADJUSTMENT INCOME

In the fiscal year ending 2016, D.A.P applied for an FQHC rate change with the California Department of Health Care Services (DHCS). The rate change request is required to be audited and was audited in 2018. DHCS completed the audit in April 2020 and awarded the new rate to D.A.P. in June 2020 however the impact of this change was not known at that time. The rate change was retroactive to March 2014 and beginning in April 2021 claims were revised related to rates charged for services provided in prior years. Income included on the statement of activities, related to this rate adjustment for services provided in prior years totaled \$6,998,170 as of June 30, 2021. At this time no further amounts are due to D.A.P. related to this inquiry. Receivables relating to this inquiry amounted to \$4,697,687 as of June 30, 2021, (Note 5). As of the issuance of this report the entire amount receivable at June 30, 2021 was received.

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

22. 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, 2021. Although the Organization was limited in hosting fundraising events during the second half of their fiscal year, they anticipate resuming events in the 2021/2022 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.

23. LIQUIDITY

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

Cash	\$ 3,645,620
Accounts receivable	<u>10,069,929</u>
	<u>\$ 13,715,549</u>

The Organization is committed to investing liquid assets conservatively which may be drawn upon in the event of an unanticipated liquidity need. Cash and investments from donor-restricted sources 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, 2021 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.

24. SUBSEQUENT EVENTS

D.A.P. evaluated all potential subsequent events as of January 25, 2022 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2021 or as of January 25, 2022 that require disclosure to the financial statements other than the item in Note 21.

SUPPLEMENTARY INFORMATION



LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS
36917 COOK STREET • SUITE 102 • PALM DESERT, CALIFORNIA 92211
Telephone (760) 568-2242 • Fax (760) 346-8891
www.lundandguttery.com

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.
DBA DAP Health
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., dba DAP Health (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 January 25, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Desert AIDS Project Inc., dba DAP Health'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., dba DAP Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Desert AIDS Project Inc., dba DAP Health'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.

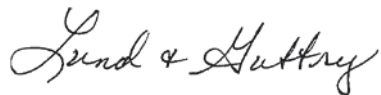
Our consideration of internal control over was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did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

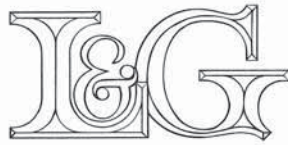
As part of obtaining reasonable assurance about whether Desert AIDS Project Inc., dba DAP Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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.



January 25, 2022



LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS
36917 COOK STREET • SUITE 102 • PALM DESERT, CALIFORNIA 92211
Telephone (760) 568-2242 • Fax (760) 346-8891
www.lundandguttery.com

**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.
DBA DAP Health
Palm Springs, California

Report on Compliance for Each Major Federal Program

We have audited Desert AIDS Project Inc., dba DAP Health'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, 2021. The Desert AIDS Project, Inc., dba DAP Health'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., dba DAP Health'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., dba DAP Health'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., dba DAP Health's compliance.

Opinion on Each Major Federal Program

In our opinion, Desert AIDS Project, Inc., dba DAP Health, 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, 2021.

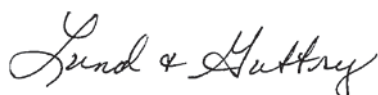
Report on Internal Control Over Compliance

Management of Desert AIDS Project, Inc., dba DAP Health, 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., dba DAP Health'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., dba DAP Health'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.



January 25, 2022

DESERT AIDS PROJECT, INC.
DBA DAP HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

<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		\$ 2,261,510
Provider Relief Fund - COVID-19	93.498		540,777
Special Projects of National Significance	93.928		<u>168,426</u>
		Subtotal Department of Health and Human Services direct programs	<u>2,970,713</u>
Pass-through programs from:			
San Bernardino County Department of Public Health Ryan White HIV/AIDS Program Part A	93.914		1,958,693
Ryan White HIV/AIDS Program Part C	93.918		<u>403,519</u>
		Subtotal of HIV Emergency Relief Project Grants Cluster	<u>2,362,212</u>
Riverside County Department of Public Health HIV Prevention Activities Health Department Based	93.940		175,000
San Bernardino County Department of Public Health Ending The HIV Epidemic: A Plan For America	93.686		179,169
The Regents of the University of California Cancer Treatment Research	93.395		<u>124,198</u>
		Subtotal Department of Health and Human Services pass-through programs	<u>2,840,579</u>
		Total U.S. Department of Health and Human Services	<u>5,811,292</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		364,233
City of Palm Springs Community Development Block Grant/Entitlement - COVID-19	14.218		<u>140,798</u>
		Total U.S. Department of Housing and Urban Development	<u>505,031</u>
		Total expenditures of federal awards	<u>\$ 6,316,323</u>

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Desert AIDS Project, Inc., dba DAP Health under programs of the federal government for the year ended June 30, 2021. 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, Inc., dba DAP Health, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Desert AIDS Project, Inc., dba DAP Health.

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., dba DAP Health has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

DESERT AIDS PROJECT, INC.
DBA, DAP HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

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., dba DAP Health 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., dba DAP Health, 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., dba DAP Health 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>
Housing Opportunities Authority	14.241
Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care	93.224
Special Projects of National Significance	93.498
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.
DBA, DAP HEALTH

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

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, 2020.