

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

**INDEPENDENT AUDITOR'S REPORT,**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2022**

**WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021**



## ACCOUNTING & AUDITING

P.O. BOX 6030 • La Quinta • CA • 92248  
Telephone (442) 325-0089 • Fax (442) 273-2233  
www.evaccountingandauditing.com

### **INDEPENDENT AUDITOR'S REPORT**

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

#### **Report on the Financial Statements**

##### **Opinion**

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Desert AIDS Project, Inc., dba DAP Health, as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### **Basis for Opinion**

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

##### **Responsibilities of Management for the Financial Statements**

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

Independent Auditor's Report  
(continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Desert AIDS Project, Inc., dba DAP Health's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Desert AIDS Project, Inc., dba DAP Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Desert AIDS Project, Inc., dba DAP Health's ability to continue as a going concern for a reasonable period of time.

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

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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.

Independent Auditor's Report  
(continued)

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022, on our consideration of Desert AIDS Project, Inc., dba DAP Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Desert AIDS Project, Inc., dba DAP Health's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Desert AIDS Project, Inc., dba DAP Health's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

The financials statement of Desert AIDS Project, Inc., dba DAP Health for the year ended June 30, 2021, were audited by other auditors whose report was dated January 25, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Coachella Valley  
Accounting & Auditing*

November 22, 2022  
La Quinta, CA

**DESERT AIDS PROJECT, INC**  
**DBA DAP HEALTH**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

**WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021**

**ASSETS**

	2022		2021	
	Without Donor Restriction	With Donor Restriction	Total	(Memorandum Only)
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 5,649,356	\$ 4,446,812	\$ 10,096,168	\$ 3,714,941
Investments - Note 3	24,775,294	855,243	25,630,537	23,001,150
Accounts receivable, net - Note 5	6,035,974	-	6,035,974	10,119,829
Pledges receivable, current portion - Note 6	-	169,686	169,686	448,821
Inventory	577,141	-	577,141	398,476
Prepaid expenses	624,731	-	624,731	553,517
Due to (due from) other funds	(3,673,569)	3,673,569	-	-
Total current assets	33,988,927	9,145,310	43,134,237	38,236,734
<b>PROPERTY AND EQUIPMENT, NET - Note 7</b>	20,333,887	-	20,333,887	17,777,012
<b>OTHER ASSETS</b>				
Pledges receivable - net of current portion, net - Note 6	-	63,794	63,794	38,922
Art collection, net - Note 8	836,116	965,420	1,801,536	1,376,536
Deposits and other	171,282	-	171,282	143,253
Charitable remainder trusts receivable - Note 10	-	11,540	11,540	11,540
Investment - annuity/insurance policy - Note 11	340,023	-	340,023	333,355
Total other assets	1,347,421	1,040,754	2,388,175	1,903,606
<b>TOTAL ASSETS</b>	\$ 55,670,235	\$ 10,186,064	\$ 65,856,299	\$ 57,917,352
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 5,009,202	\$ -	\$ 5,009,202	\$ 2,801,211
Accrued payroll and vacation	1,761,026	-	1,761,026	1,484,134
Deferred income	125,805	-	125,805	28,585
Related party payable - Note 9	9,043	-	9,043	11,535
Annuity payable - current portion - Note 15	51,000	-	51,000	51,000
Loan payable - current portion - Note 12	214,337	-	214,337	206,151
Total current liabilities	7,170,413	-	7,170,413	4,582,616
<b>LONG-TERM LIABILITIES</b>				
Annuity payable - net of current portion - Note 15	305,556	-	305,556	343,806
Loan payable - net of current portion - Note 12	4,420,998	-	4,420,998	4,633,327
Total long term liabilities	4,726,554	-	4,726,554	4,977,133
<b>TOTAL LIABILITIES</b>	11,896,967	-	11,896,967	9,559,749
<b>NET ASSETS</b>				
Without donor restriction	15,512,839	-	15,512,839	16,255,226
Without donor restriction- board designated - Note 3	28,260,429	-	28,260,429	23,682,285
With donor restriction - Note 14	-	10,186,064	10,186,064	8,420,092
Total net assets	43,773,268	10,186,064	53,959,332	48,357,603
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 55,670,235	\$ 10,186,064	\$ 65,856,299	\$ 57,917,352

(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, 2022**

**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021**

	2022		Total	2021
	Without Donor Restriction	With Donor Restriction		(Memorandum Only)
<b>SUPPORT AND REVENUES</b>				
Support:				
Contributions, net - Note 14	\$ 2,342,565	\$ 1,727,234	\$ 4,069,799	\$ 2,450,395
Fundraising/special events	644,273	-	644,273	116,568
Fundraising/thrift stores - net - Note 16	873,011	-	873,011	748,882
Contributed non-financial assets - Note 17	5,857,055	425,000	6,282,055	5,013,825
Net assets released from restrictions	<u>1,209,521</u>	<u>(1,209,521)</u>	<u>-</u>	<u>-</u>
Total support	<u>10,926,425</u>	<u>942,713</u>	<u>11,869,138</u>	<u>8,329,670</u>
Revenue:				
Program revenue, net				
Grants	6,943,427	804,500	7,747,927	6,651,569
Fees for services	52,670,200	-	52,670,200	43,365,296
Interest and dividend income	546,928	14,437	561,365	359,348
Realized investment (loss) gain	(79,422)	23,986	(55,436)	271,592
Unrealized investment gain (loss)	(3,018,993)	(19,664)	(3,038,657)	1,660,092
Loss on disposal of assets	-	-	-	(99,125)
FQHC rate adjustment income - Note 23	-	-	-	6,998,170
Other income - Note 20	<u>161,251</u>	<u>-</u>	<u>161,251</u>	<u>410,541</u>
Total revenue	<u>57,223,391</u>	<u>823,259</u>	<u>58,046,650</u>	<u>59,617,483</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>68,149,816</u>	<u>1,765,972</u>	<u>69,915,788</u>	<u>67,947,153</u>
<b>EXPENSES</b>				
Program services:				
Clinic Services	36,747,504	-	36,747,504	30,970,898
Community health	4,426,911	-	4,426,911	3,543,794
Social services	<u>10,612,684</u>	<u>-</u>	<u>10,612,684</u>	<u>8,765,341</u>
Total program services	<u>51,787,099</u>	<u>-</u>	<u>51,787,099</u>	<u>43,280,033</u>
Supporting services:				
Fundraising/thrift stores	5,146,748	-	5,146,748	4,124,312
Fundraising/special events	2,466,001	-	2,466,001	1,682,883
Management and general	<u>4,914,211</u>	<u>-</u>	<u>4,914,211</u>	<u>3,691,253</u>
Total supporting services	<u>12,526,960</u>	<u>-</u>	<u>12,526,960</u>	<u>9,498,448</u>
<b>TOTAL EXPENSES</b>	<u>64,314,059</u>	<u>-</u>	<u>64,314,059</u>	<u>52,778,481</u>
<b>INCREASE IN NET ASSETS</b>	<u>3,835,757</u>	<u>1,765,972</u>	<u>5,601,729</u>	<u>15,168,672</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>39,937,511</u>	<u>8,420,092</u>	<u>48,357,603</u>	<u>33,188,931</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 43,773,268</u>	<u>\$ 10,186,064</u>	<u>\$ 53,959,332</u>	<u>48,357,603</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, 2022**

**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021**

	2022										2021
	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	\$ 8,892,890	\$ 1,598,395	\$ 3,417,697	\$ 13,908,982	\$ 2,598,954	\$ 1,023,454	\$ 3,428,874	\$ 7,051,282	\$ 20,960,264	\$ 18,214,407	
Professional services	363,539	56,927	130,325	550,791	3,368	155,718	661,895	820,981	1,371,772	1,057,963	
Banking and merchant fees	19,244	1,072	3,304	23,620	155,770	41,187	170,543	367,500	391,120	307,185	
Printing and marketing	213,208	205,644	86,879	505,731	164,684	127,276	26,281	318,241	823,972	735,472	
Medical supplies	1,492,804	102,040	161,377	1,756,221	-	1,752	4,993	6,745	1,762,966	733,906	
Pharmaceuticals	23,965,712	2,089,480	5,231,907	31,287,099	-	-	-	-	31,287,099	25,079,253	
Client Assistance	2,023	31,318	743,069	776,410	28	200	-	228	776,638	875,113	
Event and outreach	13,072	4,741	10,909	28,722	6,879	791,143	38,656	836,678	865,400	266,740	
Facilities costs	536,141	82,500	225,464	844,105	1,824,238	14,501	25,250	1,863,989	2,708,094	2,333,976	
Office	52,745	20,085	34,558	107,388	85,558	17,150	68,177	170,885	278,273	205,634	
Technology	255,370	49,150	86,133	390,653	73,413	52,806	402,151	528,370	919,023	861,907	
Travel and transportation	17,345	26,985	7,910	52,240	57,572	20,275	34,967	112,814	165,054	104,500	
Other expenses	17,784	2,106	2,722	22,612	2,523	36,660	51,382	90,565	113,177	43,366	
Depreciation	691,494	116,536	359,198	1,167,228	161,849	-	-	161,849	1,329,077	1,403,943	
Interest	110,739	18,663	57,524	186,926	-	-	-	-	186,926	200,344	
Insurance	103,394	21,269	53,708	178,371	11,912	183,879	1,042	196,833	375,204	354,772	
<b>TOTAL</b>	<b>\$ 36,747,504</b>	<b>\$ 4,426,911</b>	<b>\$ 10,612,684</b>	<b>\$ 51,787,099</b>	<b>\$ 5,146,748</b>	<b>\$ 2,466,001</b>	<b>\$ 4,914,211</b>	<b>\$ 12,526,960</b>	<b>\$ 64,314,059</b>	<b>\$ 52,778,481</b>	

(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, 2022**

**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2022</u>	(Memorandum Only) <u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 5,601,729	\$ 15,168,672
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,329,077	1,403,943
Net unrealized investment loss (gain)	3,038,657	(1,660,092)
Loss on disposal of assets	-	99,125
Donated artwork	(425,000)	(134,030)
(Increase) decrease in assets		
Accounts receivable	4,083,855	(5,950,808)
Prepaid expenses	(71,214)	(81,282)
Pledges and charitable remainder trusts receivable	254,263	373,249
Inventory	(178,665)	(57,684)
Deposits and other assets	(28,029)	(56,202)
Investment - annuity/insurance policy	(6,668)	(6,536)
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	2,207,991	501,819
Accrued payroll and vacation	276,892	576,122
Deferred income	97,220	(46,558)
Annuity payable	(38,250)	(51,000)
Net cash provided by operating activities	<u>16,141,858</u>	<u>10,078,738</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Principal payments on debt	<u>(204,143)</u>	<u>(196,347)</u>
Net cash used for capital financing activities	<u>(204,143)</u>	<u>(196,347)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,840,469)	(1,416,995)
Proceeds from sales of investments	5,844,738	2,170,464
Purchases of investments	<u>(11,560,757)</u>	<u>(13,351,715)</u>
Net cash used for investing activities	<u>(9,556,488)</u>	<u>(12,598,246)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>6,381,227</u>	<u>(2,715,855)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>3,714,941</u>	<u>6,430,796</u>
<b>END OF YEAR</b>	<u>\$ 10,096,168</u>	<u>\$ 3,714,941</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	<u>\$ 186,926</u>	<u>\$ 200,344</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, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The mission of Desert AIDS Project, dba DAP Health (DAP) is to enhance and promote the health and well-being of the community. Founded in 1984 as a non-profit organization, the principal area of service is Eastern Riverside County Southern California, with a broader reach to the rural areas of Riverside and San Bernardino counties. As a Federally Qualified Health Center, DAP offers a broad continuum of clinical and social services designed to meet the health and wellness needs of low-income community members. DAP's area of expertise is to provide the provision of medical care and social services to marginalized populations.

**Financial Statement Presentation**

DAP 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 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 are 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, 2022 AND 2021**

**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 DAP'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 makes allowances as deemed necessary for the possibility of uncollectible pledge receivable balances. For financial statement presentation management has reported pledge revenues net of the allowance established for the current fiscal year.

Income Taxes

DAP 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. DAP may be subject to tax on income from any unrelated business operations. DAP currently has unrelated business taxable income from the thrift store operations.

DAP'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, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Fair Value of Instruments

The carrying values of DAP'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, 2022 and 2021 total hours were 78,828 and 65,123 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.

DAP's principal programs and services are comprised of:

Health Care Services

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

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

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Revivals – Re-Sale Stores

DAP operates four resale stores in the service area as a fundraising endeavor. Most items for sale are donated by individuals and include clothing, furniture, home décor, artwork, jewelry and books. New furniture, carpets/rugs, mattresses and other new items are also available. Over 275 volunteers (many of whom are also clients) donated more than 70,000 hours of their time to staff the stores increasing net revenue available to be allocated to community health programs, clinical care and social services.

Dental Services

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

Behavioral Health Services

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

Community Health – Education and Prevention

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

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Community Health – Education and Prevention - Continued

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

Social - Wellness Services

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

Case Management Services

Under the Social Services umbrella, DAP provides case management to low-income, uninsured or under-insured community members. Services are provided at the main campus and their satellite office in Indio. Case management consists of service coordination on behalf of clients to remove barriers to, avoid duplication of, and maintain engagement in medical care and other needed services. The team of case managers assess needs, identify barriers and provide individuals with referrals and advocacy designed to facilitate linkage to services offered at DAP 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

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

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Memorandum Totals

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

Reclassifications

Certain reclassifications have been made to the 2021 amounts to conform to the 2022 presentation.

**2. FAIR VALUE MEASUREMENTS**

DAP 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, 2022 and 2021, 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, 2022 and 2021 were \$25,630,537 and \$23,001,150, respectively (see Note 3).

**3. BOARD DESIGNATED NET ASSETS AND INVESTMENTS**

The Board of Directors have designated funds for reserves for the Organization. Board designated funds at June 30, 2022 of \$28,260,429 consists of cash (\$3,485,135) and investments (\$24,775,294). Investments consist of the following at June 30, 2022:

	Fair Market Value	Cost	Unrealized Gain(Loss) At 6/30/22
Government obligations	\$ 4,955,003	\$ 5,199,829	\$ (244,826)
Corporate obligations	3,431,903	3,849,638	(417,735)
Mutual Funds	4,936,783	5,391,889	(455,106)
Fund and equity investments	6,914,131	6,633,091	281,040
Real estate and specialty assets	2,534,139	2,291,612	242,526
Alternative investments	2,003,335	2,000,858	2,477
	<u>\$ 24,775,294</u>	<u>\$ 25,366,918</u>	<u>\$ (591,624)</u>

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**3. BOARD DESIGNATED NET ASSETS AND INVESTMENTS - (Continued)**

The Board of Directors have designated funds for reserves for the Organization 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 Organization also holds donor restricted investments consisting of equities and fixed income with fair market values of \$855,243 and \$914,732 and unrealized gains of \$49,170 and \$134,789 as of June 30, 2022 and 2021, 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.

Given the existing size of DAP'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, 2022 and 2021, and fees for services, net of allowances for uncollectible amounts.

	2022	2021
Fees for service	\$ 6,708,617	\$ 6,117,095
FQHC rate adjustment (see Note 23)	-	4,697,687
Grants and other contracts	37,412	518,973
Other receivables	6,220	50,897
	<u>6,752,249</u>	<u>11,384,652</u>
Less: allowance for uncollectible amounts	<u>(716,275)</u>	<u>(1,264,823)</u>
	<u>\$ 6,035,974</u>	<u>\$ 10,119,829</u>

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**6. PLEDGES RECEIVABLE**

Pledges receivable amounted to \$233,480 and \$487,743 at June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Pledges	\$ 477,660	\$ 986,186
Less: allowance for uncollectible amounts	(244,180)	(498,443)
	<u>\$ 233,480</u>	<u>\$ 487,743</u>

**7. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 22,762,105	\$ 19,909,088
Equipment	3,657,087	3,382,907
Leasehold improvements	1,430,993	1,249,556
Vehicles	522,322	469,899
Furniture and fixtures	188,920	188,920
Land	1,236,890	1,236,890
	<u>29,798,317</u>	<u>26,437,260</u>
Less: accumulated depreciation	(12,809,981)	(11,480,905)
	16,988,336	14,956,355
Construction in process	3,345,551	2,820,657
Total	<u>\$ 20,333,887</u>	<u>\$ 17,777,012</u>

As of June 30, 2022, construction in progress consists of numerous projects related to campus expansion of varying length and total estimated costs. The following schedule provide the information regarding the larger projects currently in process:

<u>Project</u>	<u>CIP as of June 30, 2022</u>	<u>Estimated Total Project Cost</u>	<u>Estimated Completion</u>
Clinic Remodeling	\$ 2,068,716	\$ 3,300,000	Dec 2022 – Sep 2024
HVAC Replacement			
Clinic Wing	345,794	450,000	May 2023
Emergency Generator	650,469	1,000,000	May 2023
HVAC Replacement			
SS Wing	173,367	450,000	Sept 2024
Other Various	<u>107,208</u>	175,000	July 2022 – Dec 2022
	<u>\$ 3,345,551</u>		



**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**7. PROPERTY AND EQUIPMENT – (Continued)**

The clinic remodeling noted above includes the renovations to DAP’s Yellow, Orange and Dental Clinics. DAP also plans to remodel the offices in the administration wing to be completed in March 2023 for an estimated \$450,000.

**8. ART COLLECTION**

Fine art donated to DAP 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 \$425,000.

Unrestricted art collection at June 30, 2022 and 2021 amounted to \$836,116 both years, respectively.

During the years ended June 30, 2022 and 2021, DAP received artwork valued at \$425,000 and \$12,750, respectively. 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, 2022 and 2021 amounted to \$965,420 and \$540,420, respectively.

**9. RELATED PARTY RECEIVABLE (PAYABLE) AND TRANSACTIONS**

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

The Complex is being constructed on the DAP Health campus and consists of studios and one-bedroom units for individuals and families who experience chronic illnesses, physical or mental disabilities, or those who are homeless. The project will be funded by federal and state tax credits along with additional funding through Riverside County and the City of Palm Springs. Title to the Complex will remain with the Partnership and no partner has any ownership interest in the Complex. The Managing General Partner will perform ongoing partnership management throughout the term of the fifteen-year tax credit compliance period and shall be paid an ongoing partnership management fee equal to 80% of any partnership management, and/or incentive management fees receive for the project. Sunrise DAP, LLC (DAP) will provide CVHC ongoing tenant concerns throughout the fifteen-year term, including recommending replacement of property manager. DAP shall receive 20% of the developer fee which amounted to \$120,000 during the June 30, 2022 fiscal year. DAP is deferring the developer fee over the fifteen-year term. DAP shall have the Right of First Refusal (for the period of two years) and first option to Purchase the Project upon expiration of the fifteen-years (or earlier if permitted by the investor).

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

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

**(Continued)**

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

DAP has an amount due from Vista Sunrise II, L.P. in the amount of \$4,772 for reimbursement on property tax.

DAP 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 \$271,936 and \$546,554 at June 30, 2022 and 2021, respectively. Related party payables were \$9,043 and \$11,535 as of June 30, 2022 and 2021, respectively.

**10. CHARITABLE REMAINDER TRUSTS RECEIVABLE**

DAP is named in two irrevocable trusts. Total outstanding charitable remainder trusts receivable at June 30, 2022 and 2021 amounted to \$11,540.

**11. INVESTMENTS – ANNUITY/ INSURANCE AND ANNUITY PAYABLE**

DAP invested in an annuity and life insurance policy on the life of a donor who has executed a gift agreement. As of June 30, 2022 and 2021 the investment annuity had a value of \$340,023 and \$333,355, respectively.

**12. LOAN PAYABLE**

During April 2018, DAP established a 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, DAP began making 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, 2022 and 2021, the outstanding principal balances were \$4,635,335 and \$4,839,478, respectively. Future maturities of this loan payable balance are as follows:

Year ended	
<u>June 30,</u>	
2023	\$ 214,337
2024	223,571
2025	232,447
2026	241,677
2027	251,273
Thereafter	<u>3,472,030</u>
	<u>\$ 4,635,335</u>

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**13. LINE OF CREDIT**

DAP has an available line of credit of \$3,000,000 with JPMorgan Chase Bank as of June 30, 2022. The line is secured by DAP accounts, equipment, inventory and general intangibles. Advances under the line of credit accrue interest at the adjusted SOFR rate (note rate) and at the rate of 3% per annum above the note rate and matures February 2023. There was no outstanding balance on the line of credit as of June 30, 2022.

**14. NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
Building improvements	\$ 9,209,104	\$ 7,868,132
Charitable remainder trusts receivable (note 10)	11,540	11,540
Art collection (note 8)	<u>965,420</u>	<u>540,420</u>
	<u>\$ 10,186,064</u>	<u>\$ 8,420,092</u>

During the fiscal year June 30, 2022, DAP received a pledge totaling \$125,000, and of the total pledges received during the 2022 fiscal year, \$125,000 remain receivable for a total pledge receivable of \$477,660 as of June 30, 2022. Pledges receivable is offset by \$244,180 in allowance for uncollectible amounts (Note 6) for a net building pledges receivable balance of \$233,480 as of June 30, 2022. Total donor restricted contributions revenue related to the capital campaign was \$1,717,234 and is included in the total shown on the statement of activities.

**15. ANNUITY PAYABLE**

During the fiscal year ended June 30, 2018, DAP received an annuity of \$1 million whereby DAP 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, 2022 and 2021 is \$356,556 and \$394,806, respectively.

**16. REVIVALS THRIFT SHOPS OPERATIONS**

DAP 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>2022</u>	<u>2021</u>
Thrift Store Sales	\$ 7,638,316	\$ 6,698,883
Cost of Goods Sold	(6,765,305)	(5,950,001)
	<u>873,011</u>	<u>748,882</u>
Thrift Store – Merchandise Donated (Note 17)	<u>5,791,829</u>	<u>4,879,795</u>
Fundraising/Thrift Stores - Net	<u>\$ 6,664,840</u>	<u>\$ 5,628,677</u>

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**17. CONTRIBUTED NON-FINANCIAL ASSETS**

The Organization has implemented a new Accounting Standards Update (“ASU”) 2020-07, “Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets”. Under ASU 2020-07, not-for-profits are required to show in-kind revenue as a separate line item on the statement of activities, apart from contributions of cash and other financial assets.

The Organization received the following contributions of non-financial assets for the year ending June 30:

	<u>2022</u>	<u>2021</u>
Thrift Store – Merchandise Donated (Note 16)	\$ 5,791,829	\$ 4,879,795
Artwork, net	425,000	12,750
Medication	65,226	121,280
Fundraising/Thrift Stores - Net	<u>\$ 6,282,055</u>	<u>\$ 5,013,825</u>

**18. LEASED FACILITIES**

DAP 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, DAP Indio office and various office space for administration. The monthly lease payments range from \$1,126 to \$27,544 per month through July 2027.

Total rent expense of \$1,453,147 and \$1,337,007 for the years ended June 30, 2022 and 2021, 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, 2022 under the terms of these leases:

Year ended <u>June 30,</u>	
2023	\$ 1,514,411
2024	1,549,386
2025	1,357,382
2026	668,602
2027	458,802
2028	<u>38,311</u>
	<u>\$ 5,586,894</u>

**19. CONCENTRATION OF REVENUE**

For the years ended June 30, 2022 and 2021, DAP received 63% and 57%, 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, 2022 AND 2021**

**19. CONCENTRATION OF REVENUE – (Continued)**

For the years ended June 30, 2022 and 2021, DAP also received 11% and 10%, 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.

**20. RENTAL INCOME**

DAP has entered an exclusive lease agreement with Walgreen Co. for a pharmacy as a convenience and benefit to DAP clients in the Sunrise building. The lease has a twenty five-year term that expires November 2027 with monthly rental income of \$3,675.

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

<u>Year ended June 30,</u>	
2023	\$ 44,100
2024	44,100
2025	44,100
2026	44,100
2027	44,100
2028	<u>11,025</u>
	<u>\$ 231,525</u>

Rental income for the years ended June 30, 2022 and 2021 totaled \$111,249 and \$323,342, respectively. These amounts are reported with other income in the accompanying statement of activities.

**21. EMPLOYEES’ 401(k) PLAN**

Eligible employees who have attained age 21 and have completed three (3) consecutive months of service may participate in the DAP 401(k) Profit Sharing plan. This plan replaced the DAP 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.

DAP 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. Effective March 2021, the employer authorized a discretionary matching contribution of 3%. The Safe Harbor matching contributions are 100% vested. The plan also allows for elective profit sharing contributions by DAP.

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**21. EMPLOYEES' 401(k) PLAN – (Continued)**

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%

Amounts contributed to employees' 401(k) and 457(B) plans by DAP were \$724,345 and \$498,581 for the years ended June 30, 2022 and 2021, 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. DAP 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.

**22. HEALTH REIMBURSEMENT ARRANGEMENT**

The Organization has a health reimbursement arrangement (HRA) that is funded solely through Organization contributions. The HRA allows eligible participants to be reimbursed tax free for qualified medical expenses subject to a specified ceiling. Amounts remaining at the end of the year can generally be carried over to the next year. The Organization is not permitted to refund any part of the balance to the participants; the account cannot be used for anything other than reimbursements for qualified medical expenses; and remaining amounts are not portable upon termination once the participant leaves the Organization. The Organization provides \$5,000 per eligible employee. The Organization has accrued an estimated expense of \$35,526 representing amounts likely to be utilized by employees for qualified medical expenses based on the history of use to date.

**23. FQHC RATE ADJUSTMENT INCOME**

In the fiscal year ending 2016, DAP 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 DAP 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 DAP related to this inquiry. Receivables relating to this inquiry amounted to \$4,697,687 as of June 30, 2021, (Note 5) and was fully collected in January 2022.

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**24. LIQUIDITY**

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

Cash	\$ 2,164,221
Accounts receivable	<u>6,035,974</u>
	<u>\$ 8,200,195</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, 2022 these amounts have been excluded from the amounts listed above. DAP 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.

**25. SUBSEQUENT EVENTS**

DAP evaluated all potential subsequent events as of November 22, 2022 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2022 or as of November 22, 2022 that require disclosure to the financial statements.

## **SUPPLEMENTARY INFORMATION**





ACCOUNTING & AUDITING

P.O. BOX 6030 • La Quinta • CA • 92248  
Telephone (442) 325-0089 • Fax (442) 273-2233  
www.cvaccountingandauditing.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, 2022, 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 22, 2022.

**Report on 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.

## **Report on 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.

*Coachella Valley  
Accounting & Auditing*

November 22, 2022

La Quinta, CA



ACCOUNTING & AUDITING

P.O. BOX 6030 • La Quinta • CA • 92248  
Telephone (442) 325-0089 • Fax (442) 273-2233  
www.cvaccountingandauditing.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**

***Opinion on 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and audit requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standard and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Desert AIDS Project Inc., dba DAP Health and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Desert AIDS Project Inc., dba DAP Health's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulation, rules, and provisions of contract or grant agreements applicable to Desert AIDS Project Inc., dba DAP Health's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Desert AIDS Project Inc., dba DAP Health's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Desert AIDS Project Inc., dba DAP Health's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Desert AIDS Project Inc., dba DAP Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Desert AIDS Project Inc., dba DAP Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Desert AIDS Project Inc., dba DAP Health's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Coachella Valley  
Accounting & Auditing*

November 22, 2022

La Quinta, CA

**DESERT AIDS PROJECT, INC.**  
**DBA DAP HEALTH**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2022**

<b><u>Federal Grantor/Pass-Through Agency/Program</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Pass-through Entity Identifying Number</u></b>	<b><u>Federal Expenditures</u></b>
<b>U.S. Department of Health and Human Services</b>			
Direct programs:			
Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care □	93.224		\$ 2,941,256
HRSA CADRE Capital	93.526		291,922
Special Projects of National Significance	93.928		<u>214,641</u>
		Subtotal Department of Health and Human Services direct programs	<u>3,447,819</u>
Pass-through programs from:			
San Bernardino County Department of Public Health			
Ryan White HIV/AIDS Program Part A	93.914		1,951,445
Ryan White HIV/AIDS Program Part C	93.918		<u>270,825</u>
		Subtotal of HIV Emergency Relief Project Grants Cluster	<u>2,222,270</u>
Riverside County Department of Public Health			
HIV Prevention Activities Health Department Based	93.940		171,304
San Bernardino County Department of Public Health			
Ending The HIV Epidemic: A Plan For America	93.686		416,082
The Regents of the University of California			
Cancer Treatment Research	93.395		<u>146,854</u>
		Subtotal Department of Health and Human Services pass-through programs	<u>2,956,510</u>
		Total U.S. Department of Health and Human Services	<u>6,404,329</u>
<b>U.S. Department of Housing and Urban Development</b>			
Pass-through programs from:			
County of Riverside Housing Authority			
Housing Opportunities for Persons with AIDS	14.241		283,830
City of Palm Springs			
Community Development Block Grant/Entitlement	14.218		<u>75,000</u>
		Total U.S. Department of Housing and Urban Development	<u>358,830</u>
		Total expenditures of federal awards	<u>\$ 6,763,159</u>

**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2022**

**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, 2022. 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, 2022**

**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>
Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care	93.224
HRSA CADRE Capital	93.526

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

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

There were no findings and questioned costs for the year ended June 30, 2022.



**DESERT AIDS PROJECT, INC.**  
**DBA, DAP HEALTH**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

**FEDERAL COMPLIANCE**

There were no prior year findings and questioned costs for the year ended June 30, 2021.