

**DOLORES STREET COMMUNITY
SERVICES, INC. AND SUBSIDIARIES**

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2024 AND 2023

**TENTATIVE & PRELIMINARY
For Discussion Purposes Only**

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

TABLE OF CONTENTS

| | Page |
|---|------|
| Independent Auditor's Report | 1 |
| Consolidated Statements of Financial Position | 4 |
| Consolidated Statements of Activities | 5 |
| Consolidated Statements of Functional Expenses | 6 |
| Consolidated Statements of Cash Flows | 8 |
| Notes to Consolidated Financial Statements | 10 |
| Supplementary Information | 25 |
| Consolidating Schedules of Financial Position | 26 |
| Consolidating Schedules of Activities | 28 |
| Consolidating Schedules of Cash Flows | 30 |
| Supplementary Information Required by the Mayor's Office of Housing and Community Development for Richard M. Cohen Residence | 32 |
| Schedule of Operating Revenue | 33 |
| Schedule of Operating Expenses | 34 |
| Computation of Operating Cash Flow/Surplus Cash (Deficit) | 36 |
| Summary of Reserve Activity | 37 |
| Supplementary Information Required by the Mayor's Office of Housing and Community Development for Dolores Hotel (Casa Quezada) | 38 |
| Schedule of Operating Revenue | 39 |
| Schedule of Operating Expenses | 40 |
| Computation of Operating Cash Flow/Surplus Cash (Deficit) | 42 |
| Summary of Reserve Activity | 43 |
| 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 <i>Government Auditing Standards</i> | 44 |
| Independent Auditor's Report on Compliance for Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance | 46 |
| Schedule of Expenditures of Federal Awards | 49 |
| Notes to the Schedule of Expenditures of Federal Awards | 51 |
| Schedule of Findings and Questioned Costs | 52 |
| Summary Schedule of Prior Audit Findings | 55 |

Board of Directors
Dolores Street Community Services, Inc.
San Francisco, California

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Dolores Street Community Services, Inc., a California nonprofit public benefit corporation, and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dolores Street Community Services, Inc. and Subsidiaries as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*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 Dolores Street Community Services, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, Dolores Street Community Services, Inc. and Subsidiaries adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on current expected credit losses. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 10 to the consolidated financial statements, Dolores Street Community Services, Inc. consolidated financial statements for the year ended June 30, 2023 were restated to decrease leasehold improvements and related government contract contribution income. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dolores Street Community Services, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dolores Street Community Services, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dolores Street Community Services, Inc. and Subsidiaries' 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 26 through 31, and the accompanying supplementary information required by the Mayor's Office of Housing and Community Development on pages 33 through 43 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards on pages 49 and 50 is presented for purposes of additional analysis 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*, and is also not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2025 on our consideration of Dolores Street Community Services, Inc. and Subsidiaries' 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 Dolores Street Community Services, Inc. and Subsidiaries' 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 Dolores Street Community Services, Inc. and Subsidiaries' internal control over financial reporting and compliance.

TENTATIVE & PRELIMINARY

For Discussion Purposes Only

_____, 2025

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

| | 2024 | 2023 <i>(As Restated – see Note 10)</i> |
|---|---------------|--|
| ASSETS | | |
| Current assets: | | |
| Cash, including restricted cash | \$ 1,452,961 | \$ 1,663,265 |
| Receivables: | | |
| Contributions (Note 4): | | |
| Government | 4,920,689 | 6,029,488 |
| Foundations, corporations, and individuals, net | 380,000 | 35,000 |
| Other, net | 165,358 | 18,026 |
| Prepaid expenses | 185,426 | 123,499 |
| Total current assets | 7,104,434 | 7,869,278 |
| Restricted reserves (Note 3) | 927,032 | 840,542 |
| Property and equipment – net (Note 5) | 4,720,391 | 4,979,419 |
| Deposits and other assets | 37,712 | 46,062 |
| Right-of-use assets – operating lease (Note 8) | 2,430,169 | 2,855,790 |
| Total assets | \$ 15,219,738 | \$ 16,591,091 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,768,854 | \$ 1,754,217 |
| Bank overdraft | - | - |
| Payroll and related liabilities | 1,740,563 | 1,546,712 |
| Tenant security deposits | 10,708 | 8,995 |
| Deferred revenue | 61,376 | 565,668 |
| Notes payable – current portion (Note 6) | 3,959 | 156,278 |
| Operating lease liabilities – current portion (Note 8) | 513,536 | 482,276 |
| Total current liabilities | 4,098,996 | 4,514,146 |
| Interest payable (Note 6) | 1,718,397 | 1,588,847 |
| Notes payable – net of current portion (Note 6) | 4,824,428 | 4,827,153 |
| Operating lease liabilities – net of current portion (Note 8) | 2,027,217 | 2,446,061 |
| Total liabilities | 12,669,038 | 13,376,207 |
| Net assets: | | |
| Without donor restrictions | 1,903,828 | 2,033,516 |
| With donor restrictions (Note 9) | 646,872 | 1,181,368 |
| Total net assets | 2,550,700 | 3,214,884 |
| Total liabilities and net assets | \$ 15,219,738 | \$ 16,591,091 |

The accompanying notes are an integral part of these financial statements.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | | | 2023 (As Restated – see Note 10) | | |
|--|----------------------------------|-------------------------------|---------------|----------------------------------|-------------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue: | | | | | | |
| Contributions: | | | | | | |
| Government | \$ 20,161,605 | \$ - | \$ 20,161,605 | \$ 21,418,294 | \$ - | \$ 21,418,294 |
| Foundations and corporations, net | 44,101 | 696,119 | 740,220 | 98,626 | 275,948 | 374,574 |
| Individuals | 115,147 | 437,690 | 552,837 | 377,944 | 410,189 | 788,133 |
| Sponsorships | - | - | - | 22,500 | - | 22,500 |
| Rental income | 193,170 | - | 193,170 | 282,336 | - | 282,336 |
| Fundraising events | - | - | - | 30,465 | - | 30,465 |
| Less: fundraising events costs | - | - | - | (35,852) | - | (35,852) |
| Program fees | - | - | - | 10,933 | - | 10,933 |
| Other income | 75,906 | - | 75,906 | 30,428 | - | 30,428 |
| Net assets released from restrictions | 1,668,305 | (1,668,305) | - | 680,660 | (680,660) | - |
| Total support and revenue | 22,258,234 | (534,496) | 21,723,738 | 22,916,334 | 5,477 | 22,921,811 |
| Operating expenses: | | | | | | |
| Program services: | | | | | | |
| Housing and shelter programs | 9,110,859 | - | 9,110,859 | 8,981,859 | - | 8,981,859 |
| Community engagement and organizing | 6,717,937 | - | 6,717,937 | 5,717,719 | - | 5,717,719 |
| Community services | 2,834,646 | - | 2,834,646 | 4,693,080 | - | 4,693,080 |
| Marty's Place | 13,782 | - | 13,782 | 13,754 | - | 13,754 |
| Supporting services: | | | | | | |
| Management and general | 2,896,723 | - | 2,896,723 | 2,749,895 | - | 2,749,895 |
| Fundraising | 358,699 | - | 358,699 | 112,800 | - | 112,800 |
| Total operating expenses | 21,932,646 | - | 21,932,646 | 22,269,107 | - | 22,269,107 |
| Change in net assets before other expenses | 325,588 | (534,496) | (208,908) | 647,227 | 5,477 | 652,704 |
| Other expenses: | | | | | | |
| Interest on deferred loan | (129,550) | - | (129,550) | (129,552) | - | (129,552) |
| Depreciation | (325,726) | - | (325,726) | (374,227) | - | (374,227) |
| Change in net assets | (129,688) | (534,496) | (664,184) | 143,448 | 5,477 | 148,925 |
| Net assets, beginning of year | 2,033,516 | 1,181,368 | 3,214,884 | 1,890,068 | 1,175,891 | 3,065,959 |
| Net assets, end of year | \$ 1,903,828 | \$ 646,872 | \$ 2,550,700 | \$ 2,033,516 | \$ 1,181,368 | \$ 3,214,884 |

The accompanying notes are an integral part of these financial statements.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | | | | | | | |
|--|------------------------------------|--|-----------------------|---------------|------------------------------|---------------------------|---------------------|---------------|
| | Program Services | | | | Program Services Total | Supporting Services | | Total |
| | Housing and Shelter Programs | Community Engagement and Organizing | Community Services | Marty's Place | | Management and General | Fund Development | |
| Salaries | \$ 4,763,964 | \$ 1,803,104 | \$ 765,349 | \$ - | \$ 7,332,417 | \$ 1,337,202 | \$ 220,247 | \$ 8,889,866 |
| Payroll taxes | 400,360 | 152,282 | 64,960 | - | 617,602 | 113,312 | 18,525 | 749,439 |
| Employee benefits | 1,082,574 | 419,917 | 163,805 | - | 1,666,296 | 283,289 | 51,840 | 2,001,425 |
| Staff development | 15,130 | 52,545 | 4,247 | - | 71,922 | 142,926 | 479 | 215,327 |
| Professional fees | 622,128 | 294,061 | 89,002 | 850 | 1,006,041 | 564,477 | 66,144 | 1,636,662 |
| Office supplies | 63,955 | 40,348 | 6,992 | - | 111,295 | 54,912 | 614 | 166,821 |
| Printing and copying | 4,431 | 16,673 | 1,702 | - | 22,806 | 5,289 | 236 | 28,331 |
| Postage | 523 | 5,017 | 304 | - | 5,844 | 2,956 | - | 8,800 |
| Telephone and internet | 44,735 | 62,354 | 6,382 | - | 113,471 | 37,888 | - | 151,359 |
| Membership and dues | - | 3,744 | - | - | 3,744 | 2,462 | - | 6,206 |
| Equipment purchase | 280,046 | 25,015 | 11,317 | - | 316,378 | 85,949 | 447 | 402,774 |
| Occupancy – rent | 322,251 | 163,242 | 105,862 | - | 591,355 | 73,163 | - | 664,518 |
| Occupancy – utilities | 294,228 | 15,440 | 9,782 | 11,773 | 331,223 | 4,737 | - | 335,960 |
| Building maintenance and repairs | 614,436 | 25,176 | 66,271 | 310 | 706,193 | 26,144 | 167 | 732,504 |
| Subcontractors | - | 3,499,456 | - | - | 3,499,456 | - | - | 3,499,456 |
| Program activities | 480,597 | 110,620 | 1,528,888 | - | 2,120,105 | 11,322 | - | 2,131,427 |
| Community relations | - | - | - | - | - | 2,740 | - | 2,740 |
| Other taxes | 13,846 | 2,292 | 33 | 800 | 16,971 | 10,663 | - | 27,634 |
| Insurance | 107,427 | 26,651 | 9,750 | - | 143,828 | 99,565 | - | 243,393 |
| Interest | - | - | - | - | - | 12,415 | - | 12,415 |
| Bank and other fees | 228 | - | - | 49 | 277 | 8,271 | - | 8,548 |
| Miscellaneous | - | - | - | - | - | 17,041 | - | 17,041 |
| Total expenses as shown in the consolidated statements of activities | 9,110,859 | 6,717,937 | 2,834,646 | 13,782 | 18,677,224 | 2,896,723 | 358,699 | 21,932,646 |
| Other expenses: | | | | | | | | |
| Interest on deferred loan | 129,550 | - | - | - | 129,550 | - | - | 129,550 |
| Depreciation | 288,927 | 3,590 | 19,083 | 13,276 | 324,876 | 850 | - | 325,726 |
| | 418,477 | 3,590 | 19,083 | 13,276 | 454,426 | 850 | - | 455,276 |
| Total expenses | \$ 9,529,336 | \$ 6,721,527 | \$ 2,853,729 | \$ 27,058 | \$ 19,131,650 | \$ 2,897,573 | \$ 358,699 | \$ 22,387,922 |

The accompanying notes are an integral part of these financial statements.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2023 (As Restated – see Note 10) | | | | | | | |
|--|------------------------------------|--|-----------------------|---------------|------------------------------|---------------------------|---------------------|---------------|
| | Program Services | | | | | Supporting Services | | |
| | Housing and Shelter Programs | Community Engagement and Organizing | Community Services | Marty's Place | Program Services Total | Management and General | Fund Development | Total |
| Salaries | \$ 4,505,235 | \$ 1,610,467 | \$ 773,058 | \$ - | \$ 6,888,760 | \$ 983,737 | \$ 26,089 | \$ 7,898,586 |
| Payroll taxes | 379,907 | 136,138 | 65,737 | - | 581,782 | 80,985 | 2,142 | 664,909 |
| Employee benefits | 1,007,579 | 364,190 | 180,029 | - | 1,551,798 | 218,381 | 6,740 | 1,776,919 |
| Staff development | 3,469 | 48,738 | 1,190 | - | 53,397 | 118,391 | 665 | 172,453 |
| Professional fees | 681,428 | 238,664 | 431,200 | - | 1,351,292 | 1,078,549 | 66,325 | 2,496,166 |
| Office supplies | 44,409 | 45,863 | 27,373 | - | 117,645 | 59,971 | 2,204 | 179,820 |
| Printing and copying | 585 | 2,376 | 39 | - | 3,000 | 4,009 | 838 | 7,847 |
| Postage | 174 | 3,113 | 24 | - | 3,311 | 3,068 | 434 | 6,813 |
| Telephone and internet | 69,526 | 60,986 | 11,167 | - | 141,679 | 10,759 | 937 | 153,375 |
| Membership and dues | - | 6,633 | - | - | 6,633 | 2,240 | - | 8,873 |
| Equipment purchase | 418,218 | 30,652 | 70,824 | - | 519,694 | 45,008 | 51 | 564,753 |
| Occupancy – rent | 339,521 | 134,780 | 94,617 | - | 568,918 | 18,996 | - | 587,914 |
| Occupancy – utilities | 226,952 | 16,078 | 2,509 | 11,701 | 257,240 | 6,575 | 82 | 263,897 |
| Building maintenance and repairs | 633,395 | 32,710 | 69,070 | 1,184 | 736,359 | 24,933 | 3,847 | 765,139 |
| Subcontractors | 24,278 | 2,785,114 | - | - | 2,809,392 | - | - | 2,809,392 |
| Program activities | 487,938 | 157,935 | 2,961,915 | - | 3,607,788 | 224 | - | 3,608,012 |
| Community relations | - | - | - | - | - | 5,500 | - | 5,500 |
| Other taxes | 35,312 | 1,162 | - | 800 | 37,274 | 12,912 | - | 50,186 |
| Insurance | 116,845 | 42,120 | 4,328 | - | 163,293 | 34,754 | - | 198,047 |
| Interest | - | - | - | - | - | 13,570 | - | 13,570 |
| Bank and other fees | 381 | - | - | 69 | 450 | 3,404 | 2,446 | 6,300 |
| Miscellaneous | 6,707 | - | - | - | 6,707 | 23,929 | - | 30,636 |
| Total expenses as shown in the consolidated statements of activities | 8,981,859 | 5,717,719 | 4,693,080 | 13,754 | 19,406,412 | 2,749,895 | 112,800 | 22,269,107 |
| Other expenses: | | | | | | | | |
| Interest on deferred loan | 129,552 | - | - | - | 129,552 | - | - | 129,552 |
| Depreciation | 343,790 | 3,589 | 12,722 | 13,276 | 373,377 | 850 | - | 374,227 |
| | 473,342 | 3,589 | 12,722 | 13,276 | 502,929 | 850 | - | 503,779 |
| Fundraising events costs | - | - | - | - | - | - | 35,852 | 35,852 |
| Total expenses | \$ 9,455,201 | \$ 5,721,308 | \$ 4,705,802 | \$ 27,030 | \$ 19,909,341 | \$ 2,750,745 | \$ 148,652 | \$ 22,808,738 |

The accompanying notes are an integral part of these financial statements.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2023 | |
|--|--------------|--------------------------------|
| | 2024 | (As Restated – see Note 10) |
| Cash flows from operating activities: | | |
| Change in net assets | \$ (664,184) | \$ 148,925 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 325,726 | 374,227 |
| Amortization of right-of-use assets – operating lease | 444,704 | 369,908 |
| Interest – amortization of refinancing costs | 1,234 | 1,347 |
| Write off of receivables | - | 2,195 |
| (Increase) decrease in assets: | | |
| Contributions receivable: | | |
| Government | 1,108,799 | (1,324,863) |
| Foundations, corporations, and individuals | (345,000) | 193,120 |
| Other receivables | (147,332) | 31,310 |
| Prepaid expenses | (61,927) | 46,144 |
| Deposits and other assets | 8,350 | (132) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 74,351 | 460,370 |
| Payroll and related liabilities | 193,851 | (5,114) |
| Tenant security deposits | 1,713 | (238) |
| Deferred revenue | (504,292) | 311,375 |
| Operating lease liability | (406,667) | (297,361) |
| Interest payable | 129,550 | 129,552 |
| Net cash provided by operating activities | 158,876 | 440,765 |
| Cash flows from investing activity: | | |
| Purchase of property and equipment | (66,698) | (191,553) |
| Net cash used in investing activity | (66,698) | (191,553) |
| Cash flows from financing activities: | | |
| Payments of notes payable | (156,278) | (18,357) |
| Payment of construction payable | (59,714) | (212,313) |
| Net cash used in financing activities | (215,992) | (230,670) |
| Net increase (decrease) in cash, restricted cash, and restricted reserves | (123,814) | 18,542 |
| Cash, restricted cash, and restricted reserves, beginning of year | 2,503,807 | 2,485,265 |
| Cash, restricted cash, and restricted reserves, end of year | \$ 2,379,993 | \$ 2,503,807 |

The accompanying notes are an integral part of these financial statements.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | 2023 <i>(As Restated – see Note 10)</i> |
|--|-------------------------|--|
| Supplementary information: | | |
| Cash paid for interest | <u>\$ 12,415</u> | <u>\$ 13,570</u> |
| Non-cash investing and financing activities: | | |
| Assets acquired by assuming current liabilities | <u>\$ -</u> | <u>\$ 59,714</u> |
| Lease assets obtained in exchange for lease obligations – operating lease | <u>\$ 19,083</u> | <u>\$ 3,225,698</u> |
| Cash, including restricted cash | \$ 1,452,961 | \$ 1,663,265 |
| Restricted reserves | <u>927,032</u> | <u>840,542</u> |
| Total cash, restricted cash, and restricted reserves shown in the consolidated statements of cash flows | <u>\$ 2,379,993</u> | <u>\$ 2,503,807</u> |

The accompanying notes are an integral part of these financial statements.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Dolores Street Community Services, Inc. (DSCS) is a California not-for-profit public benefit corporation established in 1982 that nurtures individual wellness and cultivates collective power among low-income and immigrant communities to create a more just society. DSCS subsequently changed its name to Mission Action, Inc. on July 30, 2024 (see Note 13).

In January 2009, DSCS formed a limited liability company, Dolores Hotel LLC (DOHO) to engage in owning and operating housing for the benefit of homeless and low-income persons and to assist DSCS in achieving its corresponding tax exempt charitable purpose. DOHO holds title to a single affordable housing property located in San Francisco, California, the Dolores Hotel (dba Casa Quezada). DSCS is the sole member of DOHO.

In July 2009, DSCS formed a limited liability company, Marty's Place LLC (Marty's Place) to engage in owning and operating a property of the same name to provide housing and support services for formerly homeless persons with HIV and AIDS. During September 2010 the donation of the property to the LLC was finalized.

Located in San Francisco, California, DSCS's program activities include:

Housing and Shelter Programs:

Emergency Shelter –

- ***Dolores Emergency Shelter*** – A 108 bed emergency shelter and support services program in San Francisco's Mission District.
- ***The Safe Sleeping Village*** – The Safe Sleeping Village is a temporary shelter program where guests can stay in tents within a safe outdoor environment. The program launched at the beginning of the COVID-19 pandemic to provide additional housing to people living on the streets and has since continued due to its success.
- ***Stay Over Program*** – A cross-sector collaboration program between San Francisco Unified School District, City of San Francisco Department of Homelessness and Supportive Housing (HSH) and DSCS located at Buena Vista Horace Mann Community School (BVHM) which connects participating families with resources and services to help them secure a more stable housing situation.

Supportive Housing –

- ***Richard M. Cohen Residence*** – A ten-bed, transitional housing program for formerly homeless individuals with disabling HIV or AIDS that supports residents in acquiring the skills to live independently.
- ***Dolores Hotel (dba Casa Quezada)*** – A 52-unit residential hotel, part of the City's Direct Access to Housing (DAH) program, that provides housing and support services for formerly homeless individuals.
- ***Casa Esperanza and Mission Inn (aka Casa Colibri)*** - Two Transition-Age Youth (TAY) permanent supportive housing facilities. DSCS has been working with Mission Housing and Larkin Street Youth Services to plan, develop, build out, and make ready the two facilities for tenant move-ins starting in May 2023. Casa Esperanza is located in the Mission District and Mission Inn is located in the Outer Mission/Excelsior area.
- ***Mercy Housing*** – A 145-unit permanent supportive housing complex for senior individuals experiencing or at imminent risk of homelessness located at 1633 Valencia street.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Community Engagement and Organizing:

Housing Rights –

- ***Mission Single Room Occupancy Collaborative*** – A collaboration of four agencies, coordinated and led by DSCS, that provides outreach, tenant stabilization and community programs for very low income single room occupancy (SRO) tenants in the Mission District.
- ***Tenant Rights Counseling*** – This program provides services to tenants from across the city but with a focus on the Mission District. The program will focus on eviction prevention and educate tenants on their rights, help to provide them with documentation to keep for their records and share with landlords, and to refer them to other community resources, including housing attorneys, where applicable.

Immigrant Rights –

- ***Deportation Defense and Legal Advocacy*** – A program that provides pro bono legal defense and advocacy for immigrants facing imminent deportation from the United States. The program was combined with the Immigrant Legal & Education Program in 2016, then reestablished as a separate program during the 2018 fiscal year.
- ***Immigrant Rights Community Empowerment –***
 - ***San Francisco Immigrant Legal and Education Network*** - A network, coordinated and led by DSCS, of thirteen agencies providing legal counseling, representation, processing, referrals, outreach, and education to San Francisco's diverse immigrant communities.
 - ***Rapid Response Network***- Consists of 21 organizations that provide legal and education services to immigrants living in San Francisco. The primary goal of the Network is to respond immediately in the event of any immigration enforcement activity.

Worker Rights –

- ***Worker Center*** – These programs economically and politically empower their members through the provision of job referrals and other basic services, as well as engaging them in leadership development and community organizing around issues of immigrant and worker rights.
- ***Equity Pilot Co-Op*** – This program helps community members with limited income-earning potential to establish a worker-owned co-operative business.

Community Services:

- ***Aid and Subsidy Assistance Program*** – This program provides direct cash distribution or rental assistance to San Francisco residents. This aid is only made available through funding from foundations intended as direct financial support or rental subsidies from government entities.
- ***PEDAL*** – A program for promotoras to participate and provide feedback to co-develop, implement, and evaluate Promotores Program for Education in Drugs and Alcohol for Latinx.
- ***Access Point*** – A program that provides community residents experiencing housing insecurity with problem solving and housing navigation services.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

- **Food Justice**

- ***The Little Market (aka El Mercadito)*** – Formerly known as Food Hub, a large-scale food pantry which provides essential and culturally appropriate groceries for individuals and families living with food insecurity. DSCS operates the distribution as a market-style pantry on Wednesdays and Fridays, where members can select food items to prepare healthy and delicious meals for themselves and their families at home.
- ***Innovative Neighborhood Food Support*** – A program that helps community residents experiencing food insecurity with access to meals and groceries. The strategies include distributing meal vouchers to SRO tenants, food distributions to the community at-large and at Casa Quezada, specifically, and to upgrade equipment in The Women’s Building and Cohen’s kitchens.
- ***Community Centered Grocery Access LGBTQ + (aka ArcoIris).***

Marty’s Place – A Victorian home located in the Mission District that provides cooperative housing for people with HIV/AIDS at risk of homelessness. Marty’s Place is managed by Marty’s Place Affordable Housing Corporation.

DSCS and Subsidiaries are especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support, and contributions. The continued growth and well being of DSCS and Subsidiaries is contingent upon successful achievement of its long-term revenue-raising goals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of two subsidiaries, DOHO and Marty’s Place (collectively, the Subsidiaries), of which DSCS is the sole member of these two limited liability companies. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

Accounting Method

DSCS and Subsidiaries use the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

DSCS and Subsidiaries report information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of DSCS and Subsidiaries.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restrictions ends, or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. DSCS and Subsidiaries have no net assets with non-expiring donor restrictions as of June 30, 2024 and 2023.

Revenue Recognition

Contributions:

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions restricted for the purchase of long-lived assets, are reported as without donor restriction when the assets are placed in service, unless continuing use restrictions apply.

Contributions of property and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained for the restricted purpose, DSCS and Subsidiaries reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services are stated at their estimated fair value if they are ordinarily purchased and are of a specialized nature.

Conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend are substantially met. DSCS receives certain contributions on a reimbursement basis. Such contributions are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when DSCS has incurred expenditures in compliance with specific donor provisions. An amount of approximately \$49,889,000 and \$43,521,000 of contributions has not been recognized as of June 30, 2024 and 2023, respectively, and will be recognized when DSCS incurs expenditures in compliance with the donor provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as deferred revenue in the consolidated statements of financial position. Deferred revenue was \$61,376 and \$535,849 as of June 30, 2024 and 2023, respectively.

Rent Income:

Rental income is shown net of vacancy loss. Operating lease receivable deemed uncollectible are shown as reductions in rental income.

DSCS and Subsidiaries account for the existing leases with residential tenants of their rental projects as operating leases.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Program Fees:

Program fees earned from contracts with customers are measured based on consideration specified in the contracts. The revenue is recognized monthly as work is completed and the performance obligation is satisfied.

Contributions Receivables

Unconditional contributions are recorded as support when a pledge is unconditionally communicated. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. All pledges are valued at the estimated fair present value as of June 30, 2024 and 2023.

Cash, Restricted Cash, and Restricted Reserves

Cash is defined as cash in demand deposit accounts as well as cash on hand. Restricted cash and restricted reserves are funds restricted as to their use, regardless of liquidity, such as replacement reserves, operating reserves, subsidy reserve, and tenant security deposits. DSCS and Subsidiaries occasionally maintain cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash and restricted reserves, was approximately \$2,538,000 as of June 30, 2024. DSCS and Subsidiaries have not experienced any losses in such accounts.

Property and Equipment

Property and equipment is stated at cost of acquisition or construction, or fair value if donated. Acquisitions of property and equipment in excess of \$5,000 and building improvements in excess of \$7,500 are capitalized. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

| | |
|---------------------------|----------------|
| Building and improvements | 10 to 40 years |
| Leasehold improvements | 4 to 15 years |
| Furniture and equipment | 5 to 15 years |

DSCS and Subsidiaries review their property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of its carrying amount to the future net undiscounted cash flows expected to be generated by the property and any estimated proceeds from the eventual disposition of the property. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There were no impairment losses recognized in 2024 and 2023.

Construction in Progress

DSCS and Subsidiaries records construction in progress as assets (construction in progress). Construction in progress is not depreciated until the completion of construction.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Refinancing Costs

Costs incurred in order to refinance a loan are stated at cost and amortized on a straight-line basis into interest expense over the term of the loan. Permanent loan costs are reported as a direct deduction from the face amount of the related debt.

Leases

The accounting standard on leases, required by accounting principles generally accepted in the United States of America, requires lessees to account for leases as either finance leases or operating leases and to recognize right-of-use (ROU) assets and corresponding lease liabilities on the consolidated statements of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the ROU asset, and for operating leases, lessees would recognize straight-line total rent expense. The accounting standard also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases.

DSCS and Subsidiaries account for the existing office space leases and equipment leases as operating leases. The leasing standard resulted in a recognition of ROU asset of \$3,225,698 and an increase in operating lease liability of \$3,225,698 as of July 1, 2022 adoption date. During 2024, DSCS recognized an ROU asset and liability of \$68,786 in relation to a new lease extension for one leased space. The remaining value of the expired lease was \$49,703 and was recorded as a reduction of ROU asset and liability.

DSCS accounts for the existing lease and property management agreement with the City and County of San Francisco as an operating lease. Due to the nominal rent amounts, ROU asset and lease liability are not recognized. However, the effect of not recognizing ROU asset and lease liability is not materially different from the result that would have been obtained had the requirement to recognize been followed.

Income Taxes

DSCS is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

No income tax provision has been included in the consolidated financial statements for the single member limited liability companies (LLCs) which are generally considered disregarded entities. The income and loss of the LLCs is included in the tax returns of their respective sole members. Only the annual California limited liability company minimum tax and the annual fee appear as expense in the consolidated financial statements.

DSCS and Subsidiaries believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements. DSCS and Subsidiaries' federal and state information and income tax returns for the years 2020 through 2023 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources. Directly identifiable expenses are charged to programs and supporting services.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 3 – RESTRICTED RESERVES

Summaries of reserve activity can be found in the supplementary information to the consolidated financial statements. The ending balance of restricted cash is summarized as follows:

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Richard M. Cohen Residence replacement reserve | \$ 133,889 | \$ 120,157 |
| Richard M. Cohen Residence operating reserve | 284,529 | 273,733 |
| DOHO replacement reserve | 218,164 | 194,738 |
| DOHO operating reserve | 234,356 | 195,871 |
| DOHO subsidy reserve | 9,035 | 9,027 |
| Marty's Place replacement reserve | 32,304 | 32,275 |
| Marty's Place operating reserve | 14,755 | 14,741 |
| | <u>\$ 927,032</u> | <u>\$ 840,542</u> |

Richard M. Cohen Residence Replacement Reserve

In accordance with the loan agreement with the City and County of San Francisco, DSCS is required to maintain a replacement reserve in an insured segregated account for capital improvements of the Richard M. Cohen Residence. DSCS is required to make quarterly deposits from project income in the amounts specified in the loan agreement. The account shall be replenished in accordance with the approved capital needs assessment analysis.

Richard M. Cohen Residence Operating Reserve

In accordance with the loan agreement with the City and County of San Francisco, DSCS is required to maintain an operating reserve in an insured segregated account to alleviate cash shortfalls resulting from unanticipated costs of the Richard M. Cohen Residence. DSCS is required to make monthly deposits from HOPWA project income in the amounts specified in the loan agreement. The account shall be replenished in an annual amount equal to 5% of the annual project income. At such time the account achieves a minimum balance equal to three months of all project operating expenses, DSCS may discontinue regular deposits however must continue to make periodic deposits into the account to maintain such minimum balance.

Richard M. Cohen Residence Operating Account

In accordance with the loan agreement with the City and County of San Francisco (Successor Agency to the San Francisco Redevelopment Agency), DSCS is required to hold program income related to its Richard M. Cohen Residence in a separate insured bank account. Disbursements are permitted for charges incurred in the operation in connection with utilities, real estate taxes, insurance, compensation of people connected with maintenance, administration or operation of the project, payment of required interest and principal on the loan or any other financing secured by the project, routine operating costs, any extraordinary expenses pre-approved by the City and County of San Francisco and required deposits to the replacement and operating reserve accounts.

Dolores Hotel, LLC Replacement Reserve

In accordance with the loan agreement with City and County of San Francisco, DOHO is required to maintain a replacement reserve in a segregated interest-bearing account for capital improvements of the Dolores Hotel. DOHO is required to make monthly deposits equal to the higher of the amount set forth in the agreement of \$1,517 or the amount provided in DOHO's approved 20 year capital needs assessment analysis, which may be revised every five years.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Dolores Hotel, LLC Operating Reserve

In accordance with the loan agreement with City and County of San Francisco, DOHO is required to maintain an operating reserve in a segregated interest-bearing account to alleviate cash shortages resulting from unanticipated and unusually high maintenance expenses, seasonal fluctuations in utility costs, abnormally high vacancies and other expense that vary seasonally or from month to month. DOHO is required to make monthly deposits from Dolores Hotel income into the account in the amount of 1/12th of three percent of the prior year's actual Dolores Hotel expenses. No less than annually, DOHO must make additional deposits, if necessary, to bring the balance in the account to an amount equal to 25% of the prior year's actual expenses.

Dolores Hotel, LLC Subsidy Reserve (LOSP)

In accordance with the grant agreement with City and County of San Francisco, DOHO is required to maintain a subsidy reserve in a segregated interest-bearing account to capture surplus subsidy payments made to DOHO. DOHO is required to deposit subsidy payments made to DOHO that exceeds its shortfall resulting from operating costs that exceeds project income into the subsidy reserve account. DOHO shall first use the subsidy reserve account funds to pay for shortfalls that exceed subsidy payments received, and only use the operating reserve fund to pay the remaining shortfall if subsidy reserve funds are insufficient to pay all the shortfall.

Dolores Hotel, LLC – Other Accounts

In accordance with the loan agreement with City and County of San Francisco, DSCS is required to maintain the project income and tenant security deposits in two segregated depository accounts. Disbursements from the project income account are permitted per the agreement and the approved annual operating budget of the Dolores Hotel expenses.

Marty's Place LLC – Other Accounts

In 2022, DSCS set up separate accounts under Marty's Place for replacement and operating reserve. Requirements for funding and withdrawals will be determined subsequent to June 30, 2024. In 2023, an amount of \$32,156 and \$14,633 was deposited to the replacement reserve and operating reserve, respectively, from funds transferred to Marty's Place by a California nonprofit public benefit corporation after their lease agreement was terminated by mutual agreement in March 2021.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

| | 2024 | | |
|--|------------------------------------|---------------------------------------|--------------|
| | <i>With Donor Restrictions</i> | <i>Without Donor Restrictions</i> | <i>Total</i> |
| Government | \$ - | \$ 4,920,689 | \$ 4,920,689 |
| Foundations, corporations, and individuals | 360,000 | 20,000 | 380,000 |
| | 360,000 | 4,940,689 | 5,300,689 |
| Due in less than one year | (360,000) | (4,940,689) | (5,300,689) |
| Due in one to five years | \$ - | \$ - | \$ - |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2023 | | |
|--|------------------------------------|---------------------------------------|--------------|
| | <i>With Donor Restrictions</i> | <i>Without Donor Restrictions</i> | <i>Total</i> |
| Government | \$ - | \$ 6,029,488 | \$ 6,029,488 |
| Foundations, corporations, and individuals | 35,000 | - | 35,000 |
| | 35,000 | 6,029,488 | 6,064,488 |
| Due in less than one year | (35,000) | (6,029,488) | (6,064,488) |
| Due in one to five years | \$ - | \$ - | \$ - |

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

| | 2024 | | | |
|--------------------------------|-------------|--------------|----------------------|--------------|
| | <i>DSCS</i> | <i>DOHO</i> | <i>Marty's Place</i> | <i>Total</i> |
| Land | \$ 118,391 | \$ 174,103 | \$ 568,961 | \$ 861,455 |
| Building and improvements | 1,401,252 | 4,094,981 | 531,039 | 6,027,272 |
| Furniture and equipment | 84,356 | 99,108 | - | 183,464 |
| Leasehold improvements | 2,058,617 | - | - | 2,058,617 |
| | 3,662,616 | 4,368,192 | 1,100,000 | 9,130,808 |
| Less: accumulated depreciation | (2,885,112) | (1,405,821) | (119,484) | (4,410,417) |
| Total property and equipment | \$ 777,504 | \$ 2,962,371 | \$ 980,516 | \$ 4,720,391 |

| | 2023 (As Restated – see Note 10) | | | |
|--------------------------------|----------------------------------|--------------|----------------------|--------------|
| | <i>DSCS</i> | <i>DOHO</i> | <i>Marty's Place</i> | <i>Total</i> |
| Land | \$ 118,391 | \$ 174,103 | \$ 568,961 | \$ 861,455 |
| Building and improvements | 1,393,668 | 4,060,086 | 531,039 | 5,984,793 |
| Furniture and equipment | 84,356 | 99,108 | - | 183,464 |
| Leasehold improvements | 2,034,398 | - | - | 2,034,398 |
| | 3,630,813 | 4,333,297 | 1,100,000 | 9,064,110 |
| Less: accumulated depreciation | (2,681,782) | (1,296,701) | (106,208) | (4,084,691) |
| Total property and equipment | \$ 949,031 | \$ 3,036,596 | \$ 993,792 | \$ 4,979,419 |

DSCS was required to use Marty's Place for a period of 10 years through September 1, 2020 as a supporting residence for indigent people living with HIV and AIDS, under the terms of a grant agreement. The purpose of the building remained the same after the termination of restrictions.

During 2023, DSCS began two construction projects to re-roof the Richard M. Cohen Residence and remodel the Dolores Emergency Shelter. As of June 30, 2024 and 2023 the construction in progress amounted to \$124,941 and \$93,137, respectively.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Additionally, DSCS property and equipment includes the Richard M. Cohen Residence. The information related to this property is as follows:

| | 2024 | 2023 |
|---------------------------|------------|------------|
| Land | \$ 118,391 | \$ 118,391 |
| Building and improvements | 1,401,252 | 1,393,668 |
| | 1,519,643 | 1,512,059 |
| Accumulated depreciation | (983,238) | (947,340) |
| Total | \$ 536,405 | \$ 564,719 |

NOTE 6 – NOTES PAYABLE

Notes payable are secured by the property unless otherwise noted and consist of the following:

| | 2024 | | 2023 | |
|--|-------------------------|------------------|-------------------------|------------------|
| | <i>Interest Payable</i> | <i>Principal</i> | <i>Interest Payable</i> | <i>Principal</i> |
| Northern California Community Loan Fund loan, in the original amount of \$240,000, bore 6% simple interest. The loan required monthly principal and interest payments of \$2,020, with a balloon payment of \$138,244 due on May 18, 2024. The loan was paid in full during 2024. The loan was secured by a deed of trust on Marty's Place and a UCC-1. Interest expense was \$8,574 and \$9,625 for 2024 and 2023, respectively. | \$ - | \$ - | \$ - | \$ 152,427 |
| City and County of San Francisco loan in the aggregate amount of \$4,318,347, funded by program funds from CDBG, HOME and NIG in the amounts of \$3,235,530, \$557,537 and \$525,280, respectively. The loan bears 3% simple interest, matures 55 years from recording of 1st amendment to the deed of trust, and is secured by the deed of trust to the property located at 35 Woodward Street, San Francisco. Payments of principal and interest are required in an amount equal to 100% of residual receipts of Dolores Hotel. The unpaid balance is due on maturity in 2064 and 2065. Interest expense was \$129,550 and \$129,552 in 2024 and 2023, respectively. | 1,718,397 | 4,318,347 | 1,588,847 | 4,318,347 |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | | 2023 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | <i>Interest Payable</i> | <i>Principal</i> | <i>Interest Payable</i> | <i>Principal</i> |
| Forgivable non-interest bearing HOPWA loan from the City and County of San Francisco in the amount of \$372,477, maturing in 2044. The loan is secured by the deed of trust to the Richard M. Cohen residence. If DSCS operates the Residence for fifty years for the intended purpose, the loan will be forgiven. | - | 372,477 | - | 372,477 |
| U.S. Small Business Administration (SBA) loan, in the original amount of \$150,000, bears 2.75% simple interest. Monthly payments of principal and interest of \$641 are required starting July 2020. The unpaid balance of principal and interest is due in July 2050. The loan is secured by property owned by DSCS. Interest expense was \$3,841 and \$3,945 in 2024 and 2023, respectively. | - | 137,563 | - | 141,414 |
| Total | 1,718,397 | 4,828,387 | 1,588,847 | 4,984,665 |
| Less: | | | | |
| Unamortized refinancing costs ⁽¹⁾ | - | - | - | (1,234) |
| Current portion | - | (3,959) | - | (156,278) |
| Long-term portion | <u>\$ 1,718,397</u> | <u>\$ 4,824,428</u> | <u>\$ 1,588,847</u> | <u>\$ 4,827,153</u> |

- ⁽¹⁾ Costs incurred in order to refinance a preexisting loan were \$10,773 and are amortized on a straight-line basis into interest expense over the term of the loan. Interest expense for amortization of loan costs was \$1,234 and \$1,347 in 2024 and 2023, respectively. During 2024, the refinancing costs were fully amortized and written off.

Principal payments on notes payable for the next five years are estimated as follows:

| | |
|------------|---------------------|
| 2025 | \$ 3,959 |
| 2026 | 4,069 |
| 2027 | 4,182 |
| 2028 | 4,299 |
| 2029 | 4,418 |
| Thereafter | <u>4,807,460</u> |
| | <u>\$ 4,828,387</u> |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 7 – OPERATING LEASES

DSCS leases office space, facilities for program and kitchen space, and equipment under operating leases. The leases have remaining lease terms of 0.9 to 8 years, some of which include options to extend the leases for up to 5 years. Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, certain agreements require DSCS to pay for common area maintenance and storage charges. Rental expenses included in operating expenses were \$664,518 and \$587,914 in 2024 and 2023, respectively. Cash paid for amounts included in the measurement of lease liability was \$485,991 and \$378,355 in 2024 and 2023, respectively, as part of operating cash flows from the operating lease.

DSCS entered into two lease and property management agreements related to Casa Esperanza and Mission Inn with the City and County of San Francisco ("City") with 5-year terms, which expire in 2028. Rent for the leases is equal to \$1 for the term, which was expensed in 2023. The rent has been set at a nominal amount for the specific purpose of assisting the lessee to operate and maintain the associated affordable housing complexes in accordance with the terms and other requirements as specified in the lease and property management agreements. DSCS has elected to recognize the lease expense on a one-time basis for operating leases with nominal rent amounts, instead of recognizing the right-of-use asset and corresponding lease liability.

As of June 30, 2024, the weighted average remaining lease term and discount rate for the operating leases was 6.5 years and 2.92%, respectively. The lease asset and liability were calculated utilizing the risk-free discount rate (2.84% to 4.51%), according to DSCS's elected policy.

The line items in the consolidated statements of financial position which include amounts for the premises and equipment operating leases are summarized as follows:

| | 2024 | 2023 |
|--------------------------------------|--------------|--------------|
| Right-of-use asset – operating lease | \$ 2,430,169 | \$ 2,855,790 |
| Total operating lease liability | 2,540,753 | 2,928,337 |
| Less: current portion | (513,536) | (482,276) |
| Long-term portion | \$ 2,027,217 | \$ 2,446,061 |

The maturities of lease liability are estimated as follows:

| | <i>Year Ending June 30,</i> |
|-----------------------------------|-----------------------------|
| 2025 | \$ 513,536 |
| 2026 | 493,890 |
| 2027 | 412,543 |
| 2028 | 294,899 |
| 2029 | 248,126 |
| Thereafter | 789,943 |
| Total lease payments | 2,752,937 |
| Less amount representing interest | (212,184) |
| Present value of lease liability | \$ 2,540,753 |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are summarized as follows:

| | 2024 | 2023 |
|---|-------------------|---------------------|
| Contributions restricted for specific programs: | | |
| Richard M. Cohen residence | \$ 23,389 | \$ 23,517 |
| Immigrant legal & education network | 42,007 | 651,931 |
| Deportation defense | - | 12,702 |
| Dolores shelter program | 30,000 | 67,500 |
| Stay over program | 30,000 | 32,235 |
| Day labor program | 126,976 | 170,976 |
| Community planning | 360,000 | 188,007 |
| Asylee Legal Empowerment Project (ALEP) | 34,500 | 34,500 |
| | <u>\$ 646,872</u> | <u>\$ 1,181,368</u> |

NOTE 9 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is without donor or other restriction limiting their use, within one year of the consolidated statements of financial position as of June 30, 2024 and 2023, respectively, comprise the following:

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Financial assets at end of year available within one year: | | |
| Cash, including restricted cash | \$ 1,452,961 | \$ 1,663,265 |
| Contributions receivable: | | |
| Government | 4,920,689 | 6,029,488 |
| Foundations, corporations, and individuals, net | 380,000 | 35,000 |
| Other receivable, net | 165,358 | 18,026 |
| | <u>6,919,008</u> | <u>7,745,779</u> |
| Less financial assets not available for general expenditures: | | |
| Restricted funds that have been received | (286,872) | (1,146,368) |
| Contributions receivable restricted for specific purpose | <u>(360,000)</u> | <u>(35,000)</u> |
| Financial assets available for general expenditures within one year | <u>\$ 6,272,136</u> | <u>\$ 6,564,411</u> |

DSCS is substantially supported by expense-reimbursement government grants. Because these grants are required to be used in specific programs, DSCS must maintain sufficient resources until the government funds are received 45 to 60 days after the close of a period. As a part of DSCS's liquidity management, DSCS structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. DSCS has two operating reserve cash accounts to help carry two of their programs for three months (see Note 3). DSCS also receives donations to support various programs as well as the organization as a whole.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 10 – PRIOR PERIOD ADJUSTMENT

An error in the previously issued consolidated financial statements for the year ended June 30, 2023 was discovered and corrected in 2024. This error pertained to the recording of leasehold improvements made at Casa Esperanza and Mission Inn during 2022 and 2023. The title to the improvements remains with the City, which later reimbursed the associated costs. Consequently, the misstatement of leasehold improvements, related income from the City, and associated depreciation resulted in a restatement of previously issued consolidated financial statements for the year ended June 30, 2023.

The following financial statement line items as of and for the year ended June 30, 2023, are restated:

| | <i>As Previously Reported</i> | <i>Adjustment</i> | <i>As Restated</i> |
|--|-----------------------------------|-------------------|--------------------|
| Property and equipment – net | \$ 7,373,236 | \$ (2,393,817) | \$ 4,979,419 |
| Total assets | 18,984,908 | (2,393,817) | 16,591,091 |
| Beginning net assets without donor restriction | 2,135,459 | (245,391) | 1,890,068 |
| Beginning total net assets | 3,311,350 | (245,391) | 3,065,959 |
| Ending net assets without donor restriction | 4,427,333 | (2,393,817) | 2,033,516 |
| Ending total net assets | 5,608,701 | (2,393,817) | 3,214,884 |
| Government contributions | 23,962,884 | (2,544,590) | 21,418,294 |
| Depreciation expense | 770,391 | (396,164) | 374,227 |
| Change in net assets without donor restriction | 2,291,874 | (2,148,426) | 143,448 |
| Change in total net assets | 2,297,351 | (2,148,426) | 148,925 |

NOTE 11 – EMPLOYEE RETENTION CREDIT

With the new laws enacted in later 2020 and during 2021, DSCS retroactively applied for the Employee Retention Credit (“ERC”) under the CARES Act during the fiscal year ended June 30, 2024 for the ERC based on wages incurred during the quarters ended June, September and December 2020 and March, June, and September 2021 by filing the 2020 and 2021 Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for those quarters. The qualifying amounts of \$734,628 for total of the 2nd, 3rd and 4th quarters of calendar year end 2020 and \$2,947,337 for the total of the 1st, 2nd and 3rd quarters of calendar year 2021 were submitted to the Department of the Treasury Internal Revenue Service (IRS). DSCS initially expected to meet the eligibility criteria and had concluded that the ERC represents a grant to be accounted for as a conditional contribution. The ERC amount is considered to be conditioned upon certain eligibility requirements and/or the incurrence of allowable qualifying expenses. Although DSCS believes the occurrence of qualifying expenditures will result in such reimbursement, the expenditures are subject to review and/or audit under applicable administrative provisions by the IRS. The ERC amount may be subject to change based on the final approval from the IRS. For the year ended June 30, 2024, DSCS has not recognized any revenue from the conditional contribution related to the ERC claims pending the IRS review. In December 2024, DSCS subsequently received notice from the IRS that the ERC for 3rd quarter of calendar year end 2021 of \$988,139 was denied. DSCS believes that it has appropriate support for their ERC application and continues to await the result of the IRS review.

DOLORS STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 12 – OTHER MATTER

DSCS is a participant in complaints related to property management and employment practices. These claims are being evaluated by legal counsel. It is indeterminate whether such claims may result in any liability. DSCS maintains insurance coverage with respect to such claims, and management believes such coverage is sufficient to cover legal costs and provides specified coverage should a liability determination be made.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through _____, 2025, the date on which the consolidated financial statements were available to be issued.

On July 30, 2024, DSCS subsequently received approval for a change in entity name to Mission Action, Inc.

SUPPLEMENTARY INFORMATION

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

| | 2024 | | | | |
|--|--------------|--------------|----------------------|---------------------|---------------|
| | <i>DSCS</i> | <i>DOHO</i> | <i>Marty's Place</i> | <i>Eliminations</i> | <i>Total</i> |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash, including restricted cash | \$ 1,334,143 | \$ 96,408 | \$ 22,410 | \$ - | \$ 1,452,961 |
| Receivables: | | | | | |
| Contributions: | | | | | |
| Government | 4,915,452 | 5,237 | - | - | 4,920,689 |
| Foundations, corporations, and individuals, net | 380,000 | - | - | - | 380,000 |
| Related-party | 585,887 | - | 12,737 | (598,624) | - |
| Other, net | 165,358 | - | - | - | 165,358 |
| Prepaid expenses | 184,321 | 1,105 | - | - | 185,426 |
| Total current assets | 7,565,161 | 102,750 | 35,147 | (598,624) | 7,104,434 |
| Restricted reserves | 418,418 | 461,555 | 47,059 | - | 927,032 |
| Property and equipment – net | 777,504 | 2,962,371 | 980,516 | - | 4,720,391 |
| Investments in limited liability companies | (2,068,288) | - | - | 2,068,288 | - |
| Deposits and other assets | 37,712 | - | - | - | 37,712 |
| Right-of-use assets – operating lease | 2,430,169 | - | - | - | 2,430,169 |
| Total assets | \$ 9,160,676 | \$ 3,526,676 | \$ 1,062,722 | \$ 1,469,664 | \$ 15,219,738 |
| LIABILITIES AND NET ASSETS | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 1,740,297 | \$ 26,864 | \$ 1,693 | \$ - | \$ 1,768,854 |
| Bank overdraft | - | - | - | - | - |
| Related-party payable | 12,737 | 585,887 | - | (598,624) | - |
| Payroll and related liabilities | 1,740,563 | - | - | - | 1,740,563 |
| Tenant security deposits | 4,210 | 6,498 | - | - | 10,708 |
| Deferred revenue | 61,376 | - | - | - | 61,376 |
| Notes payable – current portion | 3,959 | - | - | - | 3,959 |
| Operating lease liabilities – current portion | 513,536 | - | - | - | 513,536 |
| Total current liabilities | 4,076,678 | 619,249 | 1,693 | (598,624) | 4,098,996 |
| Interest payable | - | 1,718,397 | - | - | 1,718,397 |
| Notes payable – net of current portion | 506,081 | 4,318,347 | - | - | 4,824,428 |
| Operating lease liabilities – net of current portion | 2,027,217 | - | - | - | 2,027,217 |
| Total liabilities | 6,609,976 | 6,655,993 | 1,693 | (598,624) | 12,669,038 |
| Net assets: | | | | | |
| Without donor restrictions | 1,903,828 | - | - | - | 1,903,828 |
| With donor restrictions | 646,872 | - | - | - | 646,872 |
| Member's equity | - | (3,129,317) | 1,061,029 | 2,068,288 | - |
| Total net assets | 2,550,700 | (3,129,317) | 1,061,029 | 2,068,288 | 2,550,700 |
| Total liabilities and net assets | \$ 9,160,676 | \$ 3,526,676 | \$ 1,062,722 | \$ 1,469,664 | \$ 15,219,738 |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

| | 2023 (As Restated – see Note 10) | | | | |
|--|----------------------------------|--------------|---------------|--------------|---------------|
| | DSCS | DOHO | Marty's Place | Eliminations | Total |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash, including restricted cash | \$ 1,442,247 | \$ 215,204 | \$ 5,814 | \$ - | \$ 1,663,265 |
| Receivables: | | | | | |
| Contributions: | | | | | |
| Government | 6,028,542 | 946 | - | - | 6,029,488 |
| Foundations, corporations, and individuals, net | 35,000 | - | - | - | 35,000 |
| Related-party | 410,174 | - | 17,944 | (428,118) | - |
| Other, net | 18,026 | - | - | - | 18,026 |
| Prepaid expenses | 123,499 | - | - | - | 123,499 |
| Total current assets | 8,057,488 | 216,150 | 23,758 | (428,118) | 7,869,278 |
| Restricted reserves | 393,890 | 399,636 | 47,016 | - | 840,542 |
| Property and equipment – net | 949,031 | 3,036,596 | 993,792 | - | 4,979,419 |
| Investments in limited liability companies | (1,675,433) | - | - | 1,675,433 | - |
| Deposits and other assets | 46,062 | - | - | - | 46,062 |
| Right-of-use assets – operating lease | 2,855,790 | - | - | - | 2,855,790 |
| Total assets | \$ 10,626,828 | \$ 3,652,382 | \$ 1,064,566 | \$ 1,247,315 | \$ 16,591,091 |
| LIABILITIES AND NET ASSETS | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 1,715,496 | \$ 37,881 | \$ 840 | \$ - | \$ 1,754,217 |
| Related-party payable | 17,944 | 410,174 | - | (428,118) | - |
| Payroll and related liabilities | 1,546,712 | - | - | - | 1,546,712 |
| Tenant security deposits | 2,522 | 6,473 | - | - | 8,995 |
| Deferred revenue | 535,849 | 29,819 | - | - | 565,668 |
| Notes payable – current portion | 156,278 | - | - | - | 156,278 |
| Operating lease liabilities – current portion | 482,276 | - | - | - | 482,276 |
| Total current liabilities | 4,457,077 | 484,347 | 840 | (428,118) | 4,514,146 |
| Interest payable | - | 1,588,847 | - | - | 1,588,847 |
| Notes payable | 508,806 | 4,318,347 | - | - | 4,827,153 |
| Operating lease liabilities – net of current portion | 2,446,061 | - | - | - | 2,446,061 |
| Total liabilities | 7,411,944 | 6,391,541 | 840 | (428,118) | 13,376,207 |
| Net assets: | | | | | |
| Without donor restrictions | 2,033,516 | - | - | - | 2,033,516 |
| With donor restrictions | 1,181,368 | - | - | - | 1,181,368 |
| Member's equity | - | (2,739,159) | 1,063,726 | 1,675,433 | - |
| Total net assets | 3,214,884 | (2,739,159) | 1,063,726 | 1,675,433 | 3,214,884 |
| Total liabilities and net assets | \$ 10,626,828 | \$ 3,652,382 | \$ 1,064,566 | \$ 1,247,315 | \$ 16,591,091 |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | | | | |
|--|---------------|----------------|----------------------|---------------------|---------------|
| | <i>DSCS</i> | <i>DOHO</i> | <i>Marty's Place</i> | <i>Eliminations</i> | <i>Total</i> |
| Support and revenue: | | | | | |
| Contributions: | | | | | |
| Government | \$ 19,265,303 | \$ 896,302 | \$ - | \$ - | \$ 20,161,605 |
| Foundations and corporations, net | 740,220 | - | - | - | 740,220 |
| Individuals | 552,837 | - | - | - | 552,837 |
| Rental income | 102,247 | 66,616 | 24,307 | - | 193,170 |
| Development and management fees | 82,910 | - | - | (82,910) | - |
| Other income | 72,586 | 3,266 | 54 | - | 75,906 |
| Total support and revenue | 20,816,103 | 966,184 | 24,361 | (82,910) | 21,723,738 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Housing and shelter programs | 8,076,097 | 1,117,672 | - | (82,910) | 9,110,859 |
| Community engagement and organizing | 6,717,937 | - | - | - | 6,717,937 |
| Community services | 2,834,646 | - | - | - | 2,834,646 |
| Marty's Place | - | - | 13,782 | - | 13,782 |
| Supporting services: | | | | | |
| Management and general | 2,896,723 | - | - | - | 2,896,723 |
| Fundraising | 358,699 | - | - | - | 358,699 |
| Total operating expenses | 20,884,102 | 1,117,672 | 13,782 | (82,910) | 21,932,646 |
| Change in net assets before other expenses/losses | (67,999) | (151,488) | 10,579 | - | (208,908) |
| Other expenses/losses: | | | | | |
| Investment losses from limited liability companies | (392,855) | - | - | 392,855 | - |
| Interest on deferred loan | - | (129,550) | - | - | (129,550) |
| Depreciation expense | (203,330) | (109,120) | (13,276) | - | (325,726) |
| Change in net assets | (664,184) | (390,158) | (2,697) | 392,855 | (664,184) |
| Net assets, beginning of year | 3,214,884 | (2,739,159) | 1,063,726 | 1,675,433 | 3,214,884 |
| Net assets, end of year | \$ 2,550,700 | \$ (3,129,317) | \$ 1,061,029 | \$ 2,068,288 | \$ 2,550,700 |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2023 (As Restated – see Note 10) | | | | |
|--|----------------------------------|----------------|----------------------|---------------------|---------------|
| | <i>DSCS</i> | <i>DOHO</i> | <i>Marty's Place</i> | <i>Eliminations</i> | <i>Total</i> |
| Support and revenue: | | | | | |
| Contributions: | | | | | |
| Government | \$ 20,533,545 | \$ 837,960 | \$ 46,789 | \$ - | \$ 21,418,294 |
| Foundations and corporations, net | 374,574 | - | - | - | 374,574 |
| Individuals | 788,133 | - | - | - | 788,133 |
| Sponsorships | 22,500 | - | - | - | 22,500 |
| Rental income | 181,968 | 66,708 | 33,660 | - | 282,336 |
| Fundraising | 30,465 | - | - | - | 30,465 |
| Fundraising costs | (35,852) | - | - | - | (35,852) |
| Development and management fees | 80,106 | - | - | (80,106) | - |
| Program fees | 10,933 | - | - | - | 10,933 |
| Other income | 25,150 | 5,246 | 32 | - | 30,428 |
| Total support and revenue | 22,011,522 | 909,914 | 80,481 | (80,106) | 22,921,811 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Housing and shelter programs | 8,053,748 | 1,008,217 | - | (80,106) | 8,981,859 |
| Community engagement and organizing | 5,717,719 | - | - | - | 5,717,719 |
| Community services | 4,693,080 | - | - | - | 4,693,080 |
| Marty's Place | - | - | 13,754 | - | 13,754 |
| Supporting services: | | | | | |
| Management and general | 2,749,895 | - | - | - | 2,749,895 |
| Fundraising | 112,800 | - | - | - | 112,800 |
| Total operating expenses | 21,327,242 | 1,008,217 | 13,754 | (80,106) | 22,269,107 |
| Change in net assets before other expenses/losses | 684,280 | (98,303) | 66,727 | - | 652,704 |
| Other expenses/losses: | | | | | |
| Investment losses from limited liability companies | (277,061) | - | - | 277,061 | - |
| Interest on deferred loan | - | (129,552) | - | - | (129,552) |
| Depreciation expense | (258,294) | (102,657) | (13,276) | - | (374,227) |
| Change in net assets | 148,925 | (330,512) | 53,451 | 277,061 | 148,925 |
| Net assets, beginning of year | 3,065,959 | (2,408,647) | 1,010,275 | 1,398,372 | 3,065,959 |
| Net assets, end of year | \$ 3,214,884 | \$ (2,739,159) | \$ 1,063,726 | \$ 1,675,433 | \$ 3,214,884 |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | | | | |
|--|--------------|--------------|---------------|--------------|--------------|
| | DSCS | DOHO | Marty's Place | Eliminations | Total |
| Cash flows from operating activities: | | | | | |
| Change in net assets | \$ (664,184) | \$ (390,158) | \$ (2,697) | \$ 392,855 | \$ (664,184) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | 203,330 | 109,120 | 13,276 | - | 325,726 |
| Amortization of right-of-use assets – operating lease | 444,704 | - | - | - | 444,704 |
| Interest – amortization of refinancing costs | 1,234 | - | - | - | 1,234 |
| Investment losses from limited liability companies | 392,855 | - | - | (392,855) | - |
| (Increase) decrease in assets: | | | | | |
| Contributions receivable: | | | | | |
| Government | 1,113,090 | (4,291) | - | - | 1,108,799 |
| Foundations, corporations, and individuals | (345,000) | - | - | - | (345,000) |
| Related-party receivable | (175,713) | - | 5,207 | 170,506 | - |
| Other receivables | (147,332) | - | - | - | (147,332) |
| Prepaid expenses | (60,822) | (1,105) | - | - | (61,927) |
| Deposits and other assets | 8,350 | - | - | - | 8,350 |
| Increase (decrease) in liabilities: | | | | | |
| Accounts payable and accrued expenses | 84,515 | (11,017) | 853 | - | 74,351 |
| Related-party payable | (5,207) | 175,713 | - | (170,506) | - |
| Payroll and related liabilities | 193,851 | - | - | - | 193,851 |
| Tenant security deposits | 1,688 | 25 | - | - | 1,713 |
| Deferred revenue | (474,473) | (29,819) | - | - | (504,292) |
| Operating lease liability | (406,667) | - | - | - | (406,667) |
| Interest payable | - | 129,550 | - | - | 129,550 |
| Net cash provided by (used in) operating activities | 164,219 | (21,982) | 16,639 | - | 158,876 |
| Cash flows from investing activity: | | | | | |
| Purchase of property and equipment | (31,803) | (34,895) | - | - | (66,698) |
| Net cash used in investing activity | (31,803) | (34,895) | - | - | (66,698) |
| Cash flows from financing activities: | | | | | |
| Payments of notes payable | (156,278) | - | - | - | (156,278) |
| Payment of construction payable | (59,714) | - | - | - | (59,714) |
| Bank overdraft | - | - | - | - | - |
| Net cash used in financing activities | (215,992) | - | - | - | (215,992) |
| Net increase (decrease) in cash, restricted cash and restricted reserves | (83,576) | (56,877) | 16,639 | - | (123,814) |
| Cash, restricted cash and restricted reserves, beginning of year | 1,836,137 | 614,840 | 52,830 | - | 2,503,807 |
| Cash, restricted cash and restricted reserves, end of year | \$ 1,752,561 | \$ 557,963 | \$ 69,469 | \$ - | \$ 2,379,993 |
| Supplementary information: | | | | | |
| Cash paid for interest | \$ 12,415 | \$ - | \$ - | \$ - | \$ 12,415 |
| Non-cash investing and financing activities: | | | | | |
| Assets acquired by assuming current liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| Lease assets obtained in exchange for lease obligations – operating lease | \$ 19,083 | \$ - | \$ - | \$ - | \$ 19,083 |
| Cash, including restricted cash | \$ 1,334,143 | \$ 96,408 | \$ 22,410 | \$ - | \$ 1,452,961 |
| Restricted reserves | 418,418 | 461,555 | 47,059 | - | 927,032 |
| Total cash, restricted cash, and restricted reserves shown in the consolidating schedule of cash flows | \$ 1,752,561 | \$ 557,963 | \$ 69,469 | \$ - | \$ 2,379,993 |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

| | 2023 (As Restated – see Note 10) | | | | |
|--|----------------------------------|--------------|---------------|--------------|--------------|
| | DSCS | DOHO | Marty's Place | Eliminations | Total |
| Cash flows from operating activities: | | | | | |
| Change in net assets | \$ 148,925 | \$ (330,512) | \$ 53,451 | \$ 277,061 | \$ 148,925 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | | |
| Depreciation | 258,294 | 102,657 | 13,276 | - | 374,227 |
| Amortization of right-of-use assets – operating lease | 369,908 | - | - | - | 369,908 |
| Interest – amortization of refinancing costs | 1,347 | - | - | - | 1,347 |
| Write off of receivables | 2,195 | - | - | - | 2,195 |
| Investment losses from limited liability companies | 277,061 | - | - | (277,061) | - |
| (Increase) decrease in assets: | | | | | |
| Contributions receivable: | | | | | |
| Government | (1,330,587) | 5,724 | - | - | (1,324,863) |
| Foundations, corporations, and individuals | 193,120 | - | - | - | 193,120 |
| Related-party receivable | (178,104) | - | 15,345 | 162,759 | - |
| Other receivables | 31,310 | - | - | - | 31,310 |
| Prepaid expenses | 46,144 | - | - | - | 46,144 |
| Deposits and other assets | (132) | - | - | - | (132) |
| Increase (decrease) in liabilities: | | | | | |
| Accounts payable and accrued expenses | 433,002 | 26,528 | 840 | - | 460,370 |
| Related-party payable | (15,345) | 216,380 | (38,276) | (162,759) | - |
| Payroll and related liabilities | (5,114) | - | - | - | (5,114) |
| Tenant security deposits | (283) | 45 | - | - | (238) |
| Deferred revenue | 310,849 | 526 | - | - | 311,375 |
| Operating lease liability | (297,361) | - | - | - | (297,361) |
| Interest payable | - | 129,552 | - | - | 129,552 |
| Net cash provided by operating activities | 245,229 | 150,900 | 44,636 | - | 440,765 |
| Cash flows from investing activity: | | | | | |
| Purchase of property and equipment | (158,283) | (33,270) | - | - | (191,553) |
| Net cash used in investing activity | (158,283) | (33,270) | - | - | (191,553) |
| Cash flows from financing activity: | | | | | |
| Payments of notes payable | (18,357) | - | - | - | (18,357) |
| Payment of construction payable | (212,313) | - | - | - | (212,313) |
| Net cash used in financing activity | (230,670) | - | - | - | (230,670) |
| Net increase (decrease) in cash, restricted cash and restricted reserves | (143,724) | 117,630 | 44,636 | - | 18,542 |
| Cash, restricted cash and restricted reserves, beginning of year | 1,979,861 | 497,210 | 8,194 | - | 2,485,265 |
| Cash, restricted cash and restricted reserves, end of year | \$ 1,836,137 | \$ 614,840 | \$ 52,830 | \$ - | \$ 2,503,807 |
| Supplementary information: | | | | | |
| Cash paid for interest | \$ 13,570 | \$ - | \$ - | \$ - | \$ 13,570 |
| Non-cash investing and financing activities: | | | | | |
| Assets acquired by assuming current liabilities | \$ 59,714 | \$ - | \$ - | \$ - | \$ 59,714 |
| Lease assets obtained in exchange for lease obligations – operating lease | \$ 3,225,698 | \$ - | \$ - | \$ - | \$ 3,225,698 |
| Cash, including restricted cash | \$ 1,442,247 | \$ 215,204 | \$ 5,814 | \$ - | \$ 1,663,265 |
| Restricted reserves | 393,890 | 399,636 | 47,016 | - | 840,542 |
| Total cash, restricted cash, and restricted reserves shown in the consolidating schedule of cash flows | \$ 1,836,137 | \$ 614,840 | \$ 52,830 | \$ - | \$ 2,503,807 |

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
FOR RICHARD M. COHEN RESIDENCE**

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF OPERATING REVENUE

RICHARD M. COHEN RESIDENCE

YEAR ENDED JUNE 30, 2024

| | | |
|------|--|--------------------------|
| | Rent revenue: | |
| 5120 | Gross potential tenant rents | \$ 214,777 |
| 5121 | Rental assistance payments (inc. LOSP) | 760,978 |
| 5140 | Commercial unit rents | - |
| | Total rent revenue | <u>975,755</u> |
| | Vacancies: | |
| 5220 | Apartments | 197,135 |
| 5240 | Stores & commercial | - |
| | Total vacancies | <u>197,135</u> |
| | Net rental revenue (rent revenue less vacancies) | <u>778,620</u> |
| | Other revenue: | |
| 5170 | Rent revenue – garage and parking | - |
| 5190 | Miscellaneous rent revenue | - |
| 5300 | Supportive services income | - |
| 5400 | Interest revenue – project operations (from operating accounts only) | 2,035 |
| 5400 | Interest revenue – project operations (from all other accounts only) | 15,528 |
| 5910 | Laundry and vending revenue | - |
| 5920 | Tenant charges | - |
| 5990 | Miscellaneous revenue | - |
| | Total other revenue | <u>17,563</u> |
| | Total operating revenue | <u><u>\$ 796,183</u></u> |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF OPERATING EXPENSES

RICHARD M. COHEN RESIDENCE

YEAR ENDED JUNE 30, 2024

| | | |
|------|---|----------------|
| | Management: | |
| 6320 | Management fees | \$ - |
| | “Above the line” asset management fee | - |
| | Total management expenses | <u>-</u> |
| | Salaries and benefits: | |
| 6310 | Office salaries | 307,521 |
| 6330 | Manager’s salary | 76,000 |
| 6723 | Employee benefits: health insurance and disability insurance | 48,850 |
| | Employee benefits: retirement and other salary/benefit expenses | 37,920 |
| 6331 | Administrative rent free unit | - |
| | Total salaries/benefit expenses | <u>470,291</u> |
| | Administration: | |
| 6210 | Advertising and marketing | - |
| 6311 | Office expenses | 11,636 |
| 6312 | Office rent | 1,009 |
| 6340 | Legal expense – property | 2,551 |
| 6350 | Audit expense | - |
| 6351 | Bookkeeping/accounting services | - |
| 6370 | Bad debts | - |
| 6390 | Miscellaneous administrative expenses | 13,162 |
| | Total administration expenses | <u>28,358</u> |
| | Utilities: | |
| 6450 | Electricity | 10,652 |
| 6451 | Water | 9,567 |
| 6452 | Gas | 1,249 |
| 6453 | Sewer | - |
| | Total utilities expenses | <u>21,468</u> |
| | Taxes and licenses: | |
| 6710 | Real estate taxes | - |
| 6711 | Payroll taxes | 36,108 |
| 6719 | Miscellaneous taxes, licenses and permits | 1,785 |
| | Total taxes and licenses expenses | <u>37,893</u> |
| | Insurance: | |
| 6720 | Property and liability insurance | 10,200 |
| 6721 | Fidelity bond insurance | - |
| 6722 | Workers’ compensation | 8,980 |
| 6724 | Directors and officers liabilities insurance | - |
| | Total insurance expenses | <u>19,180</u> |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF OPERATING EXPENSES

RICHARD M. COHEN RESIDENCE

YEAR ENDED JUNE 30, 2024

| | | |
|------|--|------------------|
| | Maintenance and repairs: | |
| 6510 | Payroll | 40,682 |
| 6515 | Supplies | 24,310 |
| 6520 | Contracts | 27,774 |
| 6525 | Garbage and trash removal | 10,635 |
| 6530 | Security payroll/contract | - |
| 6546 | HVAC repairs and maintenance | - |
| 6570 | Vehicle and maintenance equipment operation and repairs | 2,233 |
| 6590 | Miscellaneous operating and maintenance expenses | 35,195 |
| | Total maintenance and repairs expenses | <u>140,829</u> |
| 6900 | Supportive services | <u>-</u> |
| | Capital and non-capital expenditures to be reimbursed from replacement reserve | <u>-</u> |
| | Total operating expenses | <u>718,019</u> |
| | Financial expenses: | |
| 6820 | Interest on first mortgage (or bonds) payable | - |
| 6825 | Interest on other mortgages | - |
| 6830 | Interest on notes payable (long term) | - |
| 6840 | Interest on notes payable (short term) | - |
| 6850 | Mortgage insurance premium/service charge | - |
| 6890 | Loss on derivative financial instrument | - |
| | Total financial expenses | <u>-</u> |
| 6000 | Total cost of operations before depreciation | <u>718,019</u> |
| 5060 | Operating profit (loss) | <u>78,164</u> |
| | Depreciation and amortization expenses | |
| 6600 | Depreciation expense | - |
| 6610 | Amortization expense | <u>-</u> |
| | Operating income (loss) after depreciation and amortization | <u>78,164</u> |
| | Net entity (income) expenses: | |
| 7190 | Investor asset management fee | - |
| 7190 | Partnership management fee | - |
| 7190 | Incentive management fee | - |
| 7190 | Bond issuer fees | - |
| 7190 | Ground lease | - |
| 7190 | Net effect on other comprehensive income from cash flow hedging | - |
| | Net entity expenses | <u>-</u> |
| 3250 | Change in total net assets from operations | <u>\$ 78,164</u> |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Corporation)
 COMPUTATION OF OPERATING CASH FLOW/SURPLUS CASH (DEFICIT)
 RICHARD M. COHEN RESIDENCE
 YEAR ENDED JUNE 30, 2024

| | |
|--|-------------------------|
| Operating revenue | \$ 796,183 |
| Less: interest earned on restricted accounts | <u>(15,528)</u> |
| Adjusted operating revenue | 780,655 |
| Operating expenses | <u>(718,019)</u> |
| Adjusted operating income (loss) | 62,636 |
| Other activities: | |
| Deposits to the replacement reserve | <u>(9,000)</u> |
| Surplus | <u><u>\$ 53,636</u></u> |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SUMMARY OF RESERVE ACTIVITY

RICHARD M. COHEN RESIDENCE

YEAR ENDED JUNE 30, 2024

| | <i>Replacement Reserve</i> | <i>Operating Reserve</i> |
|------------------------|--------------------------------|------------------------------|
| Balance, June 30, 2023 | \$ 120,157 | \$ 273,733 |
| Required deposits | 9,000 | - |
| Interest earned | 4,732 | 10,796 |
| Bank fees | - | - |
| Balance, June 30, 2024 | <u>\$ 133,889</u> | <u>\$ 284,529</u> |

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
FOR DOLORES HOTEL (CASA QUEZADA)**

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF OPERATING REVENUE

DOLORES HOTEL (CASA QUEZADA)

YEAR ENDED JUNE 30, 2024

| | | |
|------|--|----------------------------|
| | Rent revenue: | |
| 5120 | Gross potential tenant rents | \$ 75,878 |
| 5121 | Rental assistance payments (inc. LOSP) | 896,302 |
| 5140 | Commercial unit rents | - |
| | Total rent revenue | <u>972,180</u> |
| | Vacancies: | |
| 5220 | Apartments | 12,040 |
| 5240 | Stores & commercial | - |
| | Total vacancies | <u>12,040</u> |
| | Net rental revenue (rent revenue less vacancies) | <u>960,140</u> |
| | Other revenue: | |
| 5170 | Rent revenue – garage and parking | - |
| 5190 | Miscellaneous rent revenue | - |
| 5300 | Supportive services income | - |
| 5400 | Interest revenue – project operations (from operating accounts only) | 46 |
| 5400 | Interest revenue – project operations (from all other accounts only) | 4,833 |
| 5910 | Laundry and vending revenue | 2,710 |
| 5920 | Tenant charges | - |
| 5990 | Miscellaneous revenue | 80,778 |
| | Total other revenue | <u>88,367</u> |
| | Total operating revenue | <u><u>\$ 1,048,507</u></u> |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF OPERATING EXPENSES

DOLORES HOTEL (CASA QUEZADA)

YEAR ENDED JUNE 30, 2024

| | | |
|------|---|----------------|
| | Management: | |
| 6320 | Management fees | \$ 65,061 |
| | “Above the line” asset management fee | 17,849 |
| | Total management expenses | <u>82,910</u> |
| | Salaries and benefits: | |
| 6310 | Office salaries | 289,603 |
| 6330 | Manager’s salary | 71,514 |
| 6723 | Employee benefits: health insurance and disability insurance | 62,454 |
| | Employee benefits: retirement and other salary/benefit expenses | 57,664 |
| 6331 | Administrative rent free unit | - |
| | Total salaries/benefit expenses | <u>481,235</u> |
| | Administration: | |
| 6210 | Advertising and marketing | - |
| 6311 | Office expenses | 14,145 |
| 6312 | Office rent | 277 |
| 6340 | Legal expense – property | 9,689 |
| 6350 | Audit expense | - |
| 6351 | Bookkeeping/accounting services | - |
| 6370 | Bad debts | - |
| 6390 | Miscellaneous administrative expenses | 808 |
| | Total administration expenses | <u>24,919</u> |
| | Utilities: | |
| 6450 | Electricity | 29,223 |
| 6451 | Water | 24,473 |
| 6452 | Gas | 8,863 |
| 6453 | Sewer | - |
| | Total utilities expenses | <u>62,559</u> |
| | Taxes and licenses: | |
| 6710 | Real estate taxes | 9,062 |
| 6711 | Payroll taxes | 47,682 |
| 6719 | Miscellaneous taxes, licenses and permits | 44 |
| | Total taxes and licenses expenses | <u>56,788</u> |
| | Insurance: | |
| 6720 | Property and liability insurance | 30,807 |
| 6721 | Fidelity bond insurance | - |
| 6722 | Workers’ compensation | 11,845 |
| 6724 | Directors and officers liabilities insurance | - |
| | Total insurance expenses | <u>42,652</u> |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF OPERATING EXPENSES

DOLORES HOTEL (CASA QUEZADA)

YEAR ENDED JUNE 30, 2024

| | | |
|------|--|---------------------|
| | Maintenance and repairs: | |
| 6510 | Payroll | 203,606 |
| 6515 | Supplies | 29,410 |
| 6520 | Contracts | 11,607 |
| 6525 | Garbage and trash removal | 16,754 |
| 6530 | Security payroll/contract | 52,509 |
| 6546 | HVAC repairs and maintenance | - |
| 6570 | Vehicle and maintenance equipment operation and repairs | 1,299 |
| 6590 | Miscellaneous operating and maintenance expenses | 135,540 |
| | Total maintenance and repairs expenses | <u>450,725</u> |
| 6900 | Supportive services | <u>-</u> |
| | Capital and non-capital expenditures to be reimbursed from replacement reserve | <u>-</u> |
| | Total operating expenses | <u>1,201,788</u> |
| | Financial expenses: | |
| 6820 | Interest on first mortgage (or bonds) payable | - |
| 6825 | Interest on other mortgages | - |
| 6830 | Interest on notes payable (long term) | - |
| 6840 | Interest on notes payable (short term) | - |
| 6850 | Mortgage insurance premium/service charge | - |
| 6890 | Loss on derivative financial instrument | - |
| | Total financial expenses | <u>-</u> |
| 6000 | Total cost of operations before depreciation | <u>1,201,788</u> |
| 5060 | Operating profit (loss) | <u>(153,281)</u> |
| | Depreciation and amortization expenses | |
| 6600 | Depreciation expense | - |
| 6610 | Amortization expense | <u>-</u> |
| | Operating income (loss) after depreciation and amortization | <u>(153,281)</u> |
| | Net entity (income) expenses: | |
| 7190 | Investor asset management fee | - |
| 7190 | Partnership management fee | - |
| 7190 | Incentive management fee | - |
| 7190 | Bond issuer fees | - |
| 7190 | Ground lease | - |
| 7190 | Net effect on other comprehensive income from cash flow hedging | - |
| | Net entity expenses | <u>-</u> |
| 3250 | Change in total net assets from operations | <u>\$ (153,281)</u> |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Corporation)
 COMPUTATION OF OPERATING CASH FLOW/SURPLUS CASH (DEFICIT)
 DOLORES HOTEL (CASA QUEZADA)
 YEAR ENDED JUNE 30, 2024

| | |
|---|----------------------------|
| Operating income | \$ 1,048,507 |
| Less: interest earned on restricted accounts | <u>(4,833)</u> |
| Adjusted operating revenue | 1,043,674 |
| Operating expenses | <u>(1,201,788)</u> |
| Adjusted operating income (loss) | (158,114) |
| Other activities: | |
| Deposits to the replacement reserve | (20,930) |
| Deposits to the operating reserve | (36,156) |
| Deposits to the operating reserve subsequent to year end ⁽¹⁾ | <u>(20,027)</u> |
| Deficit | <u><u>\$ (235,227)</u></u> |

- ⁽¹⁾ The underfunded amount of \$20,027 for required deposit during 2024 is expected to be funded subsequent to June 30, 2024.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SUMMARY OF RESERVE ACTIVITY

DOLORES HOTEL (CASA QUEZADA)

YEAR ENDED JUNE 30, 2024

| | <i>Replacement Reserve</i> | <i>Operating Reserve ⁽¹⁾</i> | <i>LOSP Subsidy Reserve</i> |
|------------------------|--------------------------------|---|---------------------------------|
| Balance, June 30, 2023 | \$ 194,738 | \$ 195,871 | \$ 9,027 |
| Required deposits | 20,930 | 36,156 | - |
| Interest earned | 2,496 | 2,329 | 8 |
| Withdrawals | - | - | - |
| Balance, June 30, 2024 | <u>\$ 218,164</u> | <u>\$ 234,356</u> | <u>\$ 9,035</u> |

- ⁽¹⁾ No less than annually, DOHO must make additional deposits, if necessary, to bring the balance in the account to an amount equal to 25% of the prior year's actual expenses. The operating reserve was underfunded by \$1,250 and \$10,458 for June 30, 2023 and June 30, 2022, respectively. For the year ended June 30, 2022, DSCS has requested a waiver for the underfunded amount because of expected higher amount of operating expenses due to COVID-19 but the waiver was denied in the year 2023. There were no deposits made for the underfunding in 2022 and 2023. The operating reserve was underfunded by \$20,027 in 2024. The underfunded amounts are expected to be deposited subsequent to June 30, 2024. The Organization has requested an increase in funds to fund the operating reserve and increase in operating costs.

Board of Directors
Dolores Street Community Services, Inc.
San Francisco, California

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Dolores Street Community Services, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated _____, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiency in internal control described in the accompanying Schedule of Findings, Questioned Costs, and Recommendations as Finding No. 2024-001 and 2024-002 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dolores Street Community Services, Inc. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Dolores Street Community Services, Inc. and Subsidiaries' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Dolores Street Community Services, Inc. and Subsidiaries' response to the findings identified in our audit and described in the accompanying schedule of findings, questioned costs and recommendations. Dolores Street Community Services, Inc. and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 Dolores Street Community Services, Inc. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dolores Street Community Services, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TENTATIVE & PRELIMINARY
For Discussion Purposes Only

_____, 2025

Board of Directors
Dolores Street Community Services, Inc.
San Francisco, California

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

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Dolores Street Community Services, Inc. and Subsidiaries’ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Dolores Street Community Services, Inc. and Subsidiaries’ major federal program for the year ended June 30, 2024. Dolores Street Community Services, Inc. and Subsidiaries’ major federal program are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Dolores Street Community Services, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2024.

Basis for Opinion on 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 standards 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 Dolores Street Community Services, Inc. and Subsidiaries 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 Dolores Street Community Services, Inc. and Subsidiaries’ compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to Dolores Street Community Services, Inc. and Subsidiaries' 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 Dolores Street Community Services, Inc. and Subsidiaries' 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 Dolores Street Community Services, Inc. and Subsidiaries' 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 Dolores Street Community Services, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Dolores Street Community Services, Inc. and Subsidiaries' 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 Dolores Street Community Services, Inc. and Subsidiaries' 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.

TENTATIVE & PRELIMINARY For Discussion Purposes Only

_____, 2025

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

| <i>Federal Grantor/Pass-Through Grantor/ Program Title</i> | <i>Assistance Listing Number</i> | <i>Agency or Pass-Through Number</i> | <i>Federal Expenditures</i> | <i>Expenditures to Subrecipients</i> |
|--|--|--|---------------------------------|--|
| <u>Department of Housing and Urban Development:</u> | | | | |
| CDBG – Entitlement Grants Cluster: | | | | |
| Community Development Block | | | | |
| Grants/Entitlement Grants (CDBG): | | | | |
| Pass-through awards from the City and | | | | |
| County of San Francisco: | | | | |
| Prior year loan for which | | | | |
| continuing compliance is | | | | |
| required | 14.218 | N/A | \$ 3,235,530 | \$ - |
| Pass-through awards from the | | | | |
| City and County of San | | | | |
| Francisco – capital grant | 14.218 | N/A | 15,558 | - |
| Total CDBG – Entitlement | | | | |
| Grants Cluster | | | 3,251,088 | - |
| Economic Development Initiative – Special Project, | | | | |
| Neighborhood Initiative and Miscellaneous | | | | |
| Grants: | | | | |
| Pass-through loan from the City and County of | | | | |
| San Francisco in prior year for which | | | | |
| continuing compliance is required: | 14.251 | N/A | 525,280 | - |
| HOME Investment Partnerships Program: | | | | |
| Pass-through loan from the City and County of | | | | |
| San Francisco in prior year for which | | | | |
| continuing compliance is required | 14.239 | N/A | 557,537 | - |
| Continuum of Care Program: | | | | |
| Pass-through awards from the City and County | | | | |
| of San Francisco | 14.267 | E15MC060016 | 55,000 | - |
| Housing Opportunities for Persons with AIDS | | | | |
| (HOPWA): | | | | |
| Pass-through awards from the City and County | | | | |
| of San Francisco | 14.241 | CAH22F003 | 399,481 | - |
| Pass-through loan from the City and County of | | | | |
| San Francisco in prior year for which | | | | |
| continuing compliance is required | 14.241 | N/A | 372,477 | - |
| Total HOPWA | | | 771,958 | - |
| Section 8 Project-Based Cluster: | | | | |
| Section 8 Moderate Rehabilitation Single | | | | |
| Room Occupancy: | | | | |
| Pass-through awards from the SF Housing | | | | |
| Authority | 14.249 | CA001SROO010 | 69,361 | - |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

| <i>Federal Grantor/Pass-Through Grantor/ Program Title</i> | <i>Assistance Listing Number</i> | <i>Agency or Pass-Through Number</i> | <i>Federal Expenditures</i> | <i>Expenditures to Subrecipients</i> |
|--|--|--|---------------------------------|--|
| Total Section 8 Project-Based Cluster | | | 69,361 | - |
| Total Department of Housing and Urban Development | | | 5,230,244 | - |
| <u>Department of Health and Human Services:</u> | | | | |
| HIV Formula Grants: | | | | |
| Pass-through awards from the SF Department of Public Health | 93.917 | N/A | 146,607 | - |
| Pass-through awards from the SF Department of Public Health | 93.917 | HCA016/1100 | 64,543 | - |
| Total HIV Formula Grants | | | 211,150 | - |
| Total Department of Health and Human Services | | | 211,150 | - |
| <u>Department of Homeland Security:</u> | | | | |
| Emergency Food and Shelter National Board Program: | | | | |
| Pass-through awards from United Way Bay Area | 97.024 | N/A | 19,000 | - |
| Total Department of Homeland Security | | | 19,000 | - |
| TOTAL FEDERAL AWARDS | | | \$ 5,460,374 | \$ - |

DOLORS STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant and loan activities of Dolores Street Community Services, Inc. and Subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. The purpose of the Schedule is to present a summary of those activities of Dolores Street Community Services, Inc. and Subsidiaries for the year ended June 30, 2024, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between Dolores Street Community Services, Inc. and Subsidiaries and the federal government. Dolores Street Community Services, Inc. and Subsidiaries did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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 – PRIOR YEARS' EXPENDITURES

The accompanying Schedule of Expenditures of Federal Awards includes \$4,690,824 in expenditures from prior years for which continuing compliance is required.

NOTE 4 – YEAR-END LOAN BALANCES

The loan balances outstanding at year-end are summarized as follows:

| | |
|---|----------------------------|
| Community Development Block Grant Program | \$ 3,235,530 |
| HOME Investment Partnerships Program | 557,537 |
| Housing Opportunities for Persons with AIDS Program | 372,477 |
| Economic Development Initiative – Special Project | <u>525,280</u> |
| Total | <u><u>\$ 4,690,824</u></u> |

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified that are not considered
to be material weakness(es)?

 Yes X No

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified that are not considered
to be material weakness(es)?

 Yes X No

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with Section 200.516 of the Uniform Guidance?

 Yes X No

Identification of major programs:

Name of Federal Program or Cluster

AL #14.218

CDBG – Entitlement Grants Cluster

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Section II – Financial Statement Findings

Finding No. 2024-001 – Prior Period Adjustment Material to the Financial Statements

Condition:

The Organization recorded the cost of improvements related to Casa Esperanza and Mission Inn during the years 2022 and 2023 as leasehold improvements, amounting to \$2,789,981 which should have been recorded as advances to CCSF instead. This resulted in a corresponding increase in revenue and depreciation expense of \$2,544,590 and \$396,164, respectively during 2023. The balance of net assets was also overstated by \$245,391 as of June 30, 2022 as a result of the error.

Criteria:

Management is responsible for the preparation and fair representation of the financial statements in accordance with accounting principles generally accepted in the United States of America, including the improvements to be properly recognized based on who owns the title to the property.

Effect:

The auditor proposed adjusting journal entries to correct the error in the previously issued consolidated financial statements for the year ended June 30, 2023 that was material to the Organization's consolidated financial statements, which according to auditing standards generally accepted in the United States, resulted in a de facto material weakness finding in internal control. In 2023, the leasehold improvements, income from capital expenses, and depreciation were overstated by \$2,789,981, \$2,544,590, and \$396,164, respectively as of and for the year ended June 30, 2023.

Cause:

The Organization was not able to properly clarify and assess the terms of their contract with the City and County of San Francisco regarding the cost of improvements for Casa Esperanza and Mission Inn in a timely manner. Although the Organization was aware that DSCS does not own the properties and is only responsible for property management of these projects, the interpretation of ownership of the leasehold improvements and arrangement for reimbursement of costs related to such improvements were assessed and accounted for incorrectly.

Recommendation:

Management should consider evaluating its existing internal controls over contracts and agreements, including conducting thorough review of the unique scenarios and nature of transactions to ensure that they are properly recorded and accounted for.

Views of Responsible Officials and Planned Corrective Actions:

To be provided.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Finding No. 2024-002 – Proposed Auditor Adjustments Material to the Financial Statements

Condition:

The Organization recorded various conditional contributions in the amount of \$913,791 as deferred revenue which should have been recorded as revenue instead as of June 30, 2024.

Criteria:

In accordance with accounting principles generally accepted in the United States, an unconditional promise to give shall be recognized as contribution revenue when the promise to give has been effectively communicated, either orally or in writing, and without regard of when the cash is actually received. Conditional promises to give shall be recognized as contribution revenue when the conditions are substantially met.

Effect:

The auditor proposed adjusting journal entries to reduce deferred revenues in the total amount of \$913,791 that was material to the Organization's consolidated financial statements, which according to auditing standards generally accepted in the United States, resulted in a de facto material weakness finding in internal control.

Cause:

Although the Organization does have written policies and procedures regarding the recognition of contribution revenue, and for the year-end financial accounting closing process, these procedures were not sufficient in scope to have prevented the auditor proposed adjustments.

Recommendation:

Management should consider revising their current policies and procedures to ensure all conditional contributions are recorded in the appropriate accounting period when the conditions are substantially met and establish a more effective channel of timely communication with their outside accountants.

The Organization administers a wide variety of complex programs, which are generally funded by government grants, or contributions from private foundations, corporate sponsors and other public sources. There should be an effective process whereby program managers and senior management meet and discuss grants as they are awarded to determine the appropriate accounting treatment, and then to timely communicate decisions with their outside accounting firm. This process should be extended to those types of awards that would qualify as a fiscal agency arrangement, which has its own unique accounting requirements.

Views of Responsible Officials and Planned Corrective Actions:

To be provided.

Section III – Federal Awards Findings and Questioned Costs

None noted.

DOLORES STREET COMMUNITY SERVICES, INC. AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

Finding No. 2023-001 – Proposed Auditor Adjustments Material to the Financial Statements

Condition:

This finding was a material weakness stating that the Organization recorded various conditional contributions in the amount of \$184,624 as revenue which should have been recorded as deferred revenue instead as of June 30, 2023.

Recommendation:

The auditor recommended that management consider revising their current policies and procedures to ensure all conditional contributions are recorded in the appropriate accounting period when the conditions are substantially met and establish a more effective channel of timely communication with their outside accountants.

Current Status:

The recommendation was adopted for the fiscal year 2024. However, a related finding (see Finding No. 2024-002) between proper recognition of deferred revenue versus revenue from conditional contributions was noted in the 2024 audit.

Reason for Findings Recurrence:

The Organization has just adopted updates related to their internal review procedures for contract revenue review and transitioned to an in-house Finance Department, whose functions were previously handled by an outside accounting firm. The transition may have factored to the recurrence as the new procedures are being implemented.

Corrective Action Taken to Date:

Management concurred with the recommendation and updated their internal review procedures, which included the review of contributions for conditions. Some cash received for conditional contributions have been initially recognized as deferred revenue.

Remaining Corrective Actions:

Management should continue its implementation of the planned enhanced contract revenue review. They should continue to focus on accurately determining and identifying the contracts for any performance obligations and conditions and recognizing revenue upon the satisfaction of these obligations and conditions.