Conard House, Inc. and Related Organizations

Consolidated Financial Statements
(With Supplementary Information),
Schedule of Expenditures of Federal Awards,
Internal Control and Compliance
and Independent Auditor's Report

June 30, 2022 and 2021

CohnReznick
ADVISORY • ASSURANCE • TAX

Conard House, Inc. and Related Organizations

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Independent Auditor's Report

To the Board of Directors
Conard House, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Conard House, Inc. and Related Organizations (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, support and revenue and expenses by program, functional expenses, support and revenue and expenses - supportive housing program, functional expenses - supportive housing program and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Conard House, Inc. and Related Organizations as of June 30, 2022 and 2021, 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*, 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 Conard House, Inc. and Related Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Conard House, Inc. and Related Organizations' ability to continue as a going concern for 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 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 Conard House, Inc. and Related Organizations' 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 Conard House, Inc. and Related Organizations' 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 consolidating statements and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 GAAS. In our opinion, the consolidating statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2023, on our consideration of Conard House, Inc. and Related Organizations' 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 Conard House, Inc. and Related Organizations' 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 Conard House, Inc. and Related Organizations' internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
December 30, 2023

Conard House, Inc. and Related Organizations

Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 518,901	$ 1,602,084
Contracts, fees and rent receivables	3,168,096	1,640,589
Other receivables	185,559	47,159
Prepaid expenses	239,926	102,742
Total current assets	4,112,482	3,392,574
Fixed assets, net	19,076,577	11,283,141
Other assets		
Restricted cash	5,014,655	5,285,171
Deposits	21,477	39,649
Security deposits	109,381	86,674
Intangible assets, net	41,136	71,032
Funds held in trust	1,065,383	890,808
Total other assets	6,252,032	6,373,334
Total assets	$ 29,441,091	$ 21,049,049
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	$ 1,767,907	$ 1,772,356
Deferred revenue	299,050	31,577
Accrued interest	2,448,194	2,420,261
Long-term debt - current portion	4,177,586	4,177,586
Total current liabilities	8,692,737	8,401,780
Line of credit	1,200,000	1,500,000
Long-term debt, net	18,404,941	10,512,928
Security deposits	105,966	84,259
Tenant move-out reserve	111,139	111,139
Deferred interest	527,445	395,127
Funds held in trust	1,065,383	890,808
Total liabilities	30,107,611	21,896,041
Commitments and contingencies		
Net assets (deficit)		
Without donor restrictions	(3,777,840)	(4,025,899)
With donor restrictions	3,111,320	3,178,907
Total net assets (deficit)	(666,520)	(846,992)
Total liabilities and net assets (deficit)	$ 29,441,091	$ 21,049,049

See Notes to the Consolidated Financial Statements.

Conard House, Inc. and Related Organizations

Consolidated Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Governmental Support:			
SF Department of Public Health	$ 9,662,263	$ -	$ 9,662,263
SF HSH & HSA	4,680,317	-	4,680,317
HUD rental assistance - Shelter Plus Care & Section 8	2,751,492	-	2,751,492
Other governmental revenue	-	-	-
Contributions	155,538	-	155,538
Grants	317,197	-	317,197
Rental income	2,045,049	-	2,045,049
Interest income	4,480	-	4,480
Debt forgiveness	77,856	-	77,856
Developer fee income	145,898	-	145,898
Other income	215,923	-	215,923
Net assets released from restrictions			
Satisfaction of donor's restrictions	67,587	(67,587)	-
Total support and revenue	20,123,600	(67,587)	20,056,013
EXPENSES			
Program:			
DPH supportive housing	12,340,569	-	12,340,569
HSH supportive housing	4,365,609	-	4,365,609
DPH-HSA representative payee services	325,187	-	325,187
Lyric Housing Associates	1,146,157	-	1,146,157
Inter-program charges	(2,268,299)	-	(2,268,299)
Total program	15,909,223	-	15,909,223
Management and general	3,670,603	-	3,670,603
Fundraising	295,715	-	295,715
Total expenses	19,875,541	-	19,875,541
Change in net assets	248,059	(67,587)	180,472
Net assets, beginning of year	(4,025,899)	3,178,907	(846,992)
Net assets, end of year	$ (3,777,840)	$ 3,111,320	$ (666,520)

See Notes to the Consolidated Financial Statements.

Conard House, Inc. and Related Organizations

Consolidated Statement of Activities and
Changes in Net Assets
For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Governmental Support:			
SF Department of Public Health	$ 7,370,077	$ -	$ 7,370,077
SF HSH & HSA	4,602,170	-	4,602,170
HUD rental assistance - Shelter Plus Care & Section 8	2,286,354	-	2,286,354
Other governmental revenue	-	-	-
Contributions	111,634	-	111,634
Grants	14,976	-	14,976
Rental income	2,581,711	-	2,581,711
Interest income	4,775	-	4,775
Debt forgiveness	77,856	-	77,856
Other income	879,621	-	879,621
Net assets released from restrictions			
Satisfaction of donor's restrictions	67,587	(67,587)	-
Total support and revenue	17,996,761	(67,587)	17,929,174
EXPENSES			
Program:			
DPH supportive housing	9,879,035	-	9,879,035
HSH supportive housing	5,587,515	-	5,587,515
DPH-HSA representative payee services	1,952,701	-	1,952,701
Lyric Housing Associates	1,085,188	-	1,085,188
Inter-program charges	(2,208,776)	-	(2,208,776)
Total program	16,295,663	-	16,295,663
Management and general	1,460,269	-	1,460,269
Fundraising	159,714	-	159,714
Total expenses	17,915,646	-	17,915,646
Change in net assets	81,115	(67,587)	13,528
Net assets, beginning of year	(4,107,014)	3,246,494	(860,520)
Net assets, end of year	$ (4,025,899)	$ 3,178,907	$ (846,992)

See Notes to the Consolidated Financial Statements.

Conard House, Inc. and Related Organizations

Consolidated Statement of Support and Revenue and Expenses by Program
For the Year Ended June 30, 2022

	Program						Management and General						
	DPH Supportive Housing	HSH Supportive Housing	DPH - HSA Representative Payee Services	Lyric Housing Associates	Inter-Program Charges	Total	General	Administration	Real Estate Management	Inter-Program Charges	Total	Fundraising	FYE 2022 Total
SUPPORT AND REVENUE													
Governmental support:													
SF Department of Public Health	$ 9,662,263	$ -	$ -	$ -	$ -	$ 9,662,263	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,662,263
SF HSH & HSA	-	4,341,068	339,249	-	-	4,680,317	-	-	-	-	-	-	4,680,317
HUD rental assistance -													
Shelter Plus Care & Section 8	1,893,635	-	-	857,857	-	2,751,492	-	-	-	-	-	-	2,751,492
SF DPH Subsidy	1,803,271	-	-	-	(1,803,271)	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-		-	-	-	-	155,538	155,538
Grants	-	-	317,197	-	-	317,197	-	-	-	-	-	-	317,197
Rental income	1,455,883	689,590	-	127,122	(227,546)	2,045,049	-	-	-	-	-	-	2,045,049
Interest income	4,042	-	-	438	-	4,480	-	-	-	-	-	-	4,480
Debt forgiveness	77,856	-	-	-	-	77,856	-	-	-	-	-	-	77,856
Equity in losses of Lyric Housing Asssociates	-	-	-	-	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-		-	-	-	237,482	(237,482)	-	-	-
Other income	162,800	6,005	286	554	-	169,645	177,109	11,646	72,209	(112,251)	148,713	43,463	361,821
Total support and revenue	15,059,750	5,036,663	656,732	985,971	(2,030,817)	19,708,299	177,109	11,646	309,691	(349,733)	148,713	199,001	20,056,013
EXPENSES	12,340,569	4,365,609	325,187	1,146,157	(2,268,299)	15,909,223	248,563	2,530,302	891,738	-	3,670,603	295,715	19,875,541
Change in net assets	$ 2,719,181	$ 671,054	$ 331,545	$ (160,186)	$ 237,482	$ 3,799,076	$ (71,454)	$ (2,518,656)	$ (582,047)	$ (349,733)	$ (3,521,890)	$ (96,714)	$ 180,472

See Notes to the Consolidated Financial Statements.

Conard House, Inc. and Related Organizations

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program						Management and General					
	DPH Supportive Housing	HSH Supportive Housing	DPH - HSA Representative Payee Services	Lyric Housing Associates	Inter-Program Charges	Total	General	Administration	Real Estate Management	Total	Fundraising	FYE 2022 Total
EXPENSES:												
Salaries	$ 3,695,812	$ 944,006	$ 165,505	$ 400,772	$ -	$ 5,206,095	$ 86,212	$ 2,450,754	$ 535,796	$ 3,072,762	$ 103,979	$ 8,382,836
Payroll taxes and employee benefits	1,192,218	357,323	45,450	86,564	-	1,681,555	30,464	746,713	157,740	934,917	21,951	2,638,423
Consultation	19,751	10,171	800	13,787		44,509	-	41,891	350	42,241	8,955	95,705
Legal and accounting fees	175,434	183,475	132	25,084	-	384,125	-	89,437	77	89,514	-	473,639
Management fees	304,913	91,849	-	57,557	(237,482)	216,837	-	-	-	-	-	216,837
Insurance	139,596	33,834	3,399	22,637	-	199,466	1,580	31,097	5,061	37,738	28	237,232
Rent	1,079,743	1,299,265	24,206	-	(227,546)	2,175,668	5,177	127,527	23,173	155,877	6,830	2,338,375
Utilities	293,586	303,155	1,068	102,297	-	700,106	-	3,869	206	4,075	1,163	705,344
Telephone	121,584	76,669	20,484	3,817	-	222,554	140	11,615	1,081	12,836	829	236,219
Repairs and maintenance	1,069,015	506,255	1,796	206,545	-	1,783,611	-	2,326	148	2,474	641	1,786,726
Furniture expense	41,561	19,797	13	-	-	61,371	5,552	85,445	22,205	113,202	-	174,573
Security	40,222	8,767	83	-	-	49,072	3,379	52,493	13,524	69,396	876	119,344
Equipment rental	9,199	2,629	6,937	-	-	18,765	-	4,080	-	4,080	-	22,845
Office expense and supplies	107,422	35,157	3,569	16,038		162,186	1,188	32,199	445	33,832	4,763	200,781
SF DPH subsidy	1,803,271	-	-	-	(1,803,271)	-	-	-	-	-	-	-
Courier service	7,018	2,856	92	-	-	9,966	-	396	-	396	-	10,362
Travel and training	19,322	4,153	1,124	1,282	-	25,881	718	24,258	6,960	31,936	-	57,817
Client services	209,646	43,300	13,471	1,407	-	267,824	2,498	37,469	9,992	49,959	117,284	435,067
Event expense	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	510,297	-	-	191,885	-	702,182	255	10,543	1,020	11,818	900	714,900
Interest	417,072	-	-	-	-	417,072	43,807	-	-	43,807	-	460,879
Bad debt	3,687	-	-	-	-	3,687	-	-	-	-	-	3,687
Miscellaneous	57,983	25,536	171	16,485	-	100,175	53,194	324,274	82,950	460,418	3,357	563,950
	11,318,352	3,948,197	288,300	1,146,157	(2,268,299)	14,432,707	234,164	4,076,386	860,728	5,171,278	271,556	19,875,541
Administrative costs allocation	1,022,217	417,412	36,887	-	-	1,476,516	14,399	(1,546,084)	31,010	(1,500,675)	24,159	-
Total expenses	$ 12,340,569	$ 4,365,609	$ 325,187	$ 1,146,157	$ (2,268,299)	$ 15,909,223	$ 248,563	$ 2,530,302	$ 891,738	$ 3,670,603	$ 295,715	$ 19,875,541

See Notes to the Consolidated Financial Statements.

Conard House, Inc. and Related Organizations

Consolidated Statement of Support and Revenue and Expenses by Program
For the Year Ended June 30, 2021

	Program						Management and General						
	DPH Supportive Housing	HSH Supportive Housing	DPH - HSA Representative Payee Services	Lyric Housing Associates	Inter-Program Charges	Total	General	Administration	Real Estate Management	Inter-Program Charges	Total	Fundraising	FYE 2021 Total
SUPPORT AND REVENUE													
Governmental support:													
SF Department of Public Health	$ 5,668,623	$ -	$ 1,701,454	$ -	$ -	$ 7,370,077	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,370,077
SF HSH & HSA	-	4,346,307	255,863	-	-	4,602,170	-	-	-	-	-	-	4,602,170
HUD rental assistance - Shelter Plus Care & Section 8	1,464,423	-	-	821,931	-	2,286,354	-	-	-	-	-	-	2,286,354
SF DPH Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	0	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	111,634	111,634
Grants	-	-	14,976	-	-	14,976	-	-	-	-	-	-	14,976
Rental income	1,704,392	943,257	-	149,608	(215,546)	2,581,711	-	-	-	-	-	-	2,581,711
Interest income	3,944	-	-	831	-	4,775	-	-	-	-	-	-	4,775
Debt forgiveness	77,856	-	-	-	-	77,856	-	-	-	-	-	-	77,856
Equity in losses of Lyric Housing Associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	251,455	(251,455)	-	-	-
Other income	555,272	8,966	248,549	640	-	813,427	72,776	2,371	-	(52,416)	22,731	43,463	879,621
Total support and revenue	9,474,510	5,298,530	2,220,842	973,010	(215,546)	17,751,346	72,776	2,371	251,455	(303,871)	22,731	155,097	17,929,174
EXPENSES	9,879,035	5,587,515	1,952,701	1,085,188	(2,208,776)	$ 16,295,663	143,798	1,113,462	203,009	-	1,460,269	159,714	17,915,646
Change in net assets	$ (404,525)	$ (288,985)	$ 268,141	$ (112,178)	$ 1,993,230	$ 1,455,683	$ (71,022)	$ (1,111,091)	$ 48,446	$ (303,871)	$ (1,437,538)	$ (4,617)	$ 13,528

See Notes to the Consolidated Financial Statements

Conard House, Inc. and Related Organizations

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program						Management and General					
	DPH Supportive Housing	HSH Supportive Housing	DPH - HSA Representative Payee Services	Lyric Housing Associates	Inter-Program Charges	Total	General	Administration	Real Estate Management	Total	Fundraising	FYE 2021 Total
EXPENSES:												
Salaries	$ 3,172,199	$ 2,173,300	$ 943,458	$ 391,213	$ -	$ 6,680,170	$ 35,114	$ 1,587,481	$ 129,675	$ 1,752,270	$ 71,994	$ 8,504,434
Payroll taxes and employee benefits	1,244,670	453,360	229,925	80,871	-	2,008,826	7,912	510,695	47,564	566,171	22,494	2,597,491
Consultation	16,428	10,465	-	13,833	-	40,726	-	45,582	-	45,582	-	86,308
Legal and accounting fees	134,370	165,604	1,919	46,406	-	348,299	413	25,633	30	26,076	-	374,375
Management fees	247,922	119,437	-	56,765	(251,455)	172,669	-	-	-	-	-	172,669
Insurance	139,744	28,669	6,085	22,463	-	196,961	289	14,675	37	15,001	29	211,991
Rent	525,934	1,270,009	212,562	-	(215,546)	1,792,959	5,253	278,174	1,846	285,273	17,295	2,095,527
Utilities	248,828	298,686	10,823	82,125	-	640,462	70	3,617	195	3,882	1,059	645,403
Telephone	84,199	53,039	20,748	630	-	158,616	112	5,752	731	6,595	459	165,670
Repairs and maintenance	666,216	398,551	13,751	195,072	-	1,273,590	62	7,426	237	7,725	2,087	1,283,402
Furniture expense	34,656	14,611	20,958	-	-	70,225	754	18,283	580	19,617	2,384	92,226
Security	46,283	19,231	45,135	-	-	110,649	180	5,572	567	6,319	373	117,341
Equipment rental	12,840	3,824	8,011	-	-	24,675	-	4,810	-	4,810	-	29,485
Office expense and supplies	56,442	35,557	36,245	11,486	-	139,730	159	25,691	256	26,106	4,457	170,293
SF DPH subsidy	1,741,775	-	-	-	(1,741,775)	-	-	-	-	-	-	-
Courier service	5,988	2,497	2,824	-	-	11,309	-	709	-	709	-	12,018
Travel and training	26,730	4,710	5,262	983	-	37,685	367	20,468	1,959	22,794	2,364	62,843
Client services	60,360	33,971	138,329	1,742	-	234,402	-	-	-	-	2,269	236,671
Depreciation and amortization	496,987	-	-	172,279	-	669,266	-	-	-	-	1,979	671,245
Interest	146,431	-	-	-	-	146,431	37,496	-	-	37,496	-	183,927
Bad debt	21,632	-	-	-	-	21,632	-	-	-	-	-	21,632
Miscellaneous	76,946	23,103	8,544	9,320	-	117,913	33,449	28,262	-	61,711	1,071	180,695
	9,207,580	5,108,624	1,704,579	1,085,188	(2,208,776)	14,897,195	121,630	2,582,830	183,677	2,888,137	130,314	17,915,646
Administrative costs allocation	671,455	478,891	248,122	-	-	1,398,468	22,168	(1,469,368)	19,332	(1,427,868)	29,400	-
Total expenses	$ 9,879,035	$ 5,587,515	$ 1,952,701	$ 1,085,188	$ (2,208,776)	$ 16,295,663	$ 143,798	$ 1,113,462	$ 203,009	$ 1,460,269	$ 159,714	$ 17,915,646

See Notes to the Consolidated Financial Statements

Conard House, Inc. and Related Organizations

Consolidated Statement of Support and Revenue and Expenses - Supportive Housing Program** For the Year Ended June 30, 2022

	Program															
	DPH Supportive Housing										HSH Supportive Housing				Other Programs	FYE
	Jordan	El Dorado	Lyric	Midori	Washburn	Coop	Plaza	Jackson St.	Other	Subtotal	McAllister	Allen	Aranda	Subtotal	Subtotal	2022 Total
SUPPORT AND REVENUE																
Governmental support:																
SF Department of Public Health	$ 723,833	$ 888,209	$ 1,075,811	$ 1,010,327	$ 471,730	$ 1,272,646	$ 1,450,243	$ 57,034	$ 2,712,430	$ 9,662,263	$ -	$ -	$ -	$ -	$ -	$ 9,662,263
SF HSH & HSA	-	-	-	-	-	-	-	-	-	-	1,512,589	1,412,589	1,415,890	4,341,068	339,249	4,680,317
HUD rental assistance - Shelter Plus Care & Section 8	1,095,355	286,313	857,857	313,527	47,468	149,678	-	-	1,294	2,751,492	-	-	-	-	-	2,751,492
SF DPH Subsidy income	-	299,999	-	267,255	487,963	748,054	-	-	-	1,803,271	-	-	-	-	-	1,803,271
Other governmental revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	155,538	155,538
Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	317,197	317,197
Rental income	236,353	378,909	127,122	369,332	90,458	378,589	-	-	2,242	1,583,005	247,721	114,304	327,565	689,590	-	2,272,595
Interest income	3,161	499	438	344	21	17	-	-	-	4,480	-	-	-	-	-	4,480
Debt forgiveness	-	-	-	48,084	29,772	-	-	-	-	77,856	-	-	-	-	-	77,856
Equity in losses of Lyric Housing Asssociates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	1,271	2,342	554	976	-	157,657	-	-	-	162,800	1,455	1,960	2,590	6,005	286	169,091
Total support and revenue	2,059,973	1,856,271	2,061,782	2,009,845	1,127,412	2,706,641	1,450,243	57,034	2,715,966	16,045,167	1,761,765	1,528,853	1,746,045	5,036,663	812,270	21,894,100
EXPENSES*	1,276,552	1,453,672	1,101,562	1,561,266	1,244,333	2,754,712	411,610	240,450	2,488,297	12,532,454	1,903,358	1,090,233	1,372,018	4,365,609	325,187	17,223,250
Change in net assets	$ 783,421	$ 402,599	$ 960,220	$ 448,579	$ (116,921)	$ (48,071)	$ 1,038,633	$ (183,416)	$ 227,669	$ 3,512,713	$ (141,593)	$ 438,620	$ 374,027	$ 671,054	$ 487,083	$ 4,670,850

*See Consolidated Statement of Functional Expenses - Supportive Housing Program on page 13.
** The Supportive Housing Program combines support services and property management, all before inter-program charges.

See Notes to the Consolidated Financial Statements.

Conard House, Inc. and Related Organizations

Consolidated Statement of Functional Expenses - Supportive Housing Program**
For the Year Ended June 30, 2022

	Program															
	DPH Supportive Housing										HSH Supportive Housing				Other Programs	FYE
	Jordan	El Dorado	Lyric	Midori	Washburn	Coop	Plaza	Jackson St.	Other	Subtotal	McAllister	Allen	Aranda	Subtotal	Subtotal	2022 Total
EXPENSES:																
Salaries	$ 464,932	$ 392,516	$ 400,772	$ 417,904	$ 293,943	$ 392,862	$ 235,989	$ 123,538	$ 973,356	$ 3,695,812	$ 584,597	$ 206,114	$ 153,295	$ 944,006	$ 165,505	$ 4,805,323
Payroll taxes and employee benefits	131,290	165,852	86,564	158,397	97,377	135,461	72,350	42,650	302,277	1,192,218	244,554	67,146	45,623	357,323	45,450	1,594,991
Consultation	19,751	-	-	-	-	-	-	-	-	19,751	-	4,785	5,386	10,171	800	30,722
Legal and accounting fees	3,273	53,968	25,084	36,500	40,562	7,036	1,831	1,026	6,154	175,434	60,724	49,588	73,163	183,475	132	359,041
Management fees	75,277	32,275	57,557	43,599	35,628	60,577	-	-	-	304,913	27,032	31,809	33,008	91,849	-	396,762
Insurance	21,736	24,272	22,637	19,701	9,602	26,337	1,187	9,324	4,800	139,596	19,864	6,387	7,583	33,834	3,399	176,829
Rent	-	14,841	-	15,894	11,313	483,145	7,625	5,679	541,246	1,079,743	372,399	350,607	576,259	1,299,265	24,206	2,403,214
Utilities	92,976	57,607	21,272	69,920	19,763	29,636	593	480	1,339	293,586	84,008	91,364	127,783	303,155	1,068	597,809
Telephone	26,320	3,193	3,817	5,432	2,155	18,308	13,821	2,529	46,009	121,584	23,343	22,110	31,216	76,669	20,484	218,737
Repairs and maintenance	146,183	206,205	206,545	215,445	104,387	181,893	401	4,123	3,833	1,069,015	226,280	153,130	126,845	506,255	1,796	1,577,066
Furniture expense	-	4,506	-	5,141	3,588	11,995	501	13	15,817	41,561	19,615	22	160	19,797	13	61,371
Security	-	10,810	-	3,697	10,366	9,505	20	3,721	2,103	40,222	6,463	2,285	19	8,767	83	49,072
Equipment rental	-	1,535	-	1,350	1,249	1,055	2,138	1,313	559	9,199	2,629	-	-	2,629	6,937	18,765
Office expense and supplies	9,944	18,340	16,038	6,796	6,700	12,281	5,587	2,292	29,444	107,422	11,783	10,033	13,341	35,157	3,569	146,148
SF DPH subsidy	-	299,999	-	267,255	487,963	748,054	-	-	-	1,803,271	-	-	-	-	-	1,803,271
Courier service	688	152	861	1,042	114	636	1,729	-	1,796	7,018	741	538	1,577	2,856	92	9,966
Travel and training	1,165	2,192	1,282	2,185	1,665	4,980	360	1,389	4,104	19,322	2,162	881	1,110	4,153	1,124	24,599
Client services	4,950	-	1,407	-	-	13,002	20,167		170,120	209,646	15,645	11,335	16,320	43,300	13,471	266,417
Event expense	-	-								-	-	-	-	-	-	-
Depreciation and amortization	190,955	10,875	191,885	139,860	9,831	59,264		20,185	79,327	702,182	-	-	-	-	-	702,182
Interest	37,500	42,318	-	57,750	-	279,504	-	-	-	417,072	-	-	-	-	-	417,072
Bad debt	2,793	-	-	-	-	604	-	-	290	3,687	-	-	-	-	-	3,687
Miscellaneous	4,204	20,760	16,485	5,689	(9,616)	13,628	166	829	5,838	57,983	20,076	3,725	1,735	25,536	171	83,690
	1,233,937	1,362,216	1,052,206	1,473,557	1,126,590	2,489,763	364,465	219,091	2,188,412	11,510,237	1,721,915	1,011,859	1,214,423	3,948,197	288,300	15,746,734
Administrative costs allocation	42,615	91,456	49,356	87,709	117,743	264,949	47,145	21,359	299,885	1,022,217	181,443	78,374	157,595	417,412	36,887	1,476,516
Total expenses	$ 1,276,552	$ 1,453,672	$ 1,101,562	$ 1,561,266	$ 1,244,333	$ 2,754,712	$ 411,610	$ 240,450	$ 2,488,297	$ 12,532,454	$ 1,903,358	$ 1,090,233	$ 1,372,018	$ 4,365,609	$ 325,187	$ 17,223,250

**The Supportive Housing Program combines support services and property management, all before inter-program charges.

See Notes to the Consolidated Financial Statements.

Conard House, Inc. and Related Organizations

Consolidated Statement of Support and Revenue and Expenses - Supportive Housing Program** For the Year Ended June 30, 2021

	Program															
	DPH Supportive Housing										HSH Supportive Housing				Other Programs	FYE
	Jordan	El Dorado	Lyric	Midori	Washburn	Coop	Plaza	Jackson St.	Other	Subtotal	McAllister	Allen	Aranda	Subtotal	Subtotal	2021 Total
SUPPORT AND REVENUE																
Governmental support:																
SF Department of Public Health	$ 777,690	$ 881,909	$ 842,301	$ 810,652	$ 81,812	$ 586,950	$ 1,660,115	$ (42,507)	$ 69,701	$ 5,668,623	$ -	$ -	$ -	$ -	$ 1,701,454	$ 7,370,077
SF HSH & HSA	-	-	-	-	-	-	-	-	-	-	1,654,454	1,324,003	1,367,850	4,346,307	255,863	4,602,170
HUD rental assistance - Shelter Plus Care & Section 8	1,158,030	130,058	-	160,751	-	15,584	-	-	-	1,464,423	-	-	-	-	-	1,464,423
SF DPH Subsidy income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,976	14,976
Rental income	212,110	453,434	-	490,591	127,372	364,327	-	56,558	-	1,704,392	360,722	128,041	454,494	943,257	-	2,647,649
Interest Income	3,307	347	-	220	47	12	-	11	-	3,944	-	-	-	-	-	3,944
Debt forgiveness	-	-	-	48,084	29,772	-	-	-	-	77,856	-	-	-	-	-	77,856
Equity in losses of Lyric Housing Asssociates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	43,354	42,934	69,364	67,271	74,530	97,485	68,697	26,678	64,959	555,272	1,656	3,230	4,080	8,966	248,549	812,787
Total support and revenue	2,194,491	1,508,682	911,665	1,577,569	313,533	1,064,358	1,728,812	40,740	134,660	9,474,510	2,016,832	1,455,274	1,826,424	5,298,530	2,220,842	16,993,882
EXPENSES*	1,330,271	1,700,196	401,773	1,989,526	1,534,275	2,049,130	421,570	235,092	217,202	9,879,035	2,148,236	1,556,239	1,883,040	5,587,515	1,952,701	17,419,251
Change in net assets	$ 864,220	$ (191,514)	$ 509,892	$ (411,957)	$ (1,220,742)	$ (984,772)	$ 1,307,242	$ (194,352)	$ (82,542)	$ (404,525)	$ (131,404)	$ (100,965)	$ (56,616)	$ (288,985)	$ 268,141	$ (425,369)

*See Consolidated Statement of Functional Expenses - Supportive Housing Program on page 15.

** The Supportive Housing Program combines support services and property management, all before inter-program charges.

See Notes to the Consolidated Financial Statements.

Conard House, Inc. and Related Organizations

Consolidated Statement of Functional Expenses - Supportive Housing Program** For the Year Ended June 30, 2021

	Program															
	DPH Supportive Housing										HSH Supportive Housing				Other Programs	FYE
	Jordan	El Dorado	Lyric	Midori	Washburn	Coop	Plaza	Jackson St.	Other	Subtotal	McAllister	Allen	Aranda	Subtotal	Subtotal	2021 Total
EXPENSES:																
Salaries	$ 556,458	$ 623,961	$ 127,051	$ 625,416	$ 492,165	$ 346,114	$ 217,644	$ 117,311	$ 66,079	$ 3,172,199	$ 801,109	$ 658,379	$ 713,812	$ 2,173,300	$ 943,458	$ 6,288,957
Payroll taxes and employee benefits	157,208	222,863	148,141	244,289	168,223	133,178	87,368	48,794	34,606	1,244,670	321,738	74,660	56,962	453,360	229,925	1,927,955
Consultation	16,428	-	-	-	-	-	-	-	-	16,428	-	4,991	5,474	10,465	-	26,893
Legal and accounting fees	4,976	40,031	3,097	33,140	28,722	22,972	443	959	30	134,370	66,929	58,791	39,884	165,604	1,919	301,893
Management fees	33,092	35,568	-	48,048	35,628	95,586	-	-	-	247,922	36,625	41,406	41,406	119,437	-	367,359
Insurance	29,757	28,890	14,759	25,331	11,015	20,131	1,252	8,562	47	139,744	17,669	5,067	5,933	28,669	6,085	174,498
Rent	23,667	59,563	23,497	57,125	55,635	254,044	22,846	6,474	23,083	525,934	359,754	346,624	563,631	1,270,009	212,562	2,008,505
Utilities	81,014	42,639	857	71,323	19,719	31,345	705	141	1,085	248,828	71,666	97,026	129,994	298,686	10,823	558,337
Telephone	24,444	11,295	6,525	13,791	10,540	6,633	7,498	317	3,156	84,199	14,912	15,778	22,349	53,039	20,748	157,986
Repairs and maintenance	93,375	178,661	1,343	165,168	75,970	136,959	2,232	9,442	3,066	666,216	205,475	92,006	101,070	398,551	13,751	1,078,518
Furniture expense	2,042	5,703	2,968	8,041	4,095	6,408	2,438	1,861	1,100	34,656	10,914	2,034	1,663	14,611	20,958	70,225
Security	2,077	8,973	2,992	9,102	13,218	4,706	4,051	429	735	46,283	13,893	2,577	2,761	19,231	45,135	110,649
Equipment rental	1,236	1,308	1,332	1,668	1,068	2,412	2,700	1,008	108	12,840	3,824	-	-	3,824	8,011	24,675
Office expense and supplies	13,171	8,163	5,414	9,576	7,051	7,484	4,468	218	897	56,442	8,199	13,916	13,442	35,557	36,245	128,244
SF DPH subsidy	-	247,550	-	333,850	445,625	714,750	-	-	-	1,741,775	-	-	-	-	-	1,741,775
Courier service	833	266	1,343	1,390	171	819	1,166	-	-	5,988	707	677	1,113	2,497	2,824	11,309
Travel and training	2,505	6,116	2,344	5,068	3,321	4,595	1,321	1,261	199	26,730	3,567	513	630	4,710	5,262	36,702
Client services	5,970	9,306	5,772	13,215	5,621	7,310	11,565	-	1,601	60,360	15,235	6,887	11,849	33,971	138,329	232,660
Depreciation and amortization	184,763	33,044	-	155,575	44,380	61,216	-	18,009	-	496,987	-	-	-	-	-	496,987
Interest	37,500	42,318	-	66,613	-	-	-	-	-	146,431	-	-	-	-	-	146,431
Bad debt	14,688	-	-	-	-	-	-	-	6,944	21,632	-	-	-	-	-	21,632
Miscellaneous	4,537	6,346	297	628	2,371	3,708	593	29	58,437	76,946	18,279	2,122	2,702	23,103	8,544	108,593
	1,289,741	1,612,564	347,732	1,888,357	1,424,538	1,860,370	368,290	214,815	201,173	9,207,580	1,970,495	1,423,454	1,714,675	5,108,624	1,704,579	16,020,783
Administrative costs allocation	40,530	87,632	54,041	101,169	109,737	188,760	53,280	20,277	16,029	671,455	177,741	132,785	168,365	478,891	248,122	1,398,468
Total expenses	$ 1,330,271	$ 1,700,196	$ 401,773	$ 1,989,526	$ 1,534,275	$ 2,049,130	$ 421,570	$ 235,092	$ 217,202	$ 9,879,035	$ 2,148,236	$ 1,556,239	$ 1,883,040	$ 5,587,515	$ 1,952,701	$ 17,419,251

**The Supportive Housing Program combines support services and property management, all before inter-program charges.

See Notes to the Consolidated Financial Statements.

Conard House, Inc. and Related Organizations

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 180,472	$ 13,528
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	714,900	671,245
Debt forgiveness	(77,856)	(77,856)
PPP loan forgiveness	-	(843,631)
Bad debt (recovery) expense	3,687	21,632
(Increase) decrease in assets:		
Contracts, fees and rent receivables	(1,531,194)	31,776
Other receivables	(138,400)	2,078
Prepaid expenses	(120,455)	14,464
Deposits	18,172	5,480
Increase (decrease) in liabilities:		
Acounts payable and accrued expenses	(21,178)	276,541
Deferred revenue	267,473	(25,274)
Security deposits	21,707	(373)
Deferred interest	160,251	(35,692)
Net cash (used in) provided by operating activities	(522,421)	53,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(8,478,440)	(711,338)
Proceeds from disposition of fixed assets	-	158,728
Purchase of software	-	(58,334)
Net cash used in investing activities	(8,478,440)	(610,944)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of line credit	(300,000)	-
Line of credit proceeds	-	722,500
Payments on long-term debt	-	(656,369)
Net proceeds from long-term debt	8,127,190	-
Debt issuace costs	(157,321)	-
Net cash provided by financing activities	7,669,869	66,131
Net decrease in cash, cash equivalents and restricted cash	(1,330,992)	(490,895)
Cash, cash equivalents and restricted cash at beginning of year	6,973,929	7,464,824
Cash, cash equivalents and restricted cash at end of year	$ 5,642,937	$ 6,973,929
Cash and cash equivalents	$ 518,901	$ 1,602,084
Restricted cash	5,124,036	5,371,845
Total cash, cash equivalents and restricted cash	$ 5,642,937	$ 6,973,929
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest during the year	$ 300,628	$ 174,040

See Notes to the Consolidated Financial Statements.

Note 1 - Organization and nature of operations

Conard House, Inc. and Related Organizations (the "Organization") consist of nonprofit organizations incorporated in California, and one California limited partnership. The related nonprofit corporations (collectively, the "Housing Corporations") are: Conard Housing Development Corporation ("CHDC"), owning Jackson Street, 26th Street, and McAllister Street properties; El Dorado Housing Corporation ("EHC"), owning the El Dorado Hotel (a residential hotel); Midori Housing Corporation ("MHC"), owning The Midori (a residential hotel); Washburn Housing Corporation ("WHC"), owning The Washburn Residence (a residential hotel); Jordan Housing Corporation ("JHC"), owning The Jordan Apartments (a studio apartment building); Conard Dore LLC, owning Dore Street (a residential hotel); Conard House Florida Street LLC, owning Florida Street (a residential hotel); and Lyric Housing Corporation ("LHC"), managing general partner of Lyric Housing Associates ("LHA"), which is a California limited partnership owning the Lyric Hotel (a residential hotel). Conard House, Inc. is the limited partner of LHA. Each corporation has a separate but identical board of directors. All the directors of the Housing Corporations are also directors of Conard Housing, Inc. ("Conard House"). Conard House provides management, financial, accounting, and other services to each of the Housing Corporations. All the properties owned by the Housing Corporations are located in San Francisco, California.

Nature of operations

The Organization provides supportive services to economically, socially, psychiatrically, or otherwise disadvantaged adults living in San Francisco. These services include supportive housing, mental health counseling services and social rehabilitation, case management, representative payee services (money management), and vocational services, including job placement and job retention services. The Organization receives a majority of its funding from the City and County of San Francisco ("CCSF") through the Department of Public Health ("DPH") – Behavioral Health Services, the Department of Homelessness and Supportive Housing ("HSH"), and the Human Services Agency ("HSA") – Department of Human Services and Department of Aging and Adult Services, as well as rental assistance from the U.S. Department of Housing and Urban Development ("HUD"). A significant reduction in the level of this support, if this were to occur, would have an effect on the Organization's programs and activities.

Program services

DPH Supportive Housing Program - This program provides long-term and transitional supportive housing for adults. Services include mental health outpatient services, case management, money management, and other supportive services at the following San Francisco locations: The El Dorado Hotel, The Washburn Residence, and the Plaza Apartments located in the South of Market Area; and the Lyric Hotel, The Midori, and the Jordan Apartments located in the Tenderloin District. The Washburn Residence offers 24-months of transitional housing while all others offer long-term housing. The DPH supportive housing program also includes approximately 12 apartments, which provide supported independent living with mental health outpatient services in cooperative (shared) households to groups of four to six adults in its leased apartments and its owned facilities at 26th Street and McAllister Street.

HSH Supportive Housing Program - This program provides housing and supportive services for homeless individuals originally under CCSF's "Care not Cash" program, now "Housing First", at McAllister Hotel, located in San Francisco's Tenderloin District. The McAllister Hotel operates under a five-year master lease effective May 2004, and the lease was extended for the second time for an additional 10 years commencing May 2014.

Commencing April 1, 2012, Conard House also provides housing and supportive services for homeless individuals under CCSF's "Housing First" program at the Aranda Residence, located in San Francisco's Tenderloin District, and a CCSF HUD grant program at the Allen Hotel, located in the Mid-Market area. Conard House assumed the master leases of the Aranda Residence and Allen Hotel effective April 1, 2012, which expire in November 2025 and May 2029, respectively.

DPH-HSA Representative Payee Program - Authorized by the Social Security Administration ("SSA"), this program provides case management and money management to adult clients at three Community Services ("CS") locations. Length of service is on an as-needed basis determined by SSA. CS-North is in the Tenderloin District. CS-South is adjacent to the El Dorado Hotel located in the South of Market Area. CS-SOMA is in the South of Market Area.

Supportive Employment Services Program - Through December 31, 2016, this program provided vocational counseling and job placement in both paid and volunteer positions throughout the community, job retention services, pre-vocational boot camp training, and a desk clerk training program to adult mental health clients living in supportive housing. The Organization ended the program on December 31, 2016 due to insufficient funding. Although the program ended, several important services of the program continue. Beginning January 1, 2017, supportive housing case managers assumed responsibility for vocational counseling and referrals to in-house computer training, in-house employment and volunteer opportunities, external vocational training, employment and volunteer opportunities.

Lyric Housing Program - This program provides low-income supportive housing at the Lyric Hotel, which is a 58-unit residential hotel located in San Francisco. Prior to December 31, 2011, the project participated in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. The project was regulated under the terms of a regulatory agreement with the California Tax Credit Allocation Committee and various loan agreements regarding rent rate changes, operating methods, and other matters. Effective January 1, 2012, the limited partner of LHA withdrew from the partnership as planned and Conard House Inc. was admitted as the limited partner. The Lyric Hotel is a HUD Shelter Plus Care project, providing services for homeless adults with multiple disabilities.

Jackson Street Community - This program is a strength-based health education program designed to prepare and empower people transitioning from permanent supportive housing towards independent living. Supportive housing residents work with staff to build community and to accomplish personal goals.

Note 2 - Summary of significant accounting policies

Basis of presentation

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

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

- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Principles of consolidation
The consolidated financial statements include accounts of Conard House, Inc, the Housing Corporations, and the LHA, because Conard House has both control and an economic interest in the Housing Corporations and LHA. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are herein referred to as “Conard House.”

Use of estimates
The preparation of financial statements in conformity with US GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk
The Organization maintains its cash and cash equivalents in deposit accounts at several banks. The accounts are insured by the Federal Deposit Insurance Company (the "FDIC") up to $250,000 at each bank. At times, these balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts, nor does the Organization believe it is exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2022 and 2021, cash balances in excess of the FDIC limits totaled $2,337,738 and $4,354,048, respectively.

Cash and cash equivalents
The Organization considers all short-term deposits with an original maturity of three months or less to be cash equivalents.

Restricted cash
Restricted cash includes cash held with financial institutions for funding of operating deficits, repairs or improvements to the buildings that extend their useful lives, annual payments of tax and insurance, debt service payments, payments of tenant service fees, payments of asset management fees, and refunds of tenant security deposits. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational and programmatic purposes rather than donor-imposed restrictions.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to the accounts receivable. No valuation allowance has been provided as of June 30, 2022 and 2021 because management has deemed accounts receivable to be fully collectible.

Fixed assets and depreciation

Purchases of property, equipment or improvements costing more than $5,000 are recorded at costs. Major improvements and costs associated with the development and construction of real property are charged to the fixed asset account, while maintenance and repairs, which do not extend the life of respective assets are expensed. When fixed assets are retired or otherwise disposed of, the costs of the fixed assets and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the statement of activities and changes in net assets.

Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 40 years. Leasehold improvements are depreciated over the terms of the respective lease.

According to the Community Behavioral Health Services (“CBHS”) grant agreement, the title for assets purchased with CBHS funds remains with CBHS. The CBHS-funded assets are recorded as assets by the Organization because, historically, CBHS has never requested a reversion of these assets while the Organization has continuing usage.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the asset are less than its carrying amount, management compares the carrying amount of the asset to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended June 30, 2022 and 2021.

Intangible assets

Intangible assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the respective assets. Software costs are amortized over a 5-year period. Amortization expense for the years ended June 30, 2022 and 2021 amounted to $15,700 and $6,555, respectively. Estimated amortization expense for the next 3 years subsequent to June 30, 2022 is as follows: 2023 and 2024 - $15,700 per year and 2025 - $9,736.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Donated services and in-kind contributions
Volunteers contribute significant amounts of time to the program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended June 30, 2022 and 2021, respectively.

Debt and interest subject to forgiveness
The Organization has received certain mortgage loans that are forgivable at the end of the loan term in accordance with the loan agreements. For accounting purposes, the Organization recognizes debt forgiveness over the term of the loan using the straight-line method, where applicable. Otherwise, the debt is forgiven at the end of the loan term.

Certain loans bear no interest or bear interest at stated rates, although the interest is forgivable at the end of the loan term. The Organization does not impute or record interest expense on these loans.

Income taxes
The Organization has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d) and did not have any unrelated business income for the years ended June 30, 2022 and 2021. Due to its tax-exempt status, the Organization is not subject to income taxes. The Organization is required to file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. Income tax returns filed by the Organization are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2019 remain open.

Income taxes on partnership income are levied on the partners in their individual capacity. Accordingly, all profits and losses of LHA are recognized by each partner on its respective tax return.

Uncertain tax positions
Accounting guidance issued by the Financial Accounting Standards Board ("FASB") prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Organization did not have unrecognized tax benefits as of June 30, 2022 and does not expect this to change significantly over the next twelve months. The Organization will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of June 30, 2022, the Organization has not accrued interest or penalties related to uncertain tax positions.

Functional allocation of expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and support services based on a time study performed by management.

Revenue recognition
Revenue primarily consists of government support, contributions, contract fees, event revenue and rental income.

The contract fees and event revenue are accounted for as contracts with customers. Under the guidance for contracts with customers, an entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable considerations only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Organization recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met. Advance receipt of $299,050 was recognized in the statement of financial position as deferred revenue.

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. Rental income is typically billed on a monthly basis, which is consistent with the timing of the delivery of services.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Note 3 - Restricted cash

Restricted cash consist of funds held in escrow, tenant deposits, replacement reserves, operating reserve required by certain loans and regulatory agreements, and other funds being held by the Organization on behalf of its clients. The balances are as follows:

	2022	2021
Escrow	$ 111,139	$ 111,139
Elaine Mikel endowment fund	2,336	2,336
Settlement account	168,587	133,839
Money market	414,208	504,126
Security deposits	109,381	86,674
	805,651	838,114
Reserves		
Debt service HUD reserve	162,902	162,628
Replacement reserve	2,954,951	3,449,785
Operating reserve	942,679	890,284
Other cash reserve	257,853	31,034
Total reserves	4,318,385	4,533,731
Total restricted cash	$ 5,124,036	$ 5,371,845

Note 4 - Fixed assets

Fixed assets consist of the following as of June 30, 2022 and 2021:

	2022	2021
Land	$ 5,289,874	$ 2,991,216
Buildings and leasehold improvements	29,396,920	24,196,335
Furniture, fixtures and equipment	542,271	526,187
Construction in progress	1,048,114	197,482
Total fixed assets	36,277,179	27,911,220
Less: accumulated depreciation	(17,200,602)	(16,628,079)
Fixed assets, net	$ 19,076,577	$ 11,283,141

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to $699,200 and $664,690 respectively.

Note 5 - Intangible assets

Intangible assets consist of the following as of June 30, 2022 and 2021:

	2022	2021
Software costs	$ 242,226	$ 253,853
Less: accumulated amortization	(201,090)	(182,821)
Intangible assets, net	$ 41,136	$ 71,032

Amortization expense for the years ended June 30, 2022 and 2021 amounted to $15,700 and $6,555, respectively.

Note 6 - Line of credit

Conard House had a $1,500,000 revolving business line of credit with Wells Fargo Bank (the "Bank") until August 2020. On August 14, 2020, the line of credit was renewed with a new maturity date of August 10, 2023. The line of credit bears interest at the greater of the Prime Rate plus 0.875%, which increased to 1.25% on August 14, 2020 in accordance with the terms of the renewal, or the floor rate of 5%. The line of credit is secured by the first lien on the Jackson Street property and all personal properties owned by Conard House, and is guaranteed by CHDC, which holds the title. The Organization also agrees to maintain a zero balance on the line of credit for a minimum of 30 consecutive days during the first twelve months of the line of credit, and during each successive twelve-month period. As of June 30, 2022 and 2021, the outstanding balance was $1,200,000 and $1,500,000, respectively. For the years ended June 30, 2022 and 2021, interest expense was $43,807 and $37,496, respectively.

Note 7 - Long-term debt

Long-term debt consists of the following at June 30, 2022 and 2021:

	2022		2021	
	Deferred Interest	Principal	Deferred Interest	Principal
Notes payable - DHCD	$ 2,780,061	$ 4,600,000	$ 2,647,743	$ 4,600,000
Notes payable - DPH	-	152,000	-	160,000
Notes payable - MOHCD	167,645	9,860,658	167,645	9,931,102
Notes payable - SFHAF	27,933	8,127,190	-	-
Total notes payable	2,975,639	22,739,848	2,815,388	14,691,102
Less: currrent portion	(2,448,194)	(4,177,586)	(2,420,261)	(4,177,586)
Less: umamortized loan fees	-	(157,321)	-	(588)
Long-term portion	$ 527,445	$ 18,404,941	$ 395,127	$ 10,512,928

Notes payable - California Department of Housing and Community Development

On August 28, 1990, Conard House executed a promissory note with the California Department of Housing and Community Development (the “DHCD”) in the amount of $1,425,000. The loan bears simple interest at a rate of 3% per annum, and interest payments are determined annually by the DHCD based on the cash flow availability after funding of the reserve accounts. All unpaid principal and interest shall be due and payable upon maturity on August 29, 2020 and remains unpaid. The Organization has ongoing negotiations with DHCD to extend the maturity date. The note is secured by the deed of trust and assignment of rents on the El Dorado Hotel. On October 1, 2018, Conard House assigned, and EHC assumed, the $1,425,000 note. As of June 30, 2022 and 2021, the principal balance remaining was $1,425,000 for each year, and deferred interest was $1,060,932 and $1,018,614, respectively. For the years ended June 30, 2022 and 2021, interest expense was $42,318 and $42,318, respectively.

On August 28, 1990, Conard House executed a promissory note with the DHCD in the amount of $1,925,000. The loan bears simple interest at a rate of 3% per annum, and interest payments are determined annually by the DHCD based on the cash flow availability after funding of the reserve accounts. All unpaid principal and interest shall be due and payable upon maturity on August 29, 2020 and remains unpaid. The Organization has ongoing negotiations with DHCD to extend the maturity date. The note is secured by the deed of trust and assignment of rents on The Midori. As of June 30, 2022 and 2021, the principal balance remaining was $1,925,000 for each year, and deferred interest was $1,449,020 and $1,391,270, respectively. For the years ended June 30, 2022 and 2021, interest expense was $57,750 for each year.

On May 18, 2005, JHC executed a promissory note with the DHCD in the amount of $1,250,000. The loan bears simple interest at a rate of 3% per annum and matures on May 20, 2060. Interest is payable at 0.42% annually for the first 29 years, and commencing on the 30th anniversary, annual payments in an amount equal to the lesser of (a) the full amount of interest accruing on the unpaid principal for the immediately preceding 12-month period, or (b) the amount determined by the DHCD to be necessary to cover the costs of continued monitoring of the project for compliance. The DHCD may require additional payments from net cash flow, as defined in the regulatory agreement. All payments are applied to accrued interest before reducing the principal balance. The note is secured by a deed of trust on The Jordan Apartments. As of June 30, 2022 and 2021, the principal balance remaining was $1,250,000 for each year. As of June 30, 2022 and 2021, accrued interest was $270,109 and $237,859, respectively, of which $232,612 and $200,362, respectively, was deferred. For the years ended June 30, 2022 and 2021, interest expense was $37,500 for each year.

Notes payable - Department of Public Health of the City and County of San Francisco

On March 19, 1991, Conard House entered into a loan agreement with the DPH in the amount of $400,000. The loan is non-interest-bearing and secured by a deed of trust and assignment of rents on The Washburn Residence. The principal shall be forgiven at the end of the loan term in 2041. In the event of default, the unpaid principal balance, together with 10% simple interest per annum accrued on the unpaid principal balance from the date of default through the date such sums are paid, shall immediately become due and payable. The principal balance has been amortized on a straight-line basis over the term of the loan as debt forgiveness. As of June 30, 2022 and 2021, the principal balance remaining was $152,000 and $160,000, respectively, net of accumulated amortization of $248,000 and $240,000, respectively.

Notes payable - Mayor's Office of Housing and Community Development of the City and County of San Francisco

On August 20, 1990, Conard House entered into a loan agreement with the San Francisco Redevelopment Agency (the "SFRA") in the amount of $1,114,157. The loan, which matures on August 20, 2040, bears simple interest at a rate of 10% per annum and is secured by a deed of trust and assignment of rents on The Midori. The interest shall remain deferred and forgiven for the entire loan term as long as Conard House remains in compliance with the terms and conditions of the agreement. Commencing September 2006, monthly payments are due in an amount equal to the principal amount of the loan amortized over the remaining term of the loan. On May 3, 2011, the loan agreement was amended in which the maturity date was extended to May 3, 2066 and the loan interest rate was reduced to 3%. Under the amended loan agreement, annual payments of principal and interest are due from residual receipts, if any and as defined, attributable to the prior calendar year. Effective February 1, 2012, the SFRA was dissolved, and the loan was transferred to the Mayor's Office of Housing and Community Development (the "MOHCD") of the City and County of San Francisco. As of June 30, 2022 and 2021, the principal balance remaining was $1,114,157 for each year. No interest has been accrued on the loan.

On August 20, 1990, Conard House entered into a loan agreement with the SFRA in the amount of $1,139,762. The loan, which matures on August 20, 2040, bears simple interest at a rate of 10% per annum and is secured by a deed of trust and assignment of rents on the El Dorado Hotel. The interest shall remain deferred and forgiven for the entire loan term, as long as Conard House remains in compliance with the terms and conditions of the agreement. Commencing September 2006, monthly payments are due in an amount equal to the principal amount of the loan amortized over the remaining term of the loan. Effective February 1, 2012, the SFRA was dissolved, and the loan was transferred to the MOHCD. No interest had been accrued on the loan. On June 19, 2018, with the consent of MOHCD, Conard House assigned, and EHC assumed, the $1,139,762 note. The Conard House loan agreement and note were cancelled.

On June 19, 2018, EHC assumed a MOHCD loan in the original amount of $1,139,762 from Conard House. MOHCD amended and restated the assumed loan agreement to include approved additional loan proceeds in the amount of $400,000, and a grant in the amount of $239,707. As of June 30, 2022 and 2021, $63,631 of the additional loan amount has been disbursed. Under the amended and restated agreement, the full loan amount is non-interest-bearing, and annual payments of principal and interest are due from residual receipts, if any and as defined, attributable to the prior calendar year. All principal and accrued interest under the additional loan shall be forgiven upon maturity, as long as EHC remains in compliance with the terms and conditions of the amended and restated agreement. The original loan matures on August 20, 2040, and the additional loan matures on June 19, 2073. The principal balance under the additional loan has been amortized on a straight-line basis over the term of the additional loan as debt forgiveness. As of June 30, 2022 and 2021, the principal balance remaining was $1,202,650 and $1,202,650, respectively, net of accumulated amortization of $743 and $743, respectively.

Notes payable - Mayor's Office of Housing and Community Development of the City and County of San Francisco (continued)

On February 26, 1991, Conard House entered into a loan agreement with the SFRA in the amount of $997,000. The loan, which matures on February 26, 2041, is non-interest-bearing and secured by a deed of trust and assignment of rents on The Washburn Residence. All principal and accrued interest shall remain deferred for the entire loan term, and will be forgiven at the end of the loan term, as long as Conard House remains in compliance with the terms and conditions of the agreement. In the event of default, the unpaid principal balance, together with 10% simple interest per annum accrued on the unpaid principal balance from the date of default through the date such sums are paid, shall immediately become due and payable. The principal balance has been amortized on a straight-line basis over the term of the loan as debt forgiveness. Effective February 1, 2012, the SFRA was dissolved, and the loan was transferred to the MOHCD. On April 27, 2018, with the consent of MOHCD, Conard House assigned, and WHC assumed, the $997,000 note. The Conard House loan agreement and note were cancelled.

On April 27, 2018, WHC assumed a MOHCD loan in the original amount of $997,000 from Conard House. MOHCD amended and restated the assumed loan agreement to include approved additional loan proceeds in the amount of $333,172, and a grant in the amount of $82,810. As of June 30, 2022 and 2021, $183,168 and $183,168, respectively, of the additional loan amount has been disbursed. Under the amended and restated agreement, the full loan amount is non-interest-bearing, and all principal and accrued interest shall be forgiven upon maturity, as long as WHC remains in compliance with the terms and conditions of the amended and restated agreement. The original loan matures on February 26, 2041, and the additional loan matures on April 27, 2073. Both the original and the additional principal balances have been amortized on a straight-line basis over their respective terms as debt forgiveness. As of June 30, 2022 and 2021, the principal balance remaining was $553,449 and $575,221, respectively, net of accumulated amortization of $626,719 and $604,947, respectively.

On February 8, 1996, LHA entered into a loan agreement with the MOHCD in the amount of $626,216. The loan is non-interest-bearing and secured by a deed of trust and assignment of rents on the Lyric Hotel. All unpaid principal shall be due and payable upon maturity on February 8, 2046. As of June 30, 2022 and 2021, the principal balance remaining was $626,216 for each year.

On February 8, 1996, LHA entered into a loan agreement with the MOHCD in the original amount of $2,399,431, of which $210,170 was repaid through March 2000. On September 25, 2007, the MOHCD approved additional loan proceeds of $182,729 for sprinkler system upgrades. On June 26, 2009, the MOHCD approved additional loan proceeds of $233,420 for capital improvements, amending the loan agreement and amount to $2,605,410. The loan bears simple interest at a rate of 3% per annum, which shall only accrue and be due and payable to the extent residual receipts, as defined in the loan agreement, are available in any calendar year to pay such interest. Residual receipts are to be deposited into a replacement reserve account, or if the MOHCD determines that the reserve is sufficiently funded, annual payments of principal and interest shall be made to the extent residual receipts are available. All unpaid principal and interest shall be due and payable upon maturity on September 25, 2057. The loan is secured by a deed of trust and assignment of rents on the Lyric Hotel. As of June 30, 2022 and 2021, the principal balance remaining was $2,605,410 for each year. As of June 30, 2022 and 2021, accrued interest was $84,405 for each year, of which $84,405 was deferred for each year.

Notes payable - Mayor's Office of Housing and Community Development of the City and County of San Francisco (continued)

On October 28, 1997, CHDC obtained funding from the SFRA in the original amount of $260,166. On August 21, 2001, the SFRA approved additional loan proceeds of $628,510 and amended the loan agreement accordingly. The loan is non-interest-bearing and secured by a deed of trust and assignment of rents on the 26th Street property. Annual payments of principal are due from residual receipts, if any and as defined in the loan agreement. The unpaid principal shall be forgiven at the end of the loan term in 2056. The accumulated amortization was $17,343 prior to the loan amendment, and no additional principal has been amortized due to the change in terms resulting from the loan amendment. Effective February 1, 2012, the SFRA was dissolved, and the loan was transferred to the MOHCD. As of June 30, 2022 and 2021, the principal balance remaining was $871,333 for each year, net of accumulated amortization of $17,343 for each year.

On May 6, 1999, MHC entered into a loan agreement with the MOHCD in the original amount of $278,718. On June 29, 2000, the loan agreement was amended, increasing the amount to $2,644,798. The loan is non-interest-bearing and secured by a deed of trust and assignment of rents on The Midori. The principal, which matures on June 29, 2055, shall be forgiven annually at a rate of $1/55^{th}$ of the amended loan amount. In the event of default, interest shall be deemed to have accrued on the outstanding principal balance of the loan at a compounded annual rate equal to the lesser of 10% or the maximum lawful rate of interest, commencing on the date of the close of escrow through the date such sums are paid. As of June 30, 2022 and 2021, the principal balance remaining was $1,581,841 and $1,630,513, respectively, net of accumulated amortization of $1,062,957 and $1,014,873, respectively.

On June 21, 2002, CHDC obtained funding from HUD's HOME Program through the MOHCD in the amount of $593,217. The loan is non-interest-bearing and secured by a deed of trust on the McAllister Street property. Principal is payable annually based on 50% of residual receipts, as defined in the loan agreement, commencing in January 2004. All unpaid principal shall be due and payable upon maturity on June 26, 2077. As of June 30, 2022 and 2021, the principal balance remaining was $593,217 for each year.

On June 21, 2002, CHDC entered into a loan agreement with the MOHCD in the amount of $439,983. The loan is non-interest bearing and secured by a deed of trust on the McAllister Street property. Principal is payable annually based on 50% of residual receipts, as defined in the loan agreement, commencing in January 2005. All unpaid principal shall be due and payable upon maturity on June 26, 2077. As of June 30, 2022 and 2021, the principal balance remaining was $416,964 for each year.

On May 3, 2011, MHC entered into a loan agreement with the SFRA in the amount of $309,500. The loan bears simple interest at a rate of 3% per annum, and payments of principal and interest are payable annually from surplus cash, as defined in the loan agreement. All unpaid principal and interest shall be due and payable upon maturity on May 3, 2066. The loan is secured by a deed of trust and assignment of rents on The Midori. Effective February 1, 2012, the SFRA was dissolved, and the loan was transferred to the MOHCD. As of June 30, 2022 and 2021, the principal balance remaining was $295,421 for each year, and deferred interest was $83,240 and $83,240, respectively. For the years ended June 30, 2022 and 2021, interest expense was $8,863 for each year.

On September 8, 2021, Conard Dore LLC entered into a loan agreement with the San Francisco Housing Accelerator Fund (SFHAF) in the amount of $5,591,012. The loan which matures on August 31, 2023, bears simple interest at a rate of 4.25% per annum and secured by a deed of trust and assignment of rents on Dore Street. On July 24, 2023, the loan agreement was amended in which the maturity date was extended to September 8, 2076 and the loan interest rate was reduced to 3%. Under the amended loan agreement, annual payments of principal and interest are due from residual receipts, if any and as defined, attributable to the prior calendar year. All principal and accrued interest shall remain deferred for the entire loan term, and due on maturity, as long as Conard House remains in compliance with the terms and conditions of the agreement. In the event of default, the unpaid principal balance, together with 3% simple interest per annum accrued on the unpaid principal balance from the date of default through the date such sums are paid, shall immediately become due and payable. As of June 30, 2022, the principal balance remaining and accrued interest was $5,414,924 and $18,628, respectively. For the year ended June 30, 2022, interest expense was $174,624.

On July 17, 2021, Conard House Florida Street LLC entered into a loan agreement with the SFHAF in the amount of $3,032,648. The loan which matures on June 15, 2023, bears simple interest at a rate of 4.25% per annum and secured by a deed of trust and assignment of rents on Florida Street. On June 5, 2023, the loan agreement was amended in which the maturity date was extended to July 17, 2076 and the loan interest rate was reduced to 3%. Under the amended loan agreement, annual payments of principal and interest are due from residual receipts, if any and as defined, attributable to the prior calendar year. All principal and accrued interest shall remain deferred for the entire loan term, and due on maturity, as long as Conard House remains in compliance with the terms and conditions of the agreement. In the event of default, the unpaid principal balance, together with 3% simple interest per annum accrued on the unpaid principal balance from the date of default through the date such sums are paid, shall immediately become due and payable. As of June 30, 2022, the principal balance remaining and accrued interest was $2,712,266 and $9,305, respectively. For the year ended June 30, 2022, interest expense was $104,880.

Note payable - Paycheck Protection Program

The Organization was granted a $1,500,000 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration (“SBA”) approved partner in 2020. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. $843,631 of the $1,500,000 loan was forgiven and the Organization has recognized as other income during the year ended June 30, 2021. The remainder $656,369 was refunded to the approved SBA partner.

The Organization is required to maintain a program at the above-secured properties in accordance with the loan agreements, in addition to other covenants. The program requirements are consistent with the Organization’s current program services.

Annual principal payments are as follows:

Year ending June 30,	
2023	$ 4,177,586
2024	50,973
2025	50,973
2026	50,973
2027	50,973
Thereafter	18,358,370
Total	$ 22,739,848

For the years ended June 30, 2022 and 2021, the principal balance of forgivable notes was $2,348,332 and $2,426,188, respectively.

Note 8 - Net assets with donor restrictions

Net assets with donor restrictions consist of a cost reimbursement grant in the original amount of $4,381,735 received on August 26, 2003 from the SFRA for the acquisition, rehabilitation, and operation of The Jordan Apartments in San Francisco. The Organization acquired The Jordan Apartments and rehabilitated the property with total costs of $4,256,076 using the grant funds. Under the grant and regulatory agreements, the grant restricts the tenants to be those with 50% or less of Area Median Income, and the maximum rent shall not exceed 30% of 50% of Area Median Income. The grant and regulatory agreements terminate in August 2068. In the event of default, interest shall be accrued on the disbursed grant amount at a compounded annual rate equal to the lesser of (i) 10% or (ii) the maximum lawful rate of interest, commencing on the date of close of escrow. Commencing July 2005, the Organization recorded the release of the donor restriction in The Jordan Apartments ratably over the remaining regulatory period, which amounts to $67,587 annually.

Net assets with donor restrictions also consist of the Elaine Mikels Endowment fund, which Conard House established in December 2009 to honor its founder, Elaine Mikels, and to build net assets for long-term stability and annual earnings for the Elaine Mikels Award and other special projects. A separate bank account was established for the fund in November 2014. As of June 30, 2022 and 2021, contributions received for the Elaine Mikels Endowment fund totaled $2,336 for each year.

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

	2022	2021
SFRA grant	$ 3,108,984	$ 3,176,571
Elaine Mikels Endowment fund	2,336	2,336
Total net assets with donor restrictions	$ 3,111,320	$ 3,178,907

Note 9 - Employee retirement plan

Employees who work at least 20 hours a week are eligible to participate in the Section 403(b) tax-deferred annuity plan. Participating employees may contribute up to a maximum amount allowed by law, with the Organization matching 20% of the contribution up to 20% of the employee's salary. In addition, the Organization may make additional contributions at the discretion of the Board of Directors. There were no discretionary contributions for the years ended June 30, 2022 and 2021.

In July 2007, the Board of Directors approved the adoption of a Section 457(b) Top Hat Deferred Compensation Plan. Participants may contribute up to the maximum specified in the Section 457 Code. The Organization will match employee contributions at the same rate (20%) as that of the Section 403(b) plan. The amount matched is calculated annually in January, and unlike the Section 403(b) plan, it is held as a liability rather than distributed to the participant accounts. As of June 30, 2022 and 2021, the Section 457(b) contribution liability was $2,748 and $2,455, respectively. For the years ended June 30, 2022 and 2021, the Organization contributed $99,526 and $99,338, respectively, to the retirement plans. As of June 30, 2022 and 2021, $23,599 and $35,756, respectively, remained payable to the retirement plans.

Note 10 - Lease commitments

On April 1, 2012, the Organization assumed the master leases of the Allen Hotel and the Aranda Residence for its HSH supportive housing program. The initial monthly base rents for the Allen Hotel and the Aranda Residence were $22,440 and $34,465, respectively, increasing annually based on 60% of the Consumer Price Index for All Urban Consumers for the San Francisco-Oakland-Hayward region. The Allen Hotel and the Aranda Residence leases expire on May 6, 2029 and November 14, 2025, respectively.

On March 14, 2013, the Organization exercised the option to extend the lease for its administrative office for an additional five years through October 31, 2018 with monthly rent increasing from $12,000 for the first option year to $13,506 for the fifth option year. On February 7, 2018, the lease was renewed for another five years through October 31, 2023, effective November 1, 2018, with initial monthly rent of $18,000 increasing annually to $20,195.

On March 28, 2014, the Organization exercised the option to extend the lease for its other offices for an additional five years through August 31, 2019 with monthly rent increasing from $3,650 for the first option year to $4,108 for the fifth option year. On January 17, 2019, the Organization signed an addendum to extend the lease for an additional three years through August 31, 2022 with monthly rent increasing from $4,975 for the first year to $5,279 for the third year. The Organization leases certain areas of its office building to unrelated third parties under agreements which generally provide for a non-cancelable term followed by an option to renew for subsequent terms.

The Organization has a ten-year master lease, effective May 1, 2014, for the McAllister Hotel for its HSH supportive housing program. The initial monthly base rent was $24,922, increasing annually based on the allowable percentage rent increase published by the San Francisco Residential Rent Stabilization and Arbitration Board. The lease has an option to renew for five additional periods of one year each.

The Organization leases other office spaces, operating facilities, and apartment complexes at various locations for its Cooperative Apartment Program, all of which are under lease agreements containing various expiration dates or are on a month-to-month basis.

The Organization is responsible for all operating and maintenance expenses at the leased properties. For the years ended June 30, 2022 and 2021, rental expense for all properties was $2,372,768 and $2,095,527, respectively.

Future minimum lease payments under existing leases are as follows:

Year ending June 30,		
2023	$	603,726
2024		379,935
2025		82,768
2026		29,820
2027		29,820
Thereafter		63,782
Total	$	1,189,851

Note 11 - Availability and liquidity

The following represents the Organization’s financial assets at June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	$ 518,901	$ 1,602,084
Receivables	3,353,655	1,687,748
Total current financial assets	3,872,556	3,289,832
Financial assets avaliable to meet general expenditures over the next twelve months	$ 3,872,556	$ 3,289,832

The Organization’s financial assets are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit, or used as part of income generating programs. The Organization also maintains a $1,500,000 line of credit that is available to meet cash flow needs.

Note 12 - Contingencies

Various federal, state and local agencies have the authority to audit the books and records of the Organization as they pertain to grants and contracts they have awarded. As a result of these audits, some grant or contract costs could be disallowed which would create liability to the Organization. Additionally, all government grants are subject to annual renewal or reduction depending on available revenue from their budgets. Management does not believe there are any material costs which would be disallowed as of and for the year ended June 30, 2022.

In the ordinary course of business, the Organization is involved in various pending claims and litigation. While the outcome of these matters is not presently determinable, in the opinion of management, these matters are not expected to have a material effect on the financial position or activities of the Organization.

Note 13 - Union contract

The Organization has an employee union contract with the Social Services Union, Local 1021 (formerly Local 535), SEIU, AFL-CIO-CLC for all employees except for the administrative and supervisory personnel. The union contract specifies that there shall be no lockout by the employer and no strike by the union. The Organization also recognizes the union as the sole collective bargaining agent for its employees pursuant to a Recognition Agreement. Union dues are withheld from the employees' payroll and submitted to the union by the Organization.

Note 14 - Going concern considerations

As disclosed in Note 7 to the consolidated financial statements, two notes payable to DHCD matured on August 29, 2020 and remain unpaid. This condition raised a substantial doubt about the Organization's ability to continue as a going concern. As of the date of this report, Management of the Organization has filed with DHCD (the lender) to extend the maturity date. DHCD has agreed the notes are not in default as of June 30, 2022 and that DHCD will not take any action that would threaten the continuation of the affordable housing project if the only deficiency is that the loan is past due. DHCD is working on the restructuring of the loans under the new Loan Portfolio Restructuring Program (LPR) which could lead to an extension and/or modification of the terms of the loans or conversion to the LPR program. Management believes that the notes' maturity dates will be extended or loan terms modified to forgivable by the lender as the properties are currently in the application process to convert into tax credit affordable housing projects with the sourcing approved by the lender. Substantial doubt about the Organization's ability to continue as a going concern has been alleviated as DHCD does not consider the loans to be in default and will not call the notes as long as the Organization continues to use the underlying properties for affordable housing and in accordance with DHCD requirements. Formal extension and/or modification of the notes payable will follow after the tax credit application process is completed.

Note 15 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of Conard House, Inc. and Related Organizations through December 30, 2023, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Conard House, Inc. and Related Organizations

Consolidating Statement of Financial Position
June 30, 2022

	Conard House	Housing Corporations	Lyric Housing Associates	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 345,065	131,041	42,795	$ -	$ 518,901
Contracts, fees and rent receivables	2,346,090	559,151	262,855	-	3,168,096
Other receivables	180,753	4,806	-	-	185,559
Prepaid expenses	211,346	14,880	13,700	-	239,926
Total current assets	3,083,254	709,878	319,350	-	4,112,482
Fixed assets, net	736,154	15,728,065	2,612,358	-	19,076,577
Other assets					
Restricted cash	282,062	4,440,905	291,688	-	5,014,655
Deposits	19,492	1,985	-	-	21,477
Security deposits	73,295	10,491	25,595	-	109,381
Intangible assets, net	41,136	-	-	-	41,136
Funds held in trust	1,065,383	-	-	-	1,065,383
Investment in Lyric Housing Associates	371,502	(2,152)	-	(369,350)	-
Intercompany receivable (payable)	942,998	(923,938)	(19,060)	-	-
Total other assets	2,795,868	3,527,291	298,223	(369,350)	6,252,032
Total assets	$ 6,615,276	$ 19,965,234	$ 3,229,931	$ (369,350)	$ 29,441,091
LIABILITIES AND NET ASSETS (DEFICIT)					
Current liabilities					
Accounts payable and accrued expenses	$ 1,174,385	466,081	$ 127,441	$ -	$ 1,767,907
Deferred revenue	276,990	4,217	17,843	-	299,050
Accrued interest	-	2,448,194	-	-	2,448,194
Long-term debt - current portion	-	4,177,586	-	-	4,177,586
Total current liabilities	1,451,375	7,096,078	145,284	-	8,692,737
Line of credit	1,200,000	-	-	-	1,200,000
Intercompany note payable (receivable)	128,000	(128,000)	-	-	-
Long-term debt, net	626,216	15,173,315	2,605,410	-	18,404,941
Security deposits	70,185	10,299	25,482	-	105,966
Tenant move-out reserve	111,139	-	-	-	111,139
Deferred interest	-	443,040	84,405	-	527,445
Funds held in trust	1,065,383	-	-	-	1,065,383
Total liabilities	4,652,298	22,594,732	2,860,581	-	30,107,611
Comittment and contingencies					
Net assets (deficit)					
Without donor restrictions	1,962,978	(5,740,818)	369,350	(369,350)	(3,777,840)
With donor restrictions	-	3,111,320	-	-	3,111,320
Total net assets (deficit)	1,962,978	(2,629,498)	369,350	(369,350)	(666,520)
Total liabilities and net assets (deficit)	$ 6,615,276	$ 19,965,234	$ 3,229,931	$ (369,350)	$ 29,441,091

Conard House, Inc. and Related Organizations

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	Conard House	Housing Corporations	Lyric Housing Associates	Eliminations	Consolidated
Changes in net assets without donor restrictions					
Support and revenue					
Governmental support:					
SF Department of Public Health	$ 9,662,263	$ -	$ -	$ -	$ 9,662,263
SF HSH & HSA	4,680,317	-	-	-	4,680,317
HUD rental assistance - Shelter Plus Care & Section 8	75,826	1,817,809	857,857	-	2,751,492
SF DPH subsidy income	637,179	1,166,092	-	(1,803,271)	-
Other governmental revenue	-	-	-	-	-
Contributions	155,538	-	-	-	155,538
Grants	317,197	-	-	-	317,197
Rental income	865,981	1,279,492	127,122	(227,546)	2,045,049
Interest income	-	4,042	438	-	4,480
Debt forgiveness	-	77,856	-	-	77,856
Developer fee income	-	145,898	-	-	145,898
Management fees	237,482	-	-	(237,482)	-
Other income	203,756	11,613	554	-	215,923
Satisfaction of donor's restrictions	-	67,587	-	-	67,587
Total support and revenue	16,835,539	4,570,389	985,971	(2,268,299)	20,123,600
Expenses					
Program:					
DPH supportive housing	7,070,011	5,270,558	-	(2,268,299)	10,072,270
HSH supportive housing	4,365,609	-	-	-	4,365,609
DPH-HSA representative payee services	325,187	-	-	-	325,187
Lyric Housing Associates	160,023	163	1,146,157	(160,186)	1,146,157
Management and general	3,670,603	-	-	-	3,670,603
Fundraising	295,715	-	-	-	295,715
Total expenses	15,887,148	5,270,721	1,146,157	(2,428,485)	19,875,541
Change in net assets without donor restrictions	948,391	(700,332)	(160,186)	160,186	248,059
Changes in net asset with donor restrictions:					
Satisfaction of donor's restrictions	-	(67,587)	-	-	(67,587)
Change in net assets	948,391	(767,919)	(160,186)	160,186	180,472
Net assets, beginning of year	1,014,587	(1,861,579)	529,536	(529,536)	(846,992)
Net assets, end of year	$ 1,962,978	$ (2,629,498)	$ 369,350	$ (369,350)	$ (666,520)
Change in net assets	$ 948,391	$ (767,919)	$ (160,186)	$ 160,186	$ 180,472
Debt forgiveness	-	(77,856)	-	-	(77,856)
Depreciation and amortization	14,463	508,552	191,885	-	714,900
Deferred interest	-	(35,692)	-	-	(35,692)
Changes in net assets before debt forgiveness, depreciation and amortization, and deferred interest	$ 962,854	$ (372,915)	$ 31,699	$ 160,186	$ 781,824

Conard House, Inc. and Related Organizations

Consolidating Statement of Functional Expenses
For the Year Ended June 30, 2022

	Conard House	Housing Corporations	Lyric Housing Associates	Eliminations	Consolidated
EXPENSES					
Salaries	$ 6,371,360	$ 1,610,704	$ 400,772	$ -	$ 8,382,836
Payroll taxes and employee benefitts	1,980,936	570,923	86,564	-	2,638,423
Consultation	62,167	19,751	13,787	-	95,705
Legal and accounting fees	295,956	152,599	25,084	-	473,639
Management fees	156,031	240,731	57,557	(237,482)	216,837
Insurance	118,957	95,638	22,637	-	237,232
Rent	2,522,024	43,897	-	(227,546)	2,338,375
Utilities	348,903	254,144	102,297	-	705,344
Telephone	191,444	40,958	3,817	-	236,219
Repairs and maintenance	806,840	773,341	206,545	-	1,786,726
Furniture expense	160,805	13,768	-	-	174,573
Security	93,913	25,431	-	-	119,344
Equipment rental	18,540	4,305	-	-	22,845
Office expense and supplies	150,835	33,908	16,038	-	200,781
SF DPH subsidy	1,803,271	-	-	(1,803,271)	-
Courier service	10,362	-	-	-	10,362
Travel and training	48,977	7,558	1,282	-	57,817
Client services	428,710	4,950	1,407	-	435,067
Lyric Housing Associates (gain)/loss	160,023	163	-	(160,186)	-
Depreciation and amortization	14,463	508,552	191,885	-	714,900
Interest	43,807	417,072	-	-	460,879
Bad debt	290	3,397	-	-	3,687
Miscellaneous	98,534	448,931	16,485	-	563,950
Total expenses	$ 15,887,148	$ 5,270,721	$ 1,146,157	$ (2,428,485)	$ 19,875,541

Conard House, Inc. and Related Organizations

Consolidating Statement of Financial Position
June 30, 2021

	Conard House	Housing Corporations	Lyric Housing Associates	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 1,323,786	$ 198,810	$ 79,488	$ -	$ 1,602,084
Contracts, fees and rent receivables	1,250,229	144,935	245,425	-	1,640,589
Other receivables	41,735	5,424	-	-	47,159
Prepaid expenses	89,607	14,293	15,578	(16,736)	102,742
Total current assets	2,705,357	363,462	340,491	(16,736)	3,392,574
Fixed assets, net	635,622	7,975,140	2,672,379	-	11,283,141
Other assets					
Restricted cash	247,314	4,691,839	346,018	-	5,285,171
Deposits	37,664	1,985	-	-	39,649
Security deposits	69,718	11,246	5,710	-	86,674
Intangible assets, net	70,444	588	-	-	71,032
Funds held in trust	890,808	-	-	-	890,808
Investment in Lyric Housing Associates	531,525	(1,989)	-	(529,536)	-
Intercompany receivable (payable)	719,258	(716,934)	(19,060)	16,736	-
Total other assets	2,566,731	3,986,735	332,668	(512,800)	6,373,334
Total assets	$ 5,907,710	$ 12,325,337	$ 3,345,538	$ (529,536)	$ 21,049,049
LIABILITIES AND NET ASSETS (DEFICIT)					
Current liabilities					
Accounts payable and accrued expenses	$ 1,568,467	$ 96,782	$ 107,107	$ -	$ 1,772,356
Deferred revenue	-	17,205	14,372	-	31,577
Accrued interest	-	2,420,261	-	-	2,420,261
Long-term debt - current portion	-	4,177,586	-	-	4,177,586
Total current liabilities	1,568,467	6,711,834	121,479	-	8,401,780
Line of credit	1,500,000	-	-	-	1,500,000
Intercompany note payable (receivable)	128,000	(128,000)	-	-	-
Long-term debt, net	626,216	7,281,302	2,605,410	-	10,512,928
Investment in Lyric Housing Associates	-	-	-	-	-
Security deposits	68,493	11,058	4,708	-	84,259
Tenant move-out reserve	111,139	-	-	-	111,139
Deferred interest	-	310,722	84,405	-	395,127
Funds held in trust	890,808	-	-	-	890,808
Total liabilities	4,893,123	14,186,916	2,816,002	-	21,896,041
Net assets (deficit)					
Without donor restrictions	1,014,587	(5,040,486)	529,536	(529,536)	(4,025,899)
With donor restrictions	-	3,178,907	-	-	3,178,907
Total net assets (deficit)	1,014,587	(1,861,579)	529,536	(529,536)	(846,992)
Total liabilities and net assets (deficit)	$ 5,907,710	$ 12,325,337	$ 3,345,538	$ (529,536)	$ 21,049,049

Conard House, Inc. and Related Organizations

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Conard House	Housing Corporations	Lyric Housing Associates	Eliminations	Consolidated
Changes in net assets without donor restrictions					
Support and revenue					
Governmental support:					
SF Department of Public Health	$ 7,370,077	$ -	$ -	$ -	$ 7,370,077
SF HSH & HSA	4,602,170	-	-	-	4,602,170
HUD rental assistance - Shelter Plus Care & Section 8	15,584	1,448,839	821,931	-	2,286,354
SF DPH subsidy income	675,700	1,066,075	-	(1,741,775)	-
Other governmental revenue	-	-	-	-	-
Contributions	111,634	-	-	-	111,634
Grants	14,976	-	-	-	14,976
Rental income	1,172,553	1,475,096	149,608	(215,546)	2,581,711
Interest income	-	3,944	831	-	4,775
Debt forgiveness	-	77,856	-	-	77,856
Gain (loss) from Lyric Housing Associates	-	-	-	-	-
Management fees	251,455	-	-	(251,455)	-
Other income	923,396	8,006	640	(52,421)	879,621
Satisfaction of donor's restrictions	-	67,587	-	-	67,587
Total support and revenue	15,137,545	4,147,403	973,010	(2,261,197)	17,996,761
Expenses					
Program:					
DPH supportive housing	5,756,358	4,122,677	-	(2,208,776)	7,670,259
DHS supportive housing	5,587,515	-	-	-	5,587,515
DPH-HSA representative payee services	1,952,701	-	-	-	1,952,701
Lyric Housing Associates	112,064	114	1,085,188	(112,178)	1,085,188
Management and general	1,460,269	-	-	-	1,460,269
Fundraising	159,714	-	-	-	159,714
Total expenses	15,028,621	4,122,791	1,085,188	(2,320,954)	17,915,646
Change in net assets without donor restrictions	108,924	24,612	(112,178)	59,757	81,115
Changes in net asset with donor restrictions:					
Satisfaction of donor's restrictions	-	(67,587)	-	-	(67,587)
Change in net assets	108,924	(42,975)	(112,178)	59,757	13,528
Net assets, beginning of year	905,663	(1,766,183)	641,714	(641,714)	(860,520)
Distribution	-	(52,421)	-	52,421	-
Net assets, end of year	$ 1,014,587	$ (1,861,579)	$ 529,536	$ (529,536)	$ (846,992)
Change in net assets	$ 108,924	$ (42,975)	$ (112,178)	$ 59,757	$ 13,528
Debt forgiveness	-	(77,856)	-	-	(77,856)
Depreciation and amortization	6,852	492,114	172,279	-	671,245
Deferred interest	-	(35,692)	-	-	(35,692)
Changes in net assets before debt forgiveness, depreciation and amortization, and deferred interest	$ 115,776	$ 335,591	$ 60,101	$ 59,757	$ 571,225

Conard House, Inc. and Related Organizations

Consolidating Statement of Functional Expenses
For the Year Ended June 30, 2021

	Conard House	Housing Corporations	Lyric Housing Associates	Eliminations	Consolidated
EXPENSES					
Salaries	$ 6,546,016	$ 1,567,205	$ 391,213.00	$ -	$ 8,504,434
Payroll taxes and employee benefits	1,988,058	528,562	80,871	-	2,597,491
Consultation	56,047	16,428	13,833	-	86,308
Legal and accounting fees	218,247	109,722	46,406	-	374,375
Management fees	158,453	208,906	56,765	(251,455)	172,669
Insurance	105,994	83,534	22,463	-	211,991
Rent	2,277,875	33,198	-	(215,546)	2,095,527
Utilities	338,260	225,018	82,125	-	645,403
Telephone	134,703	30,337	630	-	165,670
Repairs and maintenance	506,792	581,538	195,072	-	1,283,402
Furniture expense	80,954	11,272	-	-	92,226
Security	93,010	24,331	-	-	117,341
Equipment rental	29,485	-	-	-	29,485
Office expense and supplies	136,368	22,439	11,486	-	170,293
SF DPH subsidy	1,741,775	-	-	(1,741,775)	-
Courier service	12,018	-	-	-	12,018
Travel and training	51,615	10,245	983	-	62,843
Client services	234,929	-	1,742	-	236,671
Lyric Housing Associates (gain)/loss	112,064	114	-	(112,178)	-
Depreciation and amortization	6,852	492,114	172,279	-	671,245
Interest	37,496	146,431	-	-	183,927
Bad Debt	6,944	14,688	-	-	21,632
Miscellaneous	154,666	16,709	9,320	-	180,695
Total expenses	$ 15,028,621	$ 4,122,791	$ 1,085,188	$ (2,320,954)	$ 17,915,646

Single Audit Reports and Related Schedules

Conard House, Inc. and Related Organizations

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Agency Pass through Number / Program Identification	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development ("HUD"):				
Passed through the Mayor's Office of Housing of the City and County of San Francisco:				
Community Development Block Grants/Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	Lyric Housing and Midori	$ 5,876,424	$ -
HOME Investment Partnerships Program	14.239	McAllister Coop	593,217	-
Section 8 Project-Based Cluster				
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	Jordan Apartments	1,095,355	-
Continuum of Care Program	14.267	Allen Hotel, El Dorado, Midori, Lyric Housing	1,784,796	-
Subtotal - HUD			**$ 9,349,792**	
Total Federal Expenditures			**$ 9,349,792**	**$ -**

See Notes to Schedule of Expenditures of Federal Awards.

Conard House, Inc. and Related Organizations

Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Conard House, Inc. and Related Organizations (the "Organization") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations ("CFR")* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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, as applicable, either the cost principles contained in OMB Circular A-122, "Cost Principles for Non-Profit Organizations" or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect cost rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Outstanding loan balances

The following represents the amount of outstanding loans identified by Federal Assistance Listing No. All loans are provided by HUD and are summarized below:

FAL No.	Program title	Loans received in 2022	Prior Year loans with continuing compliance requirements
14.218	Community Development Block Grants/Entitlement Grants	$ -	$ 5,876,424
14.239	HOME Investment Partnerships Program	-	593,217
	Total	$ -	$ 6,469,641

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Conard House, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Conard House, Inc. and Related Organizations, which comprise the consolidated statement of financial position as of June 30, 2022 and the related consolidated statements of activities and changes in net assets, support and revenue and expenses by program, functional expenses, support and revenue and expenses - supportive housing program, functional expenses - supportive housing program and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Conard House, Inc. and Related Organizations' 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 Conard House, Inc. and Related Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of Conard House, Inc. and Related Organizations' internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conard House, Inc. and Related Organizations' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

CohnReznick LLP

Sacramento, California
December 30, 2023

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Conard House, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Conard House, Inc. and Related Organizations' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Conard House, Inc. and Related Organizations' major federal programs for the year ended June 30, 2022. Conard House, Inc. and Related Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Conard House, Inc. and Related Organizations complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Conard House, Inc. and Related Organizations 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 Conard House, Inc. and Related Organizations' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Conard House, Inc. and Related Organizations' 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 Conard House, Inc. and Related Organizations' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Conard House, Inc. and Related Organizations' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Conard House, Inc. and Related Organizations' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Conard House, Inc. and Related Organizations' 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 Conard House, Inc. and Related Organizations' 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.

CohnReznick LLP

Sacramento, California
December 30, 2023

Conard House, Inc. and Related Organizations

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

A. Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified Opinion

2. Internal control over financial reporting:

   a. Material weakness(es) identified? ____ Yes X No

   b. Significant deficiency(ies) identified? ____ Yes X None reported

3. Noncompliance material to financial statements noted? ____ Yes X No

Federal Awards

4. Internal control over major federal programs:

   a. Material weakness(es) identified? ____ Yes X No

   b. Significant deficiency(ies) identified? ____ Yes X None reported

5. Type of auditor's report issued on compliance for major federal programs: Unmodified Opinion

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ____ Yes X No

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.267	Continuum of Care Program
14.249	Section 8 Project-Based Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000

9. Auditee qualified as low-risk auditee X Yes ____ No

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

B. Findings - Financial Statements Audit

None Reported

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None Reported

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