

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025



CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Conard House, Inc. and Related Organizations

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 statement of financial position as of June 30, 2025, and the related consolidated statement of activities, functional expenses, and cash flows for the year 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 the Organization as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, 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 the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 U.S. GAAS 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 U.S. 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2026 on our consideration 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, 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 the 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 the Organizations' internal control over financial reporting and compliance.

BPM LLP

San Jose, California
May 20, 2026

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2025

ASSETS

Current assets:	
Cash and cash equivalents	\$ 384,479
Contracts, fees, and rent receivables	5,267,070
Other receivables	172,749
Prepaid and other current assets	246,527
Total current assets	<u>6,070,825</u>
Fixed assets, net	<u>18,875,940</u>
Other assets:	
Restricted cash	1,213,612
Deposits	59,563
Security deposits	69,056
Intangible assets, net	101,866
Right-of-use lease assets	3,716,818
Funds held in trust	1,790,836
Investment in EL Dorado Apartments, LLC	1,553,729
Total other assets	<u>8,505,480</u>
Total assets	<u>\$ 33,452,245</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:	
Accounts payable and accrued expenses	\$ 6,523,738
Deferred revenue	520,007
Line of credit	988,877
Operating lease liability	690,059
Total current liabilities	<u>8,722,681</u>
Long-term debt, net	23,469,807
Tenant security deposits	96,342
Deferred interest	2,578,244
Funds held in trust	1,790,836
Operating lease liability	3,156,206
Total liabilities	<u>39,814,116</u>
Commitments and contingencies (Notes 12 and 13)	
Net assets:	
Without donor restrictions	(9,268,430)
With donor restrictions	2,906,559
Total net assets (deficit)	<u>(6,361,871)</u>
Total liabilities and net assets (deficit)	<u>\$ 33,452,245</u>

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Governmental support	\$ 21,018,690	\$ -	\$ 21,018,690
Grants and contributions	348,384	-	348,384
Rental income	1,294,907	-	1,294,907
Management fee	92,266	-	92,266
Interest income	11,167	-	11,167
Other income	757,436	-	757,436
Net assets released from restrictions in satisfaction of donor restrictions	67,587	(67,587)	-
Total support and revenue	<u>23,590,437</u>	<u>(67,587)</u>	<u>23,522,850</u>
Expenses:			
Programs:			
Department of Public Health	13,233,399	-	13,233,399
Department of Homelessness and Supportive Housing	6,163,239	-	6,163,239
Institute of Aging	118,044	-	118,044
Department of Aging and Adult Services	82,936	-	82,936
SF Connect	174,917	-	174,917
Real estate	2,286,123	-	2,286,123
Total programs	22,058,658	-	22,058,658
Management and general	1,897,127	-	1,897,127
Fundraising	241,031	-	241,031
Total expenses	<u>24,196,816</u>	<u>-</u>	<u>24,196,816</u>
Change in net assets	(606,379)	(67,587)	(673,966)
Net assets at beginning of year	(8,662,051)	2,974,146	(5,687,905)
Net assets at end of year	<u>\$ (9,268,430)</u>	<u>\$ 2,906,559</u>	<u>\$ (6,361,871)</u>

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2025

	Program Services						Supporting Services			
	Department of Public Health	Department of Homelessness and Supportive Housing	Institute of Aging	Department of Aging and Adult Services	SF Connect	Real Estate	Program Total	Management and General	Development	Total
Salaries	\$ 5,235,475	\$ 1,587,869	\$ 68,849	\$ 48,333	\$ 112,810	\$ 362,220	\$ 7,415,556	\$ 1,223,550	\$ 67,909	\$ 8,707,015
Asset management	1,630,738	1,611,231	69	46	100	-	3,242,184	10,789	7,299	3,260,272
Benefits	1,678,516	497,625	22,004	15,998	33,866	92,161	2,340,170	303,409	18,056	2,661,635
Rent/master lease	920,880	1,380,506	6,254	4,193	3,759	-	2,315,592	25,116	1,893	2,342,601
Depreciation	-	-	-	-	-	1,327,853	1,327,853	-	-	1,327,853
Building supplies	908,987	264,702	3,319	1,364	12,246	-	1,190,618	-	5,305	1,195,923
Data security and systems	456,520	156,598	8,479	5,129	264	-	626,990	74,564	10,880	712,434
Client services	437,018	53,992	4,764	5,271	-	19,840	520,885	16	2,673	523,574
Sanitation	330,108	145,572	219	145	22	16	476,082	614	493	477,189
Interest	-	-	-	-	-	428,933	428,933	-	-	428,933
Insurance	287,266	76,186	437	98	396	11,817	376,200	10,678	173	387,051
Professional services	242,238	112,345	575	398	840	51	356,447	219,288	7,312	583,047
Telecommunications	172,888	54,614	1,802	1,207	8,472	1,612	240,595	2,328	8,182	251,105
HR support	78,581	17,605	541	376	2,139	12,267	111,509	23,907	107,115	242,531
Utilities	513,871	109,044	-	-	-	-	622,915	1,350	1,350	625,615
Building maintenance	275,933	67,768	713	370	3	2,387	347,174	1,072	948	349,194
Miscellaneous	64,380	27,582	19	8	-	26,966	118,955	446	1,443	120,844
Total expenses	\$ 13,233,399	\$ 6,163,239	\$ 118,044	\$ 82,936	\$ 174,917	\$ 2,286,123	\$ 22,058,658	\$ 1,897,127	\$ 241,031	\$ 24,196,816

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

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2025

Cash flows from operating activities:	
Change in net assets	\$ (673,966)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	1,351,538
Amortization of debt issuance costs	38,297
Debt forgiveness	(81,711)
Amortization of right-of-use lease assets	705,418
Changes in operating assets and liabilities:	
Contracts, fees, and rent receivables	(2,334,093)
Other receivables	(111,811)
Prepaid expenses and other assets	(117,787)
Deposits	(33,015)
Security deposits	(26,569)
Accounts payable and accrued expenses	850,247
Deferred revenue	(343,556)
Tenant security deposits	(115,527)
Deferred interest	513,673
Lease liability	(661,910)
Net cash used in operating activities	<u>(1,040,772)</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(221,951)</u>
Net cash used in investing activities	<u>(221,951)</u>
Cash flows from financing activities:	
Proceeds from long-term debt	<u>376,111</u>
Net cash provided by financing activities	<u>376,111</u>
Net change in cash, cash equivalents, and restricted cash	(886,612)
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,484,703</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,598,091</u>
Reconciliation of cash, cash equivalents, and restricted cash:	
Cash and cash equivalents	\$ 384,479
Restricted cash	<u>1,213,612</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 1,598,091</u>

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

1. Organization and Nature of Activities

Conard House, Inc. and related organizations (the "Organization") consist of nonprofit organizations and limited liability companies incorporated in California, and one California limited partnership. The Organization provides supportive services to economically, socially, psychiatrically, or otherwise disadvantaged adults living in San Francisco.

The Organization provides the following programs:

Department of Public Health ("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.

Department of Homelessness and Supportive Housing ("HSH") Supportive Housing Program – This program provides housing and supportive services for homeless individuals originally under the City and County of San Francisco ("CCSF's") "Care not Cash" program, now "Housing First", at McAllister Hotel, located in San Francisco's Tenderloin District.

Commencing April 1, 2012, Conard House, Inc. 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 U.S. Department of Housing and Urban Development ("HUD") grant program at the Allen Hotel, located in the Mid-Market area.

Institute of Aging ("IOA") – A community program for aging adults. IOA provides compassionate support, expert guidance and essential services to help aging adults and adults with disabilities live with dignity, independence and joy in the place they call home.

Department of Aging and Adult Services ("DAS") – A community program to provide assistance for older adults, veterans and people with disabilities. This program provides compassionate support, expert guidance services, so they live with dignity, independence as much as possible.

SF Connect – A program providing digital literacy training for clients.

Real Estate – A part of the Organization's supportive housing program that manages various aspects of the asset portfolio including rehabilitation projects, construction funding, property loans, and generally maximizes impact for the clients and the Organization's investments in real estate.

Management and General – Management and general expenses include direct business and financial management salaries and related expenses and indirect allocations of other related expenses identified, that include a component of general and administrative support.

Development – Development expenses include the Organization's fund-raising activities, systems and personnel expenses in order to provide robust and diversified revenue streams necessary to sustain a healthy organization and ongoing public financial support.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) specific to nonprofit organizations. The Organization presents information about its net assets and activities by net asset classes: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended to support the Organization’s general operations.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statement of activities and changes in net assets as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. The Organization has no donor-imposed restrictions that are perpetual in nature as of June 30, 2025.

Basis of Consolidation

Conard House Inc. is affiliated with limited liability companies and a limited partnership that has been formed either as supporting entities to Conard House Inc. or as instruments to further Conard House Inc.’s organizational objectives. These entities, which are included in the consolidated financial statements in accordance with U.S. GAAP, are as follows:

- The related nonprofit corporations and limited liability companies (“LLC”) (collectively, the “Housing Corporations”):
 - Conard Housing Development Corporation (“CHDC”), owning Jackson Street, 26th Street, and McAllister Street properties
 - El Dorado Housing Corporation (“EHC”), limited partner of El Dorado Apartments LP
 - 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)
 - Conard Post LLC, owning Post Street (a residential hotel)
 - Lyric Housing Corporation (“LHC”), managing general partner of Lyric Housing Associates
- 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.

All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are herein referred to as the “Organization.”

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

2. Summary of Significant Accounting Policies, continued

Measure of Operations

The Organization's measure of operations is its changes in net assets from operating activities, which includes all operating revenues and expenses that are an integral part of its programs and supporting activities. Contributions and net assets released from donor restrictions to support its operating activities are also included.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. 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 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.

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 CCSF through DPH – Behavioral Health Services, HSH and the Human Services Agency – Department of Human Services and Department of Aging and Adult Services, as well as rental assistance from the 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.

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.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

2. Summary of Significant Accounting Policies, continued

Receivables and Allowance for Credit Losses

The Organization recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the consolidated statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term), which includes consideration of prepayments and based on the Organization's expectations as of the consolidated statement of financial position date. Assets are written off when the Organization determines that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve as of the consolidated statement of financial position date. No valuation allowance has been provided as of June 30, 2025, 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 on the consolidated 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 not 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 for the year ended June 30, 2025.

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.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

2. Summary of Significant Accounting Policies, continued

Investments in Partnerships

Investments in partnerships include the co-general partner interest of the Organization in a tax credit partnership which are not controlled by the Organization. The Organization accounts for its investment in such limited partnership ("Investee") in accordance with the equity method of accounting, under which the investment is carried at cost and is adjusted for the Organization's share of the Investee's results of operations and by cash distributions received. The Organization regularly assesses the carrying value of its investment in partnership. If the carrying value exceeds the estimated value derived by management, the Organization would reduce its investment by the amount by which the carrying amounts exceed the assessed value. For the year ended June 30, 2025, the Organization did not make any such adjustments.

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 consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received for the year ended June 30, 2025.

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. For the year ended June 30, 2025, \$81,711 of forgiven debt was included in other income on the consolidated statement of activities and changes in net assets.

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 the Revenue and Taxation Code Section 23701(d).

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

The Organization believes that appropriate support for any tax positions taken and, as such, do not have any uncertain tax positions that are material to the consolidated financial statements. The Organization's federal and state income tax and information return for the fiscal years since 2022 are subject to examination by the IRS and the California Franchise Tax Board, generally for three years and four years, respectively, after they were filed for federal and state, respectively.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated 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

Government Contracts

The Organization receives government contracts and has determined that the asset transfers are contributions, as the resource provider does not receive commensurate value in exchange for the assets transferred. A contribution is considered to be conditional when one or more barriers exist and the right to receive or retain payment or delivery of the promised asset is conditioned on meeting those barriers. A portion of the Organization's revenue is derived from cost-reimbursable federal and city contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as support without donor restrictions when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Contributions

Unconditional contributions and grants received are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional, donor-restricted contributions are reported as an increase in net assets with donor restrictions if they are subject to time or a donor-imposed purpose restriction. When a donor restriction expires, when a stipulated time restriction ends or when a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the accompanying consolidated statement of activities and changes in net assets as net assets released from restrictions.

Conditional contributions and grants or promise to give, with a measurable performance target or other conditions and a right of return, are not recognized until the conditions on which they depend have been met. Conditional contributions with donor-restrictions whose restrictions are met in the same year as the contributions are received are recognized as contributions or government contracts revenue without restrictions.

Rental Income

Rental income is associated with tenants and residents of various properties. The rental income is recognized ratably over the period of the lease terms, which includes monthly payments on the month-to-month leases. The Organization has elected to use the practical expedient to disregard the financing component when its payment terms are less than one year. The Organization has not incurred any material costs to obtain contracts to date.

Management Fee

The Organization receives management fees for various properties. The management fee is recognized ratably over time as services are provided.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

2. Summary of Significant Accounting Policies, continued

Leases

The Organization recognizes a lease asset and a lease liability at the lease commencement date. The lease asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using a risk-free rate.

Total lease costs on an undiscounted basis are recognized as rent expense over the term of the lease on a straight-line basis. Annual rent expense comprises amortization of the lease asset plus interest on the lease liability adjusted for any variations in lease payment amounts.

3. Liquidity and Availability

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 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.

The following table represents the Organization's financial assets as of June 30, 2025:

Cash and cash equivalents	\$	384,479
Contracts, fees, and rent receivables		5,267,070
Other receivables		<u>172,749</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>5,824,298</u>

As of June 30, 2025, the Organization reported approximately \$5.3 million in receivables due from funders. The unusually high receivable balance placed temporary pressure on liquidity. Prior to year-end, the Organization initiated discussions with the Bank of San Francisco to expand its credit capacity. Within 60 days after the year ended June 30, 2025, the Organization secured a new \$3 million line of credit facility with maturity date of August 2030. The facility has been used to support working capital needs during a period of delayed payment processing by funders, fund required reserves, and ensure long-term financial health. Conard House Inc. will continue to focus on strategic initiatives aimed at improving liquidity through acquisitions and increasing its borrowing capacity through real estate owned by the Organization.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

4. Restricted Cash

Restricted cash consists 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 for the year ended June 30, 2025:

Escrow	\$	11,139
Elaine Mikels endowment fund		2,336
Settlement account		61,001
Money market		<u>13,787</u>
		88,263
Reserves:		
Debt services HUD reserve		169,152
Replacement reserve		580,595
Operating reserve		344,506
Other cash reserve		<u>31,096</u>
Total reserves		<u>1,125,349</u>
Total restricted cash	\$	<u><u>1,213,612</u></u>

The Elaine Mikels endowment fund, which the Organization 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.

5. Fixed Assets

Fixed assets consisted of the following as of June 30:

Land	\$	6,239,447
Buildings and leasehold improvements		30,089,785
Furniture, fixtures, and equipment		517,791
Construction in progress		<u>88,398</u>
Total fixed assets		36,935,421
Less: accumulated depreciation		<u>(18,059,481)</u>
Fixed assets, net	\$	<u><u>18,875,940</u></u>

Depreciation expense was \$1,327,853 for the year ended June 30, 2025.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

6. Intangible Assets

Intangible assets consisted of the following as of June 30, 2025:

Software costs	\$ 369,442
Less: accumulated amortization	<u>(267,576)</u>
Intangible assets, net	<u>\$ 101,866</u>

Amortization expense amounted to \$23,685 for the year ended June 30, 2025.

7. Investment in Limited Partnership

Conard House, Inc. is a co-general partner in EDA and has an ownership interest of 0.0051% as of June 30, 2025. Conard House, Inc. accounts for its investment in EDA in accordance with the equity method of accounting, under which the investment is carried at cost and is adjusted for Conard House, Inc.'s share of EDA's results of operations and by cash distributions received. The carrying value of Conard House, Inc.'s investment in EDA was \$1,553,729 as of June 30, 2025.

8. Line of Credit

Conard House, Inc. has a \$1,500,000 revolving business line of credit with Wells Fargo Bank (the "Bank") through September 30, 2025. As of the date of this report, management has a term sheet with the Bank but extension has yet to be executed. The line of credit bears interest at the greater of the Prime Rate plus 1.25% (9.5% as of June 30, 2025). The line of credit is secured by the first lien on the Jackson Street property and all personal properties owned by Conard House, Inc. 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 12 months of the line of credit, and during each successive twelve-month period. As of June 30, 2025, the outstanding balance was \$988,877. Subsequent to year-end, the line of credit was fully paid off.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

9. Long-Term Debt

Long-term debt consisted of the following for the year ended June 30, 2025:

Borrower Entity Name	Property	Lender Name	Original Amount	Interest Rate	Payment Terms	Maturity Date	Principal 6/30/2025	Deferred Interest 6/30/2025	Interest Cost	Notes
MHC	The Midori	DHCD	\$ 1,925,000	3.00%	Determined based on cash flow availability	8/29/2040	\$ 1,925,000	\$ 1,732,099	\$ -	
JHC	Jordan Apartments	DHCD	\$ 1,250,000	3.00%	Determined based on cash flow availability	5/20/2060	1,250,000	209,480	37,500	All payments applied to accrued interest before principal.
WHC	Washburn Residence	DPH	\$ 400,000	0.00%	Forgiveable	2041	128,000	-	-	10% simple interest only upon default.
MHC	The Midori	MOHCD	\$ 1,114,157	3.00%	Residual receipts, if any	5/3/2066	1,114,157	-	66,141	Secured by deed of trust.
WHC	Washburn Residence	MOHCD	\$ 997,000	0.00%	Forgiveable	2/26/2041	319,805	-	-	
WHC	Washburn Residence	MOHCD	\$ 312,748	0.00%	Forgiveable	4/27/2073	272,945	-	-	
Conard Housing Inc.	Lyric Hotel	MOHCD	\$ 626,216	0.00%	Due at maturity	2/8/2046	626,216	-	-	
LHA	Lyric Hotel	MOHCD	\$ 2,605,410	3.00%	Residual receipts, if any	9/25/2057	2,605,410	84,405	-	Accrued interest recognized as deferred.
CHCD	26th Street	MOHCD	\$ 888,676	0.00%	Forgiveable	2051	871,333	-	-	
CHDC	McAllister	MOHCD	\$ 593,217	0.00%	50% residual receipts	6/26/2077	593,217	-	-	
CHDC	McAllister	MOHCD	\$ 439,983	0.00%	50% residual receipts	6/26/2077	406,692	-	-	
MHC	The Midori	MOHCD	\$ 2,644,798	0.00%	Forgiveable	6/29/2055	1,418,542	-	-	Default triggers interest at up to 10% compounded.
MHC	The Midori	MOHCD	\$ 309,500	3.00%	Determined based on cash flow availability	5/3/2066	298,013	-	9,285	Accrued interest recognized as deferred.
Conard House Florida	Florida Street	MOHCD	\$ 3,032,648	3.00%	Interest and principal deferred and due at maturity unless residual receipts available.	7/1/2078	2,978,466	92,173	81,605	
Conard Dore	Dore	MOHCD	\$ 5,963,474	3.00%	Interest and principal deferred and due at maturity unless residual receipts available.	8/1/2078	5,963,474	448,364	168,140	
Conard Post	Post Street	MOHCD	\$ 3,326,000	3.00%	Interest and principal deferred and due at maturity unless residual receipts available.	9/1/2079	2,863,640	11,723	66,262	
Total							<u>\$ 23,634,910</u>	<u>\$ 2,578,244</u>	<u>\$ 428,933</u>	
Less: unamortized loan fees							<u>(165,103)</u>	<u>-</u>		
Notes and interest payable, net							<u>23,469,807</u>	<u>2,578,244</u>		
Less: current portion							<u>-</u>	<u>-</u>		
Long-term portion							<u>\$ 23,469,807</u>	<u>\$ 2,578,244</u>		

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

9. Long-Term Debt, continued

Annual principal payment requirements are as follows as of June 30, 2025:

Year ending June 30:	
2026	\$ -
2027	50,973
2028	50,973
2029	50,973
2030	50,973
Thereafter	<u>23,265,915</u>
Total	<u>\$ 23,469,807</u>

10. 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 consisted of the following as of June 30, 2025:

	Balance	Releases
SFRA grant	<u>\$ 2,906,559</u>	<u>\$ (67,587)</u>

11. 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 year ended June 30, 2025.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

12. Lease Commitments

At lease commencement, the Organization recognizes a lease liability, which is measured at the present value of future minimum lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for any prepaid lease costs, initial direct costs and lease incentives. The Organization has elected and applies the practical expedient available to lessees to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. The Organization remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract. The Organization determined an appropriate discount rate of 2.88% to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities.

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 \$19,065. On March 16, 2023, the lease was renewed for another five years through October 31, 2028, effective November 1, 2023, with initial monthly rent of \$18,330 increasing annually to \$20,631.

The Organization has a ten-year master lease, effective October 1, 2021, for the Marilyn Inn for its supportive housing program. The initial monthly rent for the Marilyn Inn was \$35,000 and will increase by 15% on October 1, 2026 to \$40,250 for the remaining lease term. Under the master lease agreement, the tenant has an option to extend the initial term for one additional period of five years.

On February 14, 2023, the Organization obtained a five-year lease, effective April 1, 2023, for its additional administrative office. The initial monthly rent for the additional administrative office lease was \$5,361, and the monthly rent will increase by 3% annually to \$6,034. Under the lease agreement, tenant has no option to extend the lease term upon lease expiration.

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 year ended June 30, 2025, rental expense for all properties was \$2,354,601.

The weighted-average remaining lease term for the Organization's leases is 5 years as of June 30, 2025.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

12. Lease Commitments, continued

An analysis of the Organization's lease liability was as follows as of June 30, 2025:

	Lease Payments	CAM Lease Payments	Total Lease Payments
For the year ending June 30:			
2026	\$ 719,505	\$ 72,289	\$ 791,794
2027	766,755	72,289	839,044
2028	791,495	72,289	863,784
2029	565,522	18,264	583,786
2030	482,000	-	482,000
Thereafter	603,750	-	603,750
	<u>\$ 3,929,027</u>	<u>\$ 235,131</u>	<u>\$ 4,164,158</u>
Total lease payment			<u>\$ 4,164,158</u>
Less: interest			<u>(317,893)</u>
			<u>\$ 3,846,265</u>
Total lease liability			<u>\$ 3,846,265</u>
Current portion of total lease liability			<u>\$ 690,059</u>
Noncurrent portion of total lease liability			<u>\$ 3,156,206</u>

13. 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, 2025.

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.

14. 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.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

16. Subsequent Events

In accordance with accounting standards affecting disclosures of subsequent events, the Organization evaluated subsequent events for recognition and disclosure through May 20, 2026, the date these consolidated financial statements were available to be issued. Management concluded that, other than the item disclosed in Note 3, no additional material subsequent events have occurred since June 30, 2025 that require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors of
Conard House, Inc. and Related Organizations

We have audited the consolidated financial statements of Conard House, Inc. and Related Organizations as of and for the year ended June 30, 2025 and have issued our report thereon dated May 20, 2026, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating statements are presented for the 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BPM LLP

San Jose, California
May 20, 2026

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of June 30, 2025

	Conard House	Housing Corporations	Lyric Housing Associates	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 147,222	\$ 224,803	\$ 12,454	\$ -	\$ 384,479
Contracts, fees and rent receivables	4,841,190	118,523	307,357	-	5,267,070
Other receivables	172,749	-	-	-	172,749
Prepaid expenses	242,433	2,835	1,259	-	246,527
Total current assets	5,403,594	346,161	321,070	-	6,070,825
Fixed assets, net	715,864	16,054,411	2,105,665	-	18,875,940
Other assets:					
Restricted cash	74,476	953,241	185,895	-	1,213,612
Deposits	59,563	-	-	-	59,563
Security deposits	23,720	14,736	30,600	-	69,056
Intangible assets, net	101,866	-	-	-	101,866
Right-of-use lease assets	3,716,818	-	-	-	3,716,818
Funds held in trust	1,790,836	-	-	-	1,790,836
Investment in EL Dorado Apartments, LLC	1,553,729	-	-	-	1,553,729
Investment in Lyric Housing Associates	(738,400)	(2,750)	-	741,150	-
Intercompany receivable (payable)	(1,572,869)	(921,706)	120,513	2,374,062	-
Total other assets	5,009,739	43,521	337,008	3,115,212	8,505,480
Total assets	\$ 11,129,197	\$ 16,444,093	\$ 2,763,743	\$ 3,115,212	\$ 33,452,245
LIABILITIES AND NET ASSETS (DEFICIT)					
Current liabilities:					
Accounts payable and accrued expenses	\$ 2,870,274	564,921	\$ 714,481	\$ 2,374,062	\$ 6,523,738
Deferred revenue	398,719	49,644	71,644	-	520,007
Line of credit	988,877	-	-	-	988,877
Operating lease liability	690,059	-	-	-	690,059
Total current liabilities	4,947,929	614,565	786,125	2,374,062	8,722,681
Long-term debt, net	626,216	20,238,181	2,605,410	-	23,469,807
Tenant security deposits	52,883	14,506	28,953	-	96,342
Deferred interest	-	2,493,839	84,405	-	2,578,244
Funds held in trust	1,790,836	-	-	-	1,790,836
Operating lease liability	3,156,206	-	-	-	3,156,206
Total liabilities	10,574,070	23,361,091	3,504,893	2,374,062	39,814,116
Commitments and contingencies					
Net assets:					
Without donor restrictions	1,071,796	(9,823,557)	(741,150)	741,150	(8,751,761)
With donor restrictions	-	2,906,559	-	-	2,906,559
Total net assets (deficit)	1,071,796	(6,916,998)	(741,150)	741,150	(5,845,202)
Total liabilities and net assets (deficit)	\$ 11,645,866	\$ 16,444,093	\$ 2,763,743	\$ 3,115,212	\$ 33,968,914

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2025

	Conard House	Housing Corporations	Lyric Housing Associates	Eliminations	Consolidated
Changes in net assets without donor restrictions:					
Support and revenue:					
Governmental support	\$ 18,891,965	\$ 1,295,774	\$ 830,951	\$ -	\$ 21,018,690
Grants and contributions	348,384	-	-	-	348,384
Rental income	331,594	833,227	142,086	(12,000)	1,294,907
Management fee	251,915	-	-	(159,649)	92,266
Interest income	-	8,422	2,745	-	11,167
Other income	627,468	93,681	36,287	-	757,436
Net assets released from restrictions satisfaction of donor restrictions	-	67,587	-	-	67,587
Total support and revenue	<u>20,451,326</u>	<u>2,298,691</u>	<u>1,012,069</u>	<u>(171,649)</u>	<u>23,590,437</u>
Expenses:					
Program:					
DPH supportive housing	8,371,959	5,033,089	-	(171,649)	13,233,399
HSH supportive housing	4,634,501	-	1,528,738	-	6,163,239
Institute of Aging	118,044	-	-	-	118,044
DAS	82,936	-	-	-	82,936
SF Connect	174,917	-	-	-	174,917
Real estate	2,286,123	-	-	-	2,286,123
Total program	<u>15,668,480</u>	<u>5,033,089</u>	<u>1,528,738</u>	<u>(171,649)</u>	<u>22,058,658</u>
Management and general	1,897,127	-	-	-	1,897,127
Fundraising	241,031	-	-	-	241,031
Total expenses	<u>17,806,638</u>	<u>5,033,089</u>	<u>1,528,738</u>	<u>(171,649)</u>	<u>24,196,816</u>
Change in net assets without donor restrictions	2,644,688	(2,734,398)	(516,669)	-	(606,379)
Changes in net asset with donor restrictions:					
Net assets released from restrictions satisfaction of donor restrictions	-	(67,587)	-	-	(67,587)
Change in net assets	2,644,688	(2,801,985)	(516,669)	-	(673,966)
Net assets (deficit) at beginning of year	<u>(1,603,087)</u>	<u>(4,084,818)</u>	<u>(224,481)</u>	<u>224,481</u>	<u>(5,687,905)</u>
Net assets (deficit) at end of year	<u>\$ 1,041,601</u>	<u>\$ (6,886,803)</u>	<u>\$ (741,150)</u>	<u>\$ 741,150</u>	<u>\$ (6,361,871)</u>
Change in net assets:	\$ 2,644,688	\$ (2,801,985)	\$ (516,669)	\$ -	\$ (673,966)
Depreciation and amortization	40,162	1,111,197	200,179	-	1,351,538
Deferred interest	-	513,673	-	-	513,673
Change in net assets before debt forgiveness, depreciation and amortization, and deferred interest	<u>\$ 2,684,850</u>	<u>\$ (1,177,115)</u>	<u>\$ (316,490)</u>	<u>\$ -</u>	<u>\$ 1,191,245</u>

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2025

	Conard House	Housing Corporations	Lyric Housing Associates	Eliminations	Consolidated
Expenses:					
Salaries	\$ 7,658,635	\$ 1,048,380	\$ -	\$ -	\$ 8,707,015
Asset management	2,019,984	705,727	694,210	(159,649)	3,260,272
Benefits	2,193,246	468,389	-	-	2,661,635
Rent/master lease	2,203,272	151,329	-	(12,000)	2,342,601
Depreciation	40,162	1,087,512	200,179	-	1,327,853
Building supplies	665,283	345,459	185,181	-	1,195,923
Data security and systems	627,388	85,046	-	-	712,434
Client services	520,248	2,785	541	-	523,574
Sanitation	262,948	146,327	67,914	-	477,189
Interest	139,151	289,782	-	-	428,933
Insurance	256,760	95,433	34,858	-	387,051
Professional services	366,433	149,727	66,887	-	583,047
Telecommunications	216,565	24,427	10,113	-	251,105
HR support	226,207	13,850	2,474	-	242,531
Utilities	234,048	241,149	150,418	-	625,615
Building maintenance	113,205	133,800	102,189	-	349,194
Miscellaneous	63,103	43,967	13,774	-	120,844
	<u>\$ 17,806,638</u>	<u>\$ 5,033,089</u>	<u>\$ 1,528,738</u>	<u>\$ (171,649)</u>	<u>\$ 24,196,816</u>
Total expenses					

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Agency Pass-Through Number / Program Identification	Federal Expenditures	Passed Through to Subrecipients
Current year Expenditure of Federal Awards				
U.S. Department of Housing and Urban Development:				
Pass-through the Mayor's Office of Housing of the City and County of San Francisco:				
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	1,113,022	-
Continuum of Care Program				
	14.267	Allen Hotel	670,203	-
		El Dorado	130,745	-
		Midori	122,190	-
		Lyric Housing	<u>830,951</u>	<u>-</u>
Total - Continuum of Care Program			1,754,089	-
Total - HUD			<u>9,336,752</u>	<u>-</u>
Total federal expenditures			<u>\$ 9,336,752</u>	<u>\$ -</u>

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2025

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "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, 2025. 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.

2. Summary of Significant Accounting Principles

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

3. Indirect Cost Rate

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

4. Outstanding Loan Balances

The following table outstanding loan balances identified by Federal Assistance Listing Number. All loans are provided by HUD and are summarized below:

AL No.	Lease Payments	Loans Received in 2025	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
		<u>\$ -</u>	<u>\$ 6,469,641</u>

**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**

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Conard House, Inc. and Related Organizations

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 (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated May 20, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organizations' internal control over financial reporting ("internal control") as a basis for designing 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 the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Organization's consolidated 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 the Organizations' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not the 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 Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BPM LLP

San Jose, California
May 20, 2026

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Conard House, Inc. and Related Organizations

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Conard House, Inc. and Related Organizations' (the "Organization") 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 the Organizations' major federal programs for the year ended June 30, 2025. the Organizations' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2025.

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 ("U.S. 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the 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 the Organizations' federal programs.

Auditors' 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 the 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 U.S. 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 the Organizations' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. 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 the 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 the 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 the 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 Auditors' 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 Board of Directors of
Conard House, Inc. and Related Organizations

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.

BPM LLP

San Jose, California
May 20, 2026

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2025

Section I – Summary of Audit Results

Consolidated Financial Statements

- | | |
|---|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness identified? | No |
| • Significant deficiencies identified? | None reported |
| 3. Noncompliance material to consolidated financial statements noted? | No |

Federal Awards

- | | |
|--|---|
| 4. Internal control over major programs: | |
| • Material weakness identified? | No |
| • Significant deficiencies identified? | None reported |
| 5. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)? | 2025-001 |
| 7. Identification of major programs: | |
| Federal Assistance | |
| <u>Listing Number</u> | <u>Name of Federal Program or Cluster</u> |
| 14.218 | CDBG – Entitlement Grants Cluster |
| 14.249 | Section 8 Project-Based Cluster |
| 14.267 | Continuum of Care |
| 8. Dollar threshold used to distinguish between type A and type B Programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | No |

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2025

Section II – Financial Statement Findings

None reported

Section III – Federal Findings and Questioned Costs

Item 2025-001 – Data Collection Form

Criteria: 2 CFR 200.510(a) requires an entity subject to a Single Audit to submit and certify its audit package and Data Collection Form within nine months of its fiscal year-end.

Condition: The Organization did not submit and certify its Data Collection Form to the Federal Audit Clearinghouse within nine months of the fiscal year-end.

Effect: The Organization will not qualify as a low-risk auditee for its upcoming Single Audit. Additionally, the late filing may impact future funding or follow up from Federal agencies.

Context: This is the six straight year the Organization has filed its Data Collection Form more than nine months after fiscal year-end.

Cause: Significant turnover on the Finance team did not allow management to sufficiently develop a background on the Organization's accounting policies and systems to ensure timely submission of the Data Collection Form.

Recommendation: We recommend that the Organization institute policies and procedures that allow for the Data Collection Form to be submitted by the required deadline.

Views of Responsible Official: The Organization concurs with this finding. The Organization added capacity to the finance team to complete and file the data collection form timely.

CONARD HOUSE, INC. AND RELATED ORGANIZATIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2025

Section IV – Status of Prior Year Audit Findings

Finding 2024-001 – Account Reconciliations and Financial Reporting – Significant Deficiency

Condition

There were certain accounts that were not reconciled until after year-end, resulting in adjustments having to be made to the general ledger. These accounts included receivables, fixed assets, accounts payable and accrued expenses.

Previous Response for Finding

Conard House, Inc. has taken immediate action to ensure accounts are analyzed and reconciled on a monthly basis.

Current Status

Issues have been resolved.

May 20, 2026

BPM LLP

10 Almaden Boulevard, Suite 1000

San Jose, CA 95113

Corrective Action Plan

Finding Reference Number: 2025-001

Description of Finding: The Organization did not submit and certify its Data Collection Form to the Federal Audit Clearinghouse within nine months of the fiscal year-end.

Corrective Action: The Organization concurs with the finding regarding the late submission of the Data Collection Form. Management has determined that the delay was primarily due to turnover within the finance function and late issuance of compliance supplement. In response, the Organization has implemented corrective actions, including establishing a formal compliance calendar, assigning clear responsibility for DCF preparation and submission, enhancing monitoring controls, and providing additional training to finance personnel. Management believes these actions will ensure timely submission of the Data Collection Form in future periods and strengthen overall compliance with Uniform Guidance requirements.

Name of Responsible Person: Cole Bettles

Anticipated Completion Date: June 30, 2026

Sincerely,



Cole Bettles

Director of Finance