

# **Tenderloin Housing Clinic, Inc.**

Financial Statements

June 30, 2022

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## Independent Auditors' Report

Board of Directors  
Tenderloin Housing Clinic, Inc.

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Tenderloin Housing Clinic, Inc., a non-profit organization, (the "Organization"), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audit. 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**Baker Tilly US, LLP**

San Francisco, California  
December 9, 2022

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**TENDERLOIN HOUSING CLINIC, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2022**

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 6,706,238
Cash held for clients	5,570,955
Cash - tenant security deposits	41,877
Contracts and grants receivable	6,373,997
Pledges receivable - current portion - net	1,513,000
Other receivables	641,789
Prepaid expenses and other current assets	<u>904,590</u>

Total current assets 21,752,446

**Property and Equipment - net** 11,162,628

**Other Assets**

Pledges receivable - long term portion - net	292,022
Deposits	<u>266,055</u>

Total assets \$ 33,473,151

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 3,827,440
Accrued payroll and payroll taxes	1,215,761
Accrued vacation	560,719
Other accrued liabilities	545,391
Tenant security deposits	41,187
Cash held for clients	<u>5,570,769</u>

Total current liabilities 11,761,267

**Long-term Liabilities**

Deferred rent	<u>358,056</u>
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Total liabilities 12,119,323

**Net Assets**

Without donor restrictions	19,165,729
With donor restrictions	<u>2,188,099</u>

Total net assets 21,353,828

Total liabilities and net assets \$ 33,473,151

**TENDERLOIN HOUSING CLINIC, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2022**

<b>SUPPORT AND REVENUE</b>	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT</b>			
Government contracts and grants			
SRO Housing Program - Department of Homelessness & Supportive Housing (HSH)	\$ 40,751,463	\$ -	\$ 40,751,463
Continuum of Care - (COC), funded by Department of Housing and Urban Development (HUD)	2,926,145	-	2,926,145
New Horizons - Adult Probation Department (APD)	2,521,780	-	2,521,780
Tenant Right to Counsel - Mayor's Office of Housing and Community Development (MOHCD)	1,783,392	-	1,783,392
Modified Payment Program - HSH	943,310	-	943,310
Veterans Affairs Supportive Housing (VASH)	268,999	-	268,999
Central City SRO Collaborative - Department of Building Inspection (DBI)	503,174	-	503,174
Code Enforcement and Outreach Program - DBI	304,127	-	304,127
Other governments and contracts	188,943	-	188,943
Total government contracts and grants	50,191,333	-	50,191,333
Other support			
Donations	703,366	19,600	722,966
Total support	50,894,699	19,600	50,914,299
<b>REVENUE</b>			
Hotel rental income	6,820,024	-	6,820,024
Attorney fees	957,271	-	957,271
Galvin Apartments rental income	428,524	-	428,524
Miscellaneous income	49,661	-	49,661
Loan forgiveness	317,100	-	317,100
Reimbursed legal costs	276,018	-	276,018
Investment loss	(1,633)	-	(1,633)
Total revenue	8,846,965	-	8,846,965
Net assets released from restrictions	1,392,773	(1,392,773)	-
Total support and revenue	61,134,437	(1,373,173)	59,761,264
<b>EXPENSES</b>			
Program services	52,660,697	-	52,660,697
Management and general	4,663,220	-	4,663,220
Total expenses	57,323,917	-	57,323,917
<b>CHANGE IN NET ASSETS</b>	3,810,520	(1,373,173)	2,437,347
<b>NET ASSETS</b> - beginning of year	15,355,209	3,561,272	18,916,481
<b>NET ASSETS</b> - end of year	<u>\$ 19,165,729</u>	<u>\$ 2,188,099</u>	<u>\$ 21,353,828</u>

**TENDERLOIN HOUSING CLINIC, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2022**

	Program Services							Total Program Services	Management and General	Total
	SRO Housing	Transitional Housing	Legal Assistance	Bristol Hotel	Housing Service	Community Organizing	Galvin Apartments		Total	
Salaries and related expenses	\$ 18,260,031	\$ 1,047,199	\$ 1,438,326	\$ 100,204	\$ 1,020,092	\$ 485,721	\$ 114,529	\$ 22,466,102	\$ 2,160,280	\$ 24,626,382
Hotel leases	16,766,658	664,113	-	1,115,797	-	-	-	18,546,568	-	18,546,568
Repairs and maintenance	2,493,715	54,217	135,608	153,871	448,572	33,521	55,160	3,374,664	765,430	4,140,094
Utilities	3,107,161	92,511	53,464	154,125	30,642	43,147	134,189	3,615,239	191,633	3,806,872
Office	876,916	10,578	64,684	70,273	20,076	31,997	55,594	1,130,118	504,423	1,634,541
Office rent, block rental	128,606	527,802	89,043	-	58,607	67,681	-	871,739	10,085	881,824
Insurance	570,459	30,355	9,019	10,670	1,752	5,598	31,038	658,891	66,947	725,838
Legal and accounting	494,800	451	6,112	478	-	-	4,915	506,756	147,772	654,528
Depreciation and amortization	-	-	-	-	-	-	128,543	128,543	445,347	573,890
Subcontractors, contractors and outside consultants	220,263	-	34,500	-	6,731	-	-	261,494	201,394	462,888
Staffing related and other costs	63,895	173	42,384	-	6,669	107,316	839	221,276	153,709	374,985
Subsidies	191,929	11,634	-	608	5,890	100,021	-	310,082	-	310,082
Litigation expense	-	-	200,034	-	-	-	-	200,034	-	200,034
Elevator	153,706	5,608	-	6,182	-	-	17,520	183,016	-	183,016
Community engagement	107,469	8,635	-	647	-	12,906	-	129,657	-	129,657
Bank fees	13,503	-	-	11	39,535	-	-	53,049	8,500	61,549
Taxes	-	-	-	-	-	-	3,469	3,469	7,700	11,169
<b>Total expenses</b>	<b>\$ 43,449,111</b>	<b>\$ 2,453,276</b>	<b>\$ 2,073,174</b>	<b>\$ 1,612,866</b>	<b>\$ 1,638,566</b>	<b>\$ 887,908</b>	<b>\$ 545,796</b>	<b>\$ 52,660,697</b>	<b>\$ 4,663,220</b>	<b>\$ 57,323,917</b>

**TENDERLOIN HOUSING CLINIC, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 2,437,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	573,890
Loan forgiveness	(317,100)
Changes in operating assets and liabilities:	
Contracts and grants receivable	(2,436,432)
Pledges receivable	1,348,644
Other receivables	(464,403)
Prepaid expenses	(150,335)
Deposits	(7,916)
Accounts payable	2,811,235
Accrued payroll and payroll taxes	(12,925)
Accrued vacation	(25,677)
Other accrued liabilities	56,516
Cash held for clients	181,344
Deferred rent	46,325
<b>Net cash provided by operating activities</b>	<u>4,040,513</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of equipment and improvements	<u>(4,354,422)</u>
<b>Net cash used in investing activities</b>	<u>(4,354,422)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(313,909)
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - beginning of year</b>	<u>12,632,979</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - end of year</b>	<u>\$ 12,319,070</u>
Reconciliation of totals in the statement of cash flows to related captions in the statement of financial position:	
Cash and cash equivalents	\$ 6,706,238
Cash held for clients	5,570,955
Cash - Tenant security deposits	41,877
Ending cash, cash equivalents, and restricted cash	<u>\$ 12,319,070</u>

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**TENDERLOIN HOUSING CLINIC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION**

Tenderloin Housing Clinic, Inc. (the "Organization") was incorporated on June 3, 1980, as a California nonprofit corporation. The Organization's primary purposes are to preserve, expand and stabilize low-income housing in the Tenderloin and surrounding communities of San Francisco, California, assist tenants to assert their legal rights, provide culturally competent support services, and create employment and leadership opportunities for formerly homeless tenants.

On January 1, 2004, the Clinic merged with City Housing, Inc. (CHI), the exclusive agent that operated and managed all the hotels now master-leased by the Organization. The Organization assumed all the assets and liabilities of CHI and was the surviving corporation.

All the Organization's properties are in San Francisco, California and its principal activities are as follows:

*Single Room Occupancy (SRO) Housing:* This program provides supportive housing to homeless tenants through master lease agreements with residential hotels in San Francisco, California since May 1, 1999. The Organization provides comprehensive property management services for twenty one master-leased SRO hotels and the Bristol Hotel. The Organization's property management department manages tenants' leases and compliance with hotel leases and ensures the sanitation, safety, upkeep and code compliance of the hotels. The Organization offers voluntary comprehensive support services to tenants residing in these hotels. The support services offered by the Organization help residents maintain housing, enrich their self-respect, confidence and awareness, improve quality of life, minimize and/or resolve issues that may jeopardize their housing, build a strong sense of community and access information about other helpful services. The SRO hotels' operating expenses, including lease payments, are funded by a combination of rent collections and service contracts with HSH, COC, and VASH. Operations at the Bristol Hotel are funded by rent collections and a multiple year donation from a generous donor.

*Transitional Housing:* New Horizons is a transitional housing program funded by a contract with APD. The program provides up to 12 months of clean and sober transitional housing and housing planning assistance to individuals on probation at a master-leased SRO hotel.

*Legal Assistance:* This program provides assistance and/or legal representation to long-term, senior, low-income and/or disabled tenants in San Francisco facing eviction from Ellis Act and Owner Move-In actions by landlords, as well as to tenants facing eviction in San Francisco under the Tenants Right to Counsel legislation. Funding for this program comes from a MOHCD contract and court-awarded legal fees associated with settled lawsuits. The program is primarily non-litigation representation (where no fees of any kind are charged or collected), with some nonrevenue and revenue generating litigation. The MOHCD contract funds the majority of this program. Most of the revenue generating cases are on a contingency fee basis.

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**TENDERLOIN HOUSING CLINIC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION** (continued)

*Community Organizing and Outreach:* This program includes the Central City SRO Collaborative (Collaborative) and Code Enforcement Outreach Program (CEOP) funded by contracts with DBI. The Collaborative and CEOP provide community outreach, counseling and tenant organizing to SRO and low-income residents of San Francisco. The Collaborative operates a tenant representative program at various SRO hotels to enhance stability in the hotels and address residential community concerns. Tenant representatives, with the help of the Organization's community organizers, conduct regular meetings and respond to tenant concerns.

*Housing Service:* This program provides housing, rental and payment assistance where the Organization acts as a disbursing agent. Comprehensive case management is also offered to adult clients under HSH and the COC funding. These services target to low-income individuals, low-income families and homeless individuals who may be mentally ill, have chronic substance abuse problems, and/or be afflicted with disabling HIV, AIDS or related disorders.

*Galvin Apartments:* The Organization manages a 56-unit studio apartment building located on Brannan Street (the Galvin Apartments). It rents the studio apartments in accordance with below-market-rate housing policies as established by MOHCD, which caters to low-income individuals. Rental revenue from the building pays for the expenses associated with managing and operating the property. The Organization received the Galvin Apartments in September 2007 without paying consideration.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the Organization's significant accounting policies:

***Basis of Accounting***

The Organization maintains its records using the accrual method of accounting in accordance with generally accepted accounting principles ("GAAP").

***Basis of Presentation***

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

*Without donor restrictions*

Net assets that are not subject to donor-imposed stipulations.

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**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Basis of Presentation*** (continued)

*With donor restrictions*

Net assets received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction.

***Cash, Cash Equivalents, and Restricted Cash***

The Organization has defined cash and cash equivalents as petty cash, cash in bank and money market accounts. Restricted cash consists of cash held for clients and tenant security deposits.

***Property and Equipment***

Property and equipment purchase costs in excess of \$5,000, with estimated useful lives in excess of one year, are capitalized at cost. Donated assets are capitalized at the fair market value on the date of receipt. Depreciation is computed on the straight-line method using estimated useful lives varying between three and forty years.

Leasehold improvements, in excess of \$5,000, are recorded at cost and are amortized using the straight-line method over the estimated useful lives of the respective assets, ranging from three to seven years, but not more than the remaining term of the respective lease.

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred.

***Revenue Recognition***

*Attorney Fees*

Revenue recognition from attorney fees is evaluated under Accounting Standards Codification (“ASC”) 606 through the following five steps: (i) identification of the contract or contracts with customers; (ii) identification of the performance obligation in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

The Organization enters into contracts with clients that are contingent upon the outcome of cases. The contract is rendered effective once the court awards the attorney fee revenue, and collectability of the amount is assured. Services are often performed on behalf of the client prior to the existence of the contract, and in such cases the revenue is recognized on a cumulative catch-up basis at the effective date of the contract. Performance obligations in the contracts consist of legal services provided to the clients.

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**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Revenue Recognition*** (continued)

*Rental Income*

Hotel rental income is reported each month net of any vacancy loss in accordance with FASB ASC 840, *Leases*.

*Government Grants and Contributions*

Government grants revenue and contributions revenue are accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. 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.

Conditional contributions and grants are recognized only when the conditions they depend on are substantially met and contributions become unconditional. At June 30, 2022, grants amounting to \$79,011,408 have not been recognized in the accompanying financial statements because the conditions to incur qualifying expenses had not been met.

Management reviews the collectability of contributions and pledges receivable and establishes reserves for uncollectible amounts when needed. For the year ended June 30, 2022, all contributions and pledges were deemed collectible.

***Functional Allocation of Expenses***

Expenses are charged to programs and management and general services on the basis of periodic time and expense studies in addition to estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but which provide for the overall support and direction of the Organization.

***Litigation Expenses***

Litigation expenses such as court costs, filing fees and courier charges are expensed when incurred because those expenses may not be recoverable.

***Estimates***

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

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**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Income Taxes***

The Organization is exempt from paying federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for such taxes in the accompanying financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

***Recently Issued Accounting Standards***

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842) (“ASU 2016-02”) for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Organization for the year ending June 30, 2023, and early adoption is permitted. The Organization is currently evaluating the impact on its financial statements.

***Subsequent Events***

Management has evaluated events and transactions for potential recognition or disclosure through December 9, 2022, which represents the date the financial statements were available to be issued.

**3. NEW ACCOUNTING PRONOUNCEMENT**

Effective July 1, 2021, the Organization adopted No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets. The adoption of ASU 2020-07 did not have a material impact on financial statement presentation when applied retrospectively to all periods presented.

**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has a goal to maintain financial assets to meet sixty days of normal operating expense, which is on average approximately \$9.2 million. As part of its liquidity management, the Organization keeps cash in excess of daily requirements in checking accounts at various banking institutions.

Financial assets available for general expenditure without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise of the following:

Financial assets (current) at June 30, 2022:	
Cash and cash equivalents	\$ 6,706,238
Contracts and grants receivable	6,373,997
Pledges receivable - current portion - net	1,513,000
Other receivables	<u>641,789</u>
Financial assets available to meet general expenditures within one year	<u>\$ 15,235,024</u>

**5. PLEDGES RECEIVABLE**

Unconditional promises to give at June 30, 2022, consist of the following:

	<b>Current (due within 1 year)</b>	<b>Due in 2 to 5 Years</b>	<b>Total</b>
With donor restrictions:			
Pledges receivable	\$ 1,513,000	\$ 353,000	\$ 1,866,000
Discount to net present value	<u>-</u>	<u>(60,978)</u>	<u>(60,978)</u>
	<u>\$ 1,513,000</u>	<u>\$ 292,022</u>	<u>\$ 1,805,022</u>

Pledges receivable are stated at their net present values. Management has discounted these promises to give to the anticipated net present value of the future cash flows using a discounted rate of 2.84% determined at the time of the pledge. The present value discount will be recognized in income as a contribution over the period from the date the promise is made to the date of collection.

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**TENDERLOIN HOUSING CLINIC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

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**6. CASH HELD FOR CLIENTS**

Under the Housing Service program, the Organization acts as an agent for its clients in receiving checks and disbursing money for rent and other expenditures on their behalf. The Organization does this as part of the cash management services provided by the Housing Service Program. All client funds are segregated and held separate from the Organization's funds. The Organization bears all expenses incurred to maintain any agency bank accounts. At June 30, 2022 the bank balance for these funds was \$1,127,776.

Under the Legal Assistance Program, the Organization maintains client trust bank accounts. During legal proceedings, clients often remit rents and landlords remit stipulated payments, which are deposited into the client trust bank account. The Organization pays rents and stipulated payments to parties based on the terms of the settlement agreement of the respective lawsuit. At June 30, 2022, the trust account balance was \$4,443,179.

**7. CONTRACTS RECEIVABLE**

At June 30, 2022, contracts receivable consist of the following:

HSH	\$ 5,701,941
APD	412,458
MOHCD	139,239
DBI	118,108
SF New Deal	<u>2,250</u>
	<u>\$ 6,373,997</u>

**8. INVESTMENT IN LIMITED LIABILITY COMPANY**

The Organization invested \$100,000 in a limited liability company (the "LLC") representing a 2% interest in the LLC that operates a restaurant located in the Tenderloin neighborhood of San Francisco. That investment was evaluated for impairment because the financial information of the LLC disclosed recurring losses, negative equity of over \$1 million, and negative working capital of over \$1.6 million as of June 30, 2018. As a result of that evaluation, the Organization identified an impairment loss of \$100,000, and the investment was written down to zero value in 2018.

The Organization also had a one-year \$25,000 note receivable from the LLC. The note had a maturity date of February 2017, with interest at 3.25% per annum. No payments of principal or interest were received during the year ended June 30, 2022. Subsequent to the maturity date, the board of directors agreed to treat the note as due on demand, with the same interest rate. Due to the deterioration of the financial condition of the LLC, the Organization has fully reserved the note in the amount of \$25,000. During the year ended June 30, 2022, the Organization received \$50,000 from the LLC in exchange for all debt and equity held by the Organization in the LLC.

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**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**9. PROPERTY AND EQUIPMENT**

At June 30, 2022, property and equipment consists of the following:

Land	\$ 1,614,975
Buildings	6,023,525
Leasehold improvements	4,785,138
Developed software	1,242,303
Office furniture and equipment	821,088
Vehicles	<u>31,127</u>
	14,518,156
Less: accumulated depreciation and amortization	<u>(3,458,897)</u>
	11,059,259
Construction in progress	<u>103,369</u>
	<u><u>\$ 11,162,628</u></u>

Depreciation and amortization for the year ended June 30, 2022 was \$573,890.

**10. COMMITMENTS AND CONCENTRATIONS**

***Commitments***

The Organization has a five-year lease for office space on Ellis Street originally expiring in December 2020, with ten one-year renewal options. The Organization exercised the second option period in January 2022. The initial monthly rent was \$1,500, increasing each year as provided for in the lease agreement. Rent expense for the year ended June 30, 2022 was \$21,233.

The Organization has a lease for office space on Turk Street, which is renewable on an annual basis up to 2026. The starting monthly rent was \$1,150 with an annual minimum increase of 2% but not to exceed 6%. Rent expense for the year ended June 30, 2022 was \$20,170.

In March 2006, the Organization entered into a five-year lease for a second office space on Turk Street, with two five-year renewal options, renewed in 2011 and 2016. In March 2022, the Organization entered into an additional five-year renewal, expiring in March 2027. The initial monthly rent was \$2,775 with annual increases of 4%. Rent expense for the year ended June 30, 2022 was \$55,263.

The Organization leases an office on Jones Street, which is renewed on an annual basis. Rent expense for the year ended June 30, 2022 was \$39,673.

**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**10. COMMITMENTS AND CONCENTRATIONS** (continued)

*Commitments (continued)*

In September 2019, the Organization entered into a five-year lease for a second office space on Ellis Street, with two five-year renewal options. The initial monthly rent is \$3,100, increasing each year as provided for in the lease agreement. Rent expense for the year ended June 30, 2022 was \$46,746.

In January 2019, the Organization entered into a one-year lease agreement to occupy up to twenty-seven guestrooms at an SRO hotel on 6th Street, with two one-year renewal options. Monthly rent was \$1,000 per unit through December 2019, increasing to \$1,100 per unit beginning January 2020. In July 2021, the organization entered into a new five-year lease agreement, with one five-year renewal option. Monthly rent was \$1,000, increasing each year as provided for in the lease agreement. Total rent expense for the year ended June 30, 2022 was \$324,621.

In November 2020, the Organization entered into a three month lease agreement to occupy up to fifteen guestrooms at an SRO hotel on 6th Street, with two one-year renewal options. Monthly rent was \$1,000 per unit and total rent expense for the year ended June 30, 2022 was \$182,100.

In August 2021, the Organization entered into a five-year lease for an office space on Van Ness Avenue, with one five-year renewal option. The initial monthly rent was \$11,500 with annual increases of 3%. Rent expense for the year ended June 30, 2022 was \$72,507.

In June 2022, the Organization entered into a five-year lease agreement for a third office space on Ellis Street, with three five-year renewal options. The initial monthly rent was \$4,500 with annual increases of 3%. Total rent expense for the year ended June 30, 2022 was \$13,500.

The Organization also has various office equipment leases with expirations through March 2024. Equipment lease expense for the year ended June 30, 2022 was \$69,978.

At June 30, 2022, minimum lease commitments under noncancelable leases are as follows:

<u>Year Ending June 30,</u>	<u>Equipment</u>	<u>Property</u>	<u>Total</u>
2023	\$ 58,212	\$ 277,415	\$ 335,627
2024	53,361	243,700	297,061
2025		217,555	217,555
2026	-	216,893	216,893
	<u>\$ 111,573</u>	<u>\$ 955,562</u>	<u>\$ 1,067,135</u>

The Organization leases residential hotels from outside parties to provide housing to low-income and homeless people. These leases have an initial one-year term and consecutive one-year renewal terms at the Organization's option. The leases have different termination dates, depending upon the inception and length of the agreement.

**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**10. COMMITMENTS AND CONCENTRATIONS** (continued)

*Commitments* (continued)

At June 30, 2022, the master leases are as follows:

<u>Name of Hotel</u>	<u>Commencement Date</u>	<u>Number of Units</u>	<u>Term (Including options to extend)</u>
Royan Hotel	May 1, 2003	69	20 years
Caldrake Hotel	October 1, 2003	50	20 years
Allstar Hotel	August 1, 2004	86	20 years
Pierre Hotel	September 16, 2004	87	20 years
Raman Hotel	September 9, 2005	85	20 years
Boyd Hotel	February 13, 2006	82	20 years
Elk Hotel	August 1, 2006	88	20 years
Mayfair Hotel	July 1, 2010	78	20 years
Edgeworth Hotel	June 1, 2013	46	20 years
Drake Hotel	October 1, 2015	60	15 years
Union Hotel	February 1, 2016	60	15 years
Graystone Hotel	February 1, 2016	73	15 years
Crown Hotel	November 1, 2016	50	20 years
Winton Hotel	November 16, 2016	108	15 years
National Hotel	April 12, 2017	91	20 years
Bristol Hotel	August 13, 2019	58	20 years
Abigail Hotel	March 16, 2020	62	15 years
Seneca Hotel	May 1, 2020	204	5 years
Vincent Hotel	May 15, 2020	103	20 years
Jefferson Hotel	June 15, 2020	111	5 years
Hartland Hotel	September 1, 2020	137	5 years
Mission Hotel	October 1, 2020	248	5 years
Garland Hotel	April 1, 2022	80	15 years

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**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**10. COMMITMENTS AND CONCENTRATIONS** (continued)

***Residential Hotels***

Subsequent to the expiration of the term, the lease for the Mission Hotel continued on a monthly basis.

The Organization intends to opt into all extension options of all residential hotel leases in effect as of June 30, 2022. Future rental payments including the extension option portion of these leases are as follows:

<u>Year ending June 30,</u>	
2023	\$ 18,016,875
2024	18,297,916
2025	18,069,745
2026	16,079,003
2027	12,341,485
Thereafter	<u>82,445,025</u>
	<u><u>\$ 165,250,049</u></u>

***Concentrations***

The Organization receives a substantial amount of its support from federal and local government agencies. A single agency accounts for 68% of total revenue and accounts for 81% of total receivables. A significant reduction in the level of this support could have a material adverse effect on the Organization's programs and activities.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**11. FORGIVABLE LOANS**

***Hartland Hotel CDBG Loan***

The Organization entered into a loan agreement for \$317,100 with MOHCD to fund rehabilitation of the Hartland Hotel. This loan is interest-free and the principal is due twenty years from the date of the agreement, January 3, 2002. The loan requires Hartland Hotel to comply with specified affordability and leasing restrictions until August 31, 2020. All principal will be forgiven at maturity, provided the Organization remains in compliance with specified terms of the agreement.

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**TENDERLOIN HOUSING CLINIC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

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**11. FORGIVABLE LOANS** (continued)

***Hartland Hotel CDBG Loan*** (continued)

If, with the City's prior written consent at any time while the affordability restrictions are still in effect: (i) the Organization consents to the lessor's sale of the property; or (ii) the Organization or its assignee fails to exercise the purchase option (as defined in the lease) for the property, then the lessor may terminate the affordability restrictions by payment of a release fee in an amount equal to the then remaining balance of the loan which is calculated on the basis of a 5% reduction of the original principal balance on each anniversary of the loan closing date.

The Organization met MOHCD's loan forgiveness requirements during the year ended June 30, 2022 and recorded forgiveness income of \$317,100 within the statement of activities to record the legal release.

**12. CONTINGENCIES**

The Organization receives monies from several grant/contract programs that are operated by various government agencies. Those programs are subject to financial and compliance audits by the grantors/agencies or their representatives, to ensure compliance with conditions and restrictions of the agreements.

The Organization is involved in litigation and claims arising in the ordinary course of business. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the financial position or results of operations of the Organization.

**13. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2022 have the following purpose and time restrictions:

Bristol Hotel operations	\$ 1,805,022
Other purpose restrictions	<u>383,077</u>
	<u>\$ 2,188,099</u>

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Bristol Hotel operations	<u>\$ 1,392,773</u>
Total net assets released from restrictions	<u>\$ 1,392,773</u>

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**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**14. RETIREMENT PLAN**

The Organization sponsors an employee retirement benefit plan known as the THC 403(b) Plan (the "Plan"). Upon hire, all active employees are eligible to make elective deferrals before and/or after taxes, up to limits set by the Internal Revenue Service. The Organization at its discretion may make an annual contribution to the Plan accounts of all eligible employees. Eligible employees for the non-elective discretionary annual contribution must be 18 year old, employed on the last day of the Plan Year and worked 975 hours during the Plan Year. The non-elective discretionary annual contribution is calculated as the total non-elective contribution divided by total number of participants eligible for the non-elective contribution. For the Plan Year ended June 30, 2022, the non-elective discretionary annual contributions were approximately \$174,100.

**SUPPLEMENTAL INFORMATION**

**TENDERLOIN HOUSING CLINIC, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

<b>Pass-through Grantor Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>Pass-through Awards</u>			
Department of Housing and Urban Development (Pass-through from the City and County of San Francisco)			
<b>CDBG - Entitlement Grants Cluster</b>			
Community Development Block Grant	14.218	N/A	\$ 987,969
Community Development Block Grant (loan)	14.218	N/A	317,100
Community Development Block Grant (loan)	14.218	N/A	<u>387,849</u>
Total CDBG - Entitlement Grants Cluster			1,692,918
<b>Continuum of Care Funding</b>	14.267	CA-501	2,926,145
<b>Housing Voucher Cluster</b>			
Veterans Affairs Supporting Housing (VASH)	14.871	PBV0008 and PBV0009	<u>268,999</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,888,062</u></u>

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**TENDERLOIN HOUSING CLINIC, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

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**1. BASIS OF PRESENTATION**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3. INDIRECT COST RATE**

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

**4. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOANS**

Federal awards received under the CDBG loan program are for periods of 15 to 20 years. These loans are secured by deeds of trust. The loan obligations will be waived at the end of the loan terms provided that the Organization remains in compliance with specified terms and agreements in the loan documents. While the loans in the amount of \$317,100 and \$387,849 were forgiven during the years ended June 30, 2022 and 2021, respectively, they are still under compliance until December 2, 2025.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Tenderloin Housing Clinic, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tenderloin Housing Clinic, Inc. (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 may exist that have not been identified.

***Report on Compliance and Other Matters***

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

***Purpose of this Report***

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

**BAKER TILLY US, LLP**

*Baker Tilly US, LLP*

San Francisco, California  
December 9, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the Board of Directors  
Tenderloin Housing Clinic

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Tenderloin Housing Clinic (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 the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is 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 its major federal program for the year ended June 30, 2022.

***Basis for Opinion on the 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 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 the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's 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 Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Organization's compliance with the requirements of the 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 the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 described 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.

**BAKER TILLY US, LLP**



San Francisco, California  
December 9, 2022

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**TENDERLOIN HOUSING CLINIC, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2022**

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**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Tenderloin Housing Clinic, Inc. (the "Organization") were prepared in accordance with GAAP.
2. No material weaknesses or significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this Schedule.
7. The programs tested as a major programs were:

<u>Assistance Listing Number</u>	<u>Program Title</u>
14.267	Continuum of Care

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Organization qualified as a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None