

San Francisco AIDS Foundation

Financial Statements
and Other Audit Report

June 30, 2025
(With Comparative Totals for 2024)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
San Francisco AIDS Foundation

Opinion

We have audited the accompanying financial statements of San Francisco AIDS Foundation ("SFAF"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco AIDS Foundation 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Francisco AIDS Foundation 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 these 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 San Francisco AIDS Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Francisco AIDS Foundation'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 San Francisco AIDS Foundation'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2025, on our consideration of SFAF'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 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 SFAF'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 SFAF's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited San Francisco AIDS Foundation's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

San Francisco, California

November 21, 2025

San Francisco AIDS Foundation
Statement of Financial Position
June 30, 2025
(With Comparative Totals for 2024)
(In thousands)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash	\$ 1,916	\$ 1,102
Investments	13,156	14,428
Accounts receivable	6,965	7,172
Contributions receivable, net	312	345
Prepaid and other assets	1,014	1,174
Security deposits and other deposits	96	103
Right-of-use assets	3,764	17,343
Property and equipment, net	<u>16,550</u>	<u>3,447</u>
Total assets	<u>\$ 43,773</u>	<u>\$ 45,114</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,392	\$ 3,630
Accrued payroll and related liabilities	2,555	2,443
Refundable advances and deferred revenue	385	510
Lease liabilities	4,011	17,357
Notes payable, net	<u>12,199</u>	<u>-</u>
Total liabilities	<u>22,542</u>	<u>23,940</u>
Net assets		
Without donor restrictions	18,651	19,411
With donor restrictions	<u>2,580</u>	<u>1,763</u>
Total net assets	<u>21,231</u>	<u>21,174</u>
Total liabilities and net assets	<u>\$ 43,773</u>	<u>\$ 45,114</u>

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

San Francisco AIDS Foundation
Statement of Activities
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Public and government support				
Government grants	\$ 19,524	\$ -	\$ 19,524	\$ 18,998
Contributions and grants				
Individuals	768	16	784	1,098
Corporations and foundations	368	2,958	3,326	1,116
Donated goods and services	865	-	865	1,029
Total contributions and grants	<u>2,001</u>	<u>2,974</u>	<u>4,975</u>	<u>3,243</u>
Special events	11,260	-	11,260	6,882
Less: special event expenses	<u>(2,527)</u>	<u>-</u>	<u>(2,527)</u>	<u>(1,795)</u>
Net income from special events	8,733	-	8,733	5,087
Net assets released from restriction	<u>2,257</u>	<u>(2,257)</u>	<u>-</u>	<u>-</u>
Total public and government support	<u>32,515</u>	<u>717</u>	<u>33,232</u>	<u>27,328</u>
Revenues and gains (losses)				
340B drug pricing program	10,251	-	10,251	9,703
Net realized and unrealized gains (losses) on investments	632	46	678	1,403
Investment income, net of investment expenses of \$42 in 2025 and \$56 in 2024	338	13	351	528
Other income (losses)	<u>196</u>	<u>41</u>	<u>237</u>	<u>(223)</u>
Total revenues and gains (losses)	<u>11,417</u>	<u>100</u>	<u>11,517</u>	<u>11,411</u>
Total public and government support, revenues and gains	<u>43,932</u>	<u>817</u>	<u>44,749</u>	<u>38,739</u>
Functional expenses				
Program services	37,659	-	37,659	37,231
Management and general	2,150	-	2,150	2,712
Fund development	<u>4,453</u>	<u>-</u>	<u>4,453</u>	<u>4,521</u>
Total functional expenses	<u>44,262</u>	<u>-</u>	<u>44,262</u>	<u>44,464</u>
Change in net assets from operations	(330)	817	487	(5,725)
One-time termination benefits	<u>430</u>	<u>-</u>	<u>430</u>	<u>-</u>
Change in net assets	(760)	817	57	(5,725)
Net assets, beginning of year	<u>19,411</u>	<u>1,763</u>	<u>21,174</u>	<u>26,899</u>
Net assets, end of year	<u>\$ 18,651</u>	<u>\$ 2,580</u>	<u>\$ 21,231</u>	<u>\$ 21,174</u>

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

San Francisco AIDS Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)
(In thousands)

	Program Services					Management and General	Fund Development	2025 Total	2024 Total
	Sexual Health Services	Substance and Behavioral Health Services	Linkage and Retention Services and Social Support Services	Policy and Public Education	Total Program Services				
Expenses									
Salaries and employee benefits	\$ 4,707	\$ 7,012	\$ 4,888	\$ 1,562	\$ 18,169	\$ 1,547	\$ 2,580	\$ 22,296	\$ 22,159
Professional services	618	786	485	316	2,205	237	484	2,926	2,792
Outreach and promotion	4	9	14	13	40	4	110	154	343
Event production	6	12	51	2	71	1	235	307	266
Postage and distribution	3	3	6	1	13	1	95	109	65
Staff and volunteer support and travel	75	146	141	54	416	41	187	644	728
Program materials and supplies	375	964	351	31	1,721	9	6	1,736	1,930
Housing subsidies	-	-	3,054	-	3,054	-	-	3,054	3,008
340B drug pricing program	6,387	-	-	-	6,387	-	-	6,387	5,466
Subcontractor services	327	886	69	-	1,282	-	-	1,282	1,232
Occupancy	553	977	459	72	2,061	336	164	2,561	3,791
Office expenses	281	483	332	101	1,197	264	339	1,800	1,382
Depreciation and amortization	46	210	98	28	382	126	62	570	273
Donated professional volunteer services	28	56	43	11	138	14	121	273	383
Donated goods	9	495	15	4	523	-	70	593	646
Expenses from special events	-	-	-	-	-	-	2,527	2,527	1,795
Total expenses	13,419	12,039	10,006	2,195	37,659	2,580	6,980	47,219	46,259
Less expenses included in public and government support, revenues and gains	-	-	-	-	-	-	(2,527)	(2,527)	(1,795)
Less one-time termination benefits	-	-	-	-	-	(430)	-	(430)	-
Total expenses on the statement of activities	<u>\$ 13,419</u>	<u>\$ 12,039</u>	<u>\$ 10,006</u>	<u>\$ 2,195</u>	<u>\$ 37,659</u>	<u>\$ 2,150</u>	<u>\$ 4,453</u>	<u>\$ 44,262</u>	<u>\$ 44,464</u>

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

San Francisco AIDS Foundation
Statement of Cash Flows
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)
(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 57	\$ (5,725)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Donations of marketable securities, net	(30)	(137)
Depreciation and amortization	570	273
Net realized and unrealized loss (gain) on investments	(678)	(1,403)
Amortization of operating lease right-of-use assets	763	2,331
Amortization of finance lease right-of-use assets	150	180
Changes in operating assets and liabilities		
Accounts receivable	207	2,921
Contributions receivable, net	33	(103)
Prepaid and other assets	3	315
Security deposits and other assets	7	2
Accounts payable and accrued expenses	(294)	324
Accrued payroll and related liabilities	112	146
Refundable advances and deferred revenue	(125)	32
Lease liabilities	(392)	(2,323)
Net cash provided by (used in) operating activities	<u>383</u>	<u>(3,167)</u>
Cash flows from investing activities		
Purchase of property and equipment	(13,452)	(3,234)
Purchase of investments	(10,161)	(12,396)
Proceeds from sales of investments	12,141	19,867
Net cash provided by (used in) investing activities	<u>(11,472)</u>	<u>4,237</u>
Cash flows from financing activities		
Principal payments on finance lease liabilities	(288)	(397)
Proceeds from bond issuance	12,500	-
Payments for bond issuance costs	(309)	-
Net cash provided by (used in) financing activities	<u>11,903</u>	<u>(397)</u>
Net increase in cash	814	673
Cash, beginning of year	<u>1,102</u>	<u>429</u>
Cash, end of year	<u><u>\$ 1,916</u></u>	<u><u>\$ 1,102</u></u>

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	\$ 345	\$ 266

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

San Francisco AIDS Foundation
Statement of Cash Flows
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)
(In thousands)

	<u>2025</u>	<u>2024</u>
Supplemental schedule of noncash investing and financing activities		
Operating lease right-of-use assets obtained in exchange for lease liabilities	\$ -	\$ 764
Finance lease right-of-use assets obtained in exchange for lease liabilities	\$ -	\$ 12,837
Settlement of finance lease liability through purchase of building	\$ 12,226	\$ -

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

San Francisco AIDS Foundation
Notes to Financial Statements
June 30, 2025
(In thousands)

1. NATURE OF OPERATIONS

San Francisco AIDS Foundation ("SFAF"), a non-profit public benefit corporation, promotes health, wellness, and social justice for communities most impacted by HIV, through sexual health and substance use services, advocacy, and community partnerships.

SFAF operates in accordance with a seven-year strategic plan that orients its efforts around five strategic priorities for 2019-2026:

- Maintain, expand and pilot HIV, hepatitis C, and STI prevention and treatment, and other sexual health services to ensure equitable access and utilization by people of color;
- Maintain and expand existing substance use services, syringe access, overdose prevention efforts, and other health services for people who use drugs, including establishing overdose prevention sites;
- In partnership, create a comprehensive network of health and wellness services for people over the age of 50 who are living with HIV;
- Strengthen organizational excellence with a focus on living our values, including a commitment to racial justice; and,
- Respond to public health crises with a race equity strategy.

To accomplish the strategic priorities and have the greatest impact, SFAF uses three mutually reinforcing core strategies.

- Provision of integrated sexual health and substance use services
- Advocacy, which includes policy and system-fix work, public education, capacity-building and research
- Building and strengthening community partnerships

The following is a top-line summary of the principal programs and activities offered by SFAF for HIV prevention, testing, care, education, and advocacy for the fiscal year ending June 30, 2025.

Sexual Health Services

People living with HIV, gay, bisexual and queer men, trans and gender nonbinary people, people who inject drugs, and other communities at risk for HIV can receive judgment free HIV testing, STI screening and treatment, hepatitis C services, vaccinations, anal health care, doxy post-exposure prophylaxis (PEP) for STI prevention, and gender affirming care. SFAF provides PEP and pre-exposure prophylaxis (PrEP), and has helped thousands gain access to these effective prevention tools and enroll in public programs to help pay for medications. SFAF also provides monkeypox (mpox) testing, treatment, and vaccination.

San Francisco AIDS Foundation
Notes to Financial Statements
June 30, 2025
(In thousands)

1. NATURE OF OPERATIONS (continued)

Substance and Behavioral Health Services

SFAF provides substance use treatment services, contingency management services, and walk-in group and individual counseling. We offer sterile injection equipment, proper disposal services, overdose prevention training and resources, HIV testing, opiate replacement therapy, and hepatitis C testing and treatment at our 6th Street Center and at several satellite sites around San Francisco.

Linkage and Retention Services and Social Support Services

Ensuring people living with HIV have access to health care services, including housing and public benefits is a critical component of SFAF's work. The Health Navigation program links people living with HIV and clients taking PrEP to crucial social services and insurance benefits, and SFAF's Housing and Benefits program provides housing assistance and financial benefits counseling to San Franciscans living with HIV.

SFAF's community engagement and social support programs engage long-term HIV survivors and those newly diagnosed, as well as trans and gender nonbinary people, Black and African American men who have sex with men, the Latinx community, and Black and African American women living with HIV. Through these programs, participants attend workshops, social events and support groups where they learn about risk reduction and treatment adherence.

Policy and Public Education

Working in coalitions with other HIV/ AIDS and harm reduction organizations, SFAF's policy and advocacy team advocates for the HIV community and other priority communities at the local, state, and federal levels. SFAF's public education resources – including blogs, emailed newsletters, websites, and community advertising provide audiences with the latest information about harm reduction, HIV prevention, treatment and care.

SFAF's services are offered in locations around San Francisco, including Strut, our Health & Wellness Center in the Castro; the 6th Street Center in the SoMa/Tenderloin neighborhood; the main office at 940 Howard Street and several satellite and popup sites around the city.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of SFAF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to non-profit organizations. Accordingly, net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

San Francisco AIDS Foundation
Notes to Financial Statements
June 30, 2025
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - net assets not subject to donor-restriction stipulations. SFAF receives contributions from corporations, foundations and individuals. Such contributions are recorded when received or unconditionally promised and considered to be available for general support of SFAF's operations unless specifically restricted by the donor. Revenue from the 340B drug pricing program is available for general support of SFAF's operations. In addition, net assets without donor restrictions include income from investments that are not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - net assets subject to donor-imposed stipulations that may or will be met by actions of SFAF and/or the passage of time and those net assets subject to donor-imposed stipulations that they be maintained permanently by SFAF. The investment income and appreciation on net assets held in perpetuity may be spent in accordance with donor-imposed stipulations.

Summarized comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a full presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SFAF's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Revenue recognition

Contributions are recognized in the financial statements as revenue when received or unconditionally promised. SFAF reports gifts of cash and other assets as net assets with donor restrictions if such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restriction. Donor-restricted contributions are reported as net assets with donor restrictions and net assets released from restriction when the restriction is met in the same year as the contribution is received. Grant and contract revenue is recognized in accordance with the terms of the contract, which is generally when the related expenditures are incurred. Revenue from the 340B drug pricing program is recognized when the prescription is filled by the third-party contracted pharmacy.

San Francisco AIDS Foundation
Notes to Financial Statements
June 30, 2025
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government support

A portion of SFAF's revenue is derived from cost-reimbursable contracts from governmental agencies, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The revenue generated from these contracts meets the criteria to be classified as conditional contributions under GAAP revenue recognition as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. Amounts received are recognized as revenues when SFAF has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. SFAF received cost-reimbursable grants of \$4,114 that have not been recognized at June 30, 2025 because qualifying expenditures have not yet been incurred, with an advance payment of \$165 recognized in the statement of financial position as refundable advances. Any billed contract receivables are included in accounts receivable as of June 30, 2025.

Special events

Special events support consists primarily of proceeds from the AIDS/LifeCycle®, Tribute Celebration, Dining Out for Life and other smaller events. Special event expenses represent the costs incurred by SFAF which directly benefit the participants in SFAF's special events.

Contributions of services and goods

Contributions of services are recognized in the financial statements when received if such services (a) create or enhance nonfinancial assets, (b) require specialized skills and are provided by individuals possessing those skills, and (c) would typically need to be purchased if not donated. Contributed services recognized in the financial statements for the year ended June 30, 2025 amounted to \$272. A substantial number of volunteers have donated significant amounts of time in SFAF's program services and fund-raising activities that are not recognized in the financial statements. The value of such donated volunteer services received is approximately \$1,216 for the year ended June 30, 2025, based on volunteer time records and estimated hourly compensation rates. The value of such donated volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not meet the above criteria. SFAF also receives donated goods, which are recognized at the estimated fair value on the date of donation. Donated goods recognized in the financial statements for the year ended June 30, 2025 amounted to \$593.

San Francisco AIDS Foundation
Notes to Financial Statements
June 30, 2025
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions of services and goods (continued)

Donated goods and services consisted of the following:

AIDS Life Cycle	\$ 310
Consulting services	42
Legal services	32
Medical supplies	475
Other event gifts	<u>6</u>
	<u>\$ 865</u>

Unless otherwise noted, no donor restrictions exist for contributed nonfinancial assets.

ALC donations of goods and services consist of event support from a variety of organizations, such as vehicles, shipping services, food and drink, and advertising. Donations are recognized at fair market value.

Medical supplies donations consist of supplies and equipment for our various programs. Donations are recognized at fair market value based on wholesale prices.

Other event gifts, consulting and legal services donations support fundraising efforts and administrative support. All are recognized at fair market value.

Cash

SFAF considers cash in money market accounts and all highly liquid instruments with an original maturity of three months or less from the date of acquisition to be cash. SFAF places its cash with high credit quality institutions. Periodically, such balances may be in excess of federally insured limits.

Investments

All debt securities and equity securities with readily determinable fair values are carried at estimated fair value based on quoted market prices. Investments also include cash equivalents consisting of all highly liquid investments purchased with maturities of ninety days or less at the time of acquisition and held for long-term investment purposes. Donations of investments are recorded at estimated fair value at the date of donation. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities represent the difference between the original cost of the investment and the proceeds received from the sale of securities. Dividend and interest income are accrued when earned.

San Francisco AIDS Foundation
Notes to Financial Statements
June 30, 2025
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Receivables are stated at the amount management expects to collect from outstanding balances. Based on historical write-offs, overall economic conditions, the current aging status of its receivables, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, SFAF establishes an allowance for credit losses at a level considered adequate to cover anticipated credit losses on outstanding receivables. There was no allowance for credit losses at June 30, 2025.

Contributions receivable, net

An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. The allowance for doubtful contributions receivable was \$14 at June 30, 2025.

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as contributions receivable and revenue in the appropriate net asset category. SFAF applies a discount rate for contributions that are expected to be collected in more than one year. There was no discount applied as of June 30, 2025.

Fair value measurements

The FASB ASC defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of nonperformance risk.

In addition to defining fair value, the FASB establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by SFAF for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

San Francisco AIDS Foundation
Notes to Financial Statements
June 30, 2025
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 1* - Quoted prices in active markets for identical assets or liabilities. Investments in Level 1 include cash equivalents, U.S. Treasury bills and listed equity and fixed income securities.
- *Level 2* - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Investments in this category generally include corporate debt securities, mortgage-backed securities and other asset-backed securities.
- *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. SFAF has no investments that are categorized as Level 3.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Property and equipment

Property and equipment are presented in the financial statements at acquisition cost or, in the case of donated property, at estimated fair value at the date of gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which have been determined to be three to five years from the date of acquisition or donation for all property and equipment and 30 years for buildings. Leasehold improvements are amortized over the lesser of the estimated useful lives or the remaining term of the property lease. Building improvements are amortized over their estimated useful lives. Equipment and furniture costing \$5 or more is capitalized.

When assets are sold or otherwise disposed, the cost and related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is reflected in the statement of activities.

Refundable advances

Refundable advances represent funds which have been received from grants and contracts. These funds also include amounts for security deposits that relate to SFAF's housing services program.

Deferred revenue

Deferred revenue consists of amounts invoiced in advance of revenue recognition and are recognized as the revenue recognition criteria are met.

San Francisco AIDS Foundation
Notes to Financial Statements
June 30, 2025
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

SFAF leases office and storage spaces under operating leases and equipment under finance leases. The SFAF determines if an arrangement is a lease at inception. Operating and finance leases are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position.

ROU assets represent SFAF's right to use an underlying asset for the lease term and lease liabilities represent SFAF's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As SFAF's lease does not provide an implicit rate, SFAF uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

SFAF's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

SFAF has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. SFAF does not have any short-term leases.

Functional expense allocations

The costs of providing program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Direct identification of specific expenses is SFAF's preferable method of charging expenses to various functions. SFAF has a number of expenses which relate to more than one program or supporting activity, or to a combination of programs and supporting activities. Expenses, such as salaries, benefits, professional services, occupancy costs, travel, depreciation and amortization, are allocated among program services, management and general and fund development classifications based on employee ratios and on estimates made by SFAF's management.

San Francisco AIDS Foundation
Notes to Financial Statements
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(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of costs of joint activities

Costs of joint activities that are identifiable with a particular function are charged to that function and joint costs are allocated between fund development and the appropriate program or management and general function. Joint costs of \$2,187 were incurred by SFAF for program and fundraising expense for the year ended June 30, 2025. Of these amounts, \$1,272 was allocated to fund development and \$914 was allocated to program services for the year ended June 30, 2025.

Advertising costs

SFAF's policy is to expense advertising costs as the costs are incurred. Advertising costs for the year ended June 30, 2025 totaled \$84.

Income tax status

SFAF is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and 23701d of the California Revenue and Taxation Code, respectively.

SFAF has evaluated its current tax positions and has concluded that as of June 30, 2025, SFAF does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The presentation of the 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk

Financial instruments which potentially subject SFAF to credit risk consist primarily of cash and investments. SFAF maintains cash and investments with major financial institutions. At times, such amounts may exceed FDIC limits. SFAF manages credit risk by establishing minimum credit standards for financial institutions. SFAF's investments are in custody with a banking institution and investment manager. SFAF's management closely monitors these investments.

San Francisco AIDS Foundation
Notes to Financial Statements
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(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

SFAF has evaluated subsequent events through November 21, 2025, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of SFAF's financial statements.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following:

Amounts due in less than one year	\$ 323
Amounts due in one to five years	<u>3</u>
	326
Less: discount and allowance for doubtful contributions	<u>(14)</u>
	<u><u>\$ 312</u></u>

4. INVESTMENTS

Investments consisted of the following:

Cash equivalents	\$ 3,643
Equity securities	7,501
Other fixed income securities	<u>2,012</u>
	<u><u>\$ 13,156</u></u>

The following table sets forth by level, within the fair value hierarchy, SFAF's investment assets at fair value as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash equivalents	\$ 3,643	\$ -	\$ -	\$ 3,643
Equity securities	7,483	18	-	7,501
Other fixed income securities	<u>2,012</u>	<u>-</u>	<u>-</u>	<u>2,012</u>
	<u><u>\$ 13,138</u></u>	<u><u>\$ 18</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,156</u></u>

San Francisco AIDS Foundation
Notes to Financial Statements
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5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Building and building and leasehold improvements	\$ 16,487
Land	7,564
Equipment	836
Furniture and fixtures	315
Software	1,239
Vehicles	445
	<u>26,886</u>
Accumulated depreciation and amortization	<u>(10,336)</u>
	<u><u>\$ 16,550</u></u>

Depreciation and amortization expense for the year ended June 30, 2025 was \$570.

6. NOTES PAYABLE

In November 2024, SFAF entered into an agreement with the California Infrastructure and Economic Development Bank, in which SFAF issued Revenue Series 2024 Bonds at a face value of \$12,500. The Revenue Series 2024 Bonds incur interest at 5.66% and mature in November 2050. Bond proceeds were used to purchase SFAF's primary office building. The outstanding balance on the bonds at June 30, 2025 was \$12,500.

SFAF incurred and capitalized \$309 of debt issuance costs in conjunction with the issuance of the bonds. Amortization of debt issuance costs for the year ended June 30, 2025 totaled \$8.

The bonds require SFAF to comply with certain covenants, specifically a Debt Service Coverage Ratio and a Liquidity Ratio. During the year ended June 30, 2025, SFAF was not in compliance with the Debt Service Coverage Ratio as of June 30, 2025. SFAF obtained a written waiver from the lender for this covenant violation and as a result of the waiver, SFAF is not in default as of June 30, 2025. Management is actively monitoring compliance with all debt covenants and is in ongoing discussions with the lender to ensure continued compliance or obtain further waivers if necessary.

Notes payable consisted of the following:

Principal amount	\$ 12,500
Less unamortized debt issuance costs	<u>(301)</u>
	<u><u>\$ 12,199</u></u>

San Francisco AIDS Foundation
Notes to Financial Statements
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6. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2026	\$ -
2027	255
2028	265
2029	280
2030	295
Thereafter	<u>11,405</u>
	12,500
Less unamortized debt issuance costs	<u>(301)</u>
	<u><u>\$ 12,199</u></u>

7. DEFINED CONTRIBUTION RETIREMENT PLAN

SFAF has a defined contribution retirement plan ("Plan") under Section 403(b) of the Internal Revenue Code. The Plan covers all full-time employees of SFAF and provides for voluntary salary deferrals up to certain amounts. SFAF contributed \$386 to the Plan during the year ended June 30, 2025. Employer contributions, if any, are at the discretion of the management of SFAF.

8. COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of operations, SFAF is involved in various legal discussions. SFAF's management does not expect any of these discussions to lead to legal proceedings resulting in material adverse effect on SFAF's financial statements

Other

Amounts received and expended by SFAF under federal and state funded programs are subject to audit by oversight governmental agencies. SFAF's management believes that potential adjustments, if any, resulting from such audits will not have a significant effect on SFAF's financial position.

San Francisco AIDS Foundation
Notes to Financial Statements
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9. LEASES

SFAF leases its Health & Wellness Center, and various other spaces used in operations under operating lease agreements. The Health & Wellness Center lease expires in June 2030. SFAF purchased its primary office building in November 2024, which was previously under a finance lease agreement. Each of the leases are subject to various terms of agreement.

Additional information related to leases is as follows:

Operating lease cost	\$ 934
Finance lease cost	
Amortization of right-of-use assets	\$ 150
Interest on lease liabilities	<u>173</u>
Total finance lease cost	<u><u>\$ 323</u></u>
Operating cash flows from operating leases	\$ 917
Operating cash flows from finance leases	\$ 173
Financing cash flows from finance leases	\$ 288
Settlement of finance lease liabilities through purchase of building	\$ 12,226
Weighted average remaining lease terms	
Operating leases	4.74 years
Weighted average discount rates	
Operating leases	3.91%

Future minimum lease payments under non-cancelable operating leases as of June 30, 2025 were as follows:

<u>Year ending June 30,</u>	
2026	\$ 906
2027	905
2028	932
2029	889
2030	<u>759</u>
	4,391
Less imputed interest	<u>(380)</u>
	<u><u>\$ 4,011</u></u>

San Francisco AIDS Foundation
Notes to Financial Statements
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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purposes:

Includes \$1,485 related to Advancing Health Justice Initiative-capacity building and strategic planning; also includes HIV client engagement and advocacy	<u>\$ 2,160</u> 2,160
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Investment in perpetuity; income is expendable to support:

Prevention and treatment education	<u>420</u> <u><u>\$ 2,580</u></u>
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Net assets with donor restrictions released from restriction during the year were as follows:

Purpose restrictions accomplished:

Support for prevention, outreach, education and other related services	<u>\$ 2,257</u> 2,257 <u><u>\$ 2,257</u></u>
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11. ENDOWMENT

SFAF's endowment consists of a donor-restricted endowment fund. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

On September 30, 2008, the State of California adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), effective January 1, 2009. SFAF's board of directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SFAF classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Amounts are classified as net assets with donor restrictions until SFAF's management appropriates amounts for expenditures and any purpose restrictions have been met, in a manner consistent with the standard of prudence prescribed by UPMIFA.

San Francisco AIDS Foundation
Notes to Financial Statements
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(In thousands)

11. ENDOWMENT (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, SFAF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of SFAF and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of SFAF
- (7) The investment policies of SFAF

Return objectives and risk parameters

SFAF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SFAF must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, SFAF diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SFAF to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2025.

Spending policy

SFAF maintains a policy of appropriating an annual distribution of up to 5% of its endowment fund's average fair value over the prior 12 quarters.

San Francisco AIDS Foundation
Notes to Financial Statements
June 30, 2025
(In thousands)

11. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2025 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 536	\$ 536
	<u>\$ -</u>	<u>\$ 536</u>	<u>\$ 536</u>

Changes in endowment net assets for the fiscal year ended June 30, 2025 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2024	\$ -	\$ 517	\$ 517
Investment return			
Investment income	-	16	16
Net appreciation (realized and unrealized)	<u>-</u>	<u>46</u>	<u>46</u>
Total investment return	-	62	62
Expenses released from restriction	<u>-</u>	<u>(43)</u>	<u>(43)</u>
	<u>-</u>	<u>19</u>	<u>19</u>
Balance, June 30, 2025	<u>\$ -</u>	<u>\$ 536</u>	<u>\$ 536</u>

12. LIQUIDITY AND FUNDS AVAILABLE

As part of SFAF's liquidity management, it structures its financial assets to be available as its operating expenditures, liabilities, and other obligations come due. To meet liquidity needs, SFAF has cash and cash equivalents, investments, accounts receivable and contributions receivables available.

San Francisco AIDS Foundation
Notes to Financial Statements
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12. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2025 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash	\$ 1,916
Investments	13,156
Accounts receivable	6,965
Contributions receivable due in less than one year	<u>312</u>
	<u>22,349</u>
Less: amounts unavailable for general expenditure within one year	
Purpose restricted projects	(2,160)
Held in perpetuity	<u>(420)</u>
	<u>(2,580)</u>
	<u>\$ 19,769</u>

OTHER AUDIT REPORT

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

To the Board of Directors of
San Francisco AIDS Foundation

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 San Francisco AIDS Foundation ("SFAF"), which comprise the statement of financial position as of June 30, 2025, 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 November 21, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 SFAF'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Armanino LLP".

San Francisco, California

November 21, 2025