

**RESOURCES FOR HUMAN
DEVELOPMENT, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORTING REQUIREMENTS FOR
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR)
PART 200 AND SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Officers

Resources for Human Development, Inc. and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Resources for Human Development, Inc. (a nonprofit organization) and Subsidiaries (the “Organization”), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, changes in net assets, functional expenditures, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying 2023 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Resources for Human Development, Inc. and Subsidiaries as of June 30, 2023, and the consolidated changes in their net assets and their 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 audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Liquidity

As discussed in Note 3 to the consolidated financial statements, the Organization has suffered significant operating losses and is in default with the bank regarding its line of credit agreement. Management has stated that substantial doubt about the Organization’s ability to continue as a going concern has been alleviated by events which occurred subsequent to June 30, 2023. On May 10, 2024, the Organization, with the consent of the Board of Director’s, signed a binding letter of intent to Affiliate with Inperium, Inc. (a Pennsylvania nonprofit corporation). In addition, on June

20, 2024, the Organization obtained a line of credit facility from Inperium, Inc. that provides additional liquidity to the Organization. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 3. Our opinion is not modified with respect to that matter.

Prior Year Consolidated Financial Statements

The consolidated financial statements of Resources for Human Development, Inc. and Subsidiaries as of and for the year ended June 30, 2022 were audited by Friedman LLP whose practice was combined with Marcum LLP as September 1, 2022, and whose report dated January 26, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization 's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements and selected notes included on pages 49-52 are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position, activities, and changes in net assets of the individual companies and is presented for purposes of additional analysis and is not a required part of the consolidated statements. In addition, the supplementary information on page 54, as required by the State of Louisiana, is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying Resources for Human Development, Inc. only schedule of expenditures of federal, state and city awards, and related notes on pages 60-70 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2024, on our consideration of Resources for Human Development, Inc.'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 Resources for Human

Development, Inc.'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 Resources for Human Development, Inc.'s internal control over financial reporting and compliance.

Marcum LLP

Philadelphia, Pennsylvania
July 2, 2024

**RESOURCES FOR HUMAN DEVELOPMENT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 831,957	\$ 8,877,100
Limited use cash and cash equivalents	1,477,793	1,711,547
Investments	10,558,871	15,594,946
Limited use investments	899,803	850,653
Accounts receivable, net of allowance for doubtful accounts of \$7,479,058 for 2023 and \$9,322,560 for 2022	54,348,176	55,928,749
Advances and loans, current portion and net of allowance for uncollectible advances and loans of \$17,343 for 2023 and \$17,343 for 2022	4,421	4,206
Prepaid expenses and other current assets	<u>2,818,093</u>	<u>1,915,810</u>
Total Current Assets	70,939,114	84,883,011
Property and equipment, net	13,395,232	14,628,661
Advances and loans, net of current portion	204,454	134,000
Other assets	1,748,360	2,172,881
Operating lease right-of-use assets	<u>59,284,043</u>	<u>--</u>
Total Assets	<u><u>\$ 145,571,203</u></u>	<u><u>\$ 101,818,553</u></u>

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

**RESOURCES FOR HUMAN DEVELOPMENT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Line of credit and short term borrowings	\$ 4,045,200	\$ --
Long-term debt, current portion	497,171	487,994
Accounts payable and accrued expenses	16,362,742	14,143,080
Accrued payroll and related liabilities	13,349,248	25,595,847
Refundable advances, current portion	23,530,437	27,639,030
Operating lease liabilities, current portion	9,792,795	--
Due to consumers	<u>1,357,590</u>	<u>1,368,822</u>
Total Current Liabilities	68,935,183	69,234,773
Long-Term Liabilities		
Long-term debt, net of current portion	5,597,802	6,093,554
Refundable advances, net of current portion	204,244	1,002,484
Deferred rent obligation, net of current portion	--	820,930
Retirement plans, net of current portion	1,402,955	659,679
Operating lease liabilities, net of current portion	<u>50,893,824</u>	<u>--</u>
Total Liabilities	<u>127,034,008</u>	<u>77,811,420</u>
Net Assets		
Without donor restrictions	15,105,381	21,339,661
With donor restrictions	<u>2,532,011</u>	<u>1,816,819</u>
Total Net Assets Before Noncontrolling Interest	17,637,392	23,156,480
Noncontrolling interest	<u>899,803</u>	<u>850,653</u>
Total Net Assets	<u>18,537,195</u>	<u>24,007,133</u>
Total Liabilities and Net Assets	<u>\$ 145,571,203</u>	<u>\$ 101,818,553</u>

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

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions		
Support and revenue		
Net patient services	\$ 196,203,786	\$ 188,331,340
Government grants	109,632,268	102,302,274
Grants and contributions (non-government)	352,157	443,490
In-kind contributions	998,891	875,784
Interest and miscellaneous	<u>3,400,232</u>	<u>3,255,048</u>
Total Support and Revenue Without Donor Restrictions Before Net Assets Released From Restrictions	310,587,334	295,207,936
Net assets released from restrictions	<u>370,731</u>	<u>640,811</u>
Total Support and Revenue Without Donor Restrictions	<u>310,958,065</u>	<u>295,848,747</u>
Expenditures		
Program	274,297,454	258,366,870
Management and general	41,380,283	34,959,563
Fundraising	543,565	474,628
Other operating	<u>957,148</u>	<u>964,790</u>
Total Expenditures	<u>317,178,450</u>	<u>294,765,851</u>
Changes in Net Assets From Operations Without Donor Restrictions	(6,220,385)	1,082,896
Other Changes		
Net realized and unrealized losses on investments	<u>(9,369)</u>	<u>(4,595,333)</u>
Changes in Net Assets Without Donor Restrictions	<u>(6,229,754)</u>	<u>(3,512,437)</u>
Changes in Net Assets With Donor Restrictions		
Contributions	1,085,923	658,314
Net assets released from restrictions	<u>(370,731)</u>	<u>(640,811)</u>
Changes in Net Assets With Donor Restrictions	<u>715,192</u>	<u>17,503</u>
Changes in Total Net Assets	(5,514,562)	(3,494,934)
Noncontrolling Interest		
Less changes in net assets attributable to noncontrolling interest	<u>4,526</u>	<u>(162,456)</u>
Changes in Total Net Assets of RHD and Subsidiaries, Excluding Noncontrolling Interest	<u>\$ (5,519,088)</u>	<u>\$ (3,332,478)</u>

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

**RESOURCES FOR HUMAN DEVELOPMENT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Without Donor Restriction	With Donor Restriction	g Interest	Total
Balance at July 1, 2021	\$ 24,689,642	\$ 1,799,316	\$ 784,178	\$ 27,273,136
Changes in net assets	(3,349,981)	17,503	(162,456)	(3,494,934)
Contributions, SNPT	--	--	267,794	267,794
Distributions, SNPT	--	--	(38,863)	(38,863)
Balance at June 30, 2022	21,339,661	1,816,819	850,653	24,007,133
Changes in net assets	(6,234,280)	715,192	4,526	(5,514,562)
Contributions, SNPT	--	--	66,313	66,313
Distributions, SNPT	--	--	(21,689)	(21,689)
Balance at June 30, 2023	<u>\$ 15,105,381</u>	<u>\$ 2,532,011</u>	<u>\$ 899,803</u>	<u>\$ 18,537,195</u>

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

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services					Supporting Services			
	Behavioral		Intellectual		Total Program	Management		Other	Total
	Health	Healthcare	Developmental	Miscellaneous		and General	Fundraising	Operating	Expenditures
			Disability	and other					
Salaries	\$ 58,395,680	\$ 12,689,350	\$ 80,284,496	\$ --	\$ 151,369,526	\$ 23,705,421	\$ 315,123	\$ 139,956	\$ 175,530,026
Benefits	10,912,127	2,143,985	16,300,639	--	29,356,751	3,914,731	39,132	38,832	33,349,446
Communications	1,711,284	207,835	1,131,412	185	3,050,716	363,968	22,958	--	3,437,642
Depreciation and amortization	1,413,724	150,626	488,402	6,234	2,058,986	185,311	--	202,827	2,447,124
Fees and services	10,163,573	9,773,386	10,992,828	--	30,929,787	4,863,473	39,981	377,368	36,210,609
Occupancy	13,798,747	1,536,008	10,357,879	--	25,692,634	1,994,243	--	--	27,686,877
Office and program supplies	6,877,612	5,803,565	3,804,758	576	16,486,511	363,888	73,743	63,021	16,987,163
Small equipment and maintenance	4,612,158	379,973	6,227,453	94	11,219,678	4,881,308	27,075	135,144	16,263,205
Training and development	179,539	73,334	183,017	--	435,890	152,263	805	--	588,958
Travel and miscellaneous	1,305,686	706,886	1,684,335	68	3,696,975	955,677	24,748	--	4,677,400
Total Expenditures	\$ 109,370,130	\$ 33,464,948	\$ 131,455,219	\$ 7,157	\$ 274,297,454	\$ 41,380,283	\$ 543,565	\$ 957,148	\$ 317,178,450

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

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services					Supporting Services			
	Behavioral Health	Healthcare	Intellectual Developmental Disability	Miscellaneous and other	Total Program	Management and General	Fundraising	Other Operating	Total Expenditures
Salaries	\$ 56,904,448	\$ 12,001,818	\$ 73,979,391	\$ --	\$ 142,885,657	\$ 19,603,617	\$ 310,927	\$ 135,797	\$ 162,935,998
Benefits	11,619,600	2,678,094	15,524,693	--	29,822,387	3,888,886	45,662	44,129	33,801,064
Communications	1,363,470	165,809	1,154,359	577	2,684,215	802,917	15,476	--	3,502,608
Depreciation and amortization	1,354,694	126,735	570,541	6,234	2,058,204	1,318,926	--	212,352	3,589,482
Fees and services	9,856,422	8,769,230	11,148,721	--	29,774,373	2,933,472	28,443	400,162	33,136,450
Occupancy	12,283,619	1,076,462	9,456,163	--	22,816,244	1,671,641	99	--	24,487,984
Office and program supplies	5,479,749	4,877,305	3,247,500	--	13,604,554	278,826	56,406	68,159	14,007,945
Small equipment and maintenance	4,513,709	447,378	5,793,754	16,007	10,770,848	3,836,767	8,805	104,191	14,720,611
Training and development	207,542	78,603	174,022	--	460,167	94,947	2,409	--	557,523
Travel and miscellaneous	962,479	711,289	1,807,450	9,003	3,490,221	529,564	6,401	--	4,026,186
Total Expenditures	\$ 104,545,732	\$ 30,932,723	\$ 122,856,594	\$ 31,821	\$ 258,366,870	\$ 34,959,563	\$ 474,628	\$ 964,790	\$ 294,765,851

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

**RESOURCES FOR HUMAN DEVELOPMENT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Changes in total net assets	\$ (5,514,562)	\$ (3,494,934)
Adjustments to reconcile changes in total net assets to net cash used in operating activities		
Loss on sale/disposition of property and equipment	936,698	30,291
Net realized and unrealized losses on limited use investments	4,450	164,226
Net realized and unrealized losses on investments	4,919	4,431,107
Bad debt expense and contractual allowances	6,899,304	6,050,419
Depreciation and amortization	2,447,124	3,589,482
Amortization of operating right-of-use assets	10,599,767	--
Accretion of operating lease liabilities	1,814,055	--
Support received for the purchase of property and equipment	(369,506)	(944,059)
Change in deferred tax asset	2,540	781
Change in valuation allowance on deferred tax asset	(2,540)	(781)
Changes in operating assets and liabilities		
Accounts receivable	(5,318,731)	(24,203,023)
Prepaid expenses and other current assets	(941,284)	1,095,314
Other assets	424,521	(809,879)
Accounts payable and accrued expenses	2,219,661	219,520
Accrued payroll and related liabilities	(12,246,599)	(6,615,874)
Refundable advances	(4,906,832)	6,411,511
Deferred rent obligation	--	(20,856)
Operating lease liabilities	(11,793,175)	--
Retirement plans	743,274	(32,265)
Net Cash Used in Operating Activities	<u>\$ (14,996,916)</u>	<u>\$ (14,129,020)</u>

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

**RESOURCES FOR HUMAN DEVELOPMENT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Investing Activities		
Net change to consumer funds	\$ (11,231)	\$ (70,341)
Acquisitions of property and equipment	(2,364,671)	(2,120,153)
Proceeds from sale of property and equipment	214,278	227,102
Purchases of investments	(2,141,124)	(2,146,484)
Proceeds from sale of investments	7,172,281	6,184,805
Purchases of limited use investments	(370,183)	(961,628)
Proceeds from sale of limited use investments	316,583	730,927
Net borrowings of advances and loans	(70,669)	(23,863)
Net Cash Provided by Investing Activities	<u>2,745,264</u>	<u>1,820,365</u>
Cash Flows From Financing Activities		
Support received for the purchase of property and equipment	369,506	944,059
Net borrowings on line of credit borrowing	4,045,200	--
Principal payments on long-term debt	(486,575)	(461,260)
Contributed capital from noncontrolling interest	66,313	267,794
Distributions to noncontrolling interest	(21,689)	(38,863)
Net Cash Provided by Financing Activities	<u>3,972,755</u>	<u>711,730</u>
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(8,278,897)	(11,596,925)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>10,588,647</u>	<u>22,185,572</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 2,309,750</u>	<u>\$ 10,588,647</u>

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

**RESOURCES FOR HUMAN DEVELOPMENT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Reconciliation of Cash, Cash Equivalents, and Restricted Cash, Beginning of Year		
Cash and cash equivalents	\$ 8,877,100	\$ 20,452,624
Consumer funds	1,368,822	1,439,162
Escrow funds	<u>342,725</u>	<u>293,786</u>
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u><u>\$ 10,588,647</u></u>	<u><u>\$ 22,185,572</u></u>
Reconciliation of Cash, Cash Equivalents, and Restricted Cash, End of Year		
Cash and cash equivalents	\$ 831,957	\$ 8,877,100
Consumer funds	1,357,590	1,368,822
Escrow funds	<u>120,203</u>	<u>342,725</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u><u>\$ 2,309,750</u></u>	<u><u>\$ 10,588,647</u></u>
Supplemental Cash Flow Disclosure		
Cash paid for interest	\$ 412,448	\$ 332,218
Income taxes paid	\$ --	\$ 1,997
Non-Cash Investing and Financing Activities		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 8,192,460	\$ --

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

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - NATURE OF THE ORGANIZATION

NATURE OF ACTIVITIES

Resources for Human Development, Inc. (“RHD”) is a comprehensive social services organization whose mission is to empower the most vulnerable and marginalized members of our society as they build the highest level of independence possible. As of June 30, 2023, RHD oversees and supports more than 135 locally-managed programs in 12 states, which helps tens of thousands of people of all abilities each year. These innovative and effective programs specialize in helping people who have mental illnesses or intellectual disabilities, those who are homeless, and people with histories of substance abuse, so that they may build better lives for themselves, their families, and their communities. Program areas encompass the following community needs: arts, culture and humanities, community improvement and capacity building, crime prevention, education, employment readiness and job training, environmental quality, health care, homelessness prevention, behavioral health, substance abuse, intellectual disabilities, volunteer development, and youth development, wellness and education.

Through its for-profit subsidiary, Murex Corporation (“Murex”), RHD has invested in various special purpose entities. This investment includes Taunton Run which is a senior living facility located in New Jersey.

RHD controls two not-for-profit organizations, Pennsylvania Institute for Community Living, Inc. (“PICL”) and The Non-Profit Housing Corporation of Pennsylvania (“NPHO”). NPHO is dormant as of June 30, 2020. RHD entered into an Affiliation agreement with PICL on February 1, 2021 whereby RHD became PICL's sole member. PICL provides residential and outpatient treatment, rehabilitation and support services for individuals with mental disabilities through a contract with Montgomery County, Pennsylvania.

RHD is the beneficiary of one trust, RHD Special Needs Pooled Trust (“SNPT”). SNPT is an irrevocable pooled trust which holds investments for a specific purpose.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of RHD, its for-profit subsidiary, Murex (100% owned by RHD), as well as two related not-for-profit organizations which RHD controls, PICL and NPHO, and one trust which is consolidated as a variable interest entity, SNPT.

The following entities have been consolidated with Murex and are reflected in the consolidated financial statements: Murex TRS, Inc. and TRS, LLP (“Taunton Run”). RHD and its subsidiaries are collectively referred to as the “Organization”. Inter-company investments, advances and transactions have been eliminated.

The consolidated financial statements have been prepared in accordance with the audit guide published by the American Institute of Certified Public Accountants, Audit and Accounting Guide for Not-for-Profit Organizations, as required for Voluntary Health and Welfare Organizations.

These statements reflect the accounts of the Organization and 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”) and presented in accordance with Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*.

SNPT has been consolidated with the Organization under the accounting standards governing variable interest entities. SNPT is a variable interest entity in which RHD is the primary beneficiary. See Note 21 for additional information.

REVENUE AND SUPPORT

The Organization recognizes revenue from contracts with customers with Financial Accounting Standards Board (“FASB”) ASC *Revenue from Contracts with Customers* (“ASC 606”).

**RESOURCES FOR HUMAN
DEVELOPMENT, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE AND SUPPORT (CONTINUED)

The Organization determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract, or contracts with customers;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Organization satisfies the performance obligations.

The Organization's major sources of operating revenue and support and related recognition policies are summarized as follows:

Net Patient Services

Net patient service revenues is recognized based on the amount the Organization expects to receive in exchange for providing patient care services once the Organization has met its related performance obligation. The performance obligation is typically met at the point in time when the service is provided. These amounts are due from patients, third-party payors (including private insurance and government programs), and others and includes variable consideration for retroactive revenue adjustments that may occur under the terms of the various agreements the Organization has with its payors.

The Organization determines the transaction price based on standard charges for the services provided, reduced by contractual adjustments, discounts, and implicit price concessions provided to uninsured and under-insured patients. The Organization determines its initial estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

The Organization determines its estimate of implicit price concessions based on its historical collection experience with uninsured and under-insured patients. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

**RESOURCES FOR HUMAN
DEVELOPMENT, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE AND SUPPORT (CONTINUED)

Net Patient Services (continued)

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicaid - Reimbursements for allowable services are generally paid at prospectively determined rates per visit or per covered member.
- Medicare - Outpatient services are paid using prospectively determined rates.
- 340B Pharmacy - RHD, through its Healthcare Division, participates in the Section 340B program of the Public Health Service Act ("PHS Act"), Limitation on Prices of Drugs Purchased by Covered Entities. Participation in this program allows the Organization to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. The 340B program operated through its agreement with an unrelated third party for the years ended June 30, 2023 and 2022. Under this program, RHD used the third party as its agent for the purpose of operating and managing the pharmacy and providing pharmacy services.
- Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per visit, discounts from established charges, and prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments are included in the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity. Estimated settlements are adjusted in future periods as adjustments become known or as new information becomes available.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

**RESOURCES FOR HUMAN
DEVELOPMENT, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE AND SUPPORT (CONTINUED)

Net Patient Services (continued)

Because all of its performance obligations relate to contracts with a duration of less than one year, The Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Organization's performance obligations consist primarily of services that occur within one day of a patient's visit, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

Government Grants

The Organization recognizes revenues from government grants in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Government grant revenue is substantially derived from federal, state, and local government grants and contracts, which are considered conditional contributions, conditioned upon certain barriers. Amounts received are recognized as revenue when the Organization has satisfied the related barrier, typically specific performance requirements and/or the incurrence of allowable qualifying expenses.

Conditional grants and contracts whose conditions are satisfied in the same reporting period in which the funding is received are reported as an increase in net assets without donor restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Amounts received in advance are not recognized as revenue until the conditions are met and are included in refundable advances on the consolidated statements of financial position.

Non-government Grants and Contributions

The Organization recognizes revenues from contributions in accordance with FASB ASC 958, *Not-for-Profit Entities*. The Organization recognizes contributions from non-government sources when cash, securities or other assets; an unconditional promise to give (pledge); or a notification of a beneficial interest is received.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE AND SUPPORT (CONTINUED)

Non-government Grants and Contributions (continued)

Unconditional promises to give cash and other assets to the Organization are reported as contributions and recorded at fair value on the date the promise is received.

Unconditional contributions and grants are considered available for unrestricted use unless explicit donor stipulations specify how the funds must be used. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. All restricted contributions received whose restriction has been met in the same period are reflected as contributions without donor restrictions on the consolidated statements of activities.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

IN-KIND CONTRIBUTIONS

RHD receives contributions of nonfinancial assets and services. RHD's policy related to these donated goods and services is to utilize the assets given to carry out the mission of RHD. If an asset is provided that does not allow RHD to utilize it in its normal course of business, the asset will be sold at its fair market value. These contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received as contributions with offsetting expenses. In addition, RHD receives services of unpaid officers, board members, and volunteers. The value of these services is not reflected in the accompanying financial statements as these services do not meet the criteria for recognition as contributed services.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS

Net assets, revenues, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions. From time to time the Board of Directors may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Organization has no board restricted net assets as of June 30, 2023 and 2022.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events or purposes specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

CASH AND CASH EQUIVALENTS

The Organization considers cash on hand and deposits with financial institutions to be cash and cash equivalents.

LIMITED USE CASH AND CASH EQUIVALENTS

Limited use cash and cash equivalents consists of RHD consumer funds and the Taunton Run repair and replacement escrow funds. RHD consumer funds are funds that have been established to account for assets received by the Organization on behalf of certain consumers of certain programs. These funds are expended at the discretion of the program directors, for the direct benefit of the individual consumers. As of June 30, 2023, and 2022 the consumer funds cash and cash equivalents totaled \$1,357,590 and \$1,368,822, respectively. This amount is also included as a current liability, due to consumers.

**RESOURCES FOR HUMAN
DEVELOPMENT, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LIMITED USE CASH AND CASH EQUIVALENTS (CONTINUED)

Taunton Run is required to maintain an escrow account for taxes, insurance and repairs and replacement of the partnership's assets. This escrow is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions to partners. As of June 30, 2023 and 2022, this escrow account was \$120,203 and \$342,725, respectively.

The Organization presents restricted cash in accordance with ASC 230, *Statement of Cash Flows*, for the presentation of restricted cash in the consolidated statements of cash flows. ASC 230 applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statements of cash flows. ASC 230 requires that a statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

INVESTMENTS

Investments are reported at fair value. At June 30, 2023 and 2022, these funds were invested in various types of accounts that include exchange-traded funds, common stocks, mutual funds, money market accounts, overlay investment portfolios and alternative investments. The investment of these funds is governed by an investment committee consisting of members of the board of directors and RHD management. Realized and unrealized gains or losses from the investments are reported on the consolidated statements of activities.

LIMITED USE INVESTMENTS

The Organization has established the SNPT to hold assets on behalf of participating consumers of certain programs. The use of these funds are restricted for the direct benefit of the individuals participating in the trust. The Organization has established a board of trustees to provide fiduciary oversight of the investments in the trust. The trust assets are investments in securities available-for-sale, which are reported at fair market value. Realized and unrealized gains or losses and income from the trust assets are included in the consolidated statements of activities.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts primarily due from federal, state and local governments as well as third party managed care organizations and are stated at the amount management expects to collect from balances outstanding at year end. Management has recorded an allowance for doubtful accounts based on their historical experience with accounts receivable collections.

INVENTORY

Inventory is recorded at the lower of cost, on a specific identification basis, or market (net realizable value) and consists largely of prescription and over-the-counter drugs used in the Organization's outpatient health centers. Inventory totaled \$202,012 and \$182,036 at June 30, 2023 and 2022, respectively, is reported as part of prepaid expenses and other current assets.

PROPERTY AND EQUIPMENT, NET AND DEPRECIATION AND AMORTIZATION

Property and equipment are recorded at cost. Provisions for depreciation and amortization are made over the estimated useful lives, ranging from 3 to 40 years, of the respective assets using the straight-line method. Maintenance and repairs are charged to expenses as incurred. A portion of capital assets have been purchased through grants and contracts. Such amounts received are included in support and revenue. Related expenditures are capitalized and depreciated over estimated lives when title to the related assets is held by the Organization.

Under certain program-funded agreements, ownership of property and equipment acquired with grantor funds is vested with and may revert back to the grantor under certain circumstances. However, due to the nature of the programs and the long-term relationships of the Organization with the grantors, management believes that the consolidated financial statements of the Organization are more accurate by capitalizing these assets.

IMPAIRMENT OF LONG-LIVED ASSETS

The Organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount. Impairment, if any, is assessed using discounted cash flows.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS (CONTINUED)

At June 30, 2023 and 2022, management did not consider the value of the long-lived assets to be impaired.

INVESTMENTS IN COMPANIES

Investments in partnerships, limited liability companies and unconsolidated corporations are included in the accompanying consolidated financial statements using the equity and cost methods of accounting. At June 30, 2023 and 2022, the Organization had one equity investment accounted for using the cost method totaling \$70,000 and \$70,000, respectively. The balance is reported as part of other assets at June 30, 2023 and 2022.

ADVANCES AND LOANS

Advances and loans consist of advances or loans receivable initiated by Murex and RHD to certain partnerships, companies and subsidiaries. These financing receivables are stated at the amount management expects to collect from balances outstanding at year-end. Management has recorded an allowance for uncollectible advances and loans based on the specific identification of at-risk financing receivables. Management performs an at-risk assessment of each advance and loan on an annual basis. Advances and loans from RHD to Murex are maintained within the financial statements of each entity and eliminate in consolidation.

REFUNDABLE ADVANCES

Refundable advances consist primarily of government grants received but not earned as of the date of the consolidated statements of financial position. Refundable advances will be earned as the program conditions are met.

VACATION ACCRUAL

All eligible employees (including program employees) of RHD are able to carry over unused earned vacation time. Employees are able to use their vacation time earned according to the PTO plan year. At June 30, 2023 and 2022, RHD has accrued this unused vacation expense and related taxes and this liability is included in accrued payroll and related liabilities within the consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

VACATION ACCRUAL (CONTINUED)

A portion of the vacation accrual related to program employees will ultimately be charged to and reimbursed by cost reimbursed programs, resulting in an accrual of program revenue. This accrued revenue is recorded at June 30, 2023 and 2022 and is included in accounts receivable within the consolidated financial statements.

TAX STATUS

RHD, PICL and NPHO are exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state and local laws. SNPT is a grantor trust and as such is exempt from federal, state and local income taxes. Under Internal Revenue Code Sections 671-678, all trust income is taxable to the grantors, which in this case are the members of the trust. Therefore, no provision for income taxes has been made in the accompanying consolidated financial statements related to these entities. RHD, PICL and NPHO are not private foundations.

Murex and two of its subsidiaries are for-profit corporations and are subject to federal, state and local taxation. Within Murex are various entities organized as limited partnerships or limited liability companies. These entities are not subject to federal or state income taxes. Income or losses from these entities are reflected in the members'/partners' tax returns.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS

U.S. GAAP requires entities to disclose the estimated fair value of their financial instrument assets and liabilities. The Organization has identified the following as financial instruments, all of which have carrying values which approximate fair value: cash and cash equivalents, investments, limited use investments, accounts receivable, investments in and advances and loans to companies and long-term debt.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF FASB ASC 842

Effective July 1, 2022, the Organization adopted FASB ASC 842, *Leases* (“ASC 842”). The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances.

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The Organization elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, the Organization will not recognize right-of-use assets or lease liabilities on the statements of financial position. The Organization generally does not have access to the rate implicit in the lease, and therefore the Organization utilizes the risk-free rate as the discount rate.

The adoption of ASC 842 resulted in the recognition of operating right-of-use assets of \$61,691,350, net of deferred rent and prepaid rent of \$781,929, and operating lease liabilities of \$62,473,279 as of July 1, 2022. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of ASC 842 did not have a material impact on the Organization's results of operations and cash flows. See Note 14 for further information on lease arrangements.

FUNCTIONAL EXPENSES

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statements of functional expenditures. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities).

Those costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL EXPENSES (CONTINUED)

Costs common to multiple functions have been allocated among the program services, management and general and fundraising categories based on time and effort measurements and other methods:

- Staff costs are allocated based on time and effort.
- Occupancy, depreciation and information technology costs are allocated based on square footage.

Management and general expenses include costs not identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Other operating expenditures included in the consolidated statements of activities relate to the operating expenses of the for-profit consolidated entities.

NONCONTROLLING INTEREST

Noncontrolling interest reflects the equity of the SNPT which is not owned by RHD or its subsidiaries.

NEW ACCOUNTING PRONOUNCEMENTS ISSUED - NOT YET ADOPTED

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which adds a new Topic 326 to the Codification and removes the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. This standard will be effective for fiscal year ending June 30, 2024. The Organization is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through July 2, 2024, the date on which the consolidated financial statements were available to be issued. See Notes 3 and 12 for subsequent events.

NOTE 3 - LIQUIDITY AND SUBSEQUENT EVENTS

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Organization will continue in operation for at least one year beyond the date the consolidated financial statements are issued and will be able to realize its assets and discharge its liabilities in the normal course of operations. For the year ended, June 30, 2023, and as of June 30, 2023, RHD has reported in the accompanying consolidated financial statements a deficit in change in total net assets of (\$5,514,562) and a total net asset balance of \$18,537,195, respectively. For the two years ended June 30, 2023, the cumulative cash used in operating activities by RHD was (\$29,125,936). In addition, as discussed in Note 12, RHD is in default of its current bank line of credit. As of June 30, 2023, RHD had a working capital surplus of \$2,003,931. Based on the financial results reported in the past two fiscal years ending June 30, 2022, and June 30, 2023, and the line of credit default, management and the board of directors determined that a Corporate Restructuring of RHD was required.

Accordingly, on May 10, 2024, the RHD board of directors signed a binding letter of intent (“LOI”) with Inperium, Inc. (“Inperium”). On May 13, 2024, the RHD board of directors signed a Transitional Services Agreement (“TSA”) with Inperium. Inperium is a Pennsylvania based nonprofit charitable organization with operations in fourteen (14) states and currently generates annual revenues of approximately \$350,000,000. The terms and conditions of these two documents are intended to result in a formal affiliation/acquisition of RHD by Inperium on or after December 31, 2024. In the interim seven-month period, Inperium has agreed to provide RHD with administrative and management services and access to credit facilities that will provide RHD with adequate cash flow to continue to operate its programs and services, fulfill its charitable mission, and meet its commitments and obligations. In exchange, RHD will pay Inperium an amount equal to Inperium’s cost of providing the services plus 1% plus allocations of all wages, benefits, and other costs of non-administrative operational personnel exclusive to RHD.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 3 - LIQUIDITY AND SUBSEQUENT EVENTS (CONTINUED)

With the LOI in place, the RHD board of directors and management, with the assistance of Inperium are implementing a comprehensive corporate restructuring to achieve financial stability and long-term sustainability for RHD. The board of directors and management of each organization believe that the synergies to be achieved by an affiliation/acquisition of RHD by Inperium will achieve the stated and desired objectives.

RHD board of directors and management have implemented the following key initiatives since June 30, 2023:

- RHD management has implemented a two-step administrative restructuring and cost reduction plan that has stabilized cash flow;
- RHD has signed a term sheet with eCapital for a three-year \$30 million lending facility. Underwriting and closing on the lending facility is expected to be finalized and effective by fall 2024;
- RHD has signed a \$25 million three-year line of credit with Inperium. See Note 12;
- The LOI includes provisions for Inperium to invest \$10,000,000 in RHD upon closing of the affiliation; and
- RHD has negotiated an extension of its current lending arrangements with their existing lender through September 30, 2024.

RHD and Inperium board of directors and management are developing a comprehensive corporate restructuring plan, which will be implemented prior to closing the affiliation/acquisition. The TSA and LOI require Inperium and RHD to work cooperatively and collaboratively to improve program service profitability and maintain continuous positive operating cashflow for RHD.

Based on the collective plans discussed above, including Inperium's commitment to provide financing and the expected closing of financing with eCapital, the board of directors and management of RHD believe there will be sufficient cash flow to sustain RHD's operations for at least twelve months subsequent to the issuance of these consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

RHD's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 831,957	\$ 8,877,100
Investments	10,558,871	15,594,946
Accounts receivable, net	<u>54,348,176</u>	<u>55,928,749</u>
Total Financial Assets Available Within One Year	65,739,004	80,400,795
Less: Amounts unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions	(2,532,011)	(1,816,819)
Assets of RHD subsidiary, unavailable for use by RHD	<u>(388,032)</u>	<u>(520,980)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 62,818,961</u>	<u>\$ 78,062,996</u>

RHD's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and program expenditures in fiscal year 2024.

LIQUIDITY MANAGEMENT

RHD has a policy authorized by the investment committee that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that RHD maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of RHD, the time horizon of those needs and RHD's investment philosophy.

To help manage unanticipated liquidity needs, the RHD has a committed line of credit of \$22,000,000 subject to the limitation of the Organization's borrowings, aged receivables and outstanding letters of credit of which approximately \$11,000,000 could be drawn upon at June 30, 2023.

**RESOURCES FOR HUMAN
DEVELOPMENT, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 - PROMISES TO GIVE

UNCONDITIONAL PROMISES TO GIVE

RHD records unconditional promises to give when received. Total pledges receivable as of June 30, 2023 and 2022 were \$0 and \$7,700, respectively.

CONDITIONAL PROMISES TO GIVE

Conditional promises to give are not recognized until the conditions on which they depend are substantially met and the promises become unconditional. As of June 30, 2023 and 2022, RHD had no unrecorded conditional promises to give from foundation grants.

At June 30, 2023, RHD had remaining available award balances on federal, state, and local government grants and contracts of approximately \$33,400,000. These award balances will be recognized as revenue and receivables when the related barriers are satisfied.

NOTE 6 - INVESTMENTS

Investments, stated at fair value, are as follows:

	June 30, 2023	
	Cost	Fair Value
Cash and money market funds	\$ 42,807	\$ 42,807
Exchange-traded funds	491,203	490,578
Common stocks	1,500,513	1,870,462
Mutual funds	7,054,048	6,685,783
Overlay portfolios	1,210,376	1,005,655
Alternative investments	471,045	463,586
	<u>\$ 10,769,992</u>	<u>\$ 10,558,871</u>

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 – INVESTMENTS (CONTINUED)

	June 30, 2022	
	Cost	Fair Value
Cash and money market funds	\$ 139,567	\$ 139,567
Exchange-traded funds	919,969	876,894
Common stocks	1,616,195	1,933,590
Mutual funds	10,748,147	9,571,208
Overlay portfolios	3,143,207	2,818,299
Alternative investments	<u>256,875</u>	<u>255,388</u>
	<u>\$ 16,823,960</u>	<u>\$ 15,594,946</u>

The following schedule summarizes the investment returns on the investments which are included in the consolidated statements of activities:

	Year ended June 30,	
	2023	2022
Investment income	\$ 298,120	\$ 540,095
Net unrealized/realized losses	<u>(4,919)</u>	<u>(4,431,107)</u>
	<u>\$ 293,201</u>	<u>\$ (3,891,012)</u>

Investment income is included in interest and miscellaneous income within the consolidated statements of activities.

NOTE 7 - LIMITED USE INVESTMENTS

Investments of SNPT, stated at fair value, are as follows:

	June 30, 2023	
	Cost	Fair Value
Government bonds	\$ 821,604	\$ 701,689
Mutual funds	180,578	193,662
Money market funds	<u>4,452</u>	<u>4,452</u>
	<u>\$ 1,006,634</u>	<u>\$ 899,803</u>

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 7 - LIMITED USE INVESTMENTS (CONTINUED)

	June 30, 2022	
	Cost	Fair Value
Government bonds	\$ 766,604	\$ 673,222
Mutual funds	157,717	155,555
Money market funds	<u>21,876</u>	<u>21,876</u>
	<u>\$ 946,197</u>	<u>\$ 850,653</u>

The following schedule summarizes the investment returns on the limited use investments:

	Year ended June 30,	
	2023	2022
Investment income, net	\$ 8,976	\$ 1,770
Unrealized/realized losses	<u>(4,450)</u>	<u>(164,226)</u>
	<u>\$ 4,526</u>	<u>\$ (162,456)</u>

Investment income is included in interest and miscellaneous income within the consolidated statements of activities.

NOTE 8 - FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures. U.S. GAAP discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3: Unobservable inputs that reflect management's own assumptions.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, as applicable. There have been no changes in the methodologies.

CASH AND MONEY MARKET FUNDS

Valued at the quoted net asset values of the shares held by the Organization at year-end.

COMMON STOCKS

Valued at the daily closing price as reported by the corporations which are registered with the Securities and Exchange Commission. The common stocks held by the Organization are deemed to be actively traded.

MUTUAL FUNDS AND EXCHANGE-TRADED FUNDS

Valued at the daily closing price as reported by the fund. Mutual funds and exchange-traded funds held by the Organization are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. The funds held by the Organization are deemed to be actively traded.

GOVERNMENT BONDS

Valued at the closing price reported for similar bonds traded on the secondary market.

OVERLAY PORTFOLIO INVESTMENTS

Valued at NAV provided by the portfolio manager based on the NAV per share as reported by the investee as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the portfolio less its liabilities. The objective of the portfolios is to diversify RHD's overall investment strategy, risk and returns. The portfolio investments invest in a diversified array of equity and fixed income securities and other financial instruments, including derivatives. The investments include issuers located both within and outside the United States.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - FAIR VALUE MEASUREMENTS (CONTINUED)

ALTERNATIVE INVESTMENTS

Net asset values provided by limited partnership investees are based on the NAV per share as reported by the investee as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

The Organization's investments and limited use investments are reported at fair value in the accompanying consolidated financial statements as follows:

	Fair Value at June 30, 2023		
	Total	Level 1	Level 2
Cash and money market funds	\$ 47,258	\$ 47,258	\$ --
Exchange-traded Funds	490,578	490,578	--
Government bonds	701,689	--	701,689
Common stocks	2,064,124	2,064,124	--
Mutual funds	<u>6,685,784</u>	<u>6,685,784</u>	<u>--</u>
Total Investment in the Fair Value Hierarchy	<u>9,989,433</u>	<u>9,287,744</u>	<u>701,689</u>
Investment reported at net asset values as a practical expedient (a)			
Overlay portfolio investments	1,005,655	--	--
Alternative investments	<u>463,586</u>	<u>--</u>	<u>--</u>
Total Investments at Net Asset Value	<u>1,469,241</u>	<u>--</u>	<u>--</u>
Total Investment Assets at Fair Value	<u>\$11,458,674</u>	<u>\$ 9,287,744</u>	<u>\$ 701,689</u>

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - FAIR VALUE MEASUREMENTS (CONTINUED)

For the year ended June 30, 2023, the Organization did not have any investments valued under the Level 3 inputs.

	Fair Value at June 30, 2022		
	Total	Level 1	Level 2
Cash and money market funds	\$ 161,443	\$ 161,443	\$ --
Exchange-traded Funds	876,894	876,894	--
Government bonds	673,222	--	673,222
Common stocks	1,933,590	1,933,590	--
Mutual funds	9,726,763	9,726,763	--
Total Investment in the Fair Value Hierarchy	<u>13,371,912</u>	<u>12,698,690</u>	<u>673,222</u>
Investment reported at net asset values as a practical expedient (a)			
Overlay portfolio investments	2,818,299	--	--
Alternative investments	255,388	--	--
Total Investments at Net Asset Value	<u>3,073,687</u>	<u>--</u>	<u>--</u>
Total Investment Assets at Fair Value	<u>\$16,445,599</u>	<u>\$12,698,690</u>	<u>\$ 673,222</u>

For the year ended June 30, 2022, the Organization did not have any investments valued under the Level 3 inputs.

- (a) Certain investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy. The NAV amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position. These investments are presented at fair value and can be redeemed daily with no required notice period at June 30, 2023 and 2022. Total unfunded commitments as of June 30, 2023 were \$316,875.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 9 - PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment (at cost) and accumulated depreciation and amortization:

	June 30,	
	2023	2022
Real estate and improvements	\$ 29,084,812	\$ 30,282,451
Leasehold improvements	22,089,601	20,685,994
Furniture and fixtures	2,188,496	2,111,414
Computer equipment and software	8,619,420	9,165,903
Automobiles	<u>4,473,203</u>	<u>5,063,158</u>
	66,455,532	67,308,920
Less Accumulated depreciation and amortization	<u>(53,060,300)</u>	<u>(52,680,259)</u>
	<u>\$ 13,395,232</u>	<u>\$ 14,628,661</u>

Depreciation and amortization expense is as follows:

	Year Ended June 30,	
	2023	2022
Program	\$ 2,058,986	\$ 2,058,204
Management and general	185,311	1,318,926
Other operating	<u>202,827</u>	<u>212,352</u>
	<u>\$ 2,447,124</u>	<u>\$ 3,589,482</u>

NOTE 10 - ADVANCES AND LOANS

The Organization has made loans and advances to partnerships and companies located in distressed areas of Philadelphia, Pennsylvania. These entities adhere to certain principles, including a minimum level of hiring local people from welfare, a minimum wage in excess of the applicable minimum wage, and the sharing of profits with the employees.

These advances and loans have interest rates that range from 0% to 8% and varying payment terms ranging from amounts due on demand to defined payments through April 2040. Some advances which are due on demand are classified as long-term as it is not the intention of the Organization to call these advances for payment during the fiscal year ending June 30, 2024.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 10 - ADVANCES AND LOANS (CONTINUED)

The nature of the significant advances and loans are as follows:

	June 30, 2023		
	Balance	Allowance	Net
Advances to companies	\$118,093	\$ (17,343)	\$100,750
Mortgage note receivables	<u>108,125</u>	<u>--</u>	<u>108,125</u>
	226,218	(17,343)	208,875
Less current portion	<u>21,764</u>	<u>(17,343)</u>	<u>4,421</u>
	<u>\$ 204,454</u>	<u>\$ --</u>	<u>\$204,454</u>
	June 30, 2022		
	Balance	Allowance	Net
Advances to companies	\$ 43,844	\$ (17,343)	\$ 26,501
Mortgage note receivables	<u>111,705</u>	<u>--</u>	<u>111,705</u>
	155,549	(17,343)	138,206
Less current portion	<u>21,549</u>	<u>(17,343)</u>	<u>4,206</u>
	<u>\$134,000</u>	<u>\$ --</u>	<u>\$134,000</u>

Allowances are determined based on the Organization's assessment of the creditworthiness of the companies.

NOTE 11 - DEFERRED INCOME TAXES AND NET OPERATING LOSS CARRYFORWARDS

Murex has recorded a net deferred income tax asset resulting from net operating loss carryforwards and allowances created against advances and loans to investees. As of June 30, 2023 and 2022, management has created a valuation allowance to account for the uncertainty that a portion of the deferred tax asset would be utilized.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 11 - DEFERRED INCOME TAXES AND NET OPERATING LOSS CARRYFORWARDS (CONTINUED)

The tax effects of temporary differences and carryforwards that give rise to deferred income tax assets consist of the following:

	June 30,	
	2023	2022
Net operating loss carryforwards	\$ 456,090	\$ 458,630
Allowance on advances and loans to investees	<u>9,934</u>	<u>9,934</u>
Deferred income tax assets	466,024	468,564
Valuation allowance	<u>(466,024)</u>	<u>(468,564)</u>
	<u>\$ --</u>	<u>\$ --</u>

Murex has net operating loss carryforwards of approximately \$2,184,000 as of June 30, 2023 which are available to offset future federal taxable income. Under current federal tax law, these net operating loss carryforwards will be carried forward indefinitely.

Provisions for income tax expenses are included in other operating expenditures on the consolidated statements of activities and consist of the following components:

	June 30,	
	2023	2022
Deferred income tax expense	\$ 2,540	\$ 781
Change in valuation allowance	<u>(2,540)</u>	<u>(781)</u>
	<u>\$ --</u>	<u>\$ --</u>

NOTE 12 - LINE OF CREDIT AND SUBSEQUENT EVENT

At June 30, 2023 and 2022, RHD had available a line of credit with a bank in the amount of \$22,000,000 subject to the limitation of current borrowing, aged accounts receivable and outstanding letters of credit. Related borrowings incur interest at the Adjusted Prime Market Index Rate for June 30, 2023 and 2022. The effective rate at June 30, 2023 and 2022 was 7.75% and 4.25%, respectively. This line was collateralized by accounts receivable and certain other assets of RHD.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 12 - LINE OF CREDIT AND SUBSEQUENT EVENT (CONTINUED)

In February 2024, RHD signed an amendment to modify the current terms of the line of credit agreement. The amendment extends the line of credit renewal date to May 30, 2024; allows for mortgage liens on and security interests in some or all real property of RHD; and requires RHD to retain and engage with a chief restructuring officer. On May 29, 2024, RHD signed an amendment to extend the expiration date of the line of credit to September 30, 2024.

As of June 30, 2023 and 2022, there was an outstanding balance of \$4,045,200 and \$0, respectively, on this line. RHD was obligated under outstanding letters of credit of \$6,913,651 as of both June 30, 2023 and 2022. The available line of credit was approximately \$11,000,000 as of June 30, 2023. This line requires RHD to maintain a defined ratio of debt service and expendable financial resources to debt ratio. At June 30, 2023, September 30, 2023, December 31, 2023 and March 31, 2024, RHD was not in compliance with these financial covenants and has been placed in default by the bank. See Note 3.

In June 2024, RHD signed a line of credit agreement with Inperium in the amount of \$25,000,000 to provide RHD with additional liquidity. Related borrowings incur interest at the Secured Overnight Financing Rates ("SOFR") plus 2.25%. This line expires on June 30, 2026. The line of credit agreement was agreed upon based on the understanding that RHD and Inperium would pursue an Affiliation. See Note 4. If the Affiliation is not consummated on or before July 31, 2025 or such other mutually agreed upon date, Inperium shall have the right to demand immediate repayment in full of the outstanding balance. The line of credit is collateralized by all the assets of RHD.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 13 - LONG-TERM DEBT

Long-term debt consists of the following:

	June 30,	
	2023	2022
RHD		
Mortgage notes, financial institutions and state authorities, payable in monthly installments ranging from \$1,427 to \$21,001, mostly including interest ranging from 3.4% to 6.63%, collateralized by various properties, maturing at various times through December 2040. There is no federal funding related to these loans.	\$ 3,461,347	\$ 3,777,000
Murex		
Mortgage notes (related to Taunton Run), payable in monthly installments ranging from \$0 to \$23,602, mostly including interest ranging from 1% to 7.1%, collateralized by rental property and equipment, maturing at various times from 2027 through 2028.	2,633,626	2,804,548
Total	6,094,973	6,581,548
Less Current Portion	(497,171)	(487,994)
Long-Term Portion	<u>\$ 5,597,802</u>	<u>\$ 6,093,554</u>

Maturities of long-term debt over the next five years and thereafter are as follows:

Year Ending June 30,	Amount
2024	\$ 497,171
2025	523,267
2026	552,292
2027	883,070
2028	1,758,793
Thereafter	<u>1,880,380</u>
Total	<u>\$ 6,094,973</u>

**RESOURCES FOR HUMAN DEVELOPMENT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 13 - LONG-TERM DEBT (CONTINUED)

Interest expense for the years ended June 30, 2023 and 2022 was \$400,369 and \$340,922, respectively, which is included as travel and miscellaneous expense on the consolidated statements of functional expenditures.

NOTE 14 - LEASE COMMITMENTS

RHD has operating leases for its office space, office equipment and fleet of vehicles. The leases have remaining lease terms ranging from less than 1 year to 15 years as of June 30, 2023. RHD has not entered into any lease arrangements with related parties and RHD is not considered a sublessor in any of its arrangements.

RHD's existing leases contain escalation clauses and renewal options. RHD has evaluated several factors in assessing whether there is reasonable certainty that RHD will exercise a contractual renewal option. For leases with renewal options that are reasonably certain to be exercised, RHD included the renewal term in the total lease term used in calculating the right-of-use asset and lease liability. Prior to adoption of ASC 842 effective July 1, 2022, RHD accounted for operating lease transactions by recording lease expense on a straight-line basis over the expected term of the lease.

Right-of-use asset and lease liability for operating leases are recorded in the consolidated statement of financial position at June 30, 2023 as follows:

Operating Right-of-Use Assets	<u>\$ 59,284,043</u>
Operating lease liabilities, current portion	\$ 9,792,795
Operating lease liabilities, net of current portion	<u>50,893,824</u>
Total Operating Lease Liabilities	<u>\$ 60,686,619</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 14 - LEASE COMMITMENTS (CONTINUED)

The components of operating lease costs that are included in the consolidated statement of activities for the year ended June 30, 2023 were as follows:

Operating lease cost	
Fixed lease expense	\$12,413,822
Short-term lease costs	<u>3,068,053</u>
	<u>\$ 15,481,875</u>

Rent expense, as previously defined under ASC 840, for buildings, included within Occupancy expense on the consolidated statement of functional expenditures for the year ended June 30, 2022 totaled \$15,638,518. Total equipment rental expense, included within Small equipment and maintenance expense on the consolidated statement of functional expenditures incurred for the year ended June 30, 2022 was \$1,933,950.

The following summarizes the cash flow information related to operating leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating lease	\$ 11,793,175
Lease assets obtained in exchange for operating lease liabilities during 2023	\$ 8,192,460

Weighted average lease term and discount rate are as follows at June 30, 2023:

Weighted average remaining lease term - operating	8.3 years
Weighted average discount rate - operating	3.08%

**RESOURCES FOR HUMAN DEVELOPMENT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 14 - LEASE COMMITMENTS (CONTINUED)

The maturities of the operating lease liability as of June 30, 2023, were as follows:

2024	\$ 11,494,621
2025	9,847,692
2026	8,885,678
2027	7,135,548
2028 and thereafter	<u>31,847,083</u>
Total Lease Payments	69,210,622
Less - Amount representing interest	<u>(8,524,003)</u>
Present Value of Future Minimum Lease Payments	60,686,619
Less - Current maturities	<u>(9,792,795)</u>
Long-Term Lease Liability	<u><u>\$ 50,893,824</u></u>

The following schedule summarizes the future minimum lease payments required under ASC 840 the operating lease agreements as of June 30, 2022 were as follows:

Year Ending June 30,	Amount
2023	\$ 10,992,149
2024	7,587,966
2025	5,246,811
2026	4,412,030
2027	2,343,155
Thereafter	<u>5,481,911</u>
	<u><u>\$ 36,064,022</u></u>

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 15 - SELF-INSURANCE

RHD self-insures for workers compensation claims under a large deductible insurance program, which covers substantially all RHD employees. Excess and other insurance policies are maintained with respect to the various other exposures, and all claims are handled by third-party administrators. Included in accounts payable and accrued expenses at June 30, 2023 and 2022 is approximately \$6,100,000 and \$5,600,000, respectively, for claims incurred but not reported for all self-insured retentions, which represents an estimate by management. The ultimate cost, however, will depend on the magnitude and extent of claims incurred but not reported.

RHD is also self-insured for unemployment claims (SUTA) in certain states and therefore is responsible for paying actual unemployment claims as they are incurred. As of June 30, 2023, there were approximately 2,800 employees in these states. In total, RHD is responsible for a maximum claim amount for each employee based on the regulations of the state in which the employee resides. In addition, RHD opted to pay a solvency fee to the Commonwealth of Pennsylvania during the year ended June 30, 2023, which allows for relief from charges in certain events. Approximately \$2,100,000 and \$2,700,000 is included in accrued payroll and related liabilities as of June 30, 2023 and 2022, respectively, as a reserve for potential future unemployment claims. This is an estimate by management and the ultimate cost will depend on the extent of future claims.

NOTE 16 - RETIREMENT PLANS

DEFERRED COMPENSATION PLAN

RHD has historically offered an additional compensation plan for certain long term employees who met specific eligibility requirements. RHD made the decision to terminate this program as of August 31, 2023. However, employees who meet the eligibility requirements on or before June 30, 2025, will be paid out benefits as described in the terminated plan. This plan will terminate on July 31, 2025. The payments are based on the employee's annual salary that is in effect on the date all eligibility criteria is met. At June 30, 2023 and 2022, the liability amount recorded related to this benefit is \$1,859,368 and \$823,061, respectively. The current portion of this liability is \$456,413 and \$163,383, respectively, and has been included in accrued payroll and related liabilities.

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FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 16 - RETIREMENT PLANS (CONTINUED)

MEDICAL RETIREMENT PLAN

RHD has implemented a non-qualified medical retirement plan. In order to receive a payment under this plan, an employee must have met three requirements: worked full-time for RHD for 10 years, attained the age of 65, and have fully retired.

The benefit amount for eligible expenditures is \$2,100 per year based on the number of years of service, and is paid over the course of 2 to 10 years to the extent the corporate resources can support the payments. At June 30, 2023 and 2022, the liability amount recorded related to this benefit is \$106,167 and \$94,904, respectively, has been included in accrued payroll and related liabilities.

PENSION PLAN

RHD maintains a 403(b) plan for the benefit of its employees. Employee participation is voluntary and contributions by the employees are pursuant to salary reduction. RHD does not match employee contributions but can elect to make employer contributions to benefit participating employees. During the years ended June 30, 2023 and 2022, RHD has accrued \$0 and \$402,584, respectively, in employer contributions for its employees and has been included in accrued payroll and related liabilities.

NOTE 17 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	June 30,	
	2023	2022
Programmatic restrictions		
New Beginnings Programs	\$ 56,366	\$ 42,148
Behavioral Health	416,738	424,369
Healthcare	986,914	288,714
Intellectual Developmental Disability	615,858	657,127
Other	456,135	396,761
Time and purpose restrictions	--	7,700
	<u>\$2,532,011</u>	<u>\$1,816,819</u>

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 17 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the expiration of a time restriction or by occurrence of other events specified by donors.

	June 30,	
	2023	2022
Purpose restrictions accomplished		
New Beginnings Programs	\$ --	\$ 10,634
Behavioral Health	83,121	217,997
Healthcare	151,435	177,463
Intellectual Developmental Disability	103,019	160,798
Other	33,156	73,919
Total	<u>\$ 370,731</u>	<u>\$ 640,811</u>

NOTE 18 - SUPPORT AND REVENUE

NET PATIENT SERVICES REVENUE

Net patient services revenue includes a variety of services mainly covering intellectual or developmental disabilities, behavioral health and healthcare services.

The composition of net patient service revenue based on services are as follows:

	Year ended June 30,	
	2023	2022
Medicaid	\$ 123,664,483	\$ 110,739,664
Managed care	52,106,892	54,280,790
Patient/client fees	10,648,446	12,054,755
Pharmacy	<u>9,783,965</u>	<u>11,256,131</u>
Total Net Patient Services	<u>\$ 196,203,786</u>	<u>\$ 188,331,340</u>

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 18 - SUPPORT AND REVENUE (CONTINUED)

A breakdown of support and revenue, including unrealized losses, both with and without donor restrictions by geographic region for RHD only is as follows:

	Year ended June 30,	
	2023	2022
Connecticut	\$ 10,871,860	\$ 9,785,090
Delaware	27,868,866	23,840,074
Florida	964,769	515,394
Iowa	2,453,745	2,457,725
Louisiana	7,920,419	6,376,832
Massachusetts	12,135,758	11,476,323
Missouri	6,706,109	5,339,236
Nebraska	1,621,605	1,812,282
New Jersey	4,907,227	4,669,039
North Carolina	2,120,887	2,674,673
Pennsylvania	221,413,991	211,916,244
Rhode Island	--	11,834
South Dakota	10,081,555	8,620,467
Tennessee	613,109	70,473
Total	<u>\$ 309,679,900</u>	<u>\$ 289,565,686</u>

NOTE 19 - IN-KIND CONTRIBUTIONS

RHD receives significant contributions of professional services, and space. Due to various factors, the amount of donated services and space may vary from year to year. Non-cash contributions and offsetting expenses have been recognized in the accompanying consolidated financial statements:

	Year ended June 30,	
	2023	2022
Donated services	\$ 69,218	\$ 69,218
Donated space	807,644	806,566
Donated goods	<u>122,029</u>	<u>--</u>
Total In-kind Contributions	<u>\$ 998,891</u>	<u>\$ 875,784</u>

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 20 - CONCENTRATIONS OF CREDIT RISK AND CONTINGENCIES

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and receivables from governmental and other agencies. The receivables from governmental agencies are primarily obligations of the federal and various state governments, the City of Philadelphia and various counties. In addition, there are accounts receivable from third party managed care organizations that reimburse the Organization on behalf of governmental agencies.

A portion of the Organization's assets are invested in investment securities. Investment securities are exposed to various risks such as interest rate market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the consolidated financial statements.

Programs operated by the Organization are primarily funded by various governmental agencies. The ability of the Organization to maintain its overhead structure and meet future financial commitments is dependent on the continued funding of these programs.

The Organization maintains cash balances at financial institutions located in various states. Accounts at an institution may, at times, exceed the federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts.

LITIGATION

The Organization is currently defending itself in several ongoing lawsuits. All estimated costs relating to these actions have been included in accrued expenses (see Note 15) or are covered under existing insurance policies.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 21 - CONSOLIDATION OF VARIABLE INTEREST ENTITIES

A variable interest entity ("VIE") is consolidated if the VIE has either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. SNPT is the only VIE within these consolidated financial statements and was established to hold and invest assets on behalf of participating consumers of certain programs.

RHD is the primary beneficiary of SNPT based on results of a qualitative assessment that RHD has the power to direct the activities that most significantly impact SNPT's economic performance.

Assets, liabilities and capital related to this VIE included in the consolidated statements of financial position (before eliminations) are as follows:

	June 30,	
	2023	2022
Limited use investments	\$ 899,803	\$ 850,653
Equity	<u>(899,803)</u>	<u>(850,653)</u>
	<u>\$ --</u>	<u>\$ --</u>

NOTE 22 - UNCERTAIN TAX POSITIONS

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Organization's status as a not-for-profit entity. Management believes RHD, PICL and NPHO met the requirements to maintain their tax-exempt statuses and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying consolidated financial statements. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying consolidated financial statements related to Murex, as well as its related for-profit entities.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

	Resources for Human Development, Inc.	Other Entities			Eliminations	Total
		Murex Corporation	PICL	NPHO & SNPT		
Assets						
Current Assets						
Cash and cash equivalents	\$ 567,973	\$ 11,427	\$ 252,557	\$ --	\$ --	\$ 831,957
Limited use cash and cash equivalents	1,357,590	120,203	--	--	--	1,477,793
Investments	10,558,871	--	--	--	--	10,558,871
Limited use investments	--	--	--	899,803	--	899,803
Accounts receivable, net of allowance for doubtful accounts of \$7,479,058	54,224,128	5,100	118,948	--	--	54,348,176
Advances and loans, current portion and allowance for uncollectible advances and loans of \$17,343	--	4,421	--	--	--	4,421
Prepaid expenses and other current assets	2,444,365	373,728	--	--	--	2,818,093
Total Current Assets	69,152,927	514,879	371,505	899,803	--	70,939,114
Property and equipment, net	10,123,379	3,228,272	43,581	--	--	13,395,232
Advances and loans, net of current portion	406,381	103,704	--	--	(305,631)	204,454
Other assets	1,533,997	214,363	--	--	--	1,748,360
Operating lease right-of-use assets	59,284,043	--	--	--	--	59,284,043
Total Assets	<u>\$ 140,500,727</u>	<u>\$ 4,061,218</u>	<u>\$ 415,086</u>	<u>\$ 899,803</u>	<u>\$ (305,631)</u>	<u>\$ 145,571,203</u>

See independent auditors' report.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

	Resources for Human Development, Inc.	Other Entities			Eliminations	Total
		Murex Corporation	PICL	NPHO & SNPT		
Liabilities and Net Assets						
Current Liabilities						
Line of credit and short term borrowings	\$ 4,045,200	\$ --	\$ --	\$ --	\$ --	\$ 4,045,200
Long-term debt, current portion	313,710	183,461	--	--	--	497,171
Accounts payable and accrued expenses	15,972,563	389,993	186	--	--	16,362,742
Accrued payroll and related liabilities	13,349,248	--	--	--	--	13,349,248
Refundable advances, current portion	23,527,249	3,188	--	--	--	23,530,437
Operating lease liabilities, current portion	9,792,795	--	--	--	--	9,792,795
Due to consumers	1,357,590	--	--	--	--	1,357,590
Total Current Liabilities	68,358,355	576,642	186	--	--	68,935,183
Long-Term Liabilities						
Long-term debt, net of current portion	3,147,637	2,450,165	--	--	--	5,597,802
Refundable advances, net of current portion	204,244	--	--	--	--	204,244
Retirement plans, net of current portion	1,402,955	--	--	--	--	1,402,955
Other	--	2,180,121	309,125	--	(2,489,246)	--
Operating lease liabilities, net of current portion	50,893,824	--	--	--	--	50,893,824
Total Liabilities	124,007,015	5,206,928	309,311	--	(2,489,246)	127,034,008
Stockholders' Equity						
Common stock	--	100	--	--	(100)	--
Additional paid in capital	--	608,330	--	--	(608,330)	--
Accumulated deficit	--	(1,754,140)	--	--	1,754,140	--
Net Assets						
Without donor restrictions	13,961,701	--	105,775	--	1,037,905	15,105,381
With donor restrictions	2,532,011	--	--	--	--	2,532,011
Total Net Assets Before Noncontrolling Interests	16,493,712	(1,145,710)	105,775	--	2,183,615	17,637,392
Noncontrolling interests	--	--	--	899,803	--	899,803
Total Net Assets	16,493,712	(1,145,710)	105,775	899,803	2,183,615	18,537,195
Total Liabilities and Net Assets	\$ 140,500,727	\$ 4,061,218	\$ 415,086	\$ 899,803	\$ (305,631)	\$ 145,571,203

See independent auditors' report.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Resources for Human Development, Inc.			Other Entities				Eliminations	Total
	Operating	Equipment	Total	Murex Corporation	PICL	NPHO & SNPT			
Changes in Net Assets Without Donor Restrictions									
Support and revenue									
Net patient services	\$ 196,146,125	\$ --	\$ 196,146,125	\$ --	\$ 57,661	\$ --	\$ --	\$ --	\$ 196,203,786
Government grants	108,158,222	369,506	108,527,728	--	1,104,540	--	--	--	109,632,268
Grants and contributions (non-government)	352,157	--	352,157	--	--	--	--	--	352,157
In-kind contributions	998,891	--	998,891	--	--	--	--	--	998,891
Interest and miscellaneous	2,573,995	--	2,573,995	998,626	--	8,976	(181,365)	--	3,400,232
Total Support and Revenue Without Donor Restrictions Before Net Assets Released From Restrictions	308,229,390	369,506	308,598,896	998,626	1,162,201	8,976	(181,365)	--	310,587,334
Net assets released from restrictions	370,731	--	370,731	--	--	--	--	--	370,731
Total Support and Revenue Without Donor Restrictions	308,600,121	369,506	308,969,627	998,626	1,162,201	8,976	(181,365)	--	310,958,065
Expenditures									
Program	270,749,364	2,618,740	273,368,104	--	1,110,715	--	(181,365)	--	274,297,454
Management and general	41,380,283	--	41,380,283	--	--	--	--	--	41,380,283
Fundraising	543,565	--	543,565	--	--	--	--	--	543,565
Other operating	--	--	--	957,148	--	--	--	--	957,148
Total Expenditures	312,673,212	2,618,740	315,291,952	957,148	1,110,715	--	(181,365)	--	317,178,450
Changes in Net Assets From Operations Without Donor Restrictions	(4,073,091)	(2,249,234)	(6,322,325)	41,478	51,486	8,976	--	--	(6,220,385)
Other Changes									
Net realized and unrealized losses on investments	(4,919)	--	(4,919)	--	--	(4,450)	--	--	(9,369)
Changes in Net Assets Without Donor Restrictions	(4,078,010)	(2,249,234)	(6,327,244)	41,478	51,486	4,526	--	--	(6,229,754)
Changes in Net Assets With Donor Restrictions									
Contributions	1,085,923	--	1,085,923	--	--	--	--	--	1,085,923
Net assets released from restrictions	(370,731)	--	(370,731)	--	--	--	--	--	(370,731)
Changes in Net Assets With Donor Restrictions	715,192	--	715,192	--	--	--	--	--	715,192
Changes in Total Net Assets	(3,362,818)	(2,249,234)	(5,612,052)	41,478	51,486	4,526	--	--	(5,514,562)
Noncontrolling Interest									
Less changes in net assets attributable to noncontrolling interest	--	--	--	--	--	(4,526)	--	--	(4,526)
Changes in Total Net Assets of RHD and Subsidiaries, Excluding Noncontrolling Interest	<u>\$ (3,362,818)</u>	<u>\$ (2,249,234)</u>	<u>\$ (5,612,052)</u>	<u>\$ 41,478</u>	<u>\$ 51,486</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (5,519,088)</u>

See independent auditors' report.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2023

	Resources for Human Development, Inc.			Other Entities				
	Operating	Equipment	Total	Murex Corporation	PICL	NPHO & SNPT	Eliminations	Total
Net Assets Without Donor Restrictions, Beginning	\$ 15,100,461	\$ 5,188,484	\$ 20,288,945	\$ (1,187,188)	\$ 54,289	\$ 850,653	\$ 2,183,615	\$ 22,190,314
Changes in net assets without donor restrictions	(4,078,010)	(2,249,234)	(6,327,244)	41,478	51,486	4,526	--	(6,229,754)
Contributions	--	--	--	--	--	66,313	--	66,313
Distributions	--	--	--	--	--	(21,689)	--	(21,689)
Total Net Assets Without Donor Restrictions, Ending	11,022,451	2,939,250	13,961,701	(1,145,710)	105,775	899,803	2,183,615	16,005,184
Total Net Assets With Donor Restrictions, Beginning	1,816,819	--	1,816,819	--	--	--	--	1,816,819
Changes in net assets with donor restrictions	715,192	--	715,192	--	--	--	--	715,192
Total Net Assets With Donor Restrictions, Ending	2,532,011	--	2,532,011	--	--	--	--	2,532,011
Total Net Assets, End of Year	\$ 13,554,462	\$ 2,939,250	\$ 16,493,712	\$ (1,145,710)	\$ 105,775	\$ 899,803	\$ 2,183,615	\$ 18,537,195

See independent auditors' report.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

SELECTED NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - CONSOLIDATING FINANCIAL STATEMENTS, BASIS OF PRESENTATION

RESOURCES FOR HUMAN DEVELOPMENT, INC.

Operating

The Operating column reflects the operating activities of RHD, excluding activities associated with the acquisition and depreciation of property and equipment funded directly by governmental contracts (equipment column).

Equipment

The related revenue and depreciation of the property and equipment utilized within some RHD programs is reflected in the Equipment column. The cost of the property and equipment is included in the program's budgets and is typically funded directly by governmental contracts. Expenditures reflected in the Equipment column represent the depreciation on this property and equipment.

Net assets reflected on the consolidating statements of changes in net assets will be utilized to offset depreciation in future years.

OTHER ENTITIES

As discussed in Note 2 in the notes to consolidated financial statements, 100% of Murex Corporation is owned by RHD. In addition, RHD has control of two related not-for-profit organizations, Pennsylvania Institute for Community Living, Inc. ("PICL") and The Non-Profit Housing Corporation of Pennsylvania ("NPHO"), which is dormant as of June 30, 2020, as well as one trust, The RHD Special Needs Pooled Trust ("SNPT"). The activity for these entities is reflected in the consolidating financial statements. All activity between these entities has been eliminated and the eliminated activity is reflected in the eliminations column on the consolidating financial statements.

The following entities have been consolidated with Murex Corporation and are reflected in the consolidating financial statements: Murex TRS, Inc. and TRS, LLP.

**RESOURCES FOR HUMAN DEVELOPMENT, INC.
STATE OF LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER**

FOR THE YEAR ENDED JUNE 30, 2023

Chief Executive Officer Names: Marco Giordano

Purpose

Salary	\$ 350,784
Benefits-insurance	7,809
Benefits-retirement	2,513
Benefits-other: FICA	18,176
Benefits-other: Short Term Disability	391
Benefits-other: Unemployment	918
Benefits-other: Workers Compensation	4,525
Reimbursements	648
Travel	3,923
Registration fees	<u>1,389</u>

Total	\$ <u>391,076</u>
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See independent auditors' report.

**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 and Officers

Resources for Human Development, Inc. and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Resources for Human Development, Inc. ("RHD") (a nonprofit organization) and Subsidiaries ("the Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, changes in net assets, functional expenditures, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 2, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered RHD'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of RHD's internal control. Accordingly, we do not express an opinion on the effectiveness of the RHD'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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we considered to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether RHD's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements 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 RHD's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Marcum LLP

Philadelphia, PA
July 2, 2024

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

Board of Directors and Officers
Resources for Human Development, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion of Each Major Federal Program

We have audited Resources for Human Development, Inc. ("RHD") compliance with the types of compliance requirements described as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of RHD's major federal programs for the year ended June 30, 2023. RHD's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, RHD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis of Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of RHD and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of RHD'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 control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to RHD'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 RHD'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 generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about RHD's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding RHD'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 RHD'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 RHD'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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-002, 2023-003 and 2023-004. Our opinion on each major program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on RHD's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. RHD's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Marcum LLP

Philadelphia, PA
July 2, 2024

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal grantor/pass-through grantor/program title	Assistance Listing Number	Passthrough Grantor's Number	Grant Period	2023 Expenditures
Federal Financial Assistance				
<u>U.S. Department of Health and Human Services</u>				
Health Center Cluster	93.527	H80CS00718-19	09/01/02 - 03/31/22	\$ 101,818
Health Center Cluster	93.224	3H80CS00718-18-07	04/01/19 - 03/30/20	78,425
Health Center Cluster	93.527	3H80CS00718-18-07	04/01/19 - 03/30/20	46,416
Health Center Cluster	93.224	H8HCS44960-02-00	09/01/21 - 08/31/22	120,443
Health Center Cluster	93.527	4H8GCS47634-01-01	12/01/22 - 12/31/23	50,410
Health Center Cluster	93.527	H80CS00718-22	04/01/23 - 03/31/24	874,926
Health Center Cluster	93.224	H80CS00718-21	04/01/18 - 03/31/22	776,463
Health Center Cluster	93.527	H80CS00718-21	04/01/22 - 03/31/23	2,162,458
Health Center Cluster	93.224	1H2ECS45523-02-00	05/01/22 - 04/30/24	235,818
Health Center Cluster	93.526	6C8ECS44608-01-03	09/15/21 - 09/14/24	137,686
Expand CCBHC Services	93.829	6H79SM083093-02M002	05/01/20 - 04/30/23	427,790
American Rescue Plan Act Funding for Health Centers	93.224	H8FCS41323-01	04/01/21 - 03/31/23	1,339,888
Health Center - Expanded Capacity for Testing (ECT)	93.224	H8ECS38901-01	07/01/22 - 08/31/23	330,244
Provider Relief Funds	93.498	Phase 2	07/01/20 - 12/31/22	213,861
Pass-through State of Delaware				
Assertive Community Treatment	93.958	35-06-23-043	07/01/22 - 06/30/24	4,526
CMHBG PEER	93.958	35-06-23-002	07/01/22 - 06/30/23	28,440
Pass-through State of Nebraska				
RHD Nebraska	93.778	N/A	07/01/22 - 06/30/23	854,866
Pass-through Pennsylvania Department of Human Services				
Montgomery County - MH and D&A (Various)	93.959	FFS/CR	07/01/22 - 06/30/23	156,965
Montgomery County - MH and D&A (Various)	93.788	FFS/CR	07/01/22 - 06/30/23	88,686
State of Pennsylvania DDAP	93.788	4100088714	12/01/20 - 09/30/21	55,100

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal grantor/pass-through grantor/program title	Assistance Listing Number	Passthrough Grantor's Number	Grant Period	2023 Expenditures
Pass-through Montgomery County Department of Human Services				
Montgomery County Department of BH/DD	93.958	497	07/01/22 - 06/30/23	973,588
Montgomery County Department of BH/DD	93.667	497	07/01/22 - 06/30/23	438,853
Pass-through Philadelphia Department of Behavioral Health and Intellectual Disability Services				
MH Base Unitary	93.150	2120005-02	07/01/22 - 06/30/23	264,075
Pass-through Philadelphia Office of Homeless Services				
Rapid Rehousing	93.667	2120071-01	07/01/20 - 12/31/22	2,381
Pass-through Center for Disease Control and Prevention				
City of Philadelphia Department of Public Health				
AIDS Activities Coordinating Office				
Family Practice and Counseling Network	93.914	RW2411	03/01/22 - 02/28/23	36,966
Family Practice and Counseling Network	93.914	RW3411	03/01/23 - 02/28/24	17,898
Family Practice and Counseling Network	93.914	RW2418	03/01/22 - 02/28/23	41,295
Family Practice and Counseling Network	93.914	RW3418	03/01/23 - 02/28/24	20,111
Family Practice and Counseling Network	93.686	EH2018	08/22/22 - 02/28/23	25,000
Pass-through Sixth Judicial District Department of Correctional Services				
RHD Iowa	93.243	T108153	07/01/22 - 06/30/23	132,120
Pass-through Philadelphia Youth Network				
Workready	93.558	22081/WRS46	01/01/23 - 06/30/23	8,099
Pass-through Access Matters				
Family Practice and Counseling Network	93.217	213901	04/01/21 - 03/31/22	945
Family Practice and Counseling Network	93.217	213901	04/01/22 - 03/31/23	189,195
Family Practice and Counseling Network	93.217	213901	07/01/23 - 06/30/24	63,065
Family Practice and Counseling Network	93.667	213901	04/01/21 - 03/31/22	37
Family Practice and Counseling Network	93.994	213901	04/01/21 - 03/31/22	14
Family Practice and Counseling Network	93.667	213901	04/01/22 - 03/31/23	2,195

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal grantor/pass-through grantor/program title	Assistance Listing Number	Passthrough Grantor's Number	Grant Period	2023 Expenditures
Family Practice and Counseling Network	93.994	213901	04/01/22 - 03/31/23	214
Family Practice and Counseling Network	93.994	233010	07/01/22 - 06/30/23	78,705
Family Practice and Counseling Network	93.994	213010	07/01/21 - 06/30/22	13,296
Substance Use Disorder	93.974	SUD2108	09/30/20 - 09/29/22	10,000
Pass-through Lehigh County Human Services				
Lehigh County MH	93.667	20-MHID-261	07/01/22 - 06/30/23	19,748
Lehigh County MH	93.958	20-MHID-261	07/01/22 - 06/30/23	155,782
Pass-through Pennsylvania Association of Community Health Centers				
Family Practice and Counseling Network	93.778	Pennie	09/01/21 - 08/31/22	21,220
Pass-through Service Access & Management, Inc.				
PA Power	93.958	H0046 - HW	07/01/22 - 06/30/23	9,630
Pass-through UESF				
Promise Zone	93.569	N/A	07/01/22 - 09/30/22	10,000
Total U.S. Department of Health and Human Services				\$ 10,619,661
<u>U.S. Department of Housing and Urban Development</u>				
Crossroads	14.267	PA0211L3T092114	07/01/22 - 06/30/23	216,455
Crossroads	14.267	PA0205L3T092013	10/01/21 - 09/30/22	72,127
Crossroads	14.267	PA0205L3T092114	10/01/22 - 09/30/23	148,843
Crossroads	14.267	PA0206L3T092013	1/1/2022 - 12/31/22	170,623
Crossroads	14.267	PA0206L3T092114	1/1/2023 - 12/31/23	157,723
Crossroads	14.267	PA0449L3T092110	03/01/22 - 02/28/23	121,952
Crossroads	14.267	PA0449L3T092211	03/01/23 - 02/29/24	58,918
Pass-through 1260 Housing Development Corporation				
RHD Mainstream	14.267	PA0084L3T002114	03/01/22 - 02/28/23	15,461
RHD Mainstream	14.267	PA0084L3T002215	03/01/23 - 2/29/24	20,590

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal grantor/pass-through grantor/program title	Assistance Listing Number	Passthrough Grantor's Number	Grant Period	2023 Expenditures
Pass-through Unity of Greater New Orleans CoC program	14.267	LA0086L6H032013	07/01/22 - 06/30/23	22,819
Pass-through Montgomery County Department of Housing and Community Development				
Coordinated Homeless Outreach Center - Shelter Ops	14.218	B-21-UC-42-0005	10/01/22 - 09/30/23	998,208
Coordinated Homeless Outreach Center - Shelter Ops	14.218	B-21-03-203	10/01/21 - 09/30/22	1,104
Coordinated Homeless Outreach Center - Shelter Ops	14.218	B-22-03-205	10/01/22 - 09/30/23	53,970
Pass-through Philadelphia Division of Housing and Community Development				
HOME - Families in Transition	14.239	2320227	07/01/22 - 06/30/23	229,825
Pass-through Philadelphia Office of Homeless Services				
Rapid Rehousing	14.231	2120519-02	01/01/22 - 12/31/22	263,428
Rapid Rehousing	14.231	2120445-02	07/01/22 - 06/30/23	252,114
Pass-through Monroe County				
Crossroads	14.231	ESG2020	10/07/21 - 04/06/23	54,359
Crossroads	14.231	ESG-CV	07/08/20 - 08/31/23	21,808
Total U.S. Department of Housing and Urban Development				<u>2,880,327</u>
<u>U.S. Department of Homeland Security</u>				
Pass-through United Way				
Emergency Food and Shelter Program				
Shelter & Safe Haven Peer Services	97.024	729400-030	01/01/20 - 10/31/21	192,438
Total U.S. Department of Homeland Security				<u>192,438</u>

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal grantor/pass-through grantor/program title	Assistance Listing Number	Passthrough Grantor's Number	Grant Period	2023 Expenditures
<u>U.S. Department of Justice</u>				
Pass-through Philadelphia Office of Homeless Services				
Housing Smart for Returning Citizens	16.034	2120246-02	07/01/20 - 06/30/23	<u>736,737</u>
Total U.S. Department of Justice				<u>736,737</u>
Total Federal Financial Assistance				<u>\$ 14,429,163</u>

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Summary of Federal Financial Assistance by Assistance Listing Number	2023 Expenditures
CDBG - Entitlement Grants Cluster	
14.218 - Community Development Block Grants/Entitlement Grants	\$ 1,053,282
14.231 - Emergency Solutions Grant Program	591,709
14.239 - Home Investment Partnerships Program	229,825
14.267 - Continuum of Care Program	1,005,511
16.034 - Coronavirus Emergency Supplemental Funding Program	736,737
93.150 - Projects for Assistance in Transition from Homelessness (PATH)	264,075
93.217 - Family Planning Services	253,205
Health Center Program Cluster	
93.224 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	\$ 2,881,281
93.527 - Grants for New and Expanded Services under the Health Center Program	3,236,028
93.243 - Substance Abuse and Mental Health Services Projects of Regional and National Significance	6,117,309
93.498 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	132,120
93.526 - Grants for Capital Development in Health Centers	213,861
93.558 - Temporary Assistance for Needy Families	137,686
93.569 - Community Services Block Grant	8,099
93.667 - Social Services Block Grant	10,000
93.686 - Ending the HIV Epidemic: A Plan for America -- Ryan White HIV/AIDS Program Parts A and B	463,214
93.778 - Medical Assistance Program	25,000
93.788 - Opioid STR	876,086
93.829 - Section 223 Demonstration Programs to Improve Community Mental Health Services	143,786
93.914 - HIV Emergency Relief Project Grants	427,790
93.958 - Block Grants for Community Mental Health Services	116,270
93.959 - Block Grants for Prevention and Treatment of Substance Abuse	1,171,966
93.974 - Family Planning Service Delivery Improvement Research Grants	156,965
93.994 - Maternal and Child Health Services Block Grant to the States	10,000
97.024 - Emergency Food and Shelter National Board Program	92,229
	<u>192,438</u>
	\$ 14,429,163

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Grantor/pass-through grantor/program title	Assistance Listing Number	Passthrough Grantor's Number	Grant Period	2023 Expenditures
State Financial Assistance				
<u>Connecticut</u>				
Department of Developmental Services				
CT - Day and Residential programs	N/A	21DDS0102RD	07/01/21 - 06/30/24	\$ 10,140,643
Total Connecticut				<u>10,140,643</u>
<u>Delaware</u>				
Department of Health and Social Services				
Assertive Community Treatment - Kent County	N/A	021778	07/01/22 - 06/30/23	352,896
Assertive Community Treatment - New Castle County	N/A	35-06-23-043	07/01/22 - 06/30/24	448,114
Intensive Case Management Services - Sussex County	N/A	021879	07/01/17 - 03/31/23	597,081
Choices, Mainstay	N/A	DDDS23-0038-00	07/01/22 - 06/30/23	164,289
Group Home Services (Grubb, Montrose, Brandywine Hills, and Jefferson)	N/A	FY22-SF-RHD-GH	01/01/22 - 12/31/24	<u>1,673,256</u>
Total Delaware				<u>3,235,636</u>
<u>Iowa</u>				
Mental Health /Disability Services of the East Central Region	N/A	10990	07/01/21 - 06/30/24	<u>60,864</u>
Total Iowa				<u>60,864</u>
<u>Massachusetts</u>				
Department of Developmental Services				
Individual Support	N/A	16661060S361DDS3798H	07/01/22 - 06/30/23	682,732
Individual Support	N/A	176610667084DDS3780C	07/01/22 - 06/30/23	119,647
Outside the Lines	N/A	INTF2038B008DDS3163H	07/01/22 - 06/30/23	21,550
Outside the Lines	N/A	INTF2038C008DDS3163H	07/01/22 - 06/30/23	47,682
Outside the Lines	N/A	INTF2038D008DDS3163H	07/01/22 - 06/30/23	11,495
Outside the Lines	N/A	INTF2059D712DDS3163H	07/01/22 - 06/30/23	13,124
Outside the Lines	N/A	INTF2061B175DDS3163H	07/01/22 - 06/30/23	86,564
Outside the Lines	N/A	INTF2061C230DDS3163H	07/01/22 - 06/30/23	<u>129,233</u>

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Grantor/pass-through grantor/program title	Assistance	Passthrough	Grant	2023
	Listing	Grantor's		
	Number	Number	Period	Expenditures
Outside the Lines	N/A	INTF2061D303DDS3163H	07/01/22 - 06/30/23	88,973
Outside the Lines	N/A	INTF2061TA26DDS3196T	07/01/22 - 06/30/23	50,848
Residential Services - Occupancy	N/A	14661061L206DDS3753M	07/01/22 - 06/30/23	206,638
Residential Services - Occupancy	N/A	14662062L232DDS3753M	07/01/22 - 06/30/23	476,400
Residential Services - Operations	N/A	14661061R206DDS3153D	07/01/22 - 06/30/23	2,793,930
Residential Services - Operations	N/A	14662062R232DDS3153D	07/01/22 - 06/30/23	5,947,555
Residential Services - Operations	N/A	23DDSDAYSTAFFING0001	07/01/22 - 06/30/23	407,978
Residential Services - Operations	N/A	23DDSPROVIDER3PECENT	07/01/22 - 06/30/23	265,164
Urban Youth	N/A	INTF21612112DDS3228C	07/01/22 - 06/30/23	49,373
Commission for the Blind				
Outside the Lines	N/A	7000CTMCB4100ECODEV3	07/01/22 - 06/30/23	13
Total Massachusetts				11,398,899
<u>Nebraska</u>				
Division of Developmental Disabilities	N/A	N/A	07/01/22 - 06/30/23	770,972
Total Nebraska				770,972
<u>New Jersey</u>				
Department of Human Services				
Division of Mental Health Services - SALT & RIST	N/A	30415	07/01/22 - 06/30/23	3,007,832
Division of Addiction Services - Supportive Housing	N/A	20-623-ADA-0	07/01/22 - 06/30/23	499,512
Total New Jersey				3,507,344
<u>Pennsylvania</u>				
Pennsylvania Office of Vocational Rehabilitation				
Allies	N/A	N/A	07/01/22 - 06/30/23	86,280
Total Pennsylvania Office of Vocational Rehabilitation				86,280

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Grantor/pass-through grantor/program title	Assistance	Passthrough	Grant	2023
	Listing	Grantor's	Period	Expenditures
	Number	Number		
Pennsylvania Department of Human Services				
Pass-through Philadelphia Department of Behavioral Health and Intellectual Disability Services				
Mental Health Base Unitary	N/A	21-20005-02	07/01/22 - 06/30/23	21,820,991
Pandemic Response Grant	N/A	4100094370	07/01/21 - 09/30/24	70,155
Early Intervention	N/A	21-20006-02	07/01/22 - 06/30/23	49,253
				<u>21,940,399</u>
Pass-through Philadelphia Office of Homeless Services				
Fernwood	N/A	2320749	07/01/19 - 12/31/22	1,095,730
PA Woodstock Family Center	N/A	2020113-03	07/01/19 - 06/30/22	100,655
PA Woodstock Family Center	N/A	2020113-03	07/01/19 - 12/31/22	96,824
Covid Isolation Recovery Site	N/A	N/A	07/01/22 - 06/30/23	633,691
				<u>1,926,900</u>
Pass-through Access Matters				
Family Practice Counseling Network	N/A	213901	04/01/21 - 03/31/22	21
Family Practice Counseling Network	N/A	213901	04/01/22 - 03/31/23	2,622
				<u>2,643</u>
Pass-through various counties				
Allegheny County	N/A	272079	07/01/22 - 06/30/23	1,768,926
Bucks County D&A Halfway House	N/A	76	07/01/22 - 06/30/23	483,780
Bucks County LTSR	N/A	33-08/18	07/01/22 - 06/30/23	1,718,926
Carbon Monroe Pike - Department of MH	N/A	N/A	07/01/22 - 06/30/23	1,007,679
Carbon Monroe Pike Health Choices	N/A	SDoH Housing	01/01/22 - 12/31/24	716,304
Carbon Monroe Pike Health Choices	N/A	N/A	07/01/16 - 06/30/22	293,637
Chester County - MH Residential	N/A	23-21387	07/01/22 - 06/30/23	2,992,396
Chester County - MH	N/A	23-21388	07/01/22 - 06/30/23	911,654
Lehigh County - MH	N/A	22-MHID-261	07/01/22 - 06/30/23	706,086

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Grantor/pass-through grantor/program title	Assistance	Passthrough	Grant Period	2023 Expenditures
	Listing Number	Grantor's Number		
Monroe County - MH	N/A	SFPP 22-23	01/01/23 - 12/31/23	11,322
Montgomery County - MH/MR (RSS/CCW)	N/A	583	07/01/22 - 06/30/23	224,599
Montgomery County Department of BH/DD	N/A	497	07/01/22 - 06/30/23	168,221
Montgomery County Department of BH/DD	N/A	N/A	07/01/22 - 06/30/23	109,233
Montgomery County Department of BH/DD	N/A	497	07/01/22 - 06/30/23	5,599,478
Northampton County	N/A	20-1020	07/01/22 - 06/30/23	55,117
Northampton County - MH/EI/DP	N/A	22-619	07/01/22 - 06/30/23	2,397,404
				<u>19,164,762</u>
Total Pennsylvania Department of Human Services				<u>43,034,704</u>
Pennsylvania counties				
Montgomery County Adult Probation & Parole Department	N/A	N/A	09/01/18 - 06/30/23	552,521
Montgomery County - MH/MR (RSS/CCW)	N/A	583	07/01/22 - 06/30/23	5,594
Montgomery County Department of BH/DD	N/A	497	07/01/21 - 06/30/23	137,264
Northampton County - MH/EI/DP	N/A	22-619	07/01/22 - 06/30/23	45,188
Total Pennsylvania Counties				<u>740,567</u>
Total Pennsylvania				<u>43,861,551</u>
Total State Financial Assistance				<u>\$ 72,975,909</u>
City Financial Assistance				
Philadelphia Office of Homeless Services				
Woodstock Family Center	N/A	2020113	07/01/19 - 06/30/22	\$ 685,279
Woodstock Family Center	N/A	2020113	07/01/19 - 12/31/22	712,387
Fernwood	N/A	2320749	07/01/19 - 12/31/22	38,918
Fernwood East	N/A	2220715-02	12/01/21 - 12/31/22	903,862
Rapid Rehousing	N/A	2120071	07/01/20 - 12/31/22	248,363
Progress Haven	N/A	2220738	07/01/20 - 12/31/22	518,597

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Grantor/pass-through grantor/program title	Assistance Listing Number	Passthrough Grantor's Number	Grant Period	2023 Expenditures
Philadelphia Department of Public Health				
Pass-through Health Federation				
Family Practice Counseling Network	N/A	CDC 1817	09/30/18 - 09/30/23	5,000
Department of Behavioral Health and Intellectual Disability Services				
MH Base Unitary	N/A	21-20005-02	07/01/22 - 06/30/23	264,552
Early Intervention Unitary	N/A	21-20006-02	07/01/22 - 06/30/23	5,473
Total City Financial Assistance				<u>\$ 3,382,431</u>
Total Federal, State And City Financial Assistance				<u><u>\$ 90,787,503</u></u>

See independent auditors' report and notes to schedule of expenditures of federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - GENERAL INFORMATION

The accompanying schedule of expenditures of federal, state and city awards presents activities in all federal, state and city award programs of Resources for Human Development, Inc. All financial assistance received directly from federal agencies, as well as financial assistance passed through other governmental agencies or not-for-profit organizations, is included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal, state and city awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to funding agencies because those reports may be submitted on either a cash or modified cash basis of accounting.

NOTE 3 - RELATIONSHIP TO BASIC CONSOLIDATED FINANCIAL STATEMENTS

Federal, state and city award expenditures are reported on the consolidated statement of functional expenditures as program costs. However, expenditures in the schedule of expenditures of federal, state and city awards for certain programs which have incurred deficits have been limited to the related contracted amount. In addition, for certain programs, the expenditures reported in the basic consolidated financial statements may differ from the expenditures reported in the schedule of expenditures of federal, state and city awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal, state and city financial assistance.

As further discussed in footnote 2 to the basic consolidated financial statements, the Organization has a policy which allows the carryover of unused vacation time for program employees. This schedule does not reflect the accrual for these expenditures.

NOTE 4 - INDIRECT COST RATE

The Organization did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____none reported

Noncompliance material to financial statements noted? _____yes X no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR § 200.516(a)? X yes _____no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.267	Continuum of Care Program
93.778	Medical Assistance Program
93.958	Block Grants for Prevention and Treatment of Substance Abuse

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

FEDERAL AWARDS (CONTINUED)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 2023-001

Information Technology Controls

FINDING TYPE

Significant deficiency in internal control over financial reporting.

CRITERIA

Management is responsible for maintaining proper IT environment controls.

CONDITION AND CONTEXT

We noted that RHD did not have formalized controls implemented surrounding the privilege of access, user access review, change management processes and review of activities within multiple financial process applications.

CAUSE

RHD did not have formalized controls documented and tested within multiple financial process applications.

EFFECT OR POTENTIAL EFFECT

A deficiency in IT controls over financial reporting could allow for potential inaccurate reporting, unreliable data or leave the organization vulnerable to security incidents.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

RECOMMENDATION

We recommend that RHD continually review their policies and procedures regarding privilege of access, user access review, change management processes and review of activities within multiple financial process applications .

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Management acknowledges that RHD does not in all cases have documented policies and procedures regarding access controls to systems and data. RHD maintains significant levels of control over access by utilizing forms, ticketing systems, approvals and monitoring.

RHD will commit to addressing this issue during the fiscal year ending June 30, 2025 by creating formalized documentation that codifies these controls and improving them wherever necessary. Additionally, RHD intends to formally affiliate with Inperium as disclosed in Note 3 of the accompanying financial statements. Systems and procedures will be evaluated and redesigned-as part of the affiliation integration process.

Position Title of Person Overseeing This Issue: Chief Information Officer

SECTION III - FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2023-002

Lack of adequate documentation to support certain payroll transactions.

FEDERAL PROGRAM

93.778 – Medical Assistance Program

93.958 – Block Grants for Prevention and Treatment of Substance Abuse

FINDING TYPE

Noncompliance of allowable costs and cost principles.

CRITERIA

Allowable costs incurred under federal awards must be in accordance with the requirements for allowable costs/cost principles contained in 2 CFR Part 200, Subpart E as well as the terms and conditions of the federal award.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SECTION III - FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

CONDITION AND CONTEXT

RHD was unable to provide sufficient documentation to support select payroll costs for 2 out of 80 audit selections to determine if cost were allowable or unallowable to each federal award.

CAUSE

RHD maintains documentation to support the amounts included a payroll transaction within paper personnel files. RHD was unable to provide documentation to support benefit dollars included in 2 out of 80 payroll selections.

EFFECT OR POTENTIAL EFFECT

The Organization is not in compliance with federal requirements regarding allowable costs and cost principles.

RECOMMENDATION

We recommend that personnel files be reviewed on an annual basis to ensure that documentation is retained to support all payroll transactions.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Management agrees that more document review and oversight is needed to ensure that payroll transactions are supported.

In the fiscal year ended June 30, 2023, RHD selected and implemented in phases a new Human Resource Information System ("HRIS"), Paylocity. In April 2023, RHD went live with the first phase, Payroll and Benefits modules.

During the fiscal year ending June 30, 2025, it is anticipated that the second phase of the HRIS will fully replace the current system, and the process for completing forms currently completed on paper will be replaced with electronic records within Paylocity.

Additionally, RHD intends to formally affiliate with Inperium as disclosed in Note 3 of the accompanying financial statements. Administrative functions will be evaluated and redesigned-as part of the affiliation process.

Position Title of Person Overseeing This Issue: Chief Human Resource Officer

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SECTION III - FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

FINDING 2023-003

Late Submission of Reporting Package and Data Collection Form

FEDERAL PROGRAM

14.218 – Community Development Block Grants/Entitlement Grants

14.267 – Continuum of Care Program

93.778 – Medical Assistance Program

93.958 – Block Grants for Prevention and Treatment of Substance Abuse

FINDING TYPE

Noncompliance of Reporting.

CRITERIA

The Uniform Guidance requires the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 days after the reports are received from auditors or nine months after the end of the audit period, unless longer period of time was agreed to in advance by the cognizant or oversight agency for audit. The Federal Audit Clearinghouse considers the submission requirement complete when it has received the electronic submission of both the data collection form and the reporting package.

CONDITION AND CONTEXT

The Federal reporting deadline for the Single Audit Reporting Package was March 31, 2024; however, RHD did not issue its Single Audit Reporting Package on time.

CAUSE

With over 160 different governmental contracts, management has been tasked with significant reporting and audit requirements. In addition, due to financial conditions disclosed in note 3 to the financial statements, resources normally committed to the completion of the audit were utilized for financial analyses and treasury management which had a direct impact on the financial reporting process which precipitated delinquency in commencing and completing the fiscal year 2023 audit.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SECTION III - FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

EFFECT OR POTENTIAL EFFECT

The late submission of the reporting package affects all Federal programs administered by RHD. This finding is a material weakness in internal control over compliance and noncompliance with the Uniform Guidance.

RECOMMENDATION

We recommend that RHD improve its financial reporting processes, including timely closing of the general ledger, so that the Single Audit Reporting Package can be submitted to the Federal Audit Clearinghouse no later than the earlier of 30 days after the reports are received from auditors or nine months after year-end.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Management agrees that the closing process needs to be improved to allow for timely closing of the general ledger and financial reporting in compliance with federal and other regulatory deadlines.

Effective May 2024, RHD has implemented a shortened monthly and year-end closing schedule to assist in meeting this goal.

Management also believes that audit timing for the fiscal year ended June 30, 2023 was an anomaly based on the identified need for corporate restructuring that was occurring concurrently with audit process. This added complexity to the subsequent event disclosures and testing required.

Additionally, RHD intends to formally affiliate with Inperium as disclosed in Note 3 of the accompanying financial statements. Systems and closing procedures will be evaluated and redesigned-as part of the affiliation integration process.

Position Title of Person Overseeing This Issue: Corporate Controller

FINDING 2023-004

Late Submission of Reporting Package to the Louisiana Legislative Auditor (“LLA”)

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SECTION III - FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

FINDING TYPE

Noncompliance of Reporting.

CRITERIA

Local auditee reports that include a Single Audit report must be submitted to the LLA within six months of the local auditee's fiscal year end.

CONDITION AND CONTEXT

RHD's audit report was due to the LLA by December 31, 2023; six months after their fiscal year end; RHD did not submit their audit report within the required time frame.

CAUSE

RHD experienced a delay in closing the year end books and records which resulted in delayed financial statement reporting.

EFFECT OR POTENTIAL EFFECT

The late submission of the audit report resulted in a late report finding.

RECOMMENDATION

We recommend that RHD improve its financial reporting processes, including timely closing of the general ledger, so that the Audit Reporting Package can be submitted to the LLA within six months after their fiscal year end.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Management agrees that the closing process needs to be improved to allow for timely closing of the general ledger and financial reporting in compliance with federal and other regulatory deadlines.

Effective May 2024, RHD has implemented a shortened monthly and year-end closing schedule to assist in meeting this goal.

Management also believes that audit timing for the fiscal year ended June 30, 2023 was an anomaly based on the identified need for corporate restructuring that was occurring concurrently with audit process. This added complexity to the subsequent event disclosures and testing required.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SECTION III - FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

Additionally, RHD intends to formally affiliate with Inperium as disclosed in Note 3 of the accompanying financial statements. Systems and closing procedures will be evaluated and redesigned-as part of the affiliation integration process.

Position Title of Person Overseeing This Issue: Corporate Controller

SECTION IV - PRIOR YEAR FINDINGS

FINDING 2022-001

Summary

During the fiscal year ended June 30, 2022, RHD's audit report was due to the LLA by December 31, 2022 (six months after their fiscal year end). RHD did not submit their audit report within the required time frame.

Status

During the fiscal year ended June 30, 2023, RHD did not submit their audit within the required time frame.