

THE ROSE

**Financial Statements,
Independent Auditor's Report Required by
Government Auditing Standards, the State of Texas Single Audit
Circular, and Uniform Guidance and
Schedule of Expenditures of Federal and State Awards**

**As of and for the Years Ended
July 31, 2024 and 2023**

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PART I.

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT AND SCHEDULE
OF EXPENDITURES OF FEDERAL AND STATE AWARDS
As of and for the Years Ended July 31, 2024 and 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Rose
Houston, Texas

Opinion

We have audited the accompanying financial statements of The Rose (a Texas nonprofit organization), which comprise the statements of financial position as of July 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Rose as of July 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Rose and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Matters - Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Single Audit Circular, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2024 on our consideration of The Rose'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 Rose's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Rose's internal control over financial reporting and compliance.

Ham, Langston & Buzina, LLP

Houston, Texas
December 26, 2024

THE ROSE
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 3,086,791	\$ 4,265,078
Restricted cash	3,284,116	3,470,390
Accounts receivable, net of provision for credit losses of \$259,946 and \$124,373 at July 31, 2024 and 2023, respectively	908,976	1,809,331
Grants receivable	417,717	184,434
Pledges receivable	-	155,722
Other receivable	279,154	295,935
Prepaid expenses and other assets	589,484	625,998
Total current assets	8,566,238	10,806,888
Property and equipment, net	7,013,037	7,394,026
Right-of-use assets, net	1,127,978	1,097,179
Total assets	\$ 16,707,253	\$ 19,298,093
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,126,657	\$ 848,348
Accrued liabilities	697,127	970,603
Current portion of notes payable	225,275	210,098
Lease liabilities, current	183,925	140,901
Total current liabilities	2,232,984	2,169,950
Notes payable, net of current portion	262,506	487,779
Deferred revenue	55,695	386,761
Lease liabilities, net of current	1,442,738	1,501,179
Total non-current	1,760,939	2,375,719
Total liabilities	3,993,923	4,545,669
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restriction	9,429,214	11,282,034
With donor restrictions	3,284,116	3,470,390
Total net assets	12,713,330	14,752,424
Total liabilities and net assets	\$ 16,707,253	\$ 19,298,093

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

THE ROSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions and grants	\$ 3,006,919	\$ 1,260,257	\$ 4,267,176
Program service fees, net	9,303,397	-	9,303,397
Special events, net	456,916	-	456,916
Building lease income, net	35,709	-	35,709
Investment income	331,444	-	331,444
Other income, net	38,136	-	38,136
Revenue before release of restrictions on net assets	13,172,521	1,260,257	14,432,778
Net assets released from restrictions:			
Satisfaction of program restrictions	528,894	(528,894)	-
Satisfaction of equipment acquisition restrictions	917,637	(917,637)	-
Total net assets released from restrictions	1,446,531	(1,446,531)	-
Total revenue and support	14,619,052	(186,274)	14,432,778
Expenses:			
Program services	13,719,166	-	13,719,166
Supporting services:			
Management and general	1,984,470	-	1,984,470
Fundraising	768,236	-	768,236
Total supporting services	2,752,706	-	2,752,706
Total expenses	16,471,872	-	16,471,872
Change in net assets	(1,852,820)	(186,274)	(2,039,094)
Net assets, beginning of year	11,282,034	3,470,390	14,752,424
Net assets, end of year	\$ 9,429,214	\$ 3,284,116	\$ 12,713,330

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

THE ROSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Contributions and grants	\$ 2,690,510	\$ 2,639,228	\$ 5,329,738
Program service fees, net	8,996,502	-	8,996,502
Special events, net	481,835	-	481,835
Building lease income, net	128,752	-	128,752
Investment income	324,287	-	324,287
Other income, net	232,360	-	232,360
	<hr/>	<hr/>	<hr/>
Revenue before release of restrictions on net assets	12,854,246	2,639,228	15,493,474
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions:			
Satisfaction of program restrictions	515,335	(515,335)	-
Satisfaction of equipment acquisition restrictions	1,378,884	(1,378,884)	-
	<hr/>	<hr/>	<hr/>
Total net assets released from restrictions	1,894,219	(1,894,219)	-
	<hr/>	<hr/>	<hr/>
Total revenue and support	14,748,465	745,009	15,493,474
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services	13,129,931	-	13,129,931
	<hr/>	<hr/>	<hr/>
Supporting services:			
Management and general	1,336,799	-	1,336,799
Fundraising	799,230	-	799,230
	<hr/>	<hr/>	<hr/>
Total supporting services	2,136,029	-	2,136,029
	<hr/>	<hr/>	<hr/>
Total expenses	15,265,960	-	15,265,960
	<hr/>	<hr/>	<hr/>
Change in net assets	(517,495)	745,009	227,514
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	11,799,529	2,725,381	14,524,910
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Net assets, end of year	\$ 11,282,034	\$ 3,470,390	\$ 14,752,424
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The accompanying notes are an integral part of these financial statements.

THE ROSE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JULY 31, 2024 AND 2023

Description	2024				2023			
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals
Expenses:								
Salaries and related expenses	\$ 5,830,938	\$ 956,710	\$ 558,030	\$ 7,345,678	\$ 5,624,729	\$ 742,239	\$ 434,954	\$ 6,801,922
Medical supplies	273,292	-	-	273,292	265,085	-	-	265,085
Physician fees	2,207,239	-	-	2,207,239	2,094,398	-	-	2,094,398
Professional fees	1,295,018	328,572	100	1,623,690	1,167,104	182,097	60,560	1,409,761
Occupancy	353,497	142,032	76,934	572,463	381,345	153,222	82,995	617,562
Rent	324,175	1,635	-	325,810	302,517	5,560	5,890	313,967
Software, repairs and maintenance	825,357	129,570	73,280	1,028,207	746,477	59,739	74,515	880,731
Insurance	708,068	114,010	-	822,078	615,524	75,441	31,982	722,947
Office expense and printing	61,231	61,016	5,903	128,150	71,025	9,933	9,419	90,377
Telephone and utilities	82,327	84,106	3,106	169,539	100,955	14,722	12,367	128,044
Postage and delivery	102,693	216	502	103,411	91,412	3,600	5,240	100,252
Provision for credit losses	402,970	-	-	402,970	160,085	-	-	160,085
Pension	-	54,692	-	54,692	149,912	36,463	13,303	199,678
Depreciation of equipment	1,063,233	82,366	-	1,145,599	1,150,042	21,671	21,388	1,193,101
Vehicle expenses	97,398	3,873	9,967	111,238	97,634	2,601	9,840	110,075
Other	91,730	25,672	40,414	157,816	111,687	29,511	36,777	177,975
Total expenses	<u>\$ 13,719,166</u>	<u>\$ 1,984,470</u>	<u>\$ 768,236</u>	<u>\$ 16,471,872</u>	<u>\$ 13,129,931</u>	<u>\$ 1,336,799</u>	<u>\$ 799,230</u>	<u>\$ 15,265,960</u>

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

THE ROSE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,039,094)	\$ 227,514
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	1,274,010	1,320,568
Amortization on right-of-use assets	111,909	95,692
Donated stock	-	(25,094)
Realized and unrealized gain on investments	(13,073)	(8,228)
Provision for credit loss expense	402,970	160,085
Change in operating assets and liabilities:		
Accounts receivable	497,385	27,750
Grants receivable	(233,283)	(49,105)
Pledges receivable	155,722	55,028
Other receivables	16,781	(295,935)
Prepaid expenses and other assets	49,587	(75,687)
Accounts payable	278,309	5,700
Accrued liabilities and other liabilities	(273,476)	(31,711)
Deferred revenue	(331,066)	386,761
Lease liabilities	(158,125)	(95,692)
	<u>(261,444)</u>	<u>1,697,646</u>
Net cash (used in) provided by operating activities		
Cash flows used in investing activities:		
Purchase of property and equipment	(893,021)	(1,394,053)
Cash flows used in financing activities:		
Payments on notes payable	(210,096)	(196,137)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,364,561)	107,456
Cash, cash equivalents and restricted cash, beginning of year	<u>7,735,468</u>	<u>7,628,012</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 6,370,907</u>	<u>\$ 7,735,468</u>
Supplemental disclosures of cash flows information:		
Interest paid	<u>\$ 42,007</u>	<u>\$ 59,952</u>
Lease liabilities from obtaining right-of-use asset	<u>\$ 142,708</u>	<u>\$ 1,192,871</u>

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

THE ROSE

NOTES TO FINANCIAL STATEMENTS

1. Organization and Nature of Operations

The Rose (the "Organization") is a Texas nonprofit corporation organized in 1986 for the purpose of providing breast cancer screening, diagnostic services and education, and assisting in the placement of women for any needed treatment. The Rose operates in two locations in the Houston, Texas area and also utilizes mobile screening services. The Rose's Empower Her sponsorship program and other programs are supported primarily by patient services fees, contributions from foundations and other nonprofit organizations, and federal and state awards.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of The Rose have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") promulgated by the Financial Accounting Standards Board ("FASB") related to financial statements of not-for-profit organizations. Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of The Rose and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net asset without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Rose had net assets without donor restrictions of \$9,429,214 and \$11,282,034 as of July 31, 2024 and 2023, respectively.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Net assets with donor-imposed restrictions include net assets that are either (i) restricted until the donor-imposed stipulation has been met through the passage of time and/or by actions of the Board of Directors, or (ii) expected to be maintained in perpetuity. When a purpose restriction is accomplished or a time restriction ends, the net assets with donor restrictions are released to net assets without donor restrictions. The Rose had net assets with donor restrictions of \$3,284,116 and \$3,470,390 as of July 31, 2024 and 2023, respectively.

Use of Estimates

The preparation of The Rose's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the allocation of expenses among various programs. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash held in certificate of deposits and short-term deposits that are readily convertible to known amounts of cash.

Amounts included in restricted cash represent cash contributions received during the years ended July 31, 2024 and 2023 designated for property and equipment additions and funds received during years ended July 31, 2024 and 2023 designated by the board to support the Organization's programs. See Notes 14 and 16.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to that shown in the statements of cash flows as July 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,086,791	\$ 4,265,078
Restricted cash	<u>3,284,116</u>	<u>3,470,390</u>
Total cash, cash equivalents and restricted cash in cash flows	<u>\$ 6,370,907</u>	<u>\$ 7,735,468</u>

THE ROSE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable consist primarily of fees due to The Rose for the program services due from commercial insurance companies, Medicare and Medicaid programs, and individual patients and are recorded based on estimated expected amounts due from third party payors and patients for the program services provided. Interest is not charged on past due receivables. Changes in estimates of the variable consideration are charged or credited to the patient revenues, net in the period of the change. The Organization believes that its net receivables as of July 31, 2024 and 2023 are reasonably accurate. If circumstances occur, such as: (i) an economic downturn; (ii) higher than expected defaults; (iii) denials; or (iv) reduced collections, the estimates of the recoverability of the Organization's receivables could be affected by a material amount.

Grants and Pledges Receivable

Grants receivable are recorded as revenue at fair value when an unconditional commitment is received from a donor. Pledges receivable are recognized when the donor makes a pledge to give to The Rose that is, in substance, unconditional. Grants and pledges receivable that are expected to be collected within one year are recorded at net realizable value. Grants and pledges receivable that are expected to be collected in more than one year are discounted to estimate the present value of future cash flows. Grants and pledges receivable as of July 31, 2024 and 2023 consist of pledges received in support of The Rose's medical equipment acquisitions and other programs which are expected to be collected within one year.

Provision for Credit Losses

The Organization routinely assesses the recoverability of all receivables to determine their collectability based on historical losses plus management's past experience with patients, insurance providers, and donors. Receivables are considered impaired if payments are not received in accordance with contractual terms. Account balances are charged against the provision for credit losses after all means for collection have been exhausted and the potential for recovery is considered remote. As of July 31, 2024 and 2023, the provision for credit losses was \$259,946 and \$124,373, respectively.

Property and Equipment

Property and equipment is recorded at cost. Donated property and equipment are recorded at their estimated fair value at the date of donation. The Rose's policy is to capitalize expenditures for substantial renewals and betterments in excess of \$1,000, with a useful life greater than one year, while repairs and maintenance are charged to expense as incurred. Effective August 1, 2024, this capitalization threshold was increased to \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets which range from five to thirty-nine years. Leasehold improvements are depreciated over the shorter of their useful life or the lease term (see Note 5).

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, The Rose first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent the carrying value exceeds its fair value. No impairment on long-lived assets was recognized for the years ended July 31, 2024 and 2023. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amount or their fair value less costs to sell and are not depreciated.

THE ROSE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Leases

Effective August 1, 2022, the Organization adopted the provisions of FASB Accounting Standards Update (“ASU”) No. 2016-02, Leases (“Topic 842”) for accounting for leases. Pursuant to Topic 842, leases are classified at their commencement date, which is defined as the date on which the lessor makes the underlying asset available for use by the lessee, as either operating or finance leases based on the economic substance of the agreement. The Organization recognizes right-of-use lease assets and lease liabilities in the statement of financial position. Lease liabilities are measured at the lease commencement date as the present value of the future lease payments using the interest rate implicit in the lease if readily determinable. Otherwise, the Organization utilizes its incremental borrowing rate as of the lease commencement date. Lease right-of-use (“ROU”) assets are measured as the lease liability plus initial direct costs and prepaid lease payments less lease incentives. The lease term is the non-cancelable period of the lease and includes options to extend or terminate the lease when it is reasonably certain that an option will be exercised. The Organization adopted the new standard using the modified retrospective method by recording a right-of-use asset and operating lease liabilities of \$1,192,871 as of the effective date. See Note 9 for further information, practical expedients and disclosures related to the adoption of this standard.

Operating lease expenses on short-term leases are recognized on a straight-line basis over the respective lease term, including rent escalation provisions and rent holidays, as a component of occupancy expenses in the statement of functional expenses.

Revenue Recognition

The Organization generates revenue through a variety of sources including providing breast cancer screening and diagnostic services, special events revenue, and donor contributions.

The Organization accounts for a contract with a patient under Accounting Standards Codification (“ASC”) Topic 606 and determines its revenue recognition through the following steps: (i) identification of the contract or contracts with a patient; (ii) identification of the performance obligations within the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation(s) within the contract; and (v) recognition of revenue when, or as the performance obligation has been satisfied.

Performance obligations are promises made in a contract to transfer a distinct good or service to the patient. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization has concluded that the contracts with patients represent a bundle of distinct services that are substantially the same, with the same pattern of transfer to the patient. Accordingly, the bundle of services is accounted for as a single performance obligation.

In order to determine the transaction price, the Organization estimates the amount of variable consideration at the beginning of the contract using the expected value method. The estimates consider (i) payor type, (ii) historical payment trends, and (iii) the maturity of similar payors. The Organization typically enters into agreements with third-party payors that provide for payments at amounts different from the established charges. These arrangement terms provide for subsequent settlement and cash flows that may occur well after the service is provided. The Organization constrains (reduces) the estimates of variable consideration such that it is probable that a significant reversal of previously recognized revenue will not occur throughout the life of the contract. Changes in the Organization's expectation of the amount it will receive from the patient or third-party payors will be recorded in revenue unless there is a specific event that suggests the patient or third party payor no longer has the ability and intent to pay the amount due and, therefore, the changes in its estimate of variable consideration better represent an impairment, or bad debt. These estimates are re-assessed each reporting period, and any amounts allocated to a satisfied performance obligation are recognized as revenue or a reduction of revenue in the period in which the transaction price changes.

The Organization satisfies its performance obligation by providing breast cancer screening and diagnostic services to its patient. The performance obligation is recognized at a point in time basis for which the services are provided. For these contracts, the Organization has the right to consideration from the patient in an amount that directly corresponds with the value to the patient of the Organization's performance to date. Therefore, the Organization recognizes revenue based on the amount billable to the customer.

THE ROSE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Revenues from the Organization's special events are generally recognized at the point in time services or goods are provided and represent a single performance obligation with a fixed transaction price.

Revenue from donor contributions, including in-kind contributions, does not fall under the scope of ASC Topic 606, as such revenue follows the accounting guidance of ASC 958-605, *Not-for-Profit Entities-Revenue Recognition*. Revenue from program services and special events follows the guidance of Accounting Standards Update ("ASU") No. 2014-09.

Contributions and Grants

Contributions and grants are reported as contributions without donor-imposed restrictions or contributions with donor-imposed restrictions. Unconditional contributions, if any, are recorded at their fair market value in the period in which the Organization was notified of the intent of the contribution. Conditional contributions are not included in contributions until such time as the conditions are substantially met. Expirations of restrictions on net assets (i.e., the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the statements of activities and changes in net assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions.

Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year or more are discounted to the present value of estimated future cash flows using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included as contribution revenue in the accompanying statements of activities and changes in net assets. Conditional promises to give are not included in contributions until such time as the conditions are substantially met.

Contributions of land, buildings and equipment are recorded at fair value, as determined by management, at the date of donation. The Organization reports such gifts as contributions without donor restrictions 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 contributions with donor restrictions. Absent explicit 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. For the years ended July 31, 2024 and 2023, included in unrestricted contributions and grants in the accompanying statements of activities are in-kind contributions of \$15,297 and \$29,438, respectively.

Contributed marketable securities are recorded at quoted market prices at the date of donation.

Contributed Services

In accordance with FASB Accounting Standards Codification Topic 958-605, *Not-for-Profit Entities – Accounting for Contributions Received and Contributions Made*, The Rose recognizes contributed services at their estimated fair value if the services received (i) create or enhance long-lived assets or (ii) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Rose receives donated services from volunteers, including board members, in support of program services. For the years ended July 31, 2024 and 2023, included in unrestricted support and grants in the accompanying statements of activities are contributed legal services of \$4,030 and \$1,687 respectively.

Income Taxes

The Rose is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) except on net income derived from unrelated business activities. The Rose qualifies for charitable contribution deductions and has been classified as an organization other than a private Organization under IRC Section 509(a)(2).

THE ROSE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Rose has real estate rental activity which is subject to tax on unrelated business income. A portion of The Rose's office building, located in Southeast Houston, houses The Rose's operations and the remaining space is leased to unrelated parties. During the years ended July 31, 2024 and 2023, The Rose did not incur any federal income tax liability as a result of any unrelated business income. The Rose believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The most significant tax positions of The Rose are its assertions that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

The Rose's Federal Exempt Organization Business Income Tax Return (Form 990) for the years ended July 31, 2024, 2023, 2022, and 2021 are subject to examination by the IRS, generally for three years after the return was filed.

Advertising Expenses

The Organization recognizes advertising expenses as they are incurred. For the year ended July 31, 2024 and 2023, no advertising expenses were incurred by the Organization.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Expenses that can be directly identifiable with the programs or supporting services to which they relate are charged accordingly. Other expenses that are not directly identifiable with specific programs or supporting services are allocated among programs or supporting services based on approximations developed by management.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. Fair value measurements are derived using inputs and assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. U.S. GAAP establishes a valuation hierarchy for disclosure of the inputs used to measure fair value. This three-tier hierarchy classifies fair value amounts recognized or disclosed in the financial statements based on the observability of inputs used to estimate such fair values.

The classification within the hierarchy of a financial asset or liability is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3).

Fair value estimates of financial instruments are based on relevant market information and may be subjective in nature and involve uncertainties and matters of significant judgment. The Organization's financial instruments consist mainly of cash, cash equivalents and restricted cash, accounts receivable, grants receivable, pledges receivable, short-term investments, accounts payable, and notes payable. The Organization believes that the carrying value of its assets and liabilities approximates the fair value of such items due to the short-term nature of these accounts.

Financial Instruments and Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments held at creditworthy financial institutions. All of the financial investments are held in creditworthy financial institutions in the name of the Organization which protects against credit risk of the financial institution holding the investments. There is also limited credit risk associated with contributions, accounts receivable, and pledges and grants receivable. The credit risk with respect to contributions, accounts receivable, and pledges and grants receivable is limited because the Organization deals with several large organizations.

THE ROSE
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation. Such reclassifications have no impact on net assets and changes in net assets as previously reported.

Accounting Standards Adopted

The Organization adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses in Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecast and generally applies to financial assets measured at amortized cost, including account receivables, pledges receivable, and grants receivable. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

3. Pledges and Grants Receivable

Pledges and grants receivable consist of amounts expected to be collected within one year. At July 31, 2024 and 2023, pledges and grants receivable consist of the following:

	<u>2024</u>	<u>2023</u>
Contributions without donor restrictions	\$ 332,717	\$ 330,156
Contributions with donor restrictions	<u>85,000</u>	<u>10,000</u>
Total pledges and grants receivable	<u>\$ 417,717</u>	<u>\$ 340,156</u>

4. Prepaid Expenses and Other Assets

At July 31, 2024 and 2023, prepaid expenses and other assets, as presented in the Statements of Financial Position, include the following:

	<u>2024</u>	<u>2023</u>
Prepaid insurance	\$ 69,529	\$ 147,506
Prepaid equipment and maintenance contracts	259,299	237,433
Investments	141,327	128,254
Other assets	<u>119,329</u>	<u>112,805</u>
Total prepaid expenses and other assets	<u>\$ 589,484</u>	<u>\$ 625,998</u>

5. Property and Equipment

At July 31, 2024 and 2023, property and equipment consist of the following:

	<u>2024</u>	<u>2023</u>
Furniture, fixtures and equipment	\$ 8,300,226	\$ 9,253,873
Building	4,508,645	4,495,779
Leasehold improvements	634,662	629,552
Land	460,496	460,496
Vehicles	2,405,326	2,405,326
Construction-in-progress	<u>1,073,495</u>	<u>203,229</u>
Total property and equipment	17,382,850	17,448,255
Accumulated depreciation	<u>(10,369,813)</u>	<u>(10,054,229)</u>
Property and equipment, net	<u>\$ 7,013,037</u>	<u>\$ 7,394,026</u>

THE ROSE
NOTES TO FINANCIAL STATEMENTS

5. Property and Equipment, continued

Depreciation expense for all property and equipment for the years ended July 31, 2024 and 2023 was \$1,274,010 and \$1,320,568, respectively.

Construction-in-progress consists of costs for building the computer hardware and software for a new radiology system which is expected to be completed in 2025 with an estimated cost to complete of \$1,025,000.

6. Accrued Liabilities

At July 31, 2024 and 2023, accrued liabilities consist of the following:

	2024	2023
Accrued property taxes	\$ -	\$ 93,910
Accrued salaries and payroll taxes	273,601	313,434
Accrued employee leave	402,528	526,479
Other accrued expenses	20,998	36,780
Total accrued liabilities	\$ 697,127	\$ 970,603

7. Line of Credit

Effective May 9, 2019, an existing loan agreement with Texas Citizens Bank, N.A for a \$2,000,000 revolving line of credit was renewed with substantially the same terms, and extended to May 9, 2025. As of July 31, 2024 and 2023, the revolving line of credit interest rate was 9.75%. The line of credit is secured by deeds of trust for real property tracts I, II and III, located in the South Green subdivision of Harris County, Texas and all fixtures, accessories and personal property attached to or associated with the real estate. Interest is due and payable monthly and principal and accrued unpaid interest is due and payable at maturity. At July 31, 2024 and 2023, no balance was outstanding on this line of credit.

8. Notes Payable

2011 and 2020 Notes Payable

Effective August 9, 2011, The Rose entered into a \$2,164,779 note payable agreement with a financial institution, bearing interest at 6.85% per annum, and maturing on August 9, 2026 (the "2011 Note Payable"). The 2011 Note Payable is secured by deeds of trust for real property tracts I, II and III, located in the South Green subdivision of Harris County, Texas. Principal and interest payments of \$21,009 are due and payable in monthly installments. At July 31, 2024 and 2023, \$487,781 and \$697,877, respectively, was outstanding, of which \$225,275 and \$210,098 are included in the current portion of notes payable, respectively, and \$262,506 and \$487,779 are included in the notes payable, net of current portion, respectively, in the accompanying statements of financial position.

Future maturities of notes payable at July 31, 2024 are as follows:

For the Year Ending July 31,	
2025	\$ 225,275
2026	241,429
2027	21,077
	\$ 487,781

THE ROSE
NOTES TO FINANCIAL STATEMENTS

9. Leases

The Organization leases office space at Suite 275, West Loop II Building in Bellaire Texas, under a long-term operating lease that commenced on January 1, 2020, has an initial term of 138 months, expiring on June 30, 2031, and provides a one-time ten-year renewal option. Lease payments are due and payable in monthly installments which include monthly base rent that escalates annually over the term of the lease, as well as monthly additional rent to cover operating expenses of the premises and reserved parking. The Organization also entered into various operating leases for the rental of other office space and office equipment which usually range from 3 years to 5 years.

The Organization determines if an arrangement is a lease at its inception. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise such options. The Organization used the incremental borrowing rate in determining the present value of lease payments. Lease expense for these leases is recognized on a straight-line basis over the lease term. The Organization also elected to apply the short-term measurement and recognition exemption in which the right-of-use ("ROU") assets and lease liabilities are not recognized for short-term leases.

The following table summarizes the balances as it relates to operating leases as of July 31:

	<u>2024</u>	<u>2023</u>
ROU assets	\$ 1,127,978	\$ 1,097,179
Lease liabilities, current portion	183,925	140,901
Long-term lease liabilities	<u>1,442,738</u>	<u>1,501,179</u>
Total lease liability	<u>\$ 1,626,663</u>	<u>\$ 1,642,080</u>

The company's weighted- average remaining lease-term and weighted-average discount rate are as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term	6.64 years	7.91 years
Weighted average discount rate	7.16%	6.85%

Non-cash right-of-use assets recorded in exchange for lease liabilities during the years ended July 31, 2024 and 2023 was \$142,708 and \$1,192,871, respectively.

Lease expense is recognized on a straight-line basis over the term of the lease and deferred rent is recognized for the difference between rent expense and the related lease payments.

During the years ended July 31, 2024 and 2023, the Company recorded operating lease expense of approximately \$253,755 and \$213,579, respectively.

THE ROSE
NOTES TO FINANCIAL STATEMENTS

9. Leases, continued

Below is a summary of expenses pertaining to leases:

	2024	2023
Operating lease expense	\$ 253,755	\$ 213,579
Short-term lease expense	72,054	100,388
Total lease expense	\$ 325,809	\$ 313,967

Future maturities of lease liabilities as of July 31, 2024, for these operating leases are as follows:

Year ending July 31,

2025	\$ 296,342
2026	302,698
2027	301,681
2028	304,558
2029	299,950
Thereafter	559,606
Total lease payments	2,054,700
Less: Imputed interest	(428,037)
Total lease liabilities	\$ 1,626,663

10. Commitments

The Organization has various non-cancelable service agreements for system and equipment maintenance. The existing service agreements have varying expiration dates with the longest service terms expiring in August 2027. During the years ended July 31, 2024 and 2023, The Rose incurred service and maintenance expenses of \$631,173 and \$640,634, respectively.

Future annual minimum payments for system and equipment maintenance service contracts at July 31, 2024 are as follows:

For the Year
Ending July 31,

2025	\$ 631,520
2026	157,002
2027	19,203
2028	17,288
	\$ 825,013

11. Concentrations of Credit Risk and Major Contributors

Cash Balances and Short-Term Investments

The Organization holds a portion of its cash and cash equivalents and short-term investments at financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC"). At various times during the years ended July 31, 2024 and 2023, these balances exceeded FDIC and alternative insurance coverage limits; however, the Organization has not experienced any losses from these deposits.

Accounts Receivable

At July 31, 2024 and 2023, approximately \$153,342 (13%) and \$141,633 (11%) of the Organization's accounts receivable from program service fees were due from various agencies of the State of Texas resulting from contracts with the Department of State Health Services, Medicare of Texas and Medicaid of Texas.

THE ROSE
NOTES TO FINANCIAL STATEMENTS

11. Concentrations of Credit Risk and Major Contributors, continued

Revenue

For the years ended July 31, 2024 and 2023, \$910,000 (21%) and \$1,975,000 (37%), respectively, of the Organization's support and grant revenues were from two donors and \$3,144,726 (32%) and \$3,242,443 (35%), respectively, of the Organization's net program service fees were from various agencies of the State of Texas resulting from contracts with the Department of State Health Services, Medicare of Texas and Medicaid of Texas. During the years ended July 31, 2024 and 2023, substantially all of the Organization's patients reside in Texas.

12. Retirement Plan

The Rose sponsors a defined contribution plan, with a December 31 year end, which allows all employees meeting certain age and service requirements to defer up to 100% of their wages as contributions subject to Internal Revenue Service maximum limitations. Employer matching and profit-sharing contributions to the plan are made at the discretion of the Board of Directors and accordingly, The Rose made employer matching contributions equal to 50% of an employee's salary deferrals up to 3% of the employee's compensation. Employer matching and profit-sharing contribution expense of \$54,692 and \$199,678 for the years ended July 31, 2024 and 2023, respectively, is included in the accompanying statements of activities and functional expenses.

13. Building Operations

Included in property and equipment is a 33,532 square foot building located in Southeast Houston where The Rose Diagnostic Imaging Center and its administrative offices are located. During the year ended July 31, 2024 and 2023, The Rose leased 4,926 square feet of this building to one unrelated third party, as follows:

Effective October 1, 2017, the Organization amended and extended an existing operating lease agreement in which the Organization leases 4,926 square feet of office space to an unrelated third party for 60 months, expiring on September 30, 2022. An amendment to this lease agreement extended the lease until September 30, 2023 and is not renewed.

Lease payments for the lease are due and payable in monthly installments. During the years ended July 31, 2024 and 2023, the Organization received lease income of \$50,126 and \$237,730, respectively.

Included in the statements of activities is building lease income presented net of related expenses. Related expenses are allocated between The Rose and the lessees based on square footage.

For the years ended July 31, 2024 and 2023, the allocation of building expense between The Rose and the lessees are as follows:

	2024		
	<u>The Rose</u>	<u>Lease</u>	<u>Total</u>
Depreciation	\$ 125,201	\$ 3,210	\$ 128,411
Mortgage interest	40,957	1,050	42,007
Property taxes	32,095	823	32,918
Insurance	13,260	340	13,600
Other operating costs	<u>360,950</u>	<u>8,994</u>	<u>369,944</u>
Total building expenses	<u>\$ 572,463</u>	<u>\$ 14,417</u>	<u>\$ 586,880</u>

THE ROSE
NOTES TO FINANCIAL STATEMENTS

13. Building Operations, continued

	2023		
	<u>The Rose</u>	<u>Lease</u>	<u>Total</u>
Depreciation	\$ 108,347	\$ 19,120	\$ 127,467
Mortgage interest	47,570	8,395	55,965
Property taxes	133,909	23,631	157,540
Insurance	39,850	7,032	46,882
Other operating costs	<u>287,886</u>	<u>50,800</u>	<u>338,686</u>
Total building expenses	<u>\$ 617,562</u>	<u>\$ 108,978</u>	<u>\$ 726,540</u>

For the years ended July 31, 2024 and 2023, building lease income, net of related expenses, as presented in the Statements of Activities, are as follows:

	<u>2024</u>	<u>2023</u>
Building lease income	\$ 50,126	\$ 237,730
Building expenses allocable to lessees	<u>(14,417)</u>	<u>(108,978)</u>
Building lease income, net	<u>\$ 35,709</u>	<u>\$ 128,752</u>

14. Net Assets with Donor Restrictions

At July 31, 2024 and 2023, net assets with donor restrictions are available for the following purposes:

	<u>2024</u>	<u>2023</u>
Equipment acquisitions and digital conversion	\$ 3,091,896	\$ 3,039,458
Building acquisitions	100,000	100,000
East Tx HUB	39,160	313,432
Special events	35,560	-
Physician workstations	<u>17,500</u>	<u>17,500</u>
Total net assets with donor restrictions	<u>\$ 3,284,116</u>	<u>\$ 3,470,390</u>

15. Description of Programs and Supporting Services

The Organization seeks to provide access to breast cancer screening, diagnostics and treatment services to any woman regardless of her ability to pay through several sponsorship programs.

Administrative support costs include full time staff in general management, finance, and operating positions that support the Organization's operations year-round as well as costs that benefit the entity as a whole. Fundraising costs include the costs to support the fundraising events.

THE ROSE
NOTES TO FINANCIAL STATEMENTS

16. Liquidity

The following reflects The Rose's financial assets as of July 31, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date. Amounts not available include amounts restricted for a donor specified purpose.

	2024	2023
Financial assets, at year-end	\$ 7,976,754	\$ 10,180,890
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(3,284,116)	(3,470,390)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,692,638	\$ 6,710,500

The Rose is substantially supported by program service fees and contributions without donor restrictions; thus, the majority of The Rose's financial assets are available for general expenditure within one year. As part of The Rose's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

17. Related Party Transactions

During the years ended July 31, 2023 and 2022, The Rose maintained a checking account with, and notes payable to, Texas Citizens Bank, N.A., now b1 Bank. During each of the years ended July 31, 2024 and 2023, an employee of b1 Bank served as a board member of The Rose.

For the years ended July 31, 2024 and 2023, included in support and grants revenue are donations from board members, or their respective employers, totaling \$80,769 and \$58,687, respectively.

For the years ended July 31, 2024 and 2023, included in support and grants revenue are donations from The Rose's officers totaling \$13,724 and \$11,246 respectively.

18. Employee Retention Tax Credit

The Organization qualified for the Employee Retention Tax Credit ("ERTC"), a refundable tax credit against certain employment taxes, under the "Coronavirus Aid, Relief, and Economic Security ("CARES") Act" signed by President Trump on March 27, 2020. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERTC. The Organization qualified for the ERTC in the first quarter of 2021. During the years ended July 31, 2024 and 2023, the Organization recorded an aggregate benefit of \$37,000 and \$230,000 in other income, net, in the statement of activities to reflect the ERTC which is an estimate of what management believes will be realizable from the filing amount of first quarter of 2021. The receivable for the ERTC benefit as of July 31, 2024 and 2023, amounting to \$267,000 and \$230,000, respectively, is included in other receivable on the statement of financial position.

18. Subsequent Events

Management has evaluated subsequent events through December 26, 2024, which is the date the financial statements were available to be issued, and has concluded that there were no significant events to be reported.

SUPPLEMENTAL SCHEDULE

THE ROSE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JULY 31, 2024

Federal or State Grantor/Pass-through Grantor/ Program Title	Federal ALS Number	Pass-through Grantor Number	Expenditures
U.S. Department of Human and Health Services Texas Health and Human Services Commission Breast and Cervical Cancer Program	93.898.001	HHS000735100013	<u>341,378</u>
Total expenditures under federal grants			<u>\$ 341,378</u>
Federal or State Grantor/Pass-through Grantor/ Program Title	State Contract Number		
State of Texas Cancer Prevention and Research Institute of Texas Empower Her to Care Expansion	PP220015		573,734
U.S. Department of Human and Health Services Texas Health and Human Services Commission Breast and Cervical Cancer Program	HHS000735100013		<u>338,325</u>
Total expenditures under state grants			<u>912,059</u>
Total expenditures under federal and state grants			<u><u>\$ 1,253,437</u></u>

See accompanying note to schedule of expenditures of federal awards.

THE ROSE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activities of the Organization, under programs of the federal and state government for the year ended July 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas Single Audit Circular. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the Organization. Therefore, amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rates

The Organization did not elect to use the 10-percent de minimis indirect cost rate as allowed by Uniform Guidance and the State of Texas Single Audit Circular.

PART II.

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

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

To the Board of Directors of
The Rose
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Rose (a Texas nonprofit organization), which comprise the statement of financial position as of July 31, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Rose'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Rose's internal control. Accordingly, we do not express an opinion on the effectiveness of The Rose's internal control.

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Ham, Langston & Brezina, LLP

Houston, Texas
December 26, 2024

PART III.

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE *UNIFORM GUIDANCE* AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE* AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the Board of Directors of
The Rose
Houston, Texas

Report on Compliance for Each Major Federal or State Program

Opinion on Each Major Federal or State Program

We have audited The Rose's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of The Rose's major federal or state programs for the year ended July 31, 2024. The Rose's major federal and state programs are identified in the Summary of Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, The Rose complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended July 31, 2024.

Basis for Opinion on Each Major Federal or State Program

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

We are required to be independent of The Rose 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 or state program. Our audit does not provide a legal determination of The Rose'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 The Rose's federal or state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Rose's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State of Texas Single Audit Circular 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 judgement made by a reasonable user of the report on compliance about The Rose's compliance with the requirements of each major federal or state program as a whole.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE* AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR, continued

In performing an audit in accordance with GAAS, *Government Auditing Standards*, Uniform Guidance, and the State of Texas Single Audit Circular we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding The Rose's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Rose's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Rose's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state 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 or state 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 or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that might be material weakness 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* and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE* AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR, continued

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and the State of Texas Single Audit Circular

We have audited the financial statements of The Rose as of and for the year ended July 31, 2024, and have issued our report thereon dated December 26, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State of Texas Single Audit Circular and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hann, Langston & Bazzina, LLP

Houston, Texas
December 26, 2024

PART IV.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

THE ROSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JULY 31, 2024

SECTION I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of independent auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? ___ Yes X No
- Significant deficiency identified that is not considered to be a material weakness? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

FEDERAL AND STATE AWARDS

Internal control over major programs:

- Material weakness identified? ___ Yes X No
- Significant deficiency identified that is not considered to be a material weakness? ___ Yes X No

Type of independent auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Uniform Guidance* or *Uniform Grants Management Standards, State of Texas Single Audit Circular*? ___ Yes X No

Identification of major program:

<i>Name of Federal Program</i>	<i>CFDS Number</i>
U.S. Department of Human and Health Services Centers for Disease Control and Prevention Breast and Cervical Cancer Program	93.283
<i>Name of State Program</i>	<i>State Contract Number</i>
U.S. Department of Human and Health Services Centers for Disease Control and Prevention Breast and Cervical Cancer Program	HHS000735100013
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<u>X</u> Yes ___ No

THE ROSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JULY 31, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (“GAGAS”).

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

FEDERAL AND STATE AWARD FINDINGS

There were no findings related to the schedule of expenditures of federal and state awards which are required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, Cost Principals, and Audit Requirements for Federal Awards (“Uniform Guidance”) or the State of Texas Single Audit Circular.

FEDERAL AND STATE AWARD QUESTIONED COSTS

There were no questioned costs related to the schedule of expenditures of federal and state awards which are required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, Cost Principals, and Audit Requirements for Federal Awards (“Uniform Guidance”) or the State of Texas Single Audit Circular.

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings related to the schedule of expenditures of federal and state awards for the year ended July 31, 2023 which are required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, Cost Principals, and Audit Requirements for Federal Awards (“Uniform Guidance”) or the State of Texas Single Audit Circular.