

Independent Auditors' Reports as Required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and Government Auditing Standards* and Related Information

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

For the year ended December 31, 2018

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Gay Men's Health Crisis, Inc. and Affiliates:

Report on the financial statements

We have audited the accompanying consolidated financial statements of Gay Men's Health Crisis, Inc. and Affiliates (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gay Men's Health Crisis, Inc. and Affiliates as of December 31, 2018, and the 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.

Emphasis of matter regarding going concern

The accompanying consolidated financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Organization has experienced decreases in net assets and its line of credit matures on August 31, 2020. These conditions, along with other matters described in Note 2, raise substantial doubt about the Organization's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other matters*Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal 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, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary 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 audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary 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 June 26, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Consolidated Statement of Financial Position
As of December 31, 2018

ASSETS

Cash and cash equivalents	\$ 720,646
Government grants and contracts receivable	6,194,231
Medicaid receivable, net	454,231
Contributions receivable, net	1,681,195
Other receivables	1,398,910
Prepaid expenses and other assets	756,721
Leasehold improvements, furniture and equipment, net	4,878,322
Security deposit	4,057,144
Restricted cash	<u>430,843</u>
Total assets	<u>\$ 20,572,243</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 4,755,793
Deferred rent and rent incentives	2,671,884
Government contract advances	1,192,363
Note payable	352,567
Capital lease	932,763
Line of credit	<u>3,400,000</u>
Total liabilities	<u>13,305,370</u>

Commitments and contingencies

NET ASSETS

Without donor restrictions	7,005,488
With donor restrictions	<u>261,385</u>
Total net assets	<u>7,266,873</u>
Total liabilities and net assets	<u>\$ 20,572,243</u>

The accompanying notes are an integral part of this consolidated financial statement.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Consolidated Statement of Activities
For the year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions - general	\$ 4,582,643	\$ 581,790	\$ 5,164,433
Contributed services and in-kind support	578,118	-	578,118
Special events revenue, net of direct costs	<u>1,317,314</u>	<u>-</u>	<u>1,317,314</u>
Total support	<u>6,478,075</u>	<u>581,790</u>	<u>7,059,865</u>
Revenue:			
Government grants and contracts	16,778,608	-	16,778,608
Medicaid revenue	3,425,017	-	3,425,017
Program revenue	199,212	-	199,212
Rental income	722,376	-	722,376
Other	<u>370,332</u>	<u>-</u>	<u>370,332</u>
Total revenue	<u>21,495,545</u>	<u>-</u>	<u>21,495,545</u>
Net assets released from restrictions	<u>538,285</u>	<u>(538,285)</u>	<u>-</u>
Total public support and revenue	<u>28,511,905</u>	<u>43,505</u>	<u>28,555,410</u>
EXPENSES			
Program services:			
Care and support	18,620,799	-	18,620,799
Prevention and education	3,937,843	-	3,937,843
Public policy, information and advocacy	<u>1,415,857</u>	<u>-</u>	<u>1,415,857</u>
Total program services	<u>23,974,499</u>	<u>-</u>	<u>23,974,499</u>
Supporting services:			
Fundraising	1,743,203	-	1,743,203
Management and general	<u>7,906,354</u>	<u>-</u>	<u>7,906,354</u>
Total supporting services	<u>9,649,557</u>	<u>-</u>	<u>9,649,557</u>
Total expenses	<u>33,624,056</u>	<u>-</u>	<u>33,624,056</u>
Change in net assets before nonoperating activities	(5,112,151)	43,505	(5,068,646)
Nonoperating activities			
Loss on disposal of fixed assets	<u>(199,867)</u>	<u>-</u>	<u>(199,867)</u>
Change in net assets	(5,312,018)	43,505	(5,268,513)
Net assets, beginning of year	<u>12,317,506</u>	<u>217,880</u>	<u>12,535,386</u>
Net assets, end of year	<u>\$ 7,005,488</u>	<u>\$ 261,385</u>	<u>\$ 7,266,873</u>

The accompanying notes are an integral part of this consolidated financial statement.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Consolidated Statement of Functional Expenses
For the year ended December 31, 2018

	Program Services			Supporting Services			Total Expenses	
	Care and Support	Prevention and Education	Public Policy, Information and Advocacy	Total	Fundraising	Management and General		Total
Personnel Services:								
Salaries	\$ 6,260,511	\$ 1,994,193	\$ 617,727	\$ 8,872,431	\$ 631,748	\$ 2,663,288	\$ 3,295,036	\$ 12,167,467
Fringe Benefits	2,087,166	557,005	171,645	2,815,816	158,466	515,903	674,369	3,490,185
Total Personnel Services	<u>8,347,677</u>	<u>2,551,198</u>	<u>789,372</u>	<u>11,688,247</u>	<u>790,214</u>	<u>3,179,191</u>	<u>3,969,405</u>	<u>15,657,652</u>
Other Than Personnel Services (OTPS):								
Professional Fees & Contract Services	452,144	107,055	183,926	743,125	260,602	1,126,676	1,387,278	2,130,403
Occupancy	3,257,766	687,399	186,842	4,132,007	117,645	873,259	990,904	5,122,911
Equipment Maintenance	10,977	6,336	648	17,961	405	25,678	26,083	44,044
Facilities/Operations	584,950	154,193	32,285	771,428	21,012	577,822	598,834	1,370,262
Postage & Shipping	13,174	1,416	14,003	28,593	38,323	9,073	47,396	75,989
Other Escalation Charges	195,807	71,291	11,298	278,396	7,168	119,851	127,019	405,415
Telephone	122,219	21,607	9,618	153,444	6,217	62,889	69,106	222,550
Utilities	130,609	45,181	7,793	183,583	4,763	59,858	64,621	248,204
Client Rentals	3,861,949	-	-	3,861,949	-	-	-	3,861,949
Food & Pantry	474,338	16,735	3,399	494,472	937	45,285	46,222	540,694
Grants to Other AIDS Organizations	-	2,500	25,671	28,171	265	108,084	108,349	136,520
Insurance	124,905	23,619	7,476	156,000	4,597	35,005	39,602	195,602
Programmatic Supplies	221,370	151,166	17,413	389,949	25	12,608	12,633	402,582
Memberships & Subscriptions	7,088	37,375	41,354	85,817	13,685	30,475	44,160	129,977
Marketing & Promotion	1,068	5,377	26,984	33,429	138,197	2,019	140,216	173,645
Printing	2,959	34	7,234	10,227	6,379	3,209	9,588	19,815
Staff & Volunteer Training & Support	23,780	2,984	148	26,912	649	94,152	94,801	121,713
Supplies	86,204	34,538	20,823	141,565	20,474	120,555	141,029	282,594
Travel & Related Costs	37,451	17,839	19,541	74,831	20,570	86,493	107,063	181,894
Miscellaneous	190,176	-	10,029	200,205	291,076	222,305	513,381	713,586
Total OTPS	<u>9,798,934</u>	<u>1,386,645</u>	<u>626,485</u>	<u>11,812,064</u>	<u>952,989</u>	<u>3,615,296</u>	<u>4,568,285</u>	<u>16,380,349</u>
Total Expenses Before Depreciation and In-Kind Support	18,146,611	3,937,843	1,415,857	23,500,311	1,743,203	6,794,487	8,537,690	32,038,001
Depreciation and Amortization Expense	-	-	-	-	-	1,007,937	1,007,937	1,007,937
Contributed Services and In-Kind Support (Exp)	474,188	-	-	474,188	-	103,930	103,930	578,118
Total Expenses	<u>\$ 18,620,799</u>	<u>\$ 3,937,843</u>	<u>\$ 1,415,857</u>	<u>\$ 23,974,499</u>	<u>\$ 1,743,203</u>	<u>\$ 7,906,354</u>	<u>\$ 9,649,557</u>	<u>\$ 33,624,056</u>

The accompanying notes are an integral part of this consolidated financial statement.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Consolidated Statement of Cash Flows
For the year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (5,268,513)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	1,007,937
Loss on disposal of fixed assets	199,867
Change in assets and liabilities:	
Increase in government grants and contracts receivable	(400,051)
Increase in medicaid receivable	(30,641)
Increase in contributions receivable	(321,954)
Increase in other receivables	(672,436)
Decrease in prepaid expenses and other assets	1,151,845
Increase in accounts payable and accrued expenses	1,888,819
Increase in deferred rent and rent incentives	1,089,380
Increase in government contract advances	450,827
Net cash used in operating activities	<u>(904,920)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of leasehold improvements, furniture and equipment	<u>(2,683,345)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Change in restricted cash	741,293
Decrease in security deposit	1,953,329
Payments on capital lease	(119,858)
Increase in note payable	352,567
Payments on line of credit	<u>(600,000)</u>
Net cash provided by financing activities	<u>2,327,331</u>
Net decrease in cash and cash equivalents	(1,260,934)
Cash and cash equivalents at beginning of year	<u>1,981,580</u>
Cash and cash equivalents at end of year	<u>\$ 720,646</u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Assets acquired in capital lease	<u>\$ 1,052,621</u>

The accompanying notes are an integral part of this consolidated financial statement.

GAY MEN’S HEALTH CRISIS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2018

1. MISSION AND ORGANIZATIONAL STRUCTURE

Organizational Structure

The accompanying consolidated financial statements of Gay Men’s Health Crisis, Inc. (“GMHC”) and Affiliates (collectively referred to as the “Organization”) include the financial statements of three affiliated organizations, of which GMHC is the sole member:

Gay Men’s Health Crisis, Inc. (“GMHC”)	Acquired Immune Deficiency Syndrome (“AIDS”) Service, Education, and Advocacy
Gay Men’s Health Crisis Action, Inc. (“GMHC Action”)	Lobbying and Public Policy Influence
Gay Men’s Health Services, Inc. (“GMHC Health Services”)	Human Immunodeficiency Virus (“HIV”) Testing and Medical Service

GMHC and GMHC Health Services are not-for-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). Additionally, GMHC has elected to operate under Section 501(h) of the Code to participate in limited lobbying activities regarding AIDS-related issues without jeopardizing its exemption from income taxes under Section 501(c)(3).

GMHC Action is a Delaware corporation exempt from federal income taxes under Section 501(c)(4) of the Code.

Gay Men’s Health Crisis, Inc.

GMHC is a volunteer-supported, community-based organization committed to national leadership in the fight against AIDS. Originally founded by volunteers in 1981 when the first cases of AIDS were reported in New York, GMHC was later incorporated under New York State law on June 25, 1982. Its mission statement: GMHC fights to end the AIDS epidemic and uplift the lives of all affected. Over 12,000 clients are served by GMHC’s programs annually.

Gay Men’s Health Crisis Action, Inc.

GMHC Action was incorporated under Delaware law on February 3, 1993. Its mission is to influence public policy on HIV and AIDS-related issues through a range of public education, advocacy and electoral activities. GMHC Action monitors activities at all levels of government (federal, state and local) to gauge the efforts of elected officials in responding to the HIV/AIDS epidemic and to encourage them to strengthen those efforts. GMHC Action, through its New York volunteer force, utilizes direct contact with legislators and communications to members of the general public who are concerned about the government’s level of response to AIDS.

Some specific activities that GMHC Action undertakes are: conducting candidates’ forums and visits to legislators, legislative lobbying and advocacy, soliciting the positions of political candidates and elected officials on AIDS-related issues, communicating with supporters and the general public about the positions of political candidates and elected officials, and conducting voter registration drives.

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Notes to Consolidated Financial Statements

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GMHC Health Services, Inc.

GMHC Health Services was incorporated as a not-for-profit corporation in New York State on February 21, 1997. It was formed for the purpose of enhancing GMHC's capacity to render a range of services in connection with HIV testing.

Programs

In the effort to fight to end the AIDS epidemic and uplift the lives of all affected, the Organization provides a vast array of services for individuals living with HIV/AIDS, those who are at high risk of contracting HIV, and the community at large.

All programs employ a client-centered, harm reduction approach to behavioral change that includes motivational interviewing while respecting a client's readiness to change. The Organization strives to help clients achieve their highest level of stability and empowerment, and to decrease their risk of contracting or transmitting HIV and other sexually transmitted infections ("STIs"). Staff are guided by the Gardner's Treatment Cascade, the NYC Plan to End AIDS by 2020, and the National HIV/AIDS Strategy. To these ends, the Organization offers the following:

Care and Support

- Care Coordination Services include the agency intake, transitional care coordination, housing assistance and Health Homes services. These services all aim to comprehensively and collaboratively assess the clients' needs, link the clients to relevant and appropriate care and then to coordinate that care to ensure retention and the best possible health outcomes. Staff regularly coordinate care with medical doctors, family members, mental health practitioners, substance abuse counselors, lawyers, nutritionists, landlords and other support professionals as needed.
- Mental Health Services provide the agency and clients with crisis intervention services when needed, but primarily focuses on short- and long-term assistance to help clients achieve their highest level of psychological functioning while simultaneously supporting the achievement of self-determined goals. Services begin with a comprehensive biopsychosocial assessment, followed by individual, couples, family and/or group counseling. The Organization offers services in-house and forges organizational partnerships to bring services out into the community. The GMHC HIV/AIDS Hotline, the longest standing first response helpline to the AIDS epidemic, responds to approximately 5,000 phone calls yearly with information, emotional support and an expansive referral service.

Prevention and Education

- The Prevention Department provides HIV Prevention services to clients living with HIV and AIDS and those at-risk for HIV and STIs. The department seeks to ensure that clients living with HIV/AIDS and unaware of their status have access to health care and supportive services and that clients who are HIV negative or at-risk have access to prevention services. The department provides the following services including HIV, syphilis, gonorrhea and chlamydia testing, linkage to care services, access and referral to pre-exposure prophylaxis ("PrEP") and post-exposure prophylaxis ("PEP"), referrals for supportive and medical services regardless of their HIV status, evidence-based interventions targeted to youth and young adults, which includes the social and the Clubhouse, short-term counseling which includes individual counseling, pastoral counseling and support groups.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2018

- While substance abuse services are embedded and integrated within the Organization's mental health services, they are also offered as a primary service within the Women's Care, Prevention and Support Services ("WPCSS"). Here, the Organization specifically focuses on substance use and abuse issues among women of color. Services include health and STI screenings, health education, outreach, individual and group counseling, evidenced-based intervention, and connection to HIV testing and medical care.
- The Nutrition, Workforce Development, and Wellness department includes the nutrition and meals, workforce development and wellness services. These services seek to provide comprehensive and holistic services to clients living with HIV and/or AIDS. The Nutrition program provides individual and group level intervention with the goal of addressing food insecurity and improving overall health through nutritional health. The Nutrition program also houses the food pantry, where clients can obtain healthy foods that aid in their achievement of better health outcomes and addresses food insecurity. In addition to the Nutrition program, this department also provides congregate meals for HIV positive individuals. The Workforce Development program provides comprehensive workforce development services including intake, vocational and educational assessment, benefits planning, job readiness training, internships and job placement assistance, to decrease client reliance on public benefits and entitlements and increase self-sufficiency. The Wellness program provides a variety of services including reiki, massage, hair cutting, exercise, knitting and other complementary services.
- The Legal and Advocacy department provides legal, advocacy and short-term rental assistance to clients who are HIV positive. The program provides a range of legal services including immigration, bankruptcy, housing and entitlement assistance. The advocacy department provides advocacy services for clients having issues with entitlements such as social security, disability, health insurance, housing and other entitlements. The short-term rental assistance program provides rental assistance and case management services to individuals with a history of homelessness or who are currently homeless and need assistance with rental payments, broker's fees and security deposits to secure affordable and safe housing.
- The Representative Payee program provides hands-on financial management assistance for individuals in need, who would otherwise have difficulties managing their own personal finances. Account management and bill-paying are supplemented by financial education, to support the growing self-sufficiency of high-need clients.

Public Policy, Information and Advocacy

- The Public Affairs and Policy department supports systemic HIV prevention by advocating for fair, effective and evidence-based HIV prevention policies at the federal, state and city levels.
- The Public Policy department aims to advance an HIV prevention agenda that promotes individual behavioral changes while acknowledging structural factors such as gender and racial inequality, poverty, anti-gay stigma, undocumented immigration status and lack of access to health care.

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December 31, 2018

- The Organization’s clients and members of the community are invited to participate in the Public Policy’s Client Action Center and are the true driving force behind the Organization’s policy and advocacy work. The Action Center serves as a center for community organizing and advocacy activities while building participants’ leadership skills. This high level of participation and organizational influence by clients and the community helps to ensure that the Organization is constantly working to serve its target populations as effectively and creatively as possible.

2. GOING CONCERN AND LIQUIDITY

The following reflects the Organization’s financial assets as of the date of the consolidated statement of financial position, reduced by amounts not available for general use within one year of the date of the consolidated statement of financial position due to contractual or donor-imposed restrictions or internal designations:

	<u>2018</u>
Cash	\$ 720,646
Government grants and contracts receivable due within one year	6,194,231
Medicaid receivable, net due within one year	454,231
Contributions receivable, net due within one year	1,231,250
Other receivables due within one year	<u>1,398,910</u>
Financial assets, at year-end	9,999,268
Less contractual or donor-imposed restrictions	(261,385)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,737,883</u>

As disclosed in Note 6, the Organization has a \$4 million line of credit that was renewed on June 5, 2020 until August 31, 2020 (the “maturity date”) unless further extended in writing by TD Bank in its sole and absolute discretion. As of the date of the consolidated financial statements are available to be issued, the line of credit remains drawn in its entirety, and the Organization does not currently have the liquid funds necessary to repay the debt at maturity. The Organization also experienced a \$5.3 million decrease in net assets and incurred a \$904,920 deficit within cash flows from operating activities for the year ended December 31, 2018.

Given the Organization’s relationship with TD Bank and history of successfully obtaining financing, management believes it is probable that a new or revised debt agreement will be effective within one year of the issuance of the consolidated financial statements. Although management is currently in negotiations with TD Bank to renew the line of credit, there is no assurance that it will be able to do so on terms which are satisfactory or at all.

The Organization has also taken measures to improve its liquidity. For example, in 2020, the Organization received an additional \$2,737,852 in unrestricted funds from the Small Business Administration – Payroll Protection Program to cover cash needs for payroll and other expenditures and is expected to receive \$500,000 of a security deposit in 2020, as stipulated in its current lease. The Organization is also expected to receive an additional \$500,000 in new institutional development revenue, as well as \$400,000 in

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2018

additional revenue from the New York City Indirect Cost Initiative. In 2021, the Organization is projecting to receive \$2 million in new rental income by subleasing unused office space.

To further optimize operations, the Organization has reduced its total budgeted expenses from \$37 million in 2019 to \$27 million in 2020 through a series of strategic initiatives. An additional series of reductions are expected to continue in 2020, which altogether are expected to provide \$3.2 million in savings. The Organization also ended a program during March 2020 that operated on a continuous deficit, thereby reducing projected expenses by \$1.8 million for 2020. The elimination of consultant and temp-agency staff throughout the Organization is expected to continue to reduce expenses by \$1.3 million in 2020. Finally, an additional \$1.4 million of costs are expected to be eliminated by in-sourcing building maintenance and other occupancy related services.

Management believes that the actions described above will allow the Organization to continue to fund its operations, which will be necessary due to the lack of available borrowings under its line of credit. The accompanying consolidated financial statements have been prepared assuming that the Organization will continue as a going concern; however, the events and conditions described above, including the uncertainty surrounding management's ability to achieve its plans, which may be necessary to permit the realization of assets and satisfaction of liabilities in the ordinary course of business, raise substantial doubt about the Organization's ability to do so. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result should the Organization be unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements 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"). The consolidated financial statements include the accounts of GMHC, GMHC Action and GMHC Health Services. All significant intercompany account balances and transactions have been eliminated in consolidation.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;

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- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and,
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

The Organization adopted ASU 2016-14 as of and for the year ended December 31, 2018.

The classification of the Organization's net assets, support and revenue is based on the existence or absence of donor-imposed restrictions. Amounts for each of the two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) are displayed in the accompanying consolidated statement of financial position and changes in each of those classes of net assets are displayed in the accompanying consolidated statement of activities.

These net asset classes are defined as follows:

Net assets without donor restrictions:

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions:

Net assets which include resources that have been limited by donor-imposed stipulations that either expire with the passage of time and/or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations.

Net assets with donor restrictions may also include funds whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity. Income earned from these investments is available for expenditures according to restrictions, if any, imposed by donors. At December 31, 2018, the Organization did not possess any such net assets.

A presentation of net assets as previously reported as of December 31, 2017, and as required under ASU 2016-14 follows:

	December 31, 2017			
	Presentation Under ASU 2016-14			
	As Previously Presented	Without Donor Restrictions	With Donor Restrictions	Total
Net assets:				
Unrestricted	\$ 12,317,506	\$ 12,317,506	\$ -	\$ 12,317,506
Temporarily restricted	<u>217,880</u>	<u>-</u>	<u>217,880</u>	<u>217,880</u>
Total net assets	<u>\$ 12,535,386</u>	<u>\$ 12,317,506</u>	<u>\$ 217,880</u>	<u>\$ 12,535,386</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2018

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions. Gains and losses are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents.

Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in bank accounts. These accounts from time to time exceed the amount insured by the Federal Deposit Insurance Corporation and subject the Organization to concentration of credit risk. However, the Organization's management monitors this risk regularly to mitigate any exposure. The Organization has not experienced, nor does it anticipate, non-performance by any of these financial institutions.

Security Deposit

In 2017, the Organization paid a security deposit of \$4 million to its landlord for the lease of its offices at 307 West 38th Street in lieu of a letter of credit.

Grants and Contributions

Contributions, both cash and in-kind, which include unconditional promises to give (pledges), are recognized at their fair value in the period received as net assets with donor restrictions or net assets without donor restrictions, depending upon the existence or absence of donor-imposed stipulations. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate credit adjusted discount rate, and amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions of assets, other than cash, are recorded at their estimated fair value as determined on the date of receipt.

The Organization reports contributions of cash and other assets as net assets with donor restrictions if they are received with donor restrictions that limit the use of the donated assets, and/or the stipulations will not be met until a future reporting period. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Special Events

Revenues and expenses relative to special events are recognized upon occurrence of the respective event.

Contributed Services and In-kind Support

Numerous volunteers contribute many hours to the Organization to provide services to persons with HIV/AIDS, conduct fundraising and provide administrative support. Certain donated services have been reflected in the accompanying consolidated financial statements as in-kind support (revenue and expenses)

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2018

based on the estimated fair value for such services on the date received if they met the criteria for recognition under U.S. GAAP.

Donated goods that meet the criteria for capitalization are recorded as in-kind support revenues and assets (at fair value when received) in the accompanying consolidated financial statements.

Revenues

Revenues from government grants and contracts, including Medicaid, are recognized in the period when expenditures have been incurred or services have been performed in compliance with the respective contracts. Amounts received in advance are reported as government contract advances. Rental income, which is generally earned pursuant to short-term leases for apartments, is recognized as earned. Apartment rents are paid partially by the tenants and partially subsidized through various federal programs.

Medicaid revenue is reimbursed to the Organization at the rate determined by state regulations. Medicaid revenue and other governmental grants and contracts under third-party payor agreements are subject to examination and contractual adjustment, and amounts realizable may change due to periodic changes in the regulatory environment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the amounts provided and subsequent settlements are recorded in operations in the period of settlement. The provision for contractual allowances is deducted directly from revenue and the net revenue amount is recorded as accounts receivable. It is management's opinion that any potential disallowances will not have a material effect on the accompanying consolidated financial statements.

Allowance for Uncollectible Accounts

The carrying value of grants and contracts receivable, Medicaid receivables, contributions receivable and other receivables are reduced by an appropriate allowance for uncollectible accounts, and therefore approximates net realizable value. The Organization determines its allowance by considering several factors, including the length of time receivables are past due, the Organization's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry. Receivables outstanding longer than the payment terms are considered past due. The Organization writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Leasehold Improvements, Furniture and Equipment

The Organization capitalizes all expenditures for leasehold improvement, furniture and equipment in excess of \$1,000. These assets are recorded at cost or, in the case of donations, at fair value at the date of the donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. Equipment held under capital leases and leasehold improvements are amortized on the straight-line method over the estimated useful lives of the assets or the term of the respective lease, whichever is shorter.

The estimated useful lives of leasehold improvements, furniture and equipment for purposes of determining depreciation are as follows:

	<u>Years</u>
Leasehold improvements	8
Furniture and equipment	3 - 6

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2018

Allocation of Functional Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the accompanying consolidated statement of activities, which includes all expenses incurred for the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management allocates the direct costs of its operations to its programs and services based upon the percentage of direct labor costs charged to each program and supporting services by the Organization's staff.

Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization is exempt from federal income tax under IRC section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. In addition, the Organization has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Accounting Estimates

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

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31, 2018 is as follows:

Less than one year	\$ 1,288,898
One to five years	<u>465,556</u>
Total	1,754,454
Less:	
Unamortized discount	(15,611)
Allowance for doubtful pledges	<u>(57,648)</u>
Total contributions receivable, net	<u>\$ 1,681,195</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2018

Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-adjusted interest rate of 2.63% for the year ended December 31, 2018.

5. LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT, NET

Leasehold improvements, furniture and equipment consisted of the following at December 31, 2018:

Leasehold improvements	\$ 1,874,020
Furniture and equipment	<u>9,487,008</u>
	11,361,028
Less:	
Accumulated depreciation and amortization	<u>(6,482,706)</u>
	<u>\$ 4,878,322</u>

As of December 31, 2018, the Organization acquired \$1,052,621 of leasehold improvements, furniture and equipment through capital leases. Depreciation and amortization expense, for the year ended December 31, 2018, totaled \$1,007,937.

6. RESTRICTED CASH

The Organization has a line of credit of \$4 million with a bank that has been renewed until August 31, 2020. The line of credit contains a variable rate of 5.5% and has \$3.4 million outstanding as of December 31, 2018. In addition, there is a letter of credit of \$179,500 with the same bank to secure a deposit on the lease at 224 West 29th Street. As part of these agreements with the bank, the Organization is required to maintain a restricted cash account. The balance in this restricted cash account totaled \$430,843 at December 31, 2018.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following time and/or program purposes at December 31, 2018:

Care and support	\$ 232,391
Prevention and education	15,173
Public policy, information and advocacy	13,132
Operational support	<u>689</u>
Total	<u>\$ 261,385</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2018

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and/or by the passage of time as follows for the year ended December 31, 2018:

Care and support	\$ 223,702
Prevention and education	267,952
Operational support	<u>46,631</u>
Total	<u><u>\$ 538,285</u></u>

8. COMMITMENTS AND CONTINGENCIES

Leases

The Organization has three separate leases for office space at its locations in New York City. The Organization was obligated under an operating lease for its office facility at 446 West 33rd Street, which was signed on June 23, 2010 and expired on July 31, 2018. Another operating lease for office space at 224 West 29th Street was signed on January 24, 2011 and expired on June 30, 2019. The other operating lease for office space at 307 West 38th Street was signed on May 31, 2018 and expires on May 31, 2048.

Future minimum annual rental payments under the two office leases are as follows:

	<u>29th Street</u>	<u>38th Street</u>
Year ending December 31,		
2019	\$ 73,128	\$ 4,560,948
2020	-	4,560,948
2021	-	4,560,948
2022	-	4,560,948
2023	-	4,814,334
Thereafter	-	<u>143,687,961</u>
	<u><u>\$ 73,128</u></u>	<u><u>\$ 166,746,087</u></u>

Future minimum annual lease payments are as follows:

Year ending December 31,	
2019	\$ 201,218
2020	213,587
2021	218,112
2022	218,557
2023	<u>81,289</u>
	<u><u>\$ 932,763</u></u>

As of December 31, 2018, future total minimum sublease rental payments totaled \$60,930. These are wholly obligated in the year ending December 31, 2019.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2018

Rent expense is recorded on the straight-line basis over the term of the lease, inclusive of rent abatements and lease incentives. Rent expense for the year ended December 31, 2018 totaled \$5,122,911. Deferred rent and rent incentives pertaining to the lease obligations at the West 38th, West 33rd and West 29th Street locations as of December 31, 2018 totaled \$2,671,884.

The Organization may be involved in various legal actions from time to time arising in the normal course of business. In the opinion of management, there are no matters outstanding that would have a material adverse effect on the consolidated financial statements of the Organization as of and for the year ended December 31, 2018.

The Organization participates in a number of federal and state programs. These programs require that the Organization comply with certain requirements of laws, regulations, contracts and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government contracts by government agencies is presently not determinable, it should not, in the opinion of management, have a material effect on the Organization's financial position or change in net assets. Accordingly, no provision for any such liability that may result has been made in the accompanying consolidated financial statements.

9. SPECIAL EVENTS

Special events include fundraising events that are reported net of direct costs. For the year ended December 31, 2018, net support from special events was as follows:

	<u>Support</u>	<u>Direct Costs</u>	<u>Net</u>
AIDS Walk	\$ 3,817,555	\$ 2,719,300	\$ 1,098,255
Other events	838,760	619,701	219,059
Total	<u>\$ 4,656,315</u>	<u>\$ 3,339,001</u>	<u>\$ 1,317,314</u>

10. RETIREMENT PLAN

The Organization offers a defined contribution plan, as defined in Section 403(b) of the Code, to all eligible employees who may make voluntary contributions to the plan, up to the maximum amount allowed by the Code. The Organization's contribution for the year ended December 31, 2018 totaled \$162,132.

11. SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2018 consolidated financial statements for subsequent events through June 26, 2020, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements, except those described below.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Organization's funding agencies,

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2018

donors, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain, and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2018

Federal Grantor/Program Title	Federal CFDA Number	Direct Award or Pass-Through Number	Expenditures of Federal Awards	Amounts Provided to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
Office of Health Resources and Services Administration:				
Pass through from the Public Health Solution/HIV Care Services:				
HIV Emergency Relief Grants:				
Legal Services	93.914	17-LSN-520	\$ 429,208	\$ -
Food and Nutrition Services	93.914	11-FNS-520	543,820	-
Transitional Care Coordination	93.914	11-TCC-520	279,773	-
Family Stabilization Services	93.914	15-SCG-520	298,978	-
Harm Reduction Services	93.914	16-HRM-520	636,320	-
Mental Health Services	93.914	16-MHV-520	468,399	-
Priority Population Testing in Non-Clinical Settings	93.914	12-EIP-520	12,982	-
Ryan White - Short Term Rental Assistance	93.914	14-SRA-520	<u>3,580,880</u>	<u>-</u>
			<u>6,250,360</u>	<u>-</u>
Pass through from Health Research, Inc:				
HIV Care Formula Grants:				
Minority AIDS Initiative	93.917	5341-03	<u>104,578</u>	<u>-</u>
			<u>104,578</u>	<u>-</u>
Office of Center for Disease Control and Prevention and Office of Substance Abuse and Mental Health Services Administration:				
Pass through from the Public Health Solutions/HIV Care Services and Mt. Sinai Medical Center:				
HIV Prevention Programs and Initiatives:				
Sexual and Behavioral Health Services for Priority Population	93.940	13-SBH-602	59,579	-
Social Network	93.940	11-SNS-520	<u>15,098</u>	<u>-</u>
			<u>74,677</u>	<u>-</u>
Office of Health Resources and Services Administration:				
HRSA Link II Latino	93.928	H97HA26501	175,414	-
HRSA SPNS Care Coordination	93.928	H97HA31429	<u>309,452</u>	<u>-</u>
			<u>484,866</u>	<u>-</u>

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Schedule of Expenditures of Federal Awards (Continued)
For the year ended December 31, 2018

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Direct Award or Pass-Through Number</u>	<u>Expenditures of Federal Awards</u>	<u>Amounts Provided to Subrecipients</u>
<u>U.S. Department of Health and Human Services (continued)</u>				
Office for Substance Abuse and Mental Health Services Administration:				
Centers for Disease Control and Prevention	93.939	NU65PS923649-01-01	\$ 418,520	\$ -
SAMHSA Healthy Choice	93.243	1H79SP021237-01	282,883	-
SAMHSA MAT	93.243	18TI81507A	<u>55,278</u>	<u>-</u>
			<u>338,161</u>	<u>-</u>
			<u>756,681</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Office of Community Planning and Development:				
Housing Opportunities for Persons with AIDS	14.241	NY-H15-0001	77,624	-
Housing Opportunities for Persons with AIDS	14.241	NY-H15-0002	18,786	-
Pass through from the NYC Department of Health and Mental Hygiene:				
Housing Opportunities for Persons with AIDS	14.241	14A-SPH-016	<u>770,723</u>	<u>-</u>
			<u>867,133</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 8,538,295</u>	<u>\$ -</u>

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

GAY MEN’S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gay Men’s Health Crisis, Inc. (“GMHC”) and Affiliates (collectively, referred to as the “Organization”) for the year ended December 31, 2018. The information presented on this schedule has been prepared on the accrual basis of accounting and is 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”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. The Organization’s federal oversight agency is the U.S. Department of Health and Human Services.

The purpose of the schedule of expenditures of federal awards is to present a summary of those expenditures of the Organization for the year ended December 31, 2018 which have been supported by the federal government. For purposes of this schedule of expenditures of federal awards, federal awards include any assistance provided by a federal agency, directly or indirectly in the form of grants, contracts, cooperative subsidies, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations, and other noncash assistance.

2. INDIRECT COST RATE

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

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors

Gay Men's Health Crisis, Inc. and Affiliates:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Gay Men's Health Crisis, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 26, 2020.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") to design 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Compliance and other matters

As part of obtaining reasonable assurance about whether the Organization'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 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*.

Intended purpose

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

Grant Thornton LLP

New York, New York
June 26, 2020

GRANT THORNTON LLP

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors

Gay Men's Health Crisis, Inc. and Affiliates:

Report on compliance for each major federal program

We have audited the compliance of Gay Men's Health Crisis, Inc. and Affiliates (the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Organization's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on each major federal program

In our opinion, the Organization 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 December 31, 2018.

Report on internal control over compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



New York, New York
June 26, 2020

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Schedule of Findings and Questioned Costs
For the year ended December 31, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated financial statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
- Noncompliance material to consolidated financial statements noted? yes no

Federal awards:

Internal control over the major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? yes no

Identification of the major programs:

<u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>
U.S. Department of Health and Human Services: HIV Emergency Relief Project Grants	93.914
U.S. Department of Housing and Urban Development: Housing Opportunities for Persons with AIDS	14.241

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

Auditee qualified as low-risk auditee? yes no

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Schedule of Findings and Questioned Costs (Continued)
For the year ended December 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

None to report.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None to report.