

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, 2016

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
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, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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 audit evidence about the amounts and disclosures in the consolidated 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, 2016, and the changes in their net assets and their cash flows for year then ended in accordance with accounting principles generally accepted in the United States of America.

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 audit 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 September 15, 2017, 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 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 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.

Grant Thornton LLP

New York, New York
September 15, 2017

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Consolidated Statement of Financial Position
As of December 31, 2016

ASSETS

Cash and cash equivalents	\$ 7,306,303
Government grants and contracts receivable	4,497,068
Medicaid receivable, net	193,770
Contributions receivable, net	762,774
Prepaid expenses and other assets	471,209
Leasehold improvements, furniture and equipment, net	1,980,699
Security deposit	2,000,000
Restricted cash	1,169,795
Total assets	<u>\$ 18,381,618</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 2,111,470
Deferred rent and rent incentives	753,495
Government contract advances	572,353
Total liabilities	<u>3,437,318</u>

Commitments and contingencies

NET ASSETS

Unrestricted:	
Available for operations	12,342,963
Designated - plant funds	1,608,838
Total unrestricted	<u>13,951,801</u>
Temporarily restricted	992,499
Total net assets	<u>14,944,300</u>
Total liabilities and net assets	<u>\$ 18,381,618</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions - general	\$ 3,172,407	\$ 585,000	\$ 3,757,407
Contributed services and in-kind support	389,919	-	389,919
Special events, net of direct costs	2,517,964	-	2,517,964
Total support	<u>6,080,290</u>	<u>585,000</u>	<u>6,665,290</u>
Revenue:			
Government grants and contracts	13,248,973	-	13,248,973
Medicaid revenue	3,426,640	-	3,426,640
Rental income	373,453	-	373,453
Interest income	7,555	-	7,555
Other	198,655	-	198,655
Total revenue	<u>17,255,276</u>	<u>-</u>	<u>17,255,276</u>
Net assets released from restrictions	<u>691,721</u>	<u>(691,721)</u>	<u>-</u>
Total support and revenue	<u>24,027,287</u>	<u>(106,721)</u>	<u>23,920,566</u>
EXPENSES			
Program services:			
Care and support	12,259,062	-	12,259,062
Prevention and education	3,813,177	-	3,813,177
Public policy, information and advocacy	1,253,091	-	1,253,091
Total program services	<u>17,325,330</u>	<u>-</u>	<u>17,325,330</u>
Supporting services:			
Management and general	4,480,094	-	4,480,094
Fundraising	2,022,109	-	2,022,109
Total supporting services	<u>6,502,203</u>	<u>-</u>	<u>6,502,203</u>
Total expenses	<u>23,827,533</u>	<u>-</u>	<u>23,827,533</u>
Change in net assets	199,754	(106,721)	93,033
Net assets, beginning of year	<u>13,752,047</u>	<u>1,099,220</u>	<u>14,851,267</u>
Net assets, end of year	<u>\$ 13,951,801</u>	<u>\$ 992,499</u>	<u>\$ 14,944,300</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, 2016

	Program Services				Supporting Services			
	Care and Support	Prevention and Education	Public Policy, Information, and Advocacy	Total	Management and General	Fundraising	Total	Total
Personnel and contributed services:								
Staff compensation	\$ 3,819,310	\$ 1,406,902	\$ 398,169	\$ 5,624,381	\$ 2,400,348	\$ 782,624	\$ 3,182,972	\$ 8,807,353
Employee benefits and payroll taxes	1,232,249	482,064	83,492	1,797,805	218,812	180,473	399,285	2,197,090
Contributed services	-	242,200	-	242,200	-	-	-	242,200
Total	<u>5,051,559</u>	<u>2,131,166</u>	<u>481,661</u>	<u>7,664,386</u>	<u>2,619,160</u>	<u>963,097</u>	<u>3,582,257</u>	<u>11,246,643</u>
Other than personnel costs:								
Professional fees and contract services	199,386	78,342	222,727	500,455	683,411	164,494	847,905	1,348,360
Postage and shipping	20,191	2,750	5,721	28,662	5,075	23,567	28,642	57,304
Telephone	48,873	18,745	6,088	73,706	30,096	7,472	37,568	111,274
Occupancy	2,202,699	871,837	127,387	3,201,923	265,624	287,180	552,804	3,754,727
Supplies	87,369	36,068	2,067	125,504	44,007	6,283	50,290	175,794
Printing	5,332	12,607	29,488	47,427	5,809	4,462	10,271	57,698
Equipment rental and maintenance	61,262	21,209	2,776	85,247	24,207	7,269	31,476	116,723
Memberships and subscriptions	23,626	60	6,848	30,534	3,057	595	3,652	34,186
Staff and volunteer training and support	12,733	2,513	1,012	16,258	131,805	3,580	135,385	151,643
Meetings	566	560	1,930	3,056	39,014	339	39,353	42,409
Travel and related costs	24,872	23,853	10,122	58,847	38,992	7,500	46,492	105,339
Marketing and promotion	11,902	33,768	8,500	54,170	1,313	434,248	435,561	489,731
Food and related costs	373,004	109,907	310	483,221	690	-	690	483,911
Grants to other AIDS service organizations	-	-	277,461	277,461	164,737	1,725	166,462	443,923
Insurance	99,786	37,407	5,510	142,703	37,704	12,277	49,981	192,684
Real estate and other taxes	135,878	53,839	7,914	197,631	88,775	17,825	106,600	304,231
Client rentals	3,040,950	-	-	3,040,950	-	-	-	3,040,950
Programmatic supplies	79,488	156,235	23,376	259,099	17,756	24	17,780	276,879
Events	3,519	11,796	377	15,692	4,914	9,352	14,266	29,958
In-kind donations	147,719	-	-	147,719	-	-	-	147,719
Miscellaneous	95,283	-	955	96,238	65,713	-	65,713	161,951
Total	<u>6,674,438</u>	<u>1,471,496</u>	<u>740,569</u>	<u>8,886,503</u>	<u>1,652,699</u>	<u>988,192</u>	<u>2,640,891</u>	<u>11,527,394</u>
Total expenses before depreciation and amortization	11,725,997	3,602,662	1,222,230	16,550,889	4,271,859	1,951,289	6,223,148	22,774,037
Depreciation and amortization	533,065	210,515	30,861	774,441	208,235	70,820	279,055	1,053,496
Total expenses	<u>\$ 12,259,062</u>	<u>\$ 3,813,177</u>	<u>\$ 1,253,091</u>	<u>\$ 17,325,330</u>	<u>\$ 4,480,094</u>	<u>\$ 2,022,109</u>	<u>\$ 6,502,203</u>	<u>\$ 23,827,533</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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 93,033
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	1,053,496
Present value discount and provision for doubtful contributions receivable	(217,279)
Change in assets and liabilities	
Increase in government grants and contracts receivable	(2,161,040)
Decrease in medicaid receivable	300,080
Decrease in contributions receivable	115,567
Decrease in prepaid expenses and other assets	367,538
Increase in accounts payable and accrued expenses	232,898
Decrease in deferred rent and rent incentives	(1,012,870)
Increase in government contract advances	<u>318,569</u>
Net cash used in operating activities	<u>(910,008)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of leasehold improvements, furniture and equipment	<u>(182,535)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Change in restricted cash	<u>(1,795)</u>
Net decrease in cash and cash equivalents	(1,094,338)
Cash and cash equivalents at beginning of year	<u>8,400,641</u>
Cash and cash equivalents at end of year	<u>\$ 7,306,303</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, 2016

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.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2016

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 also forge 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 STI infection. 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, 2016

- 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 programs 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 payment, 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.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2016

- 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. 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.

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 three classes of net assets (unrestricted, temporarily restricted and permanently restricted) 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:

Unrestricted net assets

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 are considered unrestricted. Unrestricted net assets include amounts set aside for plant funds.

Temporarily restricted net assets

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 are considered temporarily restricted.

Permanently restricted net assets

Net assets which 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, 2016, the Organization did not possess any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2016

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 2015, the Organization paid a security deposit of \$2 million to its landlord for the lease at 446 West 33rd 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 unrestricted, temporarily restricted or permanently restricted revenue 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 temporarily restricted contributions 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, temporarily restricted net assets are reclassified to unrestricted net assets 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) based on the estimated fair value for such services on the date received if they met the criteria for recognition under U.S. GAAP.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2016

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 a number of 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 as a whole. Receivables outstanding longer than the payment terms are considered past due. The Organization writes off accounts receivables when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, prepaid expenses, other assets, accounts payable and accrued expenses and other liabilities approximate fair value due to the short-term maturity of these financial instruments.

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.

GAY MEN’S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2016

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

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 recognizes the tax effects from an uncertain tax position in the consolidated financial statements only 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 and New York income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code and similar provisions of the New York State tax code. Nevertheless, the Organization may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Management determined that there are no material uncertain tax positions within its consolidated financial statements.

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.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2016

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31, 2016 is as follows:

Less than one year	\$ 689,199
One to five years	<u>237,000</u>
Total	926,199
Less:	
Unamortized discount	(1,860)
Allowance for doubtful pledges	<u>(161,565)</u>
Total contributions receivable, net	<u>\$ 762,774</u>

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 0.88% for the year ended December 31, 2016.

4. LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT, NET

Leasehold improvements, furniture and equipment consisted of the following at December 31, 2016:

Leasehold improvements	\$ 3,701,255
Furniture and equipment	<u>6,340,876</u>
	10,042,131
Less: Accumulated depreciation and amortization	<u>(8,061,432)</u>
	<u>\$ 1,980,699</u>

Depreciation and amortization expense, for the year ended December 31, 2016, totaled \$1,053,496.

5. RESTRICTED CASH

The Organization has a line of credit of \$4 million with a bank that expires on September 30, 2018. In addition, there is a letter of credit 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 \$1,169,795 at December 31, 2016. There was no outstanding balance on the line of credit or the letter of credit at December 31, 2016.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2016

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following time and/or program purposes at December 31, 2016:

Care and support	\$ 857,097
Prevention and education	10,688
Public policy, information, and advocacy	69,714
AIDS Walk	<u>55,000</u>
 Total	 <u>\$ 992,499</u>

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, 2016:

Care and support	\$ 322,553
Prevention and education	189,501
Public policy, information, and advocacy	39,667
AIDS Walk	<u>140,000</u>
 Total	 <u>\$ 691,721</u>

7. COMMITMENTS AND CONTINGENCIES

Leases

The Organization has two separate leases for office space at its two locations in New York City. The Organization is obligated under an operating lease for its office facility at 446 West 33rd Street, which was signed on June 23, 2010 and expires on November 18, 2018. The other operating lease for office space at 224 West 29th Street was signed in January 24, 2011 and expires on June 30, 2018.

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

Year ending December 31,	<u>29th Street</u>	<u>33rd Street</u>
2017	\$ 360,849	\$ 4,662,765
2018	369,870	4,274,201
2019	<u>187,218</u>	<u>-</u>
	<u>\$ 917,937</u>	<u>\$ 8,936,966</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2016

As of December 31, 2016, future total minimum sublease rental payments are as follows:

Year ending December 31,	29th Street
2017	\$ 242,327
2018	242,327
2019	<u>161,552</u>
	<u>\$ 646,206</u>

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, 2016 totaled \$2,810,667. As part of the new lease agreement for its office space at West 33rd Street, the Organization was given a lease incentive of \$1,600,617 for reimbursement of leasehold improvements made prior to the move-in date. Deferred rent and rent incentives pertaining to the lease obligations at the West 33rd and West 29th Street locations as of December 31, 2016 totaled \$753,495.

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, 2016.

8. SPECIAL EVENTS

Special events include fundraising events that are reported net of direct costs. For the year ended December 31, 2016, net support from special events was as follows:

	Support	Direct Costs	Net
AIDS Walk	\$ 4,155,538	\$ 2,004,334	\$ 2,151,204
Spring Gala	485,137	247,739	237,398
Howard Ashman Award & Cabaret	100,611	59,118	41,493
Other Events	<u>96,174</u>	<u>8,305</u>	<u>87,869</u>
Total	<u>\$ 4,837,460</u>	<u>\$ 2,319,496</u>	<u>\$ 2,517,964</u>

9. CONTRIBUTED SERVICES AND IN-KIND SUPPORT

Contributed services and in-kind support, which are reflected in the accompanying consolidated financial statements at fair value at the date of the donation, include the following for the year ended December 31, 2016:

In-kind support	\$ 147,719
Legal services	<u>242,200</u>
Total	<u>\$ 389,919</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2016

10. RETIREMENT PLAN

The Organization offers a defined contribution plan, as defined in U.S. Internal Revenue Code (the "Code") Section 403(b), 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, 2016 totaled \$132,030.

11. SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2016 consolidated financial statements for subsequent events through September 15, 2017, the date the consolidated financial statements were available to be issued. Except as disclosed below, the Organization is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

On August 28, 2017, the Organization entered into a commercial building lease agreement. The 360 month lease, estimated to begin on or about September 28, 2018, provides the Organization with approximately 109,000 square feet of office space in midtown Manhattan, New York.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2016

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 Public Health Solutions/HIV Care Services:				
HIV Emergency Relief Project Grants:				
Legal Services	93.914	06-ADV-520	\$ 59,984	\$ -
Legal Services	93.914	06-ADV-520	376,843	-
Food and Nutrition Services	93.914	11-FNS-520	96,363	-
Food and Nutrition Services	93.914	11-FNS-520	484,604	-
Transitional Care Coordination	93.914	11-TCC-520	95,680	-
Transitional Care Coordination	93.914	11-TCC-520	230,192	-
Mental Health Services	93.914	07-MSV-520	88,623	-
Mental Health Services	93.914	07-MSV-520	116,582	-
Mental Health Services	93.914	16-MHV-520	300,346	-
Family Centered Harm Reduction	93.914	07-HRR-520	72,477	-
Family Centered Harm Reduction	93.914	07-HRR-520	80,826	-
Harm Reduction Services	93.914	16-HRM-520	328,917	-
Family Stabilization Services	93.914	15-SCG-520	80,504	-
Family Stabilization Services	93.914	15-SCG-520	248,156	-
Priority Population Testing in Non-Clinical Settings	93.914	11-EIP-520	5,655	-
Priority Population Testing in Non-Clinical Settings	93.914	11-EIP-520	61,321	-
Ryan White-Short Term Rental Assistance	93.914	14-SRA-520	717,240	-
Ryan White-Short Term Rental Assistance	93.914	14-SRA-520	3,071,957	-
			<u>6,516,270</u>	<u>-</u>
Special Projects of National Significance:				
HRSA Link II Latino	93.928	Direct	189,007	-
HRSA Link II Latino	93.928	Direct	98,904	-
			<u>287,911</u>	<u>-</u>
Office of Substance Abuse and Mental Health Services Administration:				
Center for Substance Abuse Prevention/Substance Use Treatment:				
SAMHSA New Media Minority	93.243	Direct	234,828	-
SAMHSA Healthy Choice	93.243	Direct	64,105	-
			<u>298,933</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, 2016

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 (continued)</u>				
Office of Center for Disease Control and Prevention:				
Pass through from 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	\$ 64,757	\$ -
Sexual and Behavioral Health Services for Priority Population	93.940	11-SNS-520	82,474	-
			147,231	-
Pass through from AIDS United:				
Capacity Building Assistance for HIV Impact:				
CDC HIV Prevention Activities	93.939	5U65PS004409-02	12,586	-
CDC HIV Prevention Activities	93.939	5NU65PS004409-03	23,003	-
			35,589	-
<u>U.S. Department of Housing and Urban Development</u>				
Office of Community Planning and Development:				
Pass through the NYC Department of Health & Mental Hygiene:				
Housing Opportunities for Person with AIDS	14.241	C028906	129,879	-
			129,879	-
Total expenditures of federal awards			\$ 7,415,813	\$ -

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, 2016

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, 2016. 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, 2016 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 minimus indirect cost rate allowed under the Uniform Guidance.

**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 of
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, 2016, 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, and have issued our report thereon dated September 15, 2017.

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 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
September 15, 2017

**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 of
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 its major federal program for the year ended December 31, 2016. The Organization’s major federal program is identified in the summary of auditors’ 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 the Organization’s major federal program 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 audit requirements of Title 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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2016.

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 its major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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.

Grant Thornton LLP

New York, New York
September 28, 2017

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Schedule of Findings and Questioned Costs
For the year ended December 31, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial statements:

Type of auditors' 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 financial statements noted? yes no

Federal awards:

Internal control over the major program:

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

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

Any audit findings disclosed that are required to be reported in accordance with 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

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, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

None to report.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None to report.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Summary Schedule of Prior Period Audit Findings
For the year ended December 31, 2016

Finding No. 2015-001 - Internal Controls Over Financial Reporting (Significant Deficiency)

Criteria:

Government Auditing Standards require an auditee to design and implement an internal control environment to achieve effective and efficient operations; reliable financial reporting; and, compliance with applicable laws and regulations. The control environment sets the tone of an organization, which influences the control consciousness of its people. The key factors impacting the control environment include, among other things, management's philosophy and operating style, organizational structure, assignment of authority and responsibility and policies and practices with respect to human resources.

Condition, Context, Cause, and Effect:

During our audit, we noted a significant deficiency in the internal control over financial reporting with regard to the following:

Accounting for Government Grants and Contracts

We noted that, in some instances, the Organization recorded federal and non-federal grant-related revenue and receivables based upon estimates that were not appropriately reconciled to reflect actual amounts at December 31, 2015. As a result, we proposed and management recorded an audit adjustment totaling approximately \$133,000, to properly reduce government grants and contracts revenue and receivable based upon actual expenditures incurred as of and for the eighteen-month period ended December 31, 2015. In addition, we noted that the Organization did not properly apply grant advances against outstanding receivable balances resulting in an overstatement of both receivables and grant advance liability at December 31, 2016. As such, we proposed and management recorded a reclassification adjusting journal entry totaling approximately \$149,000.

Journal Entries

We noted certain segregation of duties issues with regards to journal entries. We identified manual journal entries that were prepared and posted by the same user. In addition, we identified manual journal entries that were approved by an individual who was not senior to the user who created those journal entries.

Questioned Costs:

None noted.

Recommendation:

We recommended that the Organization further enhance policies, processes and controls to address the items mentioned above.

Views of Responsible Officials and Planned Corrective Action:

Management agrees with internal control findings. The Organization is in the process of enhancing their internal controls in the areas noted above.

Fiscal 2016 Status:

There were no similar findings noted for the current year.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Summary Schedule of Prior Period Audit Findings (continued)
For the year ended December 31, 2016

Finding No. 2015-002 - Reporting - U.S. Department of Health and Human Services – Special Projects of National Significance - CFDA No. 93.928

Criteria:

Pursuant to OMB Circular A-133 reporting and contract requirements, GMHC is required to submit certain performance and financial status reports within a specified time frame during each grant's life cycle (45 CFR 75.341).

Condition, Context, Cause, and Effect:

The Organization is required to submit an Annual Federal Financial Report (FFR) SF 425 to report the expenditures for the Special Projects of National Significance federal program. The FFR SF 425 is due by January 31, 2015, after the end of the reporting period. We noted that the Organization did not submit the SF 425 within the appropriate timeframe after the reporting period.

Questioned Costs:

None noted.

Recommendation:

We recommended that the Organization strengthen its policies and procedures to ensure that required federal reports must be filed by their respective due dates. It is critically important that timely and accurate federal reports be produced to ensure that the goals and purposes of the grant have been achieved and accounted for properly.

Views of Responsible Officials and Planned Corrective Action:

The Organization will submit the Special Projects of National Significance federal program FFR SF 425 by the deadline going forward.

Fiscal 2016 Status:

There were no similar findings noted for the current year.

Finding No. 2015-003 - Allowable Costs/Activities - U.S. Department of Health and Human Services – Special Projects of National Significance - CFDA No. 93.928
HIV Prevention Activities – CFDA No. 93.939

Criteria:

Pursuant to OMB Circular A-133 reporting and contract requirements, GMHC is required to allocate allowable costs/activities during the grant period (45 CFR 75.405).

Condition, Context, Cause, and Effect:

The Organization currently uses a method of estimating personnel time spent based on grant agreements and budget proposals to allocate salaries and benefits to each grant, and then reconciles the budgeted amounts to the actual time incurred through an employee time and certification report. We noted that in certain instances, the time and effort certifications signed by the respective employees did not agree to the amount allocated to the grant. In addition, we noted in one instance that the Organization was missing an employee's time and effort certification to support the amount allocated to the grant during the grant period.

Questioned Costs:

None.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
Summary Schedule of Prior Period Audit Findings (continued)
For the year ended December 31, 2016

Recommendation:

We recommended that the Organization strengthen its policies and procedures with regards to reconciling employee time and effort certifications on a regular basis to ensure accurate allocations.

Views of Responsible Officials and Planned Corrective Action:

The Organization has implemented a process to ensure quarterly review and reconciliation of employees' time and effort to the amounts recorded in the general ledger.

Fiscal 2016 Status:

There were no similar findings noted for the current year.