

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

AND

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

AND

REPORTS ON COMPLIANCE AND INTERNAL CONTROL
YEAR ENDED DECEMBER 31, 2021

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 3
Consolidated Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities and Changes in Net Assets	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7 - 8
Notes to Consolidated Financial Statements	9 - 23
Supplementary Information	
Schedule of Expenditures of Federal Awards and Notes Thereto	24 - 26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 - 28
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	29 - 31
Schedule of Findings and Questioned Costs	32 - 34
Summary Schedule of Prior Audit Findings	35

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Gay Men's Health Crisis, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Gay Men's Health Crisis, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Financial Statements and Related Restatement

The consolidated financial statements of Gay Men's Health Crisis, Inc. and Affiliates as of December 31, 2020, were audited by other auditors whose opinion dated June 24, 2022, expressed an unmodified opinion on those statements. As part of our audit of the 2021 consolidated financial statements, we also audited the adjustments described in Note 12 that were applied to restate the 2020 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 consolidated financial statements of Gay Men's Health Crisis, Inc. and Affiliates other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 consolidated financial statements as a whole.

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the consolidated financial statements, Gay Men's Health Crisis, Inc. and Affiliates adopted Accounting Standards Codification Topic 842, *Leases*, as of January 1, 2021, using the modified retrospective method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gay Men's Health Crisis, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gay Men's Health Crisis, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 April 13, 2023 on our consideration of Gay Men's Health Crisis, Inc. and Affiliates' 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 Gay Men's Health Crisis, Inc. and Affiliates' 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 Gay Men's Health Crisis, Inc. and Affiliates' internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
April 13, 2023

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Assets:	
Cash and cash equivalents	\$ 481,102
Government grants and contracts receivable, net	6,706,988
Accounts receivable, net	280,215
Contributions receivable, net	463,010
Prepaid expenses and other assets	830,574
Leasehold improvements, furniture and equipment, net	4,443,727
Security deposits	3,175,391
Other	255,200
Restricted cash	250,767
Operating lease right-of-use assets	<u>104,731,837</u>
TOTAL ASSETS	<u>\$ 121,618,811</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 3,192,024
Deferred revenue	354,105
Refundable advances	877,367
Notes payable	3,056,206
Paycheck Protection Program loans payable	2,502,502
Operating lease liabilities	110,232,299
Finance lease liabilities	<u>301,240</u>
Total liabilities	<u>120,515,743</u>
Commitments and contingencies	
Net assets:	
Without donor restrictions	679,193
With donor restrictions	<u>423,875</u>
Total net assets	<u>1,103,068</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 121,618,811</u>

See accompanying notes to consolidated financial statements.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Support:			
Government grants and contracts	\$ 13,272,659	\$ -	\$ 13,272,659
Contributions	<u>3,730,925</u>	<u>291,000</u>	<u>4,021,925</u>
Total support	<u>17,003,584</u>	<u>291,000</u>	<u>17,294,584</u>
Event revenue:			
Gross event revenue	1,850,559	-	1,850,559
Less cost of direct event expenses	<u>(977,963)</u>	<u>-</u>	<u>(977,963)</u>
Net event revenue	<u>872,596</u>	<u>-</u>	<u>872,596</u>
Revenue:			
Program revenue	464,447	-	464,447
Rental income	23,027	-	23,027
Other	<u>158,076</u>	<u>-</u>	<u>158,076</u>
Total revenue	<u>645,550</u>	<u>-</u>	<u>645,550</u>
Net assets released from donor restrictions	<u>753,837</u>	<u>(753,837)</u>	<u>-</u>
Total revenue and support	<u>19,275,567</u>	<u>(462,837)</u>	<u>18,812,730</u>
Expenses:			
Program services:			
Care and support	9,974,663	-	9,974,663
Prevention and education	4,258,687	-	4,258,687
Public policy, information and advocacy	<u>651,761</u>	<u>-</u>	<u>651,761</u>
Total program services	<u>14,885,111</u>	<u>-</u>	<u>14,885,111</u>
Supporting services:			
Fundraising	1,364,423	-	1,364,423
Management and general	<u>6,514,401</u>	<u>-</u>	<u>6,514,401</u>
Total supporting services	<u>7,878,824</u>	<u>-</u>	<u>7,878,824</u>
Total expenses	<u>22,763,935</u>	<u>-</u>	<u>22,763,935</u>
Changes in net assets from operations	(3,488,368)	(462,837)	(3,951,205)
Non operating activity, forgiveness of Paycheck Protection Program loan payable	<u>2,245,350</u>	<u>-</u>	<u>2,245,350</u>
Change in net assets	(1,243,018)	(462,837)	(1,705,855)
Net assets - beginning of year, as restated (Note 12)	<u>1,922,211</u>	<u>886,712</u>	<u>2,808,923</u>
NET ASSETS - END OF YEAR	<u>\$ 679,193</u>	<u>\$ 423,875</u>	<u>\$ 1,103,068</u>

See accompanying notes to consolidated financial statements.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services				Total
	Care and Support	Prevention and Education	Public Policy, Information and Advocacy	Total Program Services	Fundraising	Management and General	Direct Event Costs	
Personnel Services:								
Salaries	\$ 3,252,095	\$ 1,611,998	\$ 320,795	\$ 5,184,888	\$ 630,028	\$ 2,707,886	\$ -	\$ 8,522,802
Fringe benefits	773,973	368,056	77,004	1,219,033	115,855	524,243	-	1,859,131
Total personnel services	<u>4,026,068</u>	<u>1,980,054</u>	<u>397,799</u>	<u>6,403,921</u>	<u>745,883</u>	<u>3,232,129</u>	<u>-</u>	<u>10,381,933</u>
Other:								
Occupancy	2,155,699	897,162	86,897	3,139,758	65,704	1,422,425	51,604	4,679,491
Professional fees and contract services	390,220	161,074	106,680	657,974	271,394	816,034	735,190	2,480,592
Client rent	1,545,075	-	-	1,545,075	-	-	-	1,545,075
Facilities/operations	351,468	137,355	13,283	502,106	10,059	317,688	7,729	837,582
Bad debt	-	651,200	-	651,200	-	-	-	651,200
Depreciation and amortization	295,720	116,863	11,448	424,031	21,204	135,199	-	580,434
Food and related costs	388,355	2,501	-	390,856	623	1,857	19,588	412,924
Real estate taxes	189,272	74,690	7,577	271,539	7,944	145,182	-	424,665
Supplies and materials	201,534	75,805	737	278,076	2,650	71,931	28,297	380,954
Marketing and promotion	787	29,530	388	30,705	129,890	1,357	128,215	290,167
Insurance	94,713	47,456	4,948	147,117	9,380	41,055	-	197,552
Interest	-	-	-	-	-	181,257	-	181,257
Utilities	86,256	22,976	2,254	111,486	2,416	26,504	-	140,406
Staff and volunteer training and support	63,521	2,834	50	66,405	5,106	57,335	4,534	133,380
Telephone	62,490	21,055	2,829	86,374	2,134	23,293	-	111,801
Postage and shipping	26,174	364	37	26,575	78,186	1,790	2,806	109,357
Grants to other AIDS organizations	72,551	-	-	72,551	-	-	-	72,551
Memberships and subscriptions	10,665	1,084	16,479	28,228	2,510	36,544	-	67,282
Miscellaneous	5,280	20,500	207	25,987	6,925	-	-	32,912
Equipment maintenance	7,986	15,000	-	22,986	30	-	-	23,016
Travel and related costs	-	848	-	848	1,720	1,384	-	3,952
Printing	829	336	148	1,313	665	1,437	-	3,415
Total other	<u>5,948,595</u>	<u>2,278,633</u>	<u>253,962</u>	<u>8,481,190</u>	<u>618,540</u>	<u>3,282,272</u>	<u>977,963</u>	<u>13,359,965</u>
Total expenses by function	9,974,663	4,258,687	651,761	14,885,111	1,364,423	6,514,401	977,963	23,741,898
Less expenses included with revenues on the statement of activities	-	-	-	-	-	-	(977,963)	(977,963)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	<u>\$ 9,974,663</u>	<u>\$ 4,258,687</u>	<u>\$ 651,761</u>	<u>\$ 14,885,111</u>	<u>\$ 1,364,423</u>	<u>\$ 6,514,401</u>	<u>\$ -</u>	<u>\$ 22,763,935</u>

See accompanying notes to consolidated financial statements.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:	
Changes in net assets	\$ (1,705,855)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	580,434
Non-cash lease expense	818,216
Forgiveness of Paycheck Protection Program loan	(2,245,350)
Provision for bad debt	651,200
Change in assets and liabilities:	
Government grants and contracts receivable	368,051
Contributions receivable	(316,467)
Accounts receivable	344,279
Prepaid expenses and other assets	(340,398)
Accounts payable and accrued expenses	(28,035)
Refundable advances	363,945
Deferred revenue	<u>(565,000)</u>
Net cash used in operating activities	<u>(2,074,980)</u>
Cash flows from investing activities:	
Purchase of leasehold improvements, furniture and equipment	(807,872)
Purchase of intangible assets	<u>(264,000)</u>
Net cash used in investing activities	<u>(1,071,872)</u>
Cash flows from financing activities:	
Decrease in security deposits	974,320
Repayment of finance lease liabilities	(217,316)
Payments on notes payable	(1,385,153)
Proceeds from notes payable	340,000
Proceeds from Paycheck Protection Program loan	2,000,000
Decrease in line of credit	<u>(250,000)</u>
Net cash provided by financing activities	<u>1,461,851</u>
Net decrease in cash, cash equivalents, and restricted cash	(1,685,001)
Cash, cash equivalents and restricted cash at beginning of year	<u>2,416,870</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - ENDING	\$ <u>731,869</u>

See accompanying notes to consolidated financial statements.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such amounts shown in the above consolidated statement of cash flows:

Cash and cash equivalents	\$ 481,102
Restricted cash	<u>250,767</u>
Total cash, cash equivalents and restricted cash	<u>\$ 731,869</u>
Supplemental disclosures of cash flow information:	
Cash paid for interest	<u>\$ 181,257</u>
Supplemental disclosure of non-cash investing and financing activities:	
Conversion of line of credit to commercial note payable	<u>\$ 3,416,667</u>
Operating lease liability and right-of-use assets recognized in connection with implementation of ASC 842 on January 1, 2021	<u>\$ 107,538,094</u>

See accompanying notes to consolidated financial statements.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1. ORGANIZATION

Gay Men's Health Crisis, Inc.

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 is to fight to end the AIDS epidemic and uplift the lives of all affected. Over 10,000 clients are served by GMHC's programs annually.

Gay Men's Health Crisis Action, Inc.

The mission of Gay Men's Health Crisis Action, Inc. ("GMHC Action") 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 Services, Inc.

Gay Men's Health Services, Inc. ("GMHC Health Services") is a not-for-profit organization formed for the purpose of enhancing the Organization'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 and the National HIV/AIDS Strategy. To these ends, the Organization offers the following:

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1. ORGANIZATION (CONTINUED)

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 annually 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.

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.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1. ORGANIZATION (CONTINUED)

Prevention and Education (continued)

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.

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.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements of GMHC and Affiliates (collectively referred to as the "Organization") include the accounts and transactions of GMHC and its two affiliates, GMHC Action and GMHC Health Services. GMHC is the sole member of GMHC Action and GMHC Health Services. Inter-company transactions have been eliminated so as to not overstate the consolidated financial position and consolidated total change in net assets of the Organization.

Basis of Accounting

The accompanying consolidated financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic *Presentation of Financial Statements of Not-for-Profit Entities*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified 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 Organizations. The board of directors may designate portions of these net assets as board designated for various purposes.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organizations and/or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2021, the Organizations did not maintain any net assets with donor restrictions that were perpetual in nature.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market accounts and all highly liquid investments with an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Uninsured cash at December 31, 2021 totaled \$876,368. The Organization has not experienced any losses in such accounts.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at the amount that management expects to collect. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to contract receivables. Gross accounts receivables totaled \$646,509 and \$857,434 at December 31, 2021 and 2020, respectively. The allowance for doubtful accounts was \$366,294 at December 31, 2021 and 2020, respectively.

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

Leasehold improvements, furniture, and equipment are recorded at cost less accumulated depreciation. Donations of leasehold improvements, furniture, and equipment are recorded at fair value at the time of donation. The Organization capitalizes expenditures for leasehold improvements, furniture, and equipment in excess of \$1,000. Expenditures for major improvements are capitalized, while expenditures for routine maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation of leasehold improvements, furniture, and equipment is computed on a straight-line basis over the estimated useful lives of the assets which are as follows:

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

Intangible Assets

Intangible assets are amortized over their estimated useful lives or contractual periods, as applicable. The Organization evaluates the remaining useful lives assigned to intangible assets annually to determine whether events or circumstances require the Company to revise the remaining period of amortization. Amortization of intangible assets is computed using the straight-line method.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization evaluates long-lived assets held and used by the Organization, including right-of-use assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Organization did not record an impairment loss during the year ended December 31, 2021.

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. The Organization also has paid a security deposit of \$149,711 to its landlord in order to acquire housing for clients. At December 31, 2021, security deposits recorded in the accompanying consolidated statement of financial position totaled \$3,175,391.

Leases

The Organization has an operating lease agreement for its building with terms of 30 years and finance leases for certain equipment with terms ranging up to 5 years. The Organization determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the consolidated statement of financial position.

Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Organization uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization's operating lease contains a fixed and determinable escalation clause for which the Organization recognizes rental expense under the lease on the straight-line basis over the lease term, which includes the period of time from when the Organization takes possession of the leased space and the cumulative expense recognized on the straight-line basis in excess of the cumulative payments is included in other non-current liabilities through 2021 prior to the adoption of Topic 842. In connection with the adoption of Accounting Standards Codification ("ASC") 842, *Leases*, as of January 1, 2021, the Organization reclassified these deferred rent liabilities of \$4,682,246 to the operating lease right-of-use asset.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position; the Organization recognizes lease expense for these leases on a straight-line basis over the lease term.

Revenue Recognition

The Organization recognizes revenue under ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Under Topic 606, the Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The majority of the Organization's services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation that is satisfied as the services are rendered. The Organization determines the transaction price based on contractually agreed upon rates, adjusted for any variable consideration, if any.

Special Events

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

Contributions and Grants

Grants and contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as support without donor restrictions.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants (continued)

A portion of the Organization's revenue is derived from cost-reimbursable and/or unit-rate federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or provided the related services in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or providing the related services are reported as government contract advances in the consolidated statement of financial position. Grants and contracts are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds or awarding of contracts. Any liability for reimbursement which might arise out of these audits is not considered by the Organization to be material.

Functional Expenses

The costs of providing various programs and other services have been summarized on a functional basis in the accompanying consolidated statement of activities and changes in net assets. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited on a reasonable basis that is consistently applied. Expenses allocated on the basis of time and effort or actual usage include salaries and related expenses and office and other expenses. Occupancy and depreciation expense are allocated on a square footage basis.

Advertising

Advertising costs are charged to expense as incurred. The Organization incurred advertising costs of \$290,167 during the year ended December 31, 2021.

Income Taxes

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. Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements. The Organization is subject to federal and state income taxes on unrelated business income, if any. The Organization files informational tax returns as required by the Code.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic 740, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. At December 31, 2021, management believes that the Organization has no material uncertain tax positions.

Recently Adopted Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASC 842") as amended, which requires the recording of operating lease right-of-use assets and lease liabilities and the expanded disclosure for operating and finance leasing arrangements. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated income statement. The Organization adopted ASC 842 under the modified retrospective method at January 1, 2021.

The Organization adopted the package of practical expedients available at transition that retained the lease classification under ASC 840 and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. In addition, the Organization used hindsight in determining lease term and considerations for impairment. The Organization made the accounting policy election and to utilize the risk-free discount rate when the rate implicit in the lease is not readily determinable.

The Organization performed an analysis of contracts containing leases as of January 1, 2021. In addition, at the date of initial application, the Organization recorded operating lease right-of-use assets and aggregate operating lease liabilities in the amount of \$107,538,094.

Recently Issued but Not Yet Effective Accounting Pronouncements

In September 2020, FASB ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU is effective for annual periods beginning after June 15, 2021, with early adoption permitted. The Organization has determined that the application of the amendments of ASU 2018-08 will not have a material impact on the Organization's financial statements and related disclosures.

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2021, through the date which the consolidated financial statements were available to be issued, April 13, 2023, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*, other than described in Notes 7 and 8.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3. LIQUIDITY AND AVAILABILITY

The following are the Organization's financial assets at December 31, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 481,102
Government grants and contracts receivable	6,706,988
Accounts receivable, net	280,215
Contributions receivable	463,010
Restricted cash	<u>250,767</u>
Total financial assets at year-end	<u>8,182,082</u>
Less amounts not available to be used within one year:	
Restricted cash	(250,767)
Net assets with donor restrictions	<u>(423,875)</u>
	<u>(674,642)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,507,440</u>

As part of management's liquidity plan, the Organization's goal is generally to maintain readily available financial assets to meet at least three months of operating expenses.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional gifts to be received in future periods. Contributions receivable at December 31, 2021 consist of the following:

Gross contributions receivable	\$ 488,155
Allowance for doubtful pledges	(7,600)
Unamortized discount	<u>(17,545)</u>
Net contributions receivable	<u>\$ 463,010</u>
Gross contributions receivable:	
Receivable in less than one year	\$ 72,600
Receivable in one to three years	<u>415,555</u>
	<u>\$ 488,155</u>

NOTE 5. LEASEHOLD IMPROVEMENTS, FURNITURE, AND EQUIPMENT

The Organization's leasehold improvements, furniture and equipment consists of the following at December 31, 2021.

Leasehold improvements	\$ 2,948,273
Furniture and equipment	8,755,135
Leasehold improvements under finance leases	122,973
Furniture and equipment under finance leases	<u>875,596</u>
	12,701,977
Less: Accumulated depreciation and amortization	<u>(8,258,250)</u>
	<u>\$ 4,443,727</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5. LEASEHOLD IMPROVEMENTS, FURNITURE, AND EQUIPMENT
(CONTINUED)

As of December 31, 2021, depreciation and amortization expense totaled \$571,634. These amounts include in amortization expense of \$126,178 related to assets under finance leases for the year ended December 31, 2021. Accumulated amortization associated with assets under finance leases for the year ended December 31, 2021 was \$565,344.

NOTE 6. LEASE COMMITMENTS

Finance Leases

The Organization leases certain office equipment under non-interest bearing leases expiring through July 2023. The weighted average lease term is 1.37 years, and the weighted average discount rate is 5.65%.

Components of finance lease expense for the year ended December 31, 2021 were approximately:

Finance lease costs:

Amortization of finance lease liabilities	\$ 219,184
Interest on lease liabilities	<u>22,600</u>
Total finance lease costs	<u>\$ 241,784</u>

Operating Leases

In addition to finance leases, the Organization also has an operating lease for its building expiring June 2051. The discount rate is 1.66%. Total operating lease expense for the year ended December 31, 2021 was \$4,652,708.

As of December 31, 2021, the Organization's future minimum payments on operating and finance leases, including interest, are as follows:

<u>Year</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2022	\$ 3,300,175	\$ 229,908	\$ 3,530,083
2023	3,673,947	82,566	3,756,513
2024	3,861,069	-	3,861,069
2025	3,861,069	-	3,861,069
2026	3,861,069	-	3,861,069
Thereafter	<u>123,974,279</u>	<u>-</u>	<u>123,974,279</u>
Total lease payments	142,531,608	312,474	142,844,082
Less: amount of lease payments representing interest	<u>(32,299,309)</u>	<u>(11,234)</u>	<u>(32,310,543)</u>
Present value of lease liabilities	<u>\$110,232,299</u>	<u>\$ 301,240</u>	<u>\$ 110,533,539</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7. NOTES PAYABLE

At December 31, 2021, notes payable consist of the following:

Commercial term loan had an expiration date of February 28, 2023, converted from a \$4 million line of credit in March 2021, bearing interest at a rate of 3.5%, and payable in monthly installments of principal and interest of \$83,333. Management is in negotiations to extend the note for another one year term.	\$ 2,583,337
Bank loan which matured on February 1, 2022, and interest at a rate of Prime+3.00%. The loan was paid in full at maturity.	340,000
Note payable to Glenhill Associates, maturing on July 31, 2023, bearing interest at a rate of 6.00%, and payable in monthly installments of principal and interest of \$7,348	<u>132,869</u>
	<u>\$ 3,056,206</u>

The Organization's term loan payable contains certain restrictive covenants as well as a requirement to maintain a restricted cash account. At December 31, 2021, the balance in this restricted cash account totaled \$250,767.

At December 31, 2021, annual maturities on notes payable are as follows:

<u>Year</u>	
2022	\$ 1,172,444
2023	<u>1,883,762</u>
	<u>\$ 3,056,206</u>

NOTE 8. PAYCHECK PROTECTION PROGRAM LOANS

In April 2020, the Organization received loan proceeds of \$2,747,852 under the Paycheck Protection Program ("PPP"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, were eligible for forgiveness after 24 weeks so long as the borrower used the loan proceeds for eligible purposes as defined by the PPP. At least 60% of the loan proceeds must have been spent on payroll costs, as defined by the PPP, for the loan forgiveness.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8. PAYCHECK PROTECTION PROGRAM LOANS (CONTINUED)

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization determined it was most appropriate to account for the PPP loan proceeds under the debt model. Under the debt model, the Organization recognizes the proceeds received as debt, recognizes period expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Organization has been legally released from its obligation by the lender. The Organization deemed the debt model to be the most appropriate accounting policy for this arrangement based on the nature of the PPP loan program.

During the year ended December 31, 2021, the Organization received forgiveness of the PPP loan in the amount of \$2,245,350, which has been recorded as forgiveness of debt in the accompanying consolidated statement of activities and changes in net assets. If it is determined that the Organization was not eligible to receive the PPP Loan or that the Organization has not adequately complied with the rules, regulations and procedures applicable to the Small Business Administration ("SBA")'s Loan Program, the Organization could be subject to penalties and could be required to repay the amounts previously forgiven. The unforgiven portion totaling \$502,502 has been recorded as part of Paycheck Protection Program loan liabilities in the accompanying consolidated statement of financial position.

On March 18, 2021, the Organization received loan proceeds of \$2,000,000 under the Paycheck Protection Program Second Draw Loans ("PPP SD"). The PPP-SD which was established as part of the Consolidated Appropriations Act, 2021 ("CAA), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or portion thereof, may be forgiven after twenty-four weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, certain other covered costs and maintains its payroll levels. Not more than 40% of the amount forgiven can be attributable to nonpayroll costs.

In September 2022, the Organization applied for PPP SD loan forgiveness and on February 9, 2023, was informed by the SBA that forgiveness had been granted in the amount of \$1,628,953.

At December 31, 2021, annual maturities on PPP loans payable are as follows:

<u>Year</u>	
2022	\$ 964,298
2023	486,100
2024	467,698
2025	490,394
2026	<u>94,012</u>
	<u>\$ 2,502,502</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Purpose restrictions:	
Care and Support	\$ 209,875
Time restrictions	<u>214,000</u>
Total net assets with donor restrictions	<u>\$ 423,875</u>

Net assets are released from donor restrictions by the passage of time, incurring expenses or costs satisfying the restricted purpose, or by the occurrence of events specified by the donors. Net assets released from restrictions for purposes during the year ended December 31, 2021 were as follows:

Purpose restrictions:	
Care and Support	\$ 601,837
Prevention and education	<u>70,000</u>
Total purpose restrictions	671,837
Time restrictions	<u>82,000</u>
Total net assets released from donor restrictions	<u>\$ 753,837</u>

NOTE 10. CONTINGENCIES

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, 2021.

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.

NOTE 11. 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, 2021 totaled \$108,182.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12. RESTATEMENTS

During the year ended December 31, 2021, management of the Organization identified the following matters that resulted in the restatement of the previously reported net assets as of December 31, 2020:

1. A \$700,000 grant was received in 2020 that was recorded as deferred revenue in the amount of \$700,000 and also as \$350,000 in net assets with donor restrictions. An adjustment has been made to reclassify \$350,000 from net assets with donor restrictions to net assets without donor restrictions.
2. A \$250,000 five-year pledge was made in 2020. At December 31, 2020, the future promises were reported as net assets without donor restrictions. An adjustment has been made to reclassify \$200,000 from net assets without donor restrictions to net assets with donor restrictions.
3. The final \$100,000 scheduled payment of a previously made multi-year pledge was recorded as deferred revenue at December 31, 2020. An adjustment has been made to record the outstanding balance as net assets with donor restrictions.
4. A \$100,000 contribution was made in 2020 that was not recorded until 2021. An adjustment has been made to record this contribution as of December 31, 2020 as net assets with donor restrictions.

The following summarizes the net effect of the prior period adjustments referred to above:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Net Assets</u>
Net assets at December 31, 2020, as previously reported	\$ 1,772,211	\$ 836,712	\$ 2,608,923
Prior period adjustment (1)	350,000	(350,000)	-
Prior period adjustment (2)	(200,000)	200,000	-
Prior period adjustment (3)	-	100,000	100,000
Prior period adjustment (4)	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net assets, at December 31, 2020, as restated	<u>\$ 1,922,211</u>	<u>\$ 886,712</u>	<u>\$ 2,808,923</u>

SUPPLEMENTARY INFORMATION

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S Department of Health and Human Services				
Office of Health Resources and Services				
Administration:				
Passed through from the Public Health				
Solution/HIV Care Services:				
HIV Emergency Relief Project Grants:				
Legal Services	93.914	17-LSN-520	\$ 552,233	\$ -
Food and Nutrition Services	93.914	11-FNS-520	553,917	-
Family Stabilization Services	93.914	15-SCG-520	300,654	-
Harm Reduction Services	93.914	16-HRM-520	485,990	-
Mental Health Services	93.914	16-MHV-520	241,060	-
Targeted HIV Testing Among Priority Populations (MAI)	93.914	18-TPT-520	<u>223,041</u>	<u>-</u>
			<u>2,356,895</u>	<u>-</u>
Passed through from Health Research, Inc:				
HIV Care Formula Grants:				
Minority AIDS Initiative	93.917	5341-04	132,385	-
Passed through from New York State				
Department of Health:				
Children's Health Insurance Program:				
Consumer Assistance for NY State of Health: Navigator Program	93.767	C34572GG	80,566	-
Passed through from New York State				
Department of Health:				
Medicaid Cluster:				
Medical Assistance Program:				
Assistance for NY State of Health: Navigator Program	93.778	C34572GG	<u>563,456</u>	<u>-</u>
Total Medicare Cluster			<u>563,456</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>3,133,302</u>	<u>-</u>
Office of Center for Disease Control and Prevention and Office of Substance Abuse and Mental Health Services Administration:				
Passed through from the Public Health				
Solutions/HIV Care Services:				
HIV Prevention Activities - Health				
Department Based:				
Condom Distribution Services	93.940	19-CON-520	<u>166,098</u>	<u>-</u>
Office of Health Resources and Services				
Administration:				
Special Projects of National Significance:				
HRSA Project Vogue	93.928	H97HA31808	<u>135,586</u>	<u>-</u>

See accompanying notes to schedule of expenditures of federal awards.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Office of Substance Abuse and Mental Health Services Administration:				
HIV Prevention Activities Non-Governmental Organization Based	93.939	NU65PS923649	340,596	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79TI081507	<u>414,493</u>	<u>-</u>
Total Office of Substance Abuse and Mental Health Services Administration			<u>755,089</u>	<u>-</u>
<u>U.S Department of Housing and Urban Development</u>				
Office of Community Planning and Development:				
Continuum of Care Program Passed through from the NYC Department of Health and Mental Hygiene:	14.267	NY1225L2T001800	1,293,841	-
Housing Opportunities for Persons with AIDS	14.241	14A-SPH-016	<u>874,131</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>2,167,972</u>	<u>-</u>
Total Federal Awards Expended			<u>\$ 6,358,047</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the consolidated federal award activity of Gay Men's Health Crisis, Inc. and Affiliates (the "Organization") under programs of the federal government for the year ended December 31, 2021. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. INDIRECT COST RATE

The Organization did not elect to use the 10-percent de minimis indirect cost rate.

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Gay Men's Health Crisis, Inc. and Affiliates (a not-for-profit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, 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 April 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Gay Men's Health Crisis, Inc. and Affiliates' internal control over financial reporting (internal control) as a basis to designing 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 Gay Men's Health Crisis, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Gay Men's Health Crisis, Inc. and Affiliates' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gay Men's Health Crisis, Inc. and Affiliates' 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 financial statements amount. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

Gay Men's Health Crisis, Inc. and Affiliate's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Gay Men's Health Crisis, Inc. and Affiliates' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Gay Men's Health Crisis, Inc. and Affiliates' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gay Men's Health Crisis, Inc. and Affiliates' 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 communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
April 13, 2023

**INDEPENDENT AUDITOR'S REPORT 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
New York, NY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gay Men's Health Crisis, Inc. and Affiliates' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Gay Men's Health Crisis, Inc. and Affiliates' major federal programs for the year ended December 31, 2021. Gay Men's Health Crisis, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Gay Men's Health Crisis, Inc. and Affiliates 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 programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Gay Men's Health Crisis, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Gay Men's Health Crisis, Inc. and Affiliates' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Gay Men's Health Crisis, Inc. and Affiliates' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Gay Men's Health Crisis, Inc. and Affiliates' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Gay Men's Health Crisis, Inc. and Affiliates' compliance with the requirements of the major federal program as a whole.

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

Other Matters (continued)

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on Gay Men's Health Crisis, Inc. and Affiliates' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Gay Men's Health Crisis, Inc. and Affiliates' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
April 13, 2023

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted? | Yes |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major federal programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |
| 5. Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance? | Yes |

7. Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
HIV Emergency Relief Project Grants	93.914
Housing Opportunities for Persons with AIDS	14.241

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between Type A programs and Type B programs: | \$750,000 |
| 9. Auditee qualifies as a low risk auditee? | No |

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

Section II – Financial Statement Findings

Finding 2021-001: The Organization misclassified net assets and recorded certain donor restricted contributions as deferred revenue. (Material Weakness)

Condition: The misclassification of net assets and recording of certain contributions of net assets resulted in both current year and prior period adjustments.

Criteria or Specific Requirement: Unconditional promises to give are required to be recorded as net assets with donor restrictions in the year the promise is made, given there is not a right to return and barrier to use. Promises to give or contributions made that have a right to return and a barrier to use should be recognized and recorded as net assets without donor restrictions only once the barrier has been over come or the conditions have been met.

Cause: Incorrect recording of donor restricted contributions.

Effect: These errors resulted in prior period adjustments.

Recommendation: Management should review its grants and contributions with donor restrictions to determine if the grant or contribution includes a right of return and a barrier to use. Management should also enhance its review process for recording of multi-year contributions receivable to ensure proper recording.

Views of Responsible Officials: Management of the Organization agrees with the finding. Going forward, the Organization will ensure correct recording of contributions with donor restrictions.

Finding 2021-002: The Organization did not file its Data Collection Form on time with the Federal Audit Clearinghouse for the year ended December 31, 2020. (Significant Deficiency)

Condition: The Organization did not file the Data Collection Form within 30 days of issuance of the 2020 financial statements.

Criteria or Specific Requirement: As required by Uniform Guidance, the Organization is required to submit its Data Collection Form by the earlier of 30 days after issuance of the financial statements or nine months after the end of the fiscal year.

Cause: Management did not timely file the Data Collection Form due to internal delays.

Effect: The required data collection form for fiscal year 2020 was not submitted to the Federal Audit Clearinghouse within the required timeframe.

Recommendation: Management should review its process and implement additional controls to ensure that an appropriate closing process is in place. If appropriate processes are in place then the Organization should be able to file timely.

Views of Responsible Officials: Management of the Organization agrees with the finding. Going forward, the Organization will ensure timely compliance with the Federal Audit Clearinghouse.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

Section III – Federal Award Findings

Finding 2021-002 (Reporting) (Significant Deficiency): The Organization did not file its Data Collection Form on time with the Federal Audit Clearinghouse for the year ended December 31, 2020.

Condition: The Organization did not file the Data Collection Form within nine months after year end.

Criteria or Specific Requirement: As required by Uniform Guidance, the Organization is required to submit its Data Collection Form by the earlier of 30 days after issuance of the financial statements or nine months after the end of the fiscal year.

Cause: Management did not timely file the Data Collection Form due to internal delays.

Effect: The required Data Collection Form for fiscal year 2020 was not submitted to the Federal Audit Clearinghouse within the required timeframe.

Questioned Costs: N/A

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation: Management should review its process and implement additional controls to ensure that an appropriate closing process is in place to allow for a timely filing.

Views of Responsible Officials: Management of the Organization agrees with the finding. Going forward, the Organization will ensure timely compliance with the Federal Audit Clearinghouse.

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

A. FINANCIAL STATEMENT FINDINGS

None

B. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None