

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

AND

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

AND

REPORTS ON COMPLIANCE AND INTERNAL CONTROL
YEAR ENDED DECEMBER 31, 2022

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Table of Contents

| | <u>Page</u> |
|---|--------------------|
| Independent Auditor's Report | 1 - 3 |
| Consolidated Financial Statements | |
| Consolidated Statements of Financial Position | 4 |
| Consolidated Statements of Activities and Changes in Net Assets (Deficit) | 5 - 6 |
| Consolidated Statements of Functional Expenses | 7 - 8 |
| Consolidated Statements of Cash Flows | 9 - 10 |
| Notes to Consolidated Financial Statements | 11 - 26 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards and Notes Thereto | 27 - 29 |
| 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> | 30 - 31 |
| Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance | 32 - 34 |
| Schedule of Findings and Questioned Costs | 35 - 37 |
| Summary Schedule of Prior Audit Findings | 38 |

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 statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gay Men's Health Crisis, Inc. and Affiliates as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter Regarding Condition of Operations

As discussed in Note 14 to the consolidated financial statements, the Organization has a net deficit and a working capital deficit at December 31, 2022 in addition to recurring losses from operations. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 13. 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.

Responsibilities of Management for the Financial Statements (continued)

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.

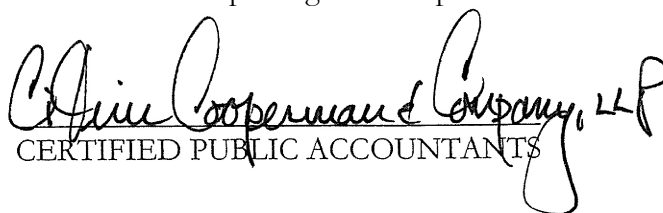
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 September 25, 2023 on our consideration of the 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 the 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 the Gay Men's Health Crisis, Inc. and Affiliates' internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
September 25, 2023

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

| | <u>2022</u> | <u>2021</u> |
|---|------------------------------|------------------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 552,140 | \$ 481,102 |
| Government grants and contracts receivable, net | 6,002,735 | 6,706,988 |
| Accounts receivable, net | 547,762 | 280,215 |
| Contributions receivable, net | 420,448 | 463,010 |
| Prepaid expenses and other assets | 380,352 | 767,801 |
| Property and equipment, net | 3,959,484 | 4,443,727 |
| Security deposits | 3,196,265 | 3,175,391 |
| Other | 520,950 | 255,200 |
| Restricted cash | 250,842 | 250,767 |
| Operating lease right-of-use assets | <u>102,353,305</u> | <u>104,794,610</u> |
| TOTAL ASSETS | <u>\$ 118,184,283</u> | <u>\$ 121,618,811</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|------------------------------|------------------------------|
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 3,507,519 | \$ 3,192,024 |
| Refundable advances | 1,495,034 | 1,231,472 |
| Notes payable | 3,365,576 | 3,056,206 |
| Due to related party | 201,572 | - |
| Paycheck Protection Program loans payable | 2,377,393 | 2,502,502 |
| Operating lease liabilities | 108,746,143 | 110,232,299 |
| Finance lease liabilities | <u>81,660</u> | <u>301,240</u> |
| Total liabilities | <u>119,774,897</u> | <u>120,515,743</u> |
| Commitments and contingencies | | |
| Net assets (deficit): | | |
| Without donor restrictions | (1,991,489) | 679,193 |
| With donor restrictions | <u>400,875</u> | <u>423,875</u> |
| Total net assets (deficit) | <u>(1,590,614)</u> | <u>1,103,068</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 118,184,283</u> | <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
(DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|------------------------------|
| Revenue and support: | | | |
| Support: | | | |
| Government grants and contracts | \$ 13,543,361 | \$ - | \$ 13,543,361 |
| Contributions | 2,959,891 | 159,000 | 3,118,891 |
| In-kind contributions | <u>287,096</u> | <u>-</u> | <u>287,096</u> |
| Total support | <u>16,790,348</u> | <u>159,000</u> | <u>16,949,348</u> |
| Event revenue: | | | |
| Gross event revenue | 2,623,905 | - | 2,623,905 |
| Less: cost of direct event expenses | <u>(1,211,713)</u> | <u>-</u> | <u>(1,211,713)</u> |
| Net event revenue | <u>1,412,192</u> | <u>-</u> | <u>1,412,192</u> |
| Revenue: | | | |
| Program revenue | 2,442,448 | - | 2,442,448 |
| Rental income | 108,294 | - | 108,294 |
| Other | <u>708,930</u> | <u>-</u> | <u>708,930</u> |
| Total revenue | <u>3,259,672</u> | <u>-</u> | <u>3,259,672</u> |
| Net assets released from donor restrictions | <u>182,000</u> | <u>(182,000)</u> | <u>-</u> |
| Total revenue and support | <u>21,644,212</u> | <u>(23,000)</u> | <u>21,621,212</u> |
| Expenses: | | | |
| Program services: | | | |
| Care and support | 11,462,426 | - | 11,462,426 |
| Prevention and education | 4,824,979 | - | 4,824,979 |
| Public policy, information and advocacy | <u>647,756</u> | <u>-</u> | <u>647,756</u> |
| Total program services | <u>16,935,161</u> | <u>-</u> | <u>16,935,161</u> |
| Supporting services: | | | |
| Fundraising | 525,928 | - | 525,928 |
| Management and general | <u>6,853,805</u> | <u>-</u> | <u>6,853,805</u> |
| Total supporting services | <u>7,379,733</u> | <u>-</u> | <u>7,379,733</u> |
| Total expenses | <u>24,314,894</u> | <u>-</u> | <u>24,314,894</u> |
| Change in net assets | (2,670,682) | (23,000) | (2,693,682) |
| Net assets - beginning of year | <u>679,193</u> | <u>423,875</u> | <u>1,103,068</u> |
| NET ASSETS (DEFICIT) - END OF YEAR | <u><u>\$ (1,991,489)</u></u> | <u><u>\$ 400,875</u></u> | <u><u>\$ (1,590,614)</u></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

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| 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> |
| 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 | <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, 2022

| | Program Services | | | Supporting Services | | | Costs of Direct Benefits to Donors | Total |
|--|----------------------|-----------------------------|---|---------------------------|-------------------|---------------------------|---|----------------------|
| | Care and Support | Prevention and Education | Public Policy, Information and Advocacy | Total Program Services | Fundraising | Management and General | | |
| Personnel Services: | | | | | | | | |
| Salaries | \$ 3,523,191 | \$ 1,355,543 | \$ 297,387 | \$ 5,176,121 | \$ 156,880 | \$ 2,732,883 | \$ 262,747 | \$ 8,328,631 |
| Fringe benefits | <u>794,484</u> | <u>275,668</u> | <u>74,076</u> | <u>1,144,228</u> | <u>24,913</u> | <u>571,097</u> | <u>43,891</u> | <u>1,784,129</u> |
| Total personnel services | <u>4,317,675</u> | <u>1,631,211</u> | <u>371,463</u> | <u>6,320,349</u> | <u>181,793</u> | <u>3,303,980</u> | <u>306,638</u> | <u>10,112,760</u> |
| Other: | | | | | | | | |
| Occupancy | 2,635,433 | 908,305 | 40,515 | 3,584,253 | 26,730 | 1,106,576 | 35,221 | 4,752,780 |
| Professional fees and contract services | 297,049 | 226,637 | 169,404 | 693,090 | 153,809 | 870,232 | 462,209 | 2,179,340 |
| Client rent | 1,647,336 | - | - | 1,647,336 | - | - | - | 1,647,336 |
| Pharmacy costs | - | 1,401,715 | - | 1,401,715 | - | - | - | 1,401,715 |
| Facilities/operations | 628,738 | 223,049 | 9,203 | 860,990 | 6,214 | 352,311 | 49,609 | 1,269,124 |
| Bad debt | - | 87,810 | - | 87,810 | - | 643,641 | - | 731,451 |
| Depreciation and amortization | 311,934 | 100,252 | 4,688 | 416,874 | 2,961 | 131,986 | 18,966 | 570,787 |
| Food and related costs | 511,342 | 3,766 | - | 515,108 | - | 314 | 29,808 | 545,230 |
| Supplies and materials | 694,594 | 83,020 | 1,809 | 779,423 | 30,512 | 94,518 | 4,350 | 908,803 |
| Marketing and promotion | 313 | 60,918 | 7,551 | 68,782 | 58,247 | - | 118,878 | 245,907 |
| Insurance | 95,973 | 38,075 | 5,042 | 139,090 | 2,630 | 49,240 | 15,264 | 206,224 |
| Equipment purchases and maintenance | 10,596 | 4,124 | 1,209 | 15,929 | 93 | 8,259 | 118,604 | 142,885 |
| Staff and volunteer training and support | 30,265 | 1,573 | - | 31,838 | 61,518 | 32,027 | 9,600 | 134,983 |
| Utilities | 70,081 | 24,277 | 1,076 | 95,434 | 714 | 29,431 | 330 | 125,909 |
| Interest | 3,190 | 1,084 | 53 | 4,327 | 42 | 113,750 | 19 | 118,138 |
| Telephone | 71,657 | 17,038 | 1,339 | 90,034 | 633 | 24,392 | 503 | 115,562 |
| Grants to other AIDS organizations | 81,308 | - | - | 81,308 | - | - | - | 81,308 |
| Miscellaneous | 5,241 | 5,259 | - | 10,500 | - | 50,732 | 6,421 | 67,653 |
| Memberships and subscriptions | 9,973 | 770 | 18,444 | 29,187 | (4,501) | 30,331 | 1,286 | 56,303 |
| Postage and shipping | 30,071 | 641 | 43 | 30,755 | 4,408 | 3,713 | 6,409 | 45,285 |
| Printing | 281 | 375 | 15,803 | 16,459 | 125 | 2,174 | 23,083 | 41,841 |
| Travel and related costs | 2,871 | 3,045 | 46 | 5,962 | - | 3,499 | 4,515 | 13,976 |
| Real estate taxes | <u>6,505</u> | <u>2,035</u> | <u>68</u> | <u>8,608</u> | <u>-</u> | <u>2,699</u> | <u>-</u> | <u>11,307</u> |
| Total other | <u>7,144,751</u> | <u>3,193,768</u> | <u>276,293</u> | <u>10,614,812</u> | <u>344,135</u> | <u>3,549,825</u> | <u>905,075</u> | <u>15,413,847</u> |
| Total expenses by function | 11,462,426 | 4,824,979 | 647,756 | 16,935,161 | 525,928 | 6,853,805 | 1,211,713 | 25,526,607 |
| Less expenses included with revenues on the statement of activities: cost of direct benefits to donors | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,211,713)</u> | <u>(1,211,713)</u> |
| TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES | <u>\$ 11,462,426</u> | <u>\$ 4,824,979</u> | <u>\$ 647,756</u> | <u>\$ 16,935,161</u> | <u>\$ 525,928</u> | <u>\$ 6,853,805</u> | <u>\$ -</u> | <u>\$ 24,314,894</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 | | Costs of Direct Benefits to Donors | Total | |
|--|---------------------|-----------------------------|---|---------------------------|---------------------|---|------------------|---------------------------|
| | Care and Support | Prevention and Education | Public Policy, Information and Advocacy | Total Program Services | Fundraising | | | Management and General |
| Personnel Services: | | | | | | | | |
| Salaries | \$ 3,252,095 | \$ 1,611,998 | \$ 320,795 | \$ 5,184,888 | \$ 630,028 | \$ 2,707,886 | \$ - | \$ 8,522,802 |
| Fringe benefits | <u>773,973</u> | <u>368,056</u> | <u>77,004</u> | <u>1,219,033</u> | <u>115,855</u> | <u>524,243</u> | <u>-</u> | <u>1,859,131</u> |
| 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 purchases and maintenance | 7,986 | 15,000 | - | 22,986 | 30 | - | - | 23,016 |
| Travel and related costs | - | 848 | - | 848 | 1,720 | 1,384 | - | 3,952 |
| Printing | <u>829</u> | <u>336</u> | <u>148</u> | <u>1,313</u> | <u>665</u> | <u>1,437</u> | <u>-</u> | <u>3,415</u> |
| 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: cost of direct benefits to donors | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(977,963)</u> | <u>(977,963)</u> |
| 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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ (2,693,682) | \$ (1,705,855) |
| Adjustments to reconcile changes in net assets to net cash | | |
| Provided by (used in) operating activities: | | |
| Depreciation | 539,680 | 571,634 |
| Amortization | 31,109 | 8,800 |
| In-kind contributions | (283,350) | - |
| Expenses financed with debt | 1,046,693 | - |
| Non-cash lease expense | - | 818,216 |
| Forgiveness of Paycheck Protection Program loan | - | (2,245,350) |
| Provision for bad debt | 731,451 | 651,200 |
| Change in assets and liabilities: | | |
| Government grants and contracts receivable | 704,253 | 368,051 |
| Accounts receivable | (998,998) | 344,279 |
| Contributions receivable | 42,562 | (316,467) |
| Prepaid expenses and other assets | 387,449 | (340,398) |
| Operating lease right-of-use assets | 2,427,796 | - |
| Accounts payable and accrued expenses | 315,495 | (28,035) |
| Deferred revenue | - | (565,000) |
| Refundable advances | 263,562 | 363,945 |
| Operating lease liabilities | <u>(1,486,156)</u> | <u>-</u> |
| Net cash provided by (used in) operating activities | <u>1,027,864</u> | <u>(2,074,980)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (55,437) | (807,872) |
| Purchase of intangible assets | <u>-</u> | <u>(264,000)</u> |
| Net cash used in investing activities | <u>(55,437)</u> | <u>(1,071,872)</u> |
| Cash flows from financing activities: | | |
| (Increase) decrease in security deposits | (20,874) | 974,320 |
| Increase in due to related parties | 201,572 | - |
| Repayment of finance lease liabilities | (219,580) | (217,316) |
| Payments on notes payable | (1,172,443) | (1,385,153) |
| Payments on Paycheck Protection Program loan | (125,109) | - |
| Proceeds from notes payable | 435,120 | 340,000 |
| Proceeds from Paycheck Protection Program loan | - | 2,000,000 |
| Decrease in line of credit | <u>-</u> | <u>(250,000)</u> |
| Net cash provided by (used in) financing activities | <u>(901,314)</u> | <u>1,461,851</u> |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 71,113 | (1,685,001) |
| Cash, cash equivalents and restricted cash at beginning of year | <u>731,869</u> | <u>2,416,870</u> |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH - | | |
| ENDING | <u>\$ 802,982</u> | <u>\$ 731,869</u> |

See accompanying notes to consolidated financial statements.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 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:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 552,140 | \$ 481,102 |
| Restricted cash | <u>250,842</u> | <u>250,767</u> |
| Total cash, cash equivalents and restricted cash | <u>\$ 802,982</u> | <u>\$ 731,869</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | <u>\$ 118,138</u> | <u>\$ 181,257</u> |
| In-kind contribution of other asset | <u>\$ 283,350</u> | <u>\$ -</u> |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Note payable for unpaid expenses | <u>\$ 1,046,696</u> | <u>\$ -</u> |
| Conversion of line of credit to commercial note payable | <u>\$ -</u> | <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>\$ -</u> | <u>107,538,094</u> |

See accompanying notes to consolidated financial statements.

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 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. All significant inter-company accounts and transactions have been eliminated in consolidation.

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 Organization. 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 Organization 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, 2022 and 2021, the Organization 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.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. At December 31, 2022 and 2021, cash balances not federally insured total \$747,852 and \$876,368, respectively. The Organization has not experienced any losses in such accounts.

Accounts Receivable, Net

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 \$1,043,090, \$713,155, and \$857,434 at December 31, 2022, 2021, and 2020, respectively. The allowance for doubtful accounts was \$491,674 and \$432,940 at December 31, 2022 and 2021, 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 |

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 years ended December 31, 2022 and 2021.

Security Deposit

At December 31, 2022 and 2021, security deposits recorded in the accompanying consolidated statements of financial position totaled \$3,196,265 and \$3,175,391, respectively. The majority of this balance is held by its landlord for the lease of its offices at 307 West 38th Street in lieu of a letter of credit.

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 statements 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.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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.

Leases with an initial term of 12 months or less are not recorded on the consolidated statements 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

The Organization conducts a fundraising event called the AIDS Walk New York (the "Walk"). Throughout the year, the Organization also hosts other special fundraising events related to the Walk, including dinners and galas. Registration or participation fees related to these events are included in special events revenue. Contributions raised in conjunction with other events are included as contribution revenue.

For the years ended December 31, 2022 and 2021, there was no cost of direct benefits to donors that participated in the Organization's special events. All other expenses related to special events are allocated to fundraising expense.

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 statements of activities as net assets released from donor restrictions.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants (continued)

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.

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 statements 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 statements of activities and changes in net assets. The consolidated statements 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 \$245,907 and \$290,167 during the years ended December 31, 2022 and 2021, respectively.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022 and 2021, management believes that the Organization has no material uncertain tax positions.

Recently Adopted Accounting Pronouncements

In-kind Contributions - In September 2020, FASB issued Accounting Standards Update ("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, and the Organization has adopted the amendments on a retrospective basis during the year ended December 31, 2022. The Organization has determined that the application of the amendments of ASU 2020-07 did not have a material impact on the Organization's consolidated financial statements and related disclosures.

Recently Issued but Not Yet Effective Accounting Pronouncements

Credit Losses - In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those annual reporting periods, with early adoption permitted. The Organization is currently evaluating the impact of the new standard on its consolidated financial statements and related disclosures.

Reclassifications

Certain amounts included in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications have no effect on net assets or changes in net assets.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2022, through the date which the consolidated financial statements were available to be issued, September 25, 2023, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*, except as noted in Notes 7, 8, 9 and 14.

NOTE 3. LIQUIDITY AND AVAILABILITY

The following are the Organization's financial assets at December 31, 2022:

Financial assets at year-end:

| | |
|---|------------------|
| Cash and cash equivalents | \$ 552,140 |
| Government grants and contracts receivable, net | 6,002,735 |
| Accounts receivable, net | 547,762 |
| Contributions receivable, net | 420,448 |
| Restricted cash | <u>250,842</u> |
| Total financial assets at December 31, 2022 | <u>7,773,927</u> |

Less amounts not available to be used within one year:

| | |
|------------------------------------|------------------|
| Restricted cash | (250,842) |
| Net assets with donor restrictions | <u>(400,875)</u> |
| | <u>(651,717)</u> |

Financial assets available to meet cash needs for general expenditures within one year

\$ 7,122,210

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, 2022 and 2021 consist of the following:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------|-------------------|
| Gross contributions receivable | \$ 428,220 | \$ 488,155 |
| Allowance for doubtful pledges | (4,000) | (7,600) |
| Unamortized discount | <u>(3,772)</u> | <u>(17,545)</u> |
| Net contributions receivable | <u>\$ 420,448</u> | <u>\$ 463,010</u> |
| Gross contributions receivable: | | |
| Receivable in less than one year | \$ 307,054 | \$ 72,600 |
| Receivable in one to three years | <u>121,166</u> | <u>415,555</u> |
| | <u>\$ 428,220</u> | <u>\$ 488,155</u> |

Four contributors makes up 73% and two contributors make up 85% of total contributions receivable as of December 31, 2022 and 2021, respectively.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5. PROPERTY AND EQUIPMENT

The Organization's property and equipment consists of the following at December 31, 2022 and 2021.

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Leasehold improvements | \$ 2,974,347 | \$ 2,948,273 |
| Furniture and equipment | 8,784,498 | 8,755,135 |
| Leasehold improvements under finance leases | 122,973 | 122,973 |
| Furniture and equipment under finance leases | <u>875,596</u> | <u>875,596</u> |
| | 12,757,414 | 12,701,977 |
| Less: Accumulated depreciation and amortization | <u>(8,797,930)</u> | <u>(8,258,250)</u> |
| | <u>\$ 3,959,484</u> | <u>\$ 4,443,727</u> |

As of December 31, 2022 and 2021, depreciation and amortization expense totaled \$539,680 and \$571,634, respectively. These amounts include amortization expense of \$31,109 and \$126,178, respectively, related to assets under finance leases for the years ended December 31, 2022 and 2021. Accumulated amortization associated with assets under finance leases for the years ended December 31, 2022 and 2021 was \$571,510 and \$565,344, respectively.

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 0.46 years, and the weighted average discount rate is 5.70%.

Components of finance lease expense for the year ended December 31, 2022 and 2021 were approximately:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Finance lease costs: | | |
| Amortization of finance lease liabilities | \$ 219,579 | \$ 219,184 |
| Interest on lease liabilities | <u>10,329</u> | <u>22,600</u> |
| Total finance lease costs | <u>\$ 229,908</u> | <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 1.90%. Total operating lease expense for the years ended December 31, 2022 and 2021 was \$4,705,173 and \$4,718,682, respectively.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6. LEASE COMMITMENTS (CONTINUED)

Operating Leases (continued)

As of December 31, 2022, the Organization's future minimum payments on operating and finance leases, including interest, are as follows:

| <u>Year ending December 31:</u> | <u>Operating</u> | <u>Finance</u> | <u>Total</u> |
|--|----------------------|------------------|-----------------------|
| 2023 | \$ 3,673,946 | \$ 82,566 | \$ 3,756,512 |
| 2024 | 3,861,069 | - | 3,861,069 |
| 2025 | 3,861,069 | - | 3,861,069 |
| 2026 | 3,861,069 | - | 3,861,069 |
| 2027 | 3,861,069 | - | 3,861,069 |
| Thereafter | <u>120,113,211</u> | <u>-</u> | <u>120,113,211</u> |
| Total lease payments | 139,231,433 | 82,566 | 139,313,999 |
| Less: amount of lease payments representing interest | <u>(30,485,290)</u> | <u>(906)</u> | <u>(30,486,196)</u> |
| Present value of lease liabilities | <u>\$108,746,143</u> | <u>\$ 81,660</u> | <u>\$ 108,827,803</u> |

NOTE 7. NOTES PAYABLE

At December 31, 2022 and 2021, notes payable consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Commercial term loan maturing on February 15, 2025, converted from a \$4 million line of credit in March 2021, bearing interest at a rate of 3.50%, and payable in monthly installments of principal and interest of \$83,333. | \$ 1,833,340 | \$ 2,583,337 |
| Note payable to Glenhill Associates, maturing on December 1, 2023, bearing interest at a rate of 8.00%, and payable in monthly installments of principal and interest of \$91,050. | 1,046,693 | - |
| Bank loan which matured on February 17, 2023, and interest at a rate of Prime+3.00%. The loan was paid in full at maturity. | 435,120 | - |
| 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. | 50,423 | 132,869 |
| 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. | <u>-</u> | <u>340,000</u> |
| | <u>\$ 3,365,576</u> | <u>\$ 3,056,206</u> |

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7. NOTES PAYABLE (CONTINUED)

The Organization's term loan payable contains certain restrictive covenants as well as a requirement to maintain a restricted cash account. At December 31, 2022 and 2021, the balance in this restricted cash account totaled \$250,842 and \$250,767, respectively.

At December 31, 2022, the Organization was in breach of the minimum tangible net worth covenant and the requirement to provide audited financial statements within 150 days after year-end. Under the terms of the agreement, the bank may call the loan if the Organization is in violation of any restrictive covenant. The bank has waived those requirements of the agreement as of December 31, 2022 and for the year then ended.

At December 31, 2022, annual maturities on notes payable are as follows:

| <u>Year ending December 31:</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2023 | \$ 2,198,900 |
| 2024 | 999,996 |
| 2025 | <u>166,680</u> |
| | <u>\$ 3,365,576</u> |

NOTE 8. PAYCHECK PROTECTION PROGRAM LOANS

Paycheck Protection Program Loan Payable

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.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent of 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.

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 8. PAYCHECK PROTECTION PROGRAM LOANS (CONTINUED)

Paycheck Protection Program Loan Payable (continued)

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 for the year ended December 31, 2021. 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 statements of financial position.

Paycheck Protection Program Second Draw - Loan Payable

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.

Summary

At December 31, 2022 and 2021, total Paycheck Protection Program loans payable were \$2,377,393 and \$2,502,502, respectively.

At December 31, 2022, annual maturities on PPP loans payable are as follows:

| <u>Year ending December 31:</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2023 | \$ 628,025 |
| 2024 | 643,898 |
| 2025 | 521,064 |
| 2026 | 490,394 |
| 2027 | <u>94,012</u> |
| | <u>\$ 2,377,393</u> |

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9. DUE TO RELATED PARTY

In December 2022, the Organization received an advance from an officer in the amount of \$201,572, which is reported on the accompanying statement of financial position as a liability at December 31, 2022. There was no written agreement between the officer and the Organization. The balance was repaid in full in January 2023. There were no amounts due to related parties at December 31, 2021.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Purpose restrictions: | | |
| Prevention and Education | \$ 60,000 | \$ - |
| Care and Support | <u>204,375</u> | <u>209,875</u> |
| Total purpose restrictions | 264,375 | 209,875 |
| Time restrictions | <u>136,500</u> | <u>214,000</u> |
| Total net assets with donor restrictions | <u>\$ 400,875</u> | <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 years ended December 31, 2022 and 2021 were as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Purpose restrictions | | |
| Care and Support | \$ 100,000 | \$ 601,837 |
| Prevention and education | <u>-</u> | <u>70,000</u> |
| Total purpose restrictions | 100,000 | 671,837 |
| Time restrictions | <u>82,000</u> | <u>82,000</u> |
| Total net assets released from donor restrictions | <u>\$ 182,000</u> | <u>\$ 753,837</u> |

NOTE 11. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2022, in-kind contributions recognized in the consolidated statement of activities and changes in net assets totaled \$287,096, of which \$283,350 were capitalized as other assets on the accompanying statement of financial position. There were no in-kind contributions received during the year ended December 31, 2021.

The other assets are valued at the estimated price of identical or similar products using pricing data under a "like-kind" methodology considering the assets' condition and utility for use at the time of contribution. Services are recorded at an estimated hourly rate for similar services that the Organization would have to pay for, if not provided in-kind.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 12. 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 contributions for the years ended December 31, 2022 and 2021 totaled \$98,324 and \$108,182, respectively.

NOTE 13. CONTINGENCIES

The Organization may be involved in various legal actions from time to time arising in the normal course of business. Management believes 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 years ended December 31, 2022 and 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 14. UNCERTAINTIES

Financial Condition

At December 31, 2022, the Organization ended the year with a net deficit as a result of consecutive decreases in its changes in net asset in 2021 and 2022. Additionally, significant payments related to notes payable and Paycheck Protection Program loans are due in 2023. Management has considered whether there is substantial doubt about the Organization's ability to continue as a going concern due to these factors and evaluated its available cash balance over the next 12 months from the date the consolidated financial statements are available to be issued.

To mitigate the concerns noted above, management has budgeted for the fiscal year 2023 to alleviate losses by applying for additional grants and focusing on reducing expenses. Subsequent to year end, the Organization has been awarded four new grants in the amount of \$8,041,968. Additionally, management notes that the 340(b) Pharmacy Program will be operating for a full year starting in 2023 and will be collecting cash receipts from two new subleases in 2023 that will offset a portion of the Organization's occupancy costs.

SUPPLEMENTARY INFORMATION

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Total 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 | \$ 513,791 | \$ - |
| Food and Nutrition Services | 93.914 | 11-FNS-520 | 720,923 | - |
| Family Stabilization Services | 93.914 | 15-SCG-520 | 300,152 | - |
| Harm Reduction Services | 93.914 | 16-HRM-520 | 535,581 | - |
| Mental Health Services | 93.914 | 16-MHV-520 | 227,568 | - |
| Targeted HIV Testing Among Priority Populations (MAI) | 93.914 | 18-TPT-520 | 40,126 | - |
| PlaySure Network 2.0 in Non-Health Care Settings | 93.914 | 23-PNH-520 | <u>206,547</u> | <u>-</u> |
| | | | <u>2,544,688</u> | <u>-</u> |
| Passed through from Health Research, Inc: | | | | |
| HIV Care Formula Grants: | | | | |
| Minority AIDS Initiative | 93.917 | 5341 | 85,387 | - |
| 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 | 63,394 | - |
| 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>443,365</u> | <u>-</u> |
| Total Medicaid Cluster | | | <u>443,365</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: | | | | |
| Leveraging HIV Testing for Linkage to Prevention: HIV Testing Programs | 93.940 | 16-LTP-520 | 126,142 | - |
| Condom Distribution Services | 93.940 | 19-CON-520 | <u>129,966</u> | <u>-</u> |
| | | | <u>256,108</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, 2022

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Total Federal Expenditures</u> | <u>Passed Through to Subrecipients</u> |
|--|--|---|---------------------------------------|--|
| Office of Health Resources and Services | | | | |
| Administration: | | | | |
| Passed through from Leaders in Networking and Knowledge: | | | | |
| Special Projects of National Significance: | | | | |
| HRSA Project Vogue | 93.928 | H97HA31808 | 179,829 | - |
| Office of Substance Abuse and Mental Health | | | | |
| Services Administration: | | | | |
| Passed through from Centers for Disease Control and Prevention: | | | | |
| HIV Prevention Activities Non-Governmental Organization Based | 93.939 | NU65PS923649 | <u>135,192</u> | <u>-</u> |
| Total U.S. Department of Health and Human Services | | | <u>3,707,963</u> | <u>-</u> |
| <u>U.S Department of Housing and Urban Development</u> | | | | |
| Office of Community Planning and Development: | | | | |
| Continuum of Care Program | 14.267 | NY1225L2T001800 | 1,508,319 | - |
| Passed through from the NYC Department of Health and Mental Hygiene: | | | | |
| Housing Opportunities for Persons with AIDS | 14.241 | 14A-SPH-016 | <u>979,906</u> | <u>-</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>2,488,225</u> | <u>-</u> |
| Total Federal Awards Expended | | | <u>\$ 6,196,188</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, 2022

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, 2022. 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% de minimis indirect cost rate allowed under Uniform Guidance.

**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 nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, 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 September 25, 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 for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 first paragraph of this section 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 consolidated 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 costs as item 2022-001 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 a item 2022-002 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 consolidated financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002.

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 consolidated 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 the 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 Gay Men's Health Crisis, Inc. and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
September 25, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
THE 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 the 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 the 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 program for the year ended December 31, 2022. Gay Men's Health Crisis, Inc. and Affiliates' major federal program is 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 program for the year ended December 31, 2022.

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 for the design, implementation, and maintenance of effective internal controls 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 program.

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 each major federal programs 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 2022-002. Our opinion on the major federal program is not modified with respect to this matter.

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.

“Citrin Cooperman” is the brand under which Citrin Cooperman & Company, LLP, a licensed independent CPA firm, and Citrin Cooperman Advisors LLC serve clients' business needs. The two firms operate as separate legal entities in an alternative practice structure. Citrin Cooperman is an independent member of Moore North America, which is itself a regional member of Moore Global Network Limited (MGNI).

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 2022-002 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
September 25, 2023

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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:

Name of Federal Program or Cluster

Assistance Listing
Number

HIV Emergency Relief Project Grants

93.914

- | | |
|--|-----------|
| 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, 2022

B. FINANCIAL STATEMENT FINDINGS

Finding 2022-001: Ineffective internal control and supervision over the Organization's financial reporting processes (Material Weakness)

Condition: A significant number of adjusting journal entries were required to adjust year end balances at December 31, 2022.

Criteria or Specific Requirement: Management should have an effective process in place for a timely review of its month-end and year-end closing processes.

Cause: Certain accounts did not appear to be assessed effectively by management during the year ended December 31, 2022.

Effect: Several adjusting journal entries were required to adjust balances regarding management's assessment of the Organization's allowance for doubtful accounts and amounts owed to and from certain customers and vendors.

Recommendation: Management should assess its outstanding receivables and payables on a monthly basis and follow up timely on outstanding receivables. In addition, management should review and enhance its internal controls and processes to ensure a timely close process and reconciliation are performed.

Views of Responsible Officials: Management of the Organization agrees with the finding. The Organization will 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 also plans to enhance its review process for recording of multi-year contributions receivable to ensure proper recording. The Organization has implemented an additional month-end process to ensure the reconciliation of liability and asset accounts.

Finding 2022-002: The Organization did not file its Data Collection Form on time with the Federal Audit Clearinghouse for the year ended December 31, 2021. (Significant Deficiency)

Condition: The Organization did not file the Data Collection Form within nine months of 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 file the Data Collection Form on time due to internal delays.

Effect: The Data Collection Form for fiscal year 2021 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. The Organization plans to have its audit for the year ended December 31, 2022 completed by September 30, 2023 and will implement new processes and controls to ensure the Data Collection Form is filed timely.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

C. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

Finding 2022-002: The Organization did not file its Data Collection Form on time with the Federal Audit Clearinghouse for the year ended December 31, 2021. (Significant Deficiency)

Condition: The Organization did not file the Data Collection Form within nine months of 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 file the Data Collection Form due to internal delays.

Effect: The Data Collection Form for fiscal year 2021 was not submitted to the Federal Audit Clearinghouse within the required timeframe.

Questioned Costs: None.

Identification as a Repeat Finding: This is a repeat finding of prior year finding 2021-002 as the Organization was late in filing its 2021 Data Collection Form with the Federal Audit Clearinghouse.

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. Beginning for the year ended December 31, 2022, management 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, 2021**

A. 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.

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

Current Year Status: The matter has been resolved.

Finding 2021-002: Data Collection Form Not Filed Timely

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

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.

Current Year Status: The finding has not been resolved, however, a plan was put into place by management to file timely for the year ended December 31, 2022. See Finding 2022-002.

B. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

Finding 2021-002: Data Collection Form Not Filed Timely

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

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.

Current Year Status: The finding has not been resolved, however, a plan was put into place by management to file timely for the year ended December 31, 2022. See Finding 2022-002.