

Consolidated Financial Statements Together with  
Report of Independent Certified Public Accountants

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**

For the years ended June 30, 2013 and 2012

# GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors

**Gay Men’s Health Crisis, Inc. and Affiliates:**

We have audited the accompanying consolidated financial statements of Gay Men’s Health Crisis, Inc. and Affiliates (collectively, the “Organization”), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management’s responsibility for the financial statements**

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

**Auditor’s responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gay Men's Health Crisis, Inc. and Affiliates as of June 30, 2013 and 2012, 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.

*Grant Thornton LLP*

New York, New York  
March 31, 2014

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2013 and 2012**

<b>ASSETS</b>	<u><b>2013</b></u>	<u><b>2012</b></u>
Cash and cash equivalents	\$ 7,181,701	\$ 5,724,567
Government grants and contracts receivable	2,607,097	3,129,623
Medicaid receivables, net	534,572	436,144
Contributions receivable, net	1,451,512	1,809,866
Other receivables	32,499	785,740
Prepaid expenses and other assets	578,167	855,508
Leasehold improvements, furniture and equipment, net	5,903,654	5,090,768
Restricted cash	3,799,788	3,790,226
Total assets	<u>\$ 22,088,990</u>	<u>\$ 21,622,442</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,301,002	\$ 1,134,315
Deferred rent and rent incentives	2,820,761	3,063,738
Government contract advances	136,763	191,077
Accrued compensated absences	279,935	443,336
Total liabilities	<u>4,538,461</u>	<u>4,832,466</u>
 Commitments and contingencies		
<b>NET ASSETS</b>		
Unrestricted:		
Available for operations	10,341,943	11,203,089
Designated - programs	885,229	885,229
Designated - plant funds	4,852,743	3,845,843
Total unrestricted	<u>16,079,915</u>	<u>15,934,161</u>
Temporarily restricted	<u>1,470,614</u>	<u>855,815</u>
Total net assets	<u>17,550,529</u>	<u>16,789,976</u>
Total liabilities and net assets	<u>\$ 22,088,990</u>	<u>\$ 21,622,442</u>

*The accompanying notes are an integral part of these consolidated statements.*

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**  
**Consolidated Statement of Activities**  
For the year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Support:			
Contributions - General	\$ 2,874,790	\$ 704,115	\$ 3,578,905
Contributions - Capital Campaign	-	744,425	744,425
Contributed services and in-kind support	3,186,912	-	3,186,912
Special events, net of direct costs	<u>3,690,655</u>	<u>10,000</u>	<u>3,700,655</u>
Total support	<u>9,752,357</u>	<u>1,458,540</u>	<u>11,210,897</u>
Revenue:			
Government grants and contracts	13,889,581	-	13,889,581
Medicaid revenue	1,998,321	-	1,998,321
Interest income	15,754	-	15,754
Rental income	101,365	-	101,365
Other	<u>9,551</u>	<u>-</u>	<u>9,551</u>
Total revenue	<u>16,014,572</u>	<u>-</u>	<u>16,014,572</u>
Net assets released from restrictions	<u>843,741</u>	<u>(843,741)</u>	<u>-</u>
Total support and revenue	<u>26,610,670</u>	<u>614,799</u>	<u>27,225,469</u>
<b>EXPENSES</b>			
Program services:			
Care and support	14,039,571	-	14,039,571
Prevention and education	4,324,112	-	4,324,112
Public policy, information and advocacy	<u>2,605,411</u>	<u>-</u>	<u>2,605,411</u>
Total program services	<u>20,969,094</u>	<u>-</u>	<u>20,969,094</u>
Supporting services:			
Management and general	3,264,661	-	3,264,661
Fundraising	<u>2,231,161</u>	<u>-</u>	<u>2,231,161</u>
Total supporting services	<u>5,495,822</u>	<u>-</u>	<u>5,495,822</u>
Total expenses	<u>26,464,916</u>	<u>-</u>	<u>26,464,916</u>
Change in net assets	145,754	614,799	760,553
Net assets, beginning of year	<u>15,934,161</u>	<u>855,815</u>	<u>16,789,976</u>
Net assets, end of year	<u>\$ 16,079,915</u>	<u>\$ 1,470,614</u>	<u>\$ 17,550,529</u>

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

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**  
**Consolidated Statement of Activities**  
For the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Support:			
Contributions - General	\$ 3,361,428	\$ 862,498	\$ 4,223,926
Contributions - Capital Campaign	-	112,500	112,500
Contributed services and in-kind support	1,711,369	-	1,711,369
Special events, net of direct costs	<u>4,174,879</u>	<u>-</u>	<u>4,174,879</u>
Total support	<u>9,247,676</u>	<u>974,998</u>	<u>10,222,674</u>
Revenue:			
Government grants and contracts	13,185,616	-	13,185,616
Medicaid revenue	1,381,712	-	1,381,712
Interest income	19,683	-	19,683
Rental income	53,897	-	53,897
Other	<u>12,219</u>	<u>-</u>	<u>12,219</u>
Total revenue	<u>14,653,127</u>	<u>-</u>	<u>14,653,127</u>
Net assets released from restrictions	<u>877,309</u>	<u>(877,309)</u>	<u>-</u>
Total support and revenue	<u>24,778,112</u>	<u>97,689</u>	<u>24,875,801</u>
<b>EXPENSES</b>			
Program services:			
Care and support	13,641,451	-	13,641,451
Prevention and education	6,327,208	-	6,327,208
Public policy, information and advocacy	<u>2,210,237</u>	<u>-</u>	<u>2,210,237</u>
Total program services	<u>22,178,896</u>	<u>-</u>	<u>22,178,896</u>
Supporting services:			
Management and general	795,938	-	795,938
Fundraising	<u>2,299,453</u>	<u>-</u>	<u>2,299,453</u>
Total supporting services	<u>3,095,391</u>	<u>-</u>	<u>3,095,391</u>
Total expenses	<u>25,274,287</u>	<u>-</u>	<u>25,274,287</u>
Change in net assets	(496,175)	97,689	(398,486)
Net assets, beginning of year	<u>16,430,336</u>	<u>758,126</u>	<u>17,188,462</u>
Net assets, end of year	<u>\$ 15,934,161</u>	<u>\$ 855,815</u>	<u>\$ 16,789,976</u>

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

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2013**

	Program Services				Supporting Services			
	Care and Support	Prevention and Education	Public Policy, Information, and Advocacy	Total	Management and General	Fundraising	Total	Total
Personnel and volunteer services:								
Staff compensation	\$ 3,987,530	\$ 1,927,040	\$ 930,445	\$ 6,845,015	\$ 777,141	\$ 845,387	\$ 1,622,528	\$ 8,467,543
Employee benefits and payroll taxes	919,300	530,791	163,277	1,613,368	135,751	151,001	286,752	1,900,120
Contributed services	1,092,314	26,648	58,151	1,177,113	106,591	-	106,591	1,283,704
Total	5,999,144	2,484,479	1,151,873	9,635,496	1,019,483	996,388	2,015,871	11,651,367
Other than personnel costs:								
Professional fees and contract service	504,530	82,323	278,382	865,235	129,332	288,450	417,782	1,283,017
Postage and shipping	32,199	5,535	10,095	47,829	5,773	33,020	38,793	86,622
Telephone	51,380	23,133	13,678	88,191	7,488	5,461	12,949	101,140
Occupancy	2,339,942	1,305,284	346,644	3,991,870	1,052,373	265,463	1,317,836	5,309,706
Supplies	27,918	21,381	8,022	57,321	126	8,972	9,098	66,419
Printing	2,671	13,330	69,257	85,258	51	12,261	12,312	97,570
Equipment rental and maintenance	1,797	1,003	890	3,690	493	141	634	4,324
Memberships and subscriptions	45,135	2,393	12,140	59,668	911	946	1,857	61,525
Staff and volunteer training and support	37,273	9,390	7,779	54,442	10,685	7,777	18,462	72,904
Meetings	3,961	697	2,286	6,944	1,391	397	1,788	8,732
Travel and related costs	29,958	23,914	35,927	89,799	4,355	19,310	23,665	113,464
Marketing and promotion	-	24,713	15,718	40,431	-	358,445	358,445	398,876
Staff and volunteer recruitment	1,296	151	354	1,801	469	14,879	15,348	17,149
Food and related costs	368,364	26,922	458	395,744	110	431	541	396,285
Grants to other AIDS service organizations	-	-	432,773	432,773	-	1,588	1,588	434,361
Insurance	57,453	32,570	6,682	96,705	73,999	6,488	80,487	177,192
Real estate and other taxes	38,693	18,559	6,495	63,747	3,670	4,602	8,272	72,019
Client rentals	3,634,390	-	-	3,634,390	39,719	-	39,719	3,674,109
Programmatic supplies	78,459	157,569	39,218	275,246	-	-	-	275,246
Events	246	14,753	522	15,521	-	-	-	15,521
Miscellaneous	130,964	-	340	131,304	677,747	138,575	816,322	947,626
Total	7,386,629	1,763,620	1,287,660	10,437,909	2,008,692	1,167,206	3,175,898	13,613,807
Total expenses before depreciation and amortization	13,385,773	4,248,099	2,439,533	20,073,405	3,028,175	2,163,594	5,191,769	25,265,174
Depreciation and amortization	653,798	76,013	165,878	895,689	236,486	67,567	304,053	1,199,742
Total expenses	\$ 14,039,571	\$ 4,324,112	\$ 2,605,411	\$ 20,969,094	\$ 3,264,661	\$ 2,231,161	\$ 5,495,822	\$ 26,464,916

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



**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2012**

	Program Services			Supporting Services				
	Care and Support	Prevention and Education	Public Policy, Information, and Advocacy	Total	Management and General	Fundraising	Total	Total
Personnel and volunteer services:								
Staff compensation	\$ 3,915,042	\$ 2,636,020	\$ 728,920	\$ 7,279,982	\$ 274,842	\$ 950,610	\$ 1,225,452	\$ 8,505,434
Employee benefits and payroll taxes	893,479	611,542	136,024	1,641,045	34,541	182,857	217,398	1,858,443
Contributed services	1,542,266	90,158	24,005	1,656,429	39,244	15,697	54,941	1,711,370
Total	<u>6,350,787</u>	<u>3,337,720</u>	<u>888,949</u>	<u>10,577,456</u>	<u>348,627</u>	<u>1,149,164</u>	<u>1,497,791</u>	<u>12,075,247</u>
Other than personnel costs:								
Professional fees and contract service	249,760	205,659	210,446	665,865	30,234	275,403	305,637	971,502
Postage and shipping	29,453	16,978	10,227	56,658	6,439	26,891	33,330	89,988
Telephone	37,610	34,539	10,898	83,047	7,079	6,484	13,563	96,610
Occupancy	2,581,359	1,789,894	353,848	4,725,101	163,431	449,984	613,415	5,338,516
Supplies	63,348	43,590	6,813	113,751	13,202	15,721	28,923	142,674
Printing	2,843	44,491	75,373	122,707	242	21,021	21,263	143,970
Equipment rental and maintenance	2,346	4,027	506	6,879	1,039	1,722	2,761	9,640
Memberships and subscriptions	33,284	2,662	51,636	87,582	1,115	2,471	3,586	91,168
Staff and volunteer training and support	26,759	15,667	3,157	45,583	6,332	5,875	12,207	57,790
Meetings	4,049	3,563	3,008	10,620	1,756	853	2,609	13,229
Travel and related costs	20,431	44,562	34,014	99,007	3,079	56,255	59,334	158,341
Marketing and promotion	854	23,948	18,094	42,896	41	183,301	183,342	226,238
Staff and volunteer recruitment	4,923	4,424	748	10,095	2,181	13,472	15,653	25,748
Food and related costs	412,430	14,839	-	427,269	-	-	-	427,269
Grants to other AIDS service organizations	-	-	440,542	440,542	-	1,454	1,454	441,996
Insurance	75,415	50,884	9,136	135,435	19,705	11,219	30,924	166,359
Real estate and other taxes	14,959	10,604	2,030	27,593	1,171	2,645	3,816	31,409
Client rentals	3,211,295	-	-	3,211,295	-	-	-	3,211,295
Programmatic supplies	89,597	277,673	18,913	386,183	-	-	-	386,183
Events	-	8,572	1,590	10,162	-	-	-	10,162
Miscellaneous	9,330	14,887	6,417	30,634	4,133	978	5,111	35,745
Total	<u>6,870,045</u>	<u>2,611,463</u>	<u>1,257,396</u>	<u>10,738,904</u>	<u>261,179</u>	<u>1,075,749</u>	<u>1,336,928</u>	<u>12,075,832</u>
Total expenses before depreciation and amortization	13,220,832	5,949,183	2,146,345	21,316,360	609,806	2,224,913	2,834,719	24,151,079
Depreciation and amortization	420,619	378,025	63,892	862,536	186,132	74,540	260,672	1,123,208
Total expenses	<u>\$ 13,641,451</u>	<u>\$ 6,327,208</u>	<u>\$ 2,210,237</u>	<u>\$ 22,178,896</u>	<u>\$ 795,938</u>	<u>\$ 2,299,453</u>	<u>\$ 3,095,391</u>	<u>\$ 25,274,287</u>

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

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**  
**Consolidated Statements of Cash Flows**  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 760,553	\$ (398,486)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,199,742	1,123,208
Donated software equipment	(1,903,207)	-
Present value discount and provision for doubtful pledges receivable	(1,774)	(2,484)
Change in assets and liabilities:		
Decrease in government grants receivable	522,526	471,570
Increase in medicaid receivable	(98,428)	(96,757)
Decrease in pledges receivable	360,128	142,456
Decrease (increase) in other receivables	753,241	(96,912)
Decrease (increase) in prepaid expenses and other assets	277,341	(617,964)
Increase (decrease) in accounts payable and accrued expenses	166,687	(1,052,651)
Decrease (increase) in deferred rent and rent incentives	(242,977)	70,411
Decrease in government contract advances	(54,314)	(61,409)
Decrease in accrued compensated absences	(163,401)	(68,349)
	<u>1,576,117</u>	<u>(587,367)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of leasehold improvements, furniture and equipment	<u>(109,421)</u>	<u>(93,842)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted cash	<u>(9,562)</u>	<u>(13,275)</u>
	1,457,134	(694,484)
Cash and cash equivalents at beginning of year	<u>5,724,567</u>	<u>6,419,051</u>
Cash and cash equivalents at end of year	<u>\$ 7,181,701</u>	<u>\$ 5,724,567</u>

*The accompanying notes are an integral part of these consolidated statements.*

# GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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### 1. MISSION AND ORGANIZATIONAL STRUCTURE

#### Organizational Structure

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

Gay Men's Health Crisis, Inc. ("GMHC")	Acquired Immune Deficiency Syndrome ("AIDS") Service, Education, and Advocacy
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Gay Men's Health Crisis Action, Inc. ("GMHC Action")	Lobbying and Public Policy Influence
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Gay Men's Health Services, Inc. ("GMHC Health Services")	Human Immunodeficiency Virus ("HIV") Testing and Medical Service
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GMHC and GMHC Health Services are not-for-profit organizations exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Additionally, GMHC has elected to operate under Section 501(h) of the Code to participate in limited lobbying activities regarding AIDS-related issues without jeopardizing its exemption from income taxes under Section 501(c)(3).

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

#### Gay Men's Health Crisis, Inc.

GMHC is a volunteer-supported, community-based organization committed to national leadership in the fight against AIDS. Originally founded by volunteers in 1981 when the first cases of AIDS were reported in New York, GMHC was later incorporated under New York State law on June 25, 1982.

GMHC fights to end the AIDS epidemic and uplift the lives of all affected. Over 10,500 clients are served by GMHC's programs annually. GMHC provides a broad array of programs through the efforts of clinicians, trained volunteers, and professional staff who identify undiagnosed cases of HIV, ensure access and entry to coordinated primary medical care, and maintain clients in care through integrated "wraparound" services that target major contributors of HIV disease, such as unmet substance abuse, mental health issues, legal, and employment needs. GMHC also provides counseling and other risk reduction services to persons at high risk for HIV and other Sexually Transmitted Infections ("STIs"), conducts community level interventions to targeted subpopulations at high risk in order to influence health-seeking social norms, and facilitates leadership development and community building for those affected by the epidemic. GMHC also works on structural interventions to curtail the rate of new infections, improve the quality of life for those infected, or affected and enhance services.

#### Gay Men's Health Crisis Action, Inc.

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

# **GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

**June 30, 2013 and 2012**

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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.

### **GMHC Health Services, Inc.**

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

During the years ended June 30, 2013 and 2012, GMHC's programs were as follows:

### **Care and Support**

The Intake Department provides the initial portal of entry to services for new clients of GMHC.

The Michael Palm Center for AIDS Care and Support ensures effective linkage to and coordination of care, both internally at GMHC and externally, in collaboration with our community partners. The Palm Center is divided into units that collaborate to meet its clients' needs. The Counseling and Support Unit comprises assessments, mental health services, substance abuse counseling, and sexual health education and risk reduction. Comprehensive Risk Counseling Services ("CRCS") is a harm reduction-based program for both HIV-positive and Very High Risk HIV-negative Men who have Sex with Men ("MSM"). Support is provided through individual level counseling, group level interventions, partner care referral services, peer counseling, and treatment education. The program offers individual and group counseling to address substance use and sexual risk-taking for gay and bisexual men and MSM.

Women's Prevention and Care Supportive Services ("WPCSS") addresses the substance use issues of women of color through outreach, individual counseling, group interventions, and connection to HIV testing. Both CRCS and WPCSS employ a client-centered, harm reduction approach to behavioral change and maintenance, assisting clients to achieve a higher level of stability and decrease their risk of contracting or transmitting HIV and other STIs.

Many Men, Many Voices, the Barbershop, and Outstanding Beautiful Brothers targets African American and Latino MSM who are HIV-positive or negative, with the goals of understanding one's HIV status and increasing one's knowledge and self-awareness to prevent further HIV transmissions. Group Services consists of a variety of long- and short-term groups addressing the needs of those infected or affected by HIV.

Team 119 provides mental health services for people living with HIV/AIDS through individual and group modalities, including art therapy.

The Volunteer, Work and Wellness Department ("VWW") provides services across a range of disciplines.

# **GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

**June 30, 2013 and 2012**

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The Volunteer Center recruits, trains, and supports thousands of volunteers and interns in the fight against AIDS. Volunteers provide critical program and administrative support to GMHC in achieving its mission.

Moving Ahead Toward Career Horizons ("MATCH") provides transition to work services through vocational counseling, on the job training, skills-based training, placement, retention, and career advancement services to consumers living with and at high risk for HIV/AIDS.

The Meal, Nutrition and Wellness Program provides hot nutritious meals to impoverished clients living with HIV. Lunch is served Monday through Thursday, and dinner on Friday, with over 90,000 meals served each year.

Nutrition and Wellness Services operates a Food Pantry as well as individualized nutrition counseling-nutrition groups, workshops, and cooking classes-as well as therapeutic art classes, exercise programs, and complementary therapies such as, yoga, chiropractic care, and massage therapy.

The Coordinated Care Unit assists clients with entry and maintenance into primary medical care, accessing governmental benefits, housing, and financial management services. The Community Health Advocacy program builds health literacy through assistance with health care coverage and the navigation of managed care plans. The HIV/AIDS Services Administration ("HASA") program at GMHC provides application assistance for Social Security benefits and other entitlement programs, as well as financial management and institutional representative payee services. Two case management programs provide needs assessment and field assistance, one for clients with Medicaid and the other for clients with private insurance or no insurance.

The Legal Services and Client Advocacy Department provides legal assistance critical to obtaining and maintaining access to food, housing, medical care, and employment. The department focuses on discrimination, employment, bankruptcy, homelessness prevention, family law, child custody, permanency planning, immigration, and access to benefits and entitlements. Legal Services provides outreach to immigrant communities.

The Sustainable Living Fund ("SLF") at GMHC funded through Housing Opportunity for Persons with AIDS (HOPWA) provides rental assistance to clients who do not qualify for other housing services.

The Informatics Unit oversees program evaluation, outcome measurement, continuous quality improvement projects, and data management and reporting. Grants Management services are also provided by this unit and it ensures programmatic accountability, effectiveness, and integration.

### **Prevention and Education**

The David Geffen Center for HIV Prevention and Health Education combines a highly successful HIV and STI testing and counseling center with follow-up and immediate connection to care. Its programs empower clients with the knowledge to maximize their well-being through easily accessible counseling, testing, and referral services related to sexual health and HIV prevention.

# **GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**

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Referral Services include the GMHC HIV/AIDS Hotline, which is the longest standing and first response helpline to the AIDS epidemic. The Hotline responds to approximately 5,000 phone calls yearly with information, emotional support, and an expansive referral service.

Community Health and Research ("CHR") is committed to prevention, education, and the promotion of wellness to communities that are at high risk for HIV disease. The unit is comprised of the following two institutes:

The Institute for Gay Men's Health ("IGMH") is committed to HIV prevention in the context of wellness among gay men, MSM, and their affiliated communities. Addressing a multiplicity of health issues and social contexts, the Institute embraces a broader health agenda through HIV and STI prevention services, social marketing, leadership development, community building, education, and community-based research. Additionally, the Institute supports targeted, population-specific programs, such as the House of Latex Project, an initiative serving black and Latino lesbian, gay, bisexual, and transgendered youth and young adults involved in New York City's House and Ball Community.

The Women's Institute provides culturally competent and linguistically appropriate outreach, education, early intervention, and support for women, parents, and families at risk for or living with HIV/AIDS; ensures the continuum of care for women within GMHC programs; and builds partnerships with other women's service programs and institutions to ensure an external continuum of care for our clients as well as to advocate for improved services for women in New York City. The Lesbian AIDS Project ("LAP") targets lesbian, bisexual, and other women who partner with women and are at-risk for or living with HIV/AIDS.

### **Public Policy, Information and Advocacy**

The Public Policy department furthers our HIV prevention work by advocating for fair, effective, and evidence-based HIV prevention policies at the Federal, State and City levels.

The Policy Department advocates for comprehensive sex education, syringe exchange and other proven prevention technologies. The Policy Department also 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. Finally, the Policy Department continues to defend the rights of individuals living with HIV. Clients and members of the community are the true driving force behind our Policy Department's work. Additionally, GMHC invites volunteers, clients and members of the community to participate in its Action Center. This program serves as a center for community organizing and advocacy activities while building participants' leadership skills. This high level of participation and organizational influence by our clients and the community helps to ensure that GMHC is constantly working to serve our target populations as effectively and creatively as possible.

The Communications Department provides resources and assistance on areas ranging from the GMHC web sites, social media campaigns, and marketing initiatives.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of Gay Men's Health Crisis, Inc., Gay Men's Health Services Action, Inc., and Gay Men's Health Services, Inc. All significant intercompany account balances and transactions have been eliminated in consolidation.

The classification of the Organization's net assets, support and revenue is based on the existence or absence of donor-imposed restrictions. Amounts for each of the three classes of net assets (unrestricted, temporarily restricted and permanently restricted) are displayed in the accompanying consolidated statement of financial position and changes in each of those classes of net assets are displayed in the accompanying consolidated statements of activities.

These net asset classes are defined as follows:

#### Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization are considered unrestricted. Included within this category are amounts set aside for plant funds and specific program service needs used at the sole discretion of GMHC. The operating use of these resources, however, is not externally restricted.

#### Temporarily restricted net assets

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

#### Permanently restricted net assets

Net assets which include funds whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity. Income earned from these investments is available for expenditures according to restrictions, if any, imposed by donors. At June 30, 2013 and 2012, the Organization did not possess any permanently restricted net assets.

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

#### **Cash and Cash Equivalents**

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

# **GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES**

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### **Concentration of Credit Risk**

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

### **Grants and Contributions**

Contributions, both cash and in-kind, which include unconditional promises to give (pledges), are recognized at their fair value in the period received as unrestricted, temporarily restricted or permanently restricted revenue depending upon the existence or absence of donor-imposed stipulations. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate credit adjusted discount rate, and amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions of assets, other than cash, are recorded at their estimated fair value as determined on the date of receipt.

The Organization reports contributions of cash and other assets as temporarily restricted contributions if they are received with donor restrictions that limit the use of the donated assets, and/or the stipulations will not be met until a future reporting period. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

### **Special Events**

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

### **Contributed Services and In-kind Support**

Numerous volunteers contribute many hours to the Organization to provide services to persons with HIV/AIDS, conduct fundraising, and provide administrative support. Certain donated services have been reflected in the accompanying consolidated financial statements as in-kind support (revenue and expenses) based on the estimated fair value for such services on the date received if they meet the criteria for recognition under U.S. GAAP.

Donated goods that meet the criteria for capitalization are recorded as in-kind support revenues and assets (at fair value when received) on the accompanying financial statements. During the years ended June 30, 2013 and 2012 the Organization received \$1,903,207 and \$0, respectively of donated goods that met the criteria for capitalization.

### **Revenues**

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



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

### Allowance for Uncollectible Accounts

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

### Fair Value of Financial Instruments

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

### Leasehold Improvements, Furniture and Equipment

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

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

### Allocation of Functional Expenses

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

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**Taxes**

The Organization recognizes the tax effects from an uncertain tax position in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization is exempt from federal and New York income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code and similar provisions of the New York State tax code. Nevertheless, the Organization may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ending June 30, 2010, 2011, 2012 and 2013 are still open to audit for both federal and state purposes. Management determined that there are no uncertain tax positions within its consolidated financial statements.

**Accounting Estimates**

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

**3. CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 1,201,032	\$ 1,265,215
1-5 years	<u>257,148</u>	<u>553,093</u>
Total	1,458,180	1,818,308
Less:		
Unamortized discount	(899)	(2,673)
Allowance for doubtful pledges	<u>(5,769)</u>	<u>(5,769)</u>
Total contributions receivable, net	<u>\$ 1,451,512</u>	<u>\$ 1,809,866</u>

Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-adjusted interest rate of 1.59% and 1.43% for the years ended June 30, 2013 and 2012, respectively.

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**4. LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT**

Leasehold improvements, furniture and equipment consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 3,701,255	\$ 3,644,949
Furniture and equipment	<u>6,044,809</u>	<u>4,088,486</u>
	9,746,063	7,733,435
Less: Accumulated depreciation and amortization	<u>(3,842,409)</u>	<u>(2,642,667)</u>
	<u>\$ 5,903,654</u>	<u>\$ 5,090,768</u>

Depreciation and amortization expense, for the year ended June 30, 2013 and 2012, amounted to \$1,199,742 and \$1,123,208, respectively.

Furniture and equipment included certain equipment funded by a capital equipment grant from the City of New York in the amount of \$1,106,000. The City of New York had a lien against this equipment which expired in May 2013, at which time the Organization retained full possession of the equipment.

**5. RESTRICTED CASH**

The Organization has a line of credit of \$4 million with a bank that expires on March 15, 2015. In addition, there are two letters of credit with the same bank to secure deposits on leases at 446 West 33<sup>rd</sup> Street and 224 West 29<sup>th</sup> Street. As part of these agreements with the bank, the Organization is required to maintain a restricted cash account. The balance in this restricted cash account was \$3,799,788 and \$3,790,226 at June 30, 2013 and 2012, respectively. There was no outstanding balance on the line of credit and the two letters of credit at June 30, 2013 and 2012.

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following time and/or program purposes at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Care and Support	\$ 1,045,364	\$ 425,984
Prevention and Education	127,213	110,119
Public Policy, Information, and Advocacy	288,037	319,712
AIDS Walk	<u>10,000</u>	<u>-</u>
Total	<u>\$ 1,470,614</u>	<u>\$ 855,815</u>

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and/or by the passage of time as follows for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Care and Support	\$ 395,559	\$ 148,132
Capital Campaign	18,600	112,500
Prevention and Education	97,907	239,185
Public Policy, Information, and Advocacy	<u>331,675</u>	<u>377,492</u>
Total	<u>\$ 843,741</u>	<u>\$ 877,309</u>

**7. COMMITMENTS AND CONTINGENCIES**

**Leases**

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

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

<u>Year ending June 30</u>	<u>29th Street</u>	<u>33rd Street</u>
2014	\$ 330,947	\$ 4,341,195
2015	339,221	4,609,170
2016	347,701	4,662,765
2017	356,394	4,662,765
2018	365,303	4,662,765
2019 and thereafter	<u>374,436</u>	<u>1,942,819</u>
	<u>\$ 2,114,002</u>	<u>\$ 24,881,479</u>

Rent expense is recorded on the straight-line basis over the term of the lease, inclusive of rent abatements and lease incentives. Rent expense for the years ended June 30, 2013 and 2012 was \$4,420,074 and \$4,426,413, respectively. As part of the new lease agreement for its office space at West 33<sup>rd</sup> Street, the Organization was given a lease incentive of \$1,600,617 for reimbursement of leasehold improvements made prior to the move-in date. Deferred rent and rent incentives pertaining to the lease obligations at the West 33<sup>rd</sup> and West 29<sup>th</sup> Street locations as of June 30, 2013 and 2012 was \$2,820,761 and \$3,063,738, respectively.

The Organization may be involved in various legal actions from time to time arising in the normal course of business. In the opinion of management, there are no matters outstanding that would have a material adverse effect on the consolidated financial statements of the Organization as of and for the years ended June 30, 2013 and 2012.

# GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES

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### 8. CAPITAL CAMPAIGN

GMHC launched the *Building Hope, Investing in Life* Campaign in 2010 to secure support for the move to our new headquarters and testing center, in an effort to continue to expand life-saving services for people infected and affected by HIV and AIDS. Once these moves were completed, GMHC is now changing the focus of the campaign to include operational goals specific around developing State licensed mental health and substance abuse prevention clinics. Both mental health disabilities and substance abuse are both recognized as considerably increasing the risk of HIV infection, as well as affecting a high percentage of people living with HIV. These licenses will allow GMHC to expand our work in both arenas, and leverage critical Medicare, Medicaid, and third-party insurance for services rendered. After the initial start-up period, these clinics will become self-sustaining programs and will be independent from fluctuations in governmental and private funding commitments and will provide a more stable base for service provision.

### 9. SPECIAL EVENTS

Special events include fundraising events that are reported net of direct costs. For the years ended June 30, 2013 and 2012, net support from special events was as follows:

	<b>2013</b>		
	<u>Support</u>	<u>Direct Cost</u>	<u>Net</u>
AIDS Walk	\$ 5,596,564	\$ 2,141,692	\$ 3,454,872
Savor Dinner	536,405	279,391	257,014
Fashion Forward*	<u>132,223</u>	<u>143,454</u>	<u>(11,232)</u>
Total	<u>\$ 6,265,192</u>	<u>\$ 2,564,537</u>	<u>\$ 3,700,655</u>

\* Fashion Forward event was cancelled due to Hurricane Sandy.

	<b>2012</b>		
	<u>Support</u>	<u>Direct Cost</u>	<u>Net</u>
AIDS Walk	\$ 5,666,844	\$ 1,955,314	\$ 3,711,530
30th Anniversary Dinner	655,213	300,191	355,022
Fashion Forward	<u>468,510</u>	<u>360,183</u>	<u>108,327</u>
Total	<u>\$ 6,790,567</u>	<u>\$ 2,615,688</u>	<u>\$ 4,174,879</u>

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### 10. CONTRIBUTED SERVICES AND IN-KIND SUPPORT

Contributed services and in-kind support, which are reflected in the accompanying financial statements at fair value at the date of the donation, include the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Donated software	\$ 1,903,207	\$ -
Professional services and In-kind support	836,320	1,243,114
Legal services	<u>447,385</u>	<u>468,255</u>
Total	<u>\$ 3,186,912</u>	<u>\$ 1,711,369</u>

### 11. SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2013 consolidated financial statements for subsequent events through March 31, 2014, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.