

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
AND
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
AND
REPORTS ON COMPLIANCE AND INTERNAL CONTROL
YEAR ENDED DECEMBER 31, 2023

**GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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 for 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 15 to the consolidated financial statements, the Organization has a net deficit and a working capital deficit at December 31, 2023 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 15. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

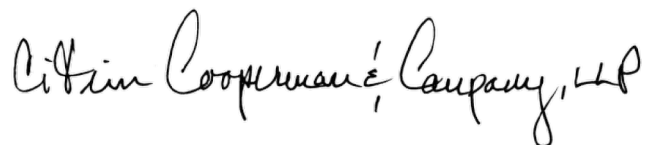
Supplementary Information

Our audits were 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 audits 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.

"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. The entities of Citrin Cooperman & Company, LLP and Citrin Cooperman Advisors LLC are independent member firms of the Moore North America, Inc. (MNA) Association, which is itself a regional member of Moore Global Network Limited (MGNI). All the firms associated with MNA are independently owned and managed entities. Their membership in, or association with, MNA should not be construed as constituting or implying any partnership between them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024, 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.



Braintree, Massachusetts
September 26, 2024

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 5,651	\$ 552,140
Government grants and contracts receivable, net	7,034,183	6,002,735
Accounts receivable, net	365,873	547,762
Contributions receivable, net	744,420	420,448
Prepaid expenses and other assets	401,480	380,352
Property and equipment, net	3,646,245	3,959,484
Security deposits	3,103,686	3,196,265
Other	503,350	520,950
Restricted cash	250,918	250,842
Operating lease right-of-use assets	<u>99,701,000</u>	<u>102,353,305</u>
TOTAL ASSETS	\$ <u>115,756,806</u>	\$ <u>118,184,283</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Liabilities:		
Accounts payable and accrued expenses	\$ 5,577,330	\$ 3,507,519
Refundable advances	2,315,756	1,495,034
Notes payable	1,166,676	3,365,576
Due to related party	-	201,572
Paycheck Protection Program loan payable	493,311	2,377,393
Operating lease liabilities	106,867,525	108,746,143
Finance lease liabilities	<u>-</u>	<u>81,660</u>
Total liabilities	<u>116,420,598</u>	<u>119,774,897</u>
Commitments and contingencies		
Net assets (deficit):		
Without donor restrictions	(1,118,792)	(1,991,489)
With donor restrictions	<u>455,000</u>	<u>400,875</u>
Total net assets (deficit)	<u>(663,792)</u>	<u>(1,590,614)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ <u>115,756,806</u>	\$ <u>118,184,283</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Support:			
Government grants and contracts	\$ 13,942,079	\$ -	\$ 13,942,079
Contributions	3,336,569	535,000	3,871,569
In-kind contributions	<u>82,469</u>	<u>-</u>	<u>82,469</u>
Total support	<u>17,361,117</u>	<u>535,000</u>	<u>17,896,117</u>
Event revenue:			
Gross event revenue	2,278,896	-	2,278,896
Less: cost of direct event expenses	<u>(1,074,739)</u>	<u>-</u>	<u>(1,074,739)</u>
Net event revenue	<u>1,204,157</u>	<u>-</u>	<u>1,204,157</u>
Revenue:			
Pharmacy revenue	6,472,676	-	6,472,676
Rental income	1,532,058	-	1,532,058
Program revenue	986,333	-	986,333
Other	<u>79,451</u>	<u>-</u>	<u>79,451</u>
Total revenue	<u>9,070,518</u>	<u>-</u>	<u>9,070,518</u>
Net assets released from donor restrictions	<u>480,875</u>	<u>(480,875)</u>	<u>-</u>
Total revenue and support	<u>28,116,667</u>	<u>54,125</u>	<u>28,170,792</u>
Expenses:			
Program services:			
Care and support	10,359,867	-	10,359,867
Prevention and education	7,933,504	-	7,933,504
Public policy, information and advocacy	<u>568,098</u>	<u>-</u>	<u>568,098</u>
Total program services	<u>18,861,469</u>	<u>-</u>	<u>18,861,469</u>
Supporting services:			
Fundraising	814,655	-	814,655
Management and general	<u>9,196,799</u>	<u>-</u>	<u>9,196,799</u>
Total supporting services	<u>10,011,454</u>	<u>-</u>	<u>10,011,454</u>
Total expenses	<u>28,872,923</u>	<u>-</u>	<u>28,872,923</u>
Changes in net assets from operations	(756,256)	54,125	(702,131)
Non-operating activity:			
Forgiveness of Paycheck Protection Program loan	<u>1,628,953</u>	<u>-</u>	<u>1,628,953</u>
Changes in net assets	872,697	54,125	926,822
Net assets (deficit) - beginning of year	<u>(1,991,489)</u>	<u>400,875</u>	<u>(1,590,614)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (1,118,792)</u>	<u>\$ 455,000</u>	<u>\$ (663,792)</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

	Without Donor Restrictions	With Donor Restrictions	Total
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:			
Pharmacy revenue	1,764,924	-	1,764,924
Other	708,930	-	708,930
Program revenue	677,524	-	677,524
Rental income	<u>108,294</u>	<u>-</u>	<u>108,294</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>
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>
Changes 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>\$ (1,991,489)</u>	<u>\$ 400,875</u>	<u>\$ (1,590,614)</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, 2023

	Program Services				Supporting Services		Costs of Direct	
	Care and Support	Prevention and Education	Public Policy, Information and Advocacy	Total Program Services	Fundraising	Management and General	Benefits to Donors	Total
Personnel Services:								
Salaries	\$ 3,650,457	\$ 1,395,355	\$ 316,118	\$ 5,361,930	\$ 375,314	\$ 3,121,160	\$ 296,162	\$ 9,154,566
Fringe benefits	707,074	263,823	70,246	1,041,143	50,165	640,274	43,555	1,775,137
Total personnel services	4,357,531	1,659,178	386,364	6,403,073	425,479	3,761,434	339,717	10,929,703
Other:								
Pharmacy costs	-	5,024,359	-	5,024,359	-	-	-	5,024,359
Occupancy	1,468,169	532,754	7,914	2,008,837	740	2,648,476	15,877	4,673,930
Client rent	2,270,881	-	-	2,270,881	-	1,950	-	2,272,831
Professional fees and contract services	302,672	204,614	118,258	625,544	138,796	1,106,616	267,601	2,138,557
Facilities/operations	486,242	165,379	2,501	654,122	726	498,861	27,920	1,181,629
Bad debt	621,744	-	-	621,744	-	-	-	621,744
Depreciation and amortization	17,963	6,560	98	24,621	8	532,333	17,608	574,570
Food and related costs	439,234	13,617	-	452,851	330	1,184	19,829	474,194
Marketing and promotion	1,173	71,588	10,088	82,849	117,475	35,260	103,227	338,811
Other direct program costs	78,557	123,630	-	202,187	-	14,819	30,124	247,130
Supplies and materials	27,729	10,762	7,826	46,317	32,087	143,876	601	222,881
Insurance	91,556	40,667	4,206	136,429	4,911	57,377	16,690	215,407
Staff and volunteer training and support	7,768	1,034	-	8,802	60,654	80,781	168	150,405
Utilities	54,752	18,012	260	73,024	37	63,685	37	136,783
Equipment purchases and maintenance	11,631	27,340	16	38,987	2	3,341	83,662	125,992
Interest	372	174	3	549	-	118,094	-	118,643
Telephone	43,020	11,309	456	54,785	556	35,437	305	91,083
In-kind expense	1,450	-	-	1,450	-	-	81,019	82,469
Grants to other AIDS organizations	500	-	-	500	-	7,638	63,855	71,993
Memberships and subscriptions	10,948	1,977	18,068	30,993	1,599	34,360	255	67,207
Real estate taxes	23,281	8,453	129	31,863	-	26,901	-	58,764
Postage and shipping	31,714	245	4,889	36,848	7,080	4,282	2,316	50,526
Miscellaneous	683	2,836	-	3,519	15,575	14,318	855	34,267
Travel and related costs	8,846	8,280	-	17,126	64	5,452	1,444	24,086
Printing	1,451	736	7,022	9,209	8,536	324	1,629	19,698
Total other	6,002,336	6,274,326	181,734	12,458,396	389,176	5,435,365	735,022	19,017,959
Total expenses by function	10,359,867	7,933,504	568,098	18,861,469	814,655	9,196,799	1,074,739	29,947,662
Less: expenses included with revenues in the statement of activities: cost of direct benefits to donors	-	-	-	-	-	-	(1,074,739)	(1,074,739)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	\$ 10,359,867	\$ 7,933,504	\$ 568,098	\$ 18,861,469	\$ 814,655	\$ 9,196,799	\$ -	\$ 28,872,923

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	
	Care and Support	Prevention and Education	Public Policy, Information and Advocacy	Total Program Services	Fundraising	Management and General	Benefits to Donors	Total
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
Supplies and materials	694,594	83,020	1,809	779,423	30,512	94,518	4,350	908,803
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
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 in 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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Changes in net assets	\$ 926,822	\$ (2,693,682)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	511,500	539,680
Amortization	17,600	31,109
In-kind contributions	-	(283,350)
Expenses financed with debt	-	1,046,693
Forgiveness of Paycheck Protection Program loan	(1,628,953)	-
Provision for bad debt	621,744	731,451
Non-cash lease expense	2,652,305	2,427,796
Change in operating assets and liabilities:		
Government grants and contracts receivable	(1,031,448)	704,253
Accounts receivable	(439,855)	(998,998)
Contributions receivable	(323,972)	42,562
Prepaid expenses and other assets	(21,128)	387,449
Accounts payable and accrued expenses	2,069,811	315,495
Refundable advances	820,722	263,562
Operating lease liabilities	<u>(1,878,618)</u>	<u>(1,486,156)</u>
Net cash provided by operating activities	<u>2,296,530</u>	<u>1,027,864</u>
Cash used in investing activities:		
Purchase of property and equipment	<u>(198,261)</u>	<u>(55,437)</u>
Cash flows use in financing activities:		
(Increase) decrease in security deposits	92,579	(20,874)
Increase (decrease) in due to related parties	(201,572)	201,572
Repayment of finance lease liabilities	(81,660)	(219,580)
Payments on notes payable	(2,198,900)	(1,172,443)
Payments on Paycheck Protection Program loan	(255,129)	(125,109)
Proceeds from notes payable	<u>-</u>	<u>435,120</u>
Net cash used in financing activities	<u>(2,644,682)</u>	<u>(901,314)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(546,413)	71,113
Cash, cash equivalents and restricted cash - beginning	<u>802,982</u>	<u>731,869</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - ENDING	\$ <u>256,569</u>	\$ <u>802,982</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, 2023 AND 2022

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,651	\$ 552,140
Restricted cash	<u>250,918</u>	<u>250,842</u>
Total cash, cash equivalents and restricted cash	<u><u>\$ 256,569</u></u>	<u><u>\$ 802,982</u></u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 118,643</u>	<u>\$ 118,138</u>
In-kind contribution of other asset	<u>\$ -</u>	<u>\$ 283,350</u>
Supplemental schedules for non-cash investing and financing activities:		
Note payable for unpaid expenses	<u>\$ -</u>	<u>\$ 1,046,696</u>

See accompanying notes to consolidated financial statements.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 acquired immunodeficiency syndrome ("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 human immunodeficiency virus ("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 GMHC's capacity to render a range of services in connection with HIV testing.

Programs

In the effort to fight to end the AIDS epidemic and uplift the lives of all affected, GMHC, GMHC Action, and GMHC Health Services (collectively, 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
DECEMBER 31, 2023 AND 2022

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
DECEMBER 31, 2023 AND 2022

NOTE 1. ORGANIZATION (CONTINUED)

Prevention and Education (continued)

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.

The Organization has also contracted with a third-party to run an on-site pharmacy to assist individuals in getting HIV treatment, prevention medication, and other medications needed for improved mental and physical health in a safe, secure space, allowing individuals to ask questions about medications and how to use them. The on-site pharmacists have a high degree of cultural competency in serving the LGBTQ community and providing sexual wellness patient care. The pharmacy operates under Section 340B of the Public Health Secure Act and allows contract pharmacies to sell covered outpatient drugs at a price that will not exceed a federal statutory formula.

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 program 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
DECEMBER 31, 2023 AND 2022

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 958, *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, 2023 and 2022, 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 consolidated 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
DECEMBER 31, 2023 AND 2022

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. Restricted cash represents cash held by a financial institution as a security deposit. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. At December 31, 2023 and 2022, cash balances not federally insured total \$200,977 and \$747,852, respectively. The Organization has not experienced any losses in such accounts.

Accounts Receivable

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Accounts receivable are carried at original invoice amount less an estimate for doubtful accounts, and changes in the allowance are adjusted through bad debt expense, which is included in other expenses in the accompanying consolidated statements of functional expenses. The Organization assesses collectibility by reviewing accounts receivable on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for doubtful. Uncollectable accounts are written off when all collection efforts have been exhausted.

Under the prior accounting rules, the Organization evaluated the following factors when determining the collectibility of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms.

Accounts receivable in gross totaled \$1,388,509, \$948,654 and \$618,719 at December 31, 2023, 2022 and 2021, respectively. At December 31, 2023 and 2022, the allowance for uncollectible accounts receivable was \$1,022,636 and \$400,892, respectively.

The allowance for doubtful accounts for the years ended December 31, 2023 and 2022, is comprised of the following:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 400,892	\$ 342,158
Provisions	621,744	87,810
Write-offs	<u>-</u>	<u>(29,076)</u>
Allowance for doubtful accounts	<u>\$ 1,022,636</u>	<u>\$ 400,892</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contracts Receivable, Net

Government grants and contracts receivable are recorded at the amount that management expects to collect based on billed and unbilled services performed. Government grants and contracts receivable are carried at the original billed amount, or the amount the Organization expects to bill, less an estimate for doubtful accounts, and changes in the allowance are adjusted through bad debt expense, which is included in the accompanying consolidated statements of functional expenses.

Government grants and contracts receivable in gross totaled \$8,009,048, \$6,603,280 and \$6,706,988 at December 31, 2023, 2022 and 2021, respectively. At December 31, 2023 and 2022, the allowance for uncollectible accounts receivable was \$974,865 and \$600,545, respectively.

Property 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

Leasehold improvements are depreciated over the shorter of the useful life of the asset or the term of the lease.

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, 2023 and 2022.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Security Deposit

At December 31, 2023 and 2022, security deposits recorded in the accompanying consolidated statements of financial position totaled \$3,103,686 and \$3,196,265, 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.

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.

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.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$338,811 and \$245,907 during the years ended December 31, 2023 and 2022, respectively.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, management believes that the Organization has no material uncertain tax positions.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)* ("ASC 326"), along with subsequently issued related ASUs, which requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired.

The Organization's financial instruments include accounts receivable. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The Organization adopted ASC 326 using the modified retrospective method at January 1, 2023, and it did not have a material impact on the consolidated financial statements.

Reclassifications

Certain amounts included in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications have no effect on net assets or changes in net assets.

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2023, through the date which the consolidated financial statements were available to be issued, September 26, 2024, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3. LIQUIDITY AND AVAILABILITY

The following are the Organization's financial assets at December 31, 2023:

Financial assets at year-end:

Cash and cash equivalents	\$ 5,651
Government grants and contracts receivable, net	7,034,183
Accounts receivable, net	365,873
Contributions receivable, net	744,420
Restricted cash	<u>250,918</u>
Total financial assets at December 31, 2023	<u>8,401,045</u>

Less amounts not available to be used within one year:

Restricted cash	(250,918)
Net assets with donor restrictions	<u>(455,000)</u>
	<u>(705,918)</u>

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

\$ 7,695,127

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, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Gross contributions receivable	\$ 748,420	\$ 428,220
Allowance for doubtful pledges	(4,000)	(4,000)
Unamortized discount	<u>-</u>	<u>(3,772)</u>
Net contributions receivable	<u>\$ 744,420</u>	<u>\$ 420,448</u>
Gross contributions receivable:		
Receivable in less than one year	\$ 648,420	\$ 307,054
Receivable in one to two years	<u>100,000</u>	<u>121,166</u>
	<u>\$ 748,420</u>	<u>\$ 428,220</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5. PROPERTY AND EQUIPMENT

The Organization's property and equipment consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 3,084,390	\$ 2,974,347
Furniture and equipment	2,278,119	8,784,498
Leasehold improvements under finance leases	122,973	122,973
Furniture and equipment under finance leases	<u>875,596</u>	<u>875,596</u>
	6,361,078	12,757,414
Less: Accumulated depreciation and amortization	<u>(2,714,833)</u>	<u>(8,797,930)</u>
	<u>\$ 3,646,245</u>	<u>\$ 3,959,484</u>

As of December 31, 2023 and 2022, depreciation and amortization expense totaled \$574,570 and \$570,787, respectively. These amounts include amortization expense of \$45,470 and \$13,509, respectively, related to assets under finance leases for the years ended December 31, 2023 and 2022. Accumulated amortization associated with assets under finance leases for the years ended December 31, 2023 and 2022, was \$507,361 and \$571,510, respectively.

During the year ended December 31, 2023, the Organization disposed of \$6,597,596 of assets that were fully depreciated. There were no significant disposals during the year ended December 31, 2022.

NOTE 6. OTHER ASSETS

Other assets consisted of the following at December 31, 2023 and 2022, and for the years then ended.

	<u>2023</u>	<u>2022</u>
Artwork	\$ 283,350	\$ 283,350
AIDS Walk New York	<u>220,000</u>	<u>237,600</u>
Total other assets	<u>\$ 503,350</u>	<u>\$ 520,950</u>

Artwork

During 2022, various pieces of artwork were contributed to the Organization. The artwork was appraised and reported at its estimated fair value based on an independent appraisal. The Organization believes it has the ability to protect, care for, and preserve the artwork to maintain its value. The Organization intends to sell the artwork in the future, for which the proceeds will be utilized to further the Organization's mission.

The in-kind contributions of artwork during 2022 are reported as contributions on the accompanying consolidated statement of activities and changes in net assets. The artwork has been capitalized as assets on the accompanying consolidated statement of financial position.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6. OTHER ASSETS (CONTINUED)

AIDS Walk New York

The Organization holds the rights to AIDS Walk New York, an HIV/AIDS fundraising event, of which the Organization is the primary beneficiary. The event also supports other tri-state AIDS service, social justice, and/or public health organizations through the Community Partnership Program.

AIDS Walk New York consisted of the following at December 31, 2023 and 2022, and for the years then ended.

	<u>2023</u>	<u>2022</u>
Gross asset	\$ 264,000	\$ 264,000
Accumulated amortization	<u>(44,000)</u>	<u>(26,400)</u>
Net asset	<u>\$ 220,000</u>	<u>\$ 237,600</u>

Amortization expense totaled \$17,600 for the years ended December 31, 2023 and 2022. Future amortization expense is expected to be as follows:

	<u>2023</u>
<u>Year ending December 31:</u>	
2024	\$ 17,600
2025	17,600
2026	17,600
2027	17,600
2028	17,600
Thereafter	<u>167,200</u>
	<u>\$ 255,200</u>

NOTE 7. LEASE COMMITMENTS

Finance Leases

The Organization leases certain office equipment under non-interest bearing leases that matured in July 2023. The weighted average discount rate was 5.70%.

Components of finance lease expense for the years ended December 31, 2023 and 2022 were approximately:

	<u>2023</u>	<u>2022</u>
Finance lease costs:		
Amortization of finance lease liabilities	\$ 81,660	\$ 219,579
Interest on lease liabilities	<u>906</u>	<u>10,329</u>
Total finance lease costs	<u>\$ 82,566</u>	<u>\$ 229,908</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, 2023 and 2022 was \$4,690,380 and \$4,718,682, respectively.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7. LEASE COMMITMENTS (CONTINUED)

Operating Leases (continued)

As of December 31, 2023, the Organization's future minimum payments on operating and finance leases, including interest, are as follows:

Year ending December 31:

2024	\$ 3,861,098
2025	3,861,098
2026	3,861,098
2027	3,861,098
2028	4,123,068
Thereafter	<u>115,998,817</u>
Total lease payments	135,566,277
Less: amount of lease payments representing interest	<u>(28,698,752)</u>
Present value of lease liabilities	<u>\$ 106,867,525</u>

NOTE 8. NOTES PAYABLE

At December 31, 2023 and 2022, notes payable consisted of the following:

	<u>2023</u>	<u>2022</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.	\$ 1,166,676	\$ 1,833,340
Note payable to Glenhill Associates which matured on December 1, 2023, bearing interest at a rate of 8.00%. The loan was paid in full at maturity.	-	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 which matured on July 31, 2023, bearing interest at a rate of 6.00%. The loan was paid in full at maturity.	<u>-</u>	<u>50,423</u>
	<u>\$ 1,166,676</u>	<u>\$ 3,365,576</u>

The Organization's term loan payable contains certain restrictive covenants as well as a requirement to maintain a restricted cash account. At December 31, 2023 and 2022, the balance in this restricted cash account totaled \$250,918 and \$250,842, respectively.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8. NOTES PAYABLE (CONTINUED)

At December 31, 2023 and 2022 the Organization was in breach of the minimum tangible net worth covenant and the 150 days reporting requirement. Under the terms of the agreement, the bank may call the loan if the Organization is in violation of any restrictive covenant. The bank waived those requirements of the agreement as of December 31, 2023 and 2022 and for the years then ended.

At December 31, 2023, annual maturities on notes payable are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 999,996
2025	<u>166,680</u>
	<u>\$ 1,166,676</u>

NOTE 9. PAYCHECK PROTECTION PROGRAM LOAN

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 bore interest at 1.00%. 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
DECEMBER 31, 2023 AND 2022

NOTE 9. PAYCHECK PROTECTION PROGRAM LOAN (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 previously recorded as forgiveness of debt 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 loan bore interest at 1.00%. 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. The unforgiven portion totaling \$371,047 has been recorded as Paycheck Protection Program loan payable in the accompanying consolidated statements of financial position.

Summary

At December 31, 2023 and 2022, total Paycheck Protection Program loans payable were \$493,311 and \$2,377,393, respectively.

At December 31, 2023, annual maturities on Paycheck Protection Program loans payable are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 290,614
2025	173,665
2026	<u>29,032</u>
	<u>\$ 493,311</u>

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10. DUE TO RELATED PARTY

In December 2022, the Organization received an advance from an officer in the amount of \$201,572, which is reported in the accompanying consolidated statements 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.

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose restrictions:		
Care and support	\$ 400,000	\$ 204,375
Prevention and education	<u>-</u>	<u>60,000</u>
Total purpose restrictions	400,000	264,375
Time restrictions	<u>55,000</u>	<u>136,500</u>
Total net assets with donor restrictions	<u>\$ 455,000</u>	<u>\$ 400,875</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, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Purpose restrictions		
Care and support	\$ 329,375	\$ 100,000
Prevention and education	<u>60,000</u>	<u>-</u>
Total purpose restrictions	389,375	100,000
Time restrictions	<u>91,500</u>	<u>82,000</u>
Total net assets released from donor restrictions	<u>\$ 480,875</u>	<u>\$ 182,000</u>

NOTE 12. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2023, in-kind contributions recognized in the accompanying consolidated statement of activities and changes in net assets (deficit) totaled \$82,469 of supplies. During the year ended December 31, 2022, in-kind contributions recognized in the accompanying consolidated statement of activities and changes in net assets (deficit) totaled \$287,096, of which \$283,350 were capitalized as other assets in the accompanying consolidated statements of financial position.

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
DECEMBER 31, 2023 AND 2022

NOTE 13. 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, 2023 and 2022 totaled \$102,531 and \$98,324, respectively.

NOTE 14. 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, 2023 and 2022.

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 15. FINANCIAL CONDITION

At December 31, 2023 and 2022, the Organization ended the year with a net deficit as a result of consecutive decreases in its changes in net assets from operations in 2023 and 2022. 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 alleviate the concerns noted above, management has budgeted for fiscal year 2024 to alleviate losses by applying for additional grants, subleasing additional floors, expanding the 340(b) program and focusing on reducing expenses.

The Organization continues to focus on expanding its government fund programs, through strategically applying for grants aligned with the Organization's Strategic, portfolio of services, as well as its resources. The Organization ended 2023 with \$14,241,437 in revenue from government contracts. The Organization budgeted \$21,046,051 in revenue from government contracts for 2024, for an increase of \$6,804,614.

The Organization continues to offset its office-related occupancy expenses, by subleasing a portion of its leased office space. The rent commencement for the 2nd Floor sublease began on January 1, 2024. To date, the Organization has subleased approximately two and a half floors out of six. The Organization is currently in negotiations to sublease the 7th floor and hopes to have the new tenant in place by January 1, 2024. The Organization will continue to occupy the remaining two and a half floors.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 15. FINANCIAL CONDITION (CONTINUED)

In fiscal year 2024 the 340(b) Pharmacy program revenue has increased by roughly 40% as compared to fiscal year 2023. In the fourth quarter of 2024, GMHC will begin billing for the medical services related to the 340(b) Pharmacy. GMHC's projected medical expenses for the program in FY2024 are expected to be \$1,897,908. These expenses are for medical visits and lab fees. Going forward, the Organization will bill the patient's health insurance for those services. The Organization and the providers are currently credentialed with insurance providers.

SUPPLEMENTARY INFORMATION

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S Department of Health and Human Services</u>				
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	\$ -	\$ 637,017
Food and Nutrition Services	93.914	11-FNS-520	-	572,647
Family Stabilization Services	93.914	15-SCG-520	-	288,994
Harm Reduction Services	93.914	16-HRM-520	-	477,474
Mental Health Services	93.914	16-MHV-520	-	721,441
PlaySure Network 2.0 in Non-Health Care Settings	93.914	23-PNH-520	-	623,996
			-	3,321,569
Passed through from Health Research, Inc:				
HIV Care Formula Grants:				
Minority AIDS Initiative	93.917	5341	-	149,522
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	-	61,565
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	-	412,016
Total Medicaid Cluster			-	412,016
Office of Center for Disease Control and Prevention and Office of Substance Abuse and Mental Health Services Administration:				
Passed through from the Public Health Solutions/HIV Care Services:				
HIV Prevention Activities - Health Department Based:				
Condom Distribution Services	93.940	19-CON-520	-	340,980
Office of Substance Abuse and Mental Health Services Administration:				
Passed through from Centers for Disease Control and Prevention:				
Congressional Directives	93.493	H79FG000927	-	253,666
Total U.S. Department of Health and Human Services			-	4,539,318

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

<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>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S Department of Housing and Urban Development</u>				
Office of Community Planning and Development:				
Continuum of Care Program	14.267	NY1225L2T001800	\$ -	\$ 1,091,699
Passed through from the NYC Department of Health and Mental Hygiene:				
Housing Opportunities for Persons with AIDS	14.241	14A-SPH-016	-	766,030
Total U.S. Department of Housing and Urban Development			-	1,857,729
Total Federal Awards Expended			\$ -	\$ 6,397,047

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023. 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, New York

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, 2023, and the related consolidated statements of activities and changes in net assets (deficit), 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 26, 2024.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

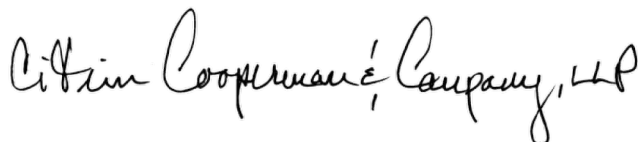
As part of obtaining reasonable assurance about whether Gay Men's Health Crisis, Inc. and Affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Gay Men's Health Crisis, Inc. and Affiliates' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Gay Men's Health Crisis, Inc. and Affiliates' response to the finding 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.



Braintree, Massachusetts
September 26, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gay Men's Health Crisis, Inc. and Affiliates' compliance with the types of compliance requirements identified as subject to the audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gay Men's Health Crisis, Inc. and Affiliates' major federal programs for the year ended December 31, 2023. Gay Men's Health Crisis, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Gay Men's Health Crisis, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

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 program as a whole.

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

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

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

Report on Internal Control Over Compliance

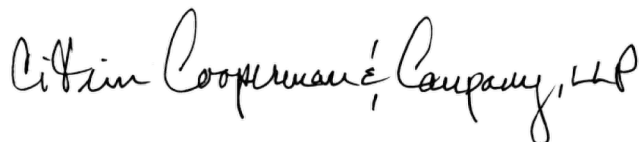
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

"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. The entities of Citrin Cooperman & Company, LLP and Citrin Cooperman Advisors LLC are independent member firms of the Moore North America, Inc. (MNA) Association, which is itself a regional member of Moore Global Network Limited (MGNI). All the firms associated with MNA are independently owned and managed entities. Their membership in, or association with, MNA should not be construed as constituting or implying any partnership between them.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.



Braintree, Massachusetts
September 26, 2024

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

A. SUMMARY OF AUDIT RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: | Unmodified |
| 2. Internal control over financial reporting:
Material weakness(es) identified? | Yes |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | None noted |
| 3. Noncompliance material to financial statements noted? | No |

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? | None noted |
| 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? | No |
| 7. Identification of major federal programs: | |

- | | |
|---|---|
| <u>Name of Federal Program or Cluster</u>
HIV Emergency Relief Project Grants
Housing Opportunities for Persons with AIDS | Assistance Listing
<u>Number</u>
93.914
14.241 |
| 8. Dollar threshold used to distinguish between Type A programs and Type B Programs: | \$750,000 |
| 9. Auditee qualifies as a low risk auditee? | No |

See independent auditor's report.

GAY MEN'S HEALTH CRISIS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

B. FINANCIAL STATEMENT FINDING

Finding 2023-001: Ineffective design and implementation of the internal control environment over financial reporting. (Material Weakness)

Condition: The Organization did not sufficiently design and implement an appropriate internal control environment as of December 31, 2023.

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. In addition, management should ensure that revenue and contributions are appropriately recorded.

Cause: During our audit, we noted that certain accounts were either (1) not appropriately reconciled and/or (2) timely reconciled by management during the year ended December 31, 2023. In addition, contributions were not appropriately recorded

Effect: Several adjusting journal entries were provided subsequent to providing the year-end trial balance, indicating that management was not able to prevent, or detect and correct, material errors on a timely basis. We further noted several audit adjustments were needed to ensure that the financial statements were fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Recommendation: Management should reevaluate the design and implementation of the Organization's internal control environment to ensure that accounts are appropriately reconciled on a timely basis. In addition, management should reevaluate monitoring activities to ensure that revenue and contributions are appropriately recorded.

Views of Responsible Officials: The Organization has incorporated additional procedures to ensure that the internal financial statements are closed accurately and timely. The Organization is implementing an accounting API tool to enhance the reconciliation process. The addition of the module will also improve books closing, grants billing, reporting and variance analysis. The organization is also adding additional position to ensure the financial tasks are completed accurately and timely.

C. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None

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

A. 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.

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.

Current Year Status: The matter has not been resolved. See finding 2023-001.

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, 2022. (Significant Deficiency)

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

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.

Current Year Status: The matter is still open. See finding 2023-001.

B. 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.

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.

Current Year Status: The matter has been resolved

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