APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

Independent Auditor's Reports and
Consolidated Financial Statements
June 30, 2021

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
June 30, 2021

Contents

BKD
CPAs & Advisors
910 E. St. Louis Street, Suite 200 | P.O. Box 1190 | Springfield, MO 65801-1190
417.865.8701 | Fax 417.865.0682 | bkd.com

Independent Auditor's Report

Board of Directors
APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 2* to the consolidated financial statements, in 2021, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606).* Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 29, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 APLA Health & Wellness and The Global Forum on MSM & HIV's (MSMGF) 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 APLA Health & Wellness and The Global Forum on MSM & HIV's (MSMGF) internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020, consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BKD, LLP

Springfield, Missouri
November 29, 2021

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Consolidated Statement of Financial Position
June 30, 2021
With Summarized Totals as of June 30, 2020

Assets

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
Cash and cash equivalents	$ 14,008,297	$ 755,503	$ 14,763,800	$ 10,972,462
Investments	-	-	-	507,499
Term endowment	-	3,330,447	3,330,447	2,617,480
Accounts receivable	4,855,161	-	4,855,161	5,906,615
Medi-Cal waiver receivable	436,399	-	436,399	444,414
Note receivable	500,000	-	500,000	-
Grants receivable	3,837,097	-	3,837,097	2,865,700
Contributions receivable	343,000	250,000	593,000	799,551
Prepaid expenses and other assets	300,790	-	300,790	303,969
Deposits	1,296,341	-	1,296,341	8,281,165
Inventories	238,462	-	238,462	244,111
Split-interest agreements	-	15,844	15,844	14,087
Property and equipment, net	10,783,915	1,050,000	11,833,915	3,559,328
Total assets	$ 36,599,462	$ 5,401,794	$ 42,001,256	$ 36,516,381

Liabilities and Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
Accounts payable	$ 3,264,930	$ -	$ 3,264,930	$ 3,001,333
Accrued expenses	2,128,356	-	2,128,356	2,087,989
Deferred revenue	676,167	-	676,167	1,327,578
Notes payable	379,490	-	379,490	4,859,490
Total liabilities	6,448,943	-	6,448,943	11,276,390
Net Assets				
Without donor restrictions				
Undesignated	22,921,852	-	22,921,852	13,350,404
Board designated	7,228,667	-	7,228,667	6,873,792
With donor restrictions	-	5,401,794	5,401,794	5,015,795
Total net assets	30,150,519	5,401,794	35,552,313	25,239,991
Total liabilities and net assets	$ 36,599,462	$ 5,401,794	$ 42,001,256	$ 36,516,381

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Consolidated Statement of Activities
Year Ended June 30, 2021
With Summarized Totals for the Year Ended June 30, 2020

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
Revenues and Other Support				
Fundraising events	$ 1,073,616	$ -	$ 1,073,616	$ 1,245,633
Cost of direct donor benefits	(26,043)	-	(26,043)	(392,107)
Net fundraising events	1,047,573	-	1,047,573	853,526
Contribution revenue	2,078,349	856,000	2,934,349	3,857,791
Grant revenue	18,607,761	-	18,607,761	14,291,978
Patient service revenue	41,098,537	-	41,098,537	37,270,259
Medi-Cal waiver revenue	2,195,748	-	2,195,748	2,226,382
Contributed goods and services	1,208,141	-	1,208,141	1,293,096
Other revenue	552,465	-	552,465	436,101
Gain on extinguishment of debt	2,823,067	-	2,823,067	-
Investment return, net	90,096	843,700	933,796	273,877
Net assets released from restrictions	1,313,701	(1,313,701)	-	-
Total revenue and other support	71,015,438	385,999	71,401,437	60,503,010
Expenses				
Client support	7,076,879	-	7,076,879	6,128,369
Education	5,728,142	-	5,728,142	5,969,331
Clinical services	40,883,332	-	40,883,332	36,657,099
Government affairs	536,747	-	536,747	572,326
Total program services	54,225,100	-	54,225,100	49,327,125
Management and general	4,780,274	-	4,780,274	4,143,889
Fundraising	2,083,741	-	2,083,741	2,250,026
Total expenses	61,089,115	-	61,089,115	55,721,040
Change in Net Assets	9,926,323	385,999	10,312,322	4,781,970
Net Assets, Beginning of Year	20,224,196	5,015,795	25,239,991	20,458,021
Net Assets, End of Year	$ 30,150,519	$ 5,401,794	$ 35,552,313	$ 25,239,991

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021
With Summarized Totals for the Year Ended June 30, 2020

	Program Services					Supporting Services				
	Client Support	Education	Clinical Services	Government Affairs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	2020 Total
Salaries and Related										
Salaries and wages	$ 2,104,431	$ 2,170,437	$ 10,907,769	$ 405,810	$ 15,588,447	$ 2,478,754	$ 1,087,292	$ 3,566,046	$ 19,154,493	$ 17,745,867
Employee benefits	570,155	539,663	2,386,201	78,251	3,574,270	376,913	224,109	601,022	4,175,292	3,907,548
Total personnel expenses	2,674,586	2,710,100	13,293,970	484,061	19,162,717	2,855,667	1,311,401	4,167,068	23,329,785	21,653,415
Purchased services and professional fees	1,151,319	2,297,073	1,460,264	10,820	4,919,476	402,512	509,233	911,745	5,831,221	5,157,975
Occupancy	453,318	393,923	1,661,086	25,087	2,533,414	155,520	86,942	242,462	2,775,876	2,736,373
Attendant care	-	-	1,650,115	-	1,650,115	-	-	-	1,650,115	1,679,495
Temporary help	29,141	-	289,476	-	318,617	57,014	-	57,014	375,631	502,730
Food supplies	1,676,882	-	-	-	1,676,882	-	-	-	1,676,882	1,465,122
Printing and duplication	11,367	10,539	32,667	816	55,389	6,329	25,344	31,673	87,062	172,146
Staff training, development, and travel	20,878	29,451	189,304	1,727	241,360	81,461	5,087	86,548	327,908	573,395
Depreciation	52,098	26,543	645,425	3,447	727,513	39,997	12,210	52,207	779,720	720,794
Support to other organizations	617	-	-	-	617	112,506	-	112,506	113,123	136,405
Promotion and outreach	38,518	88,908	29,594	89	157,109	93,648	48,727	142,375	299,484	688,754
Postage and delivery	185	5,316	1,493	2	6,996	7,919	6,650	14,569	21,565	18,190
Supplies, equipment rental, and maintenance	912,419	87,400	21,433,722	5,902	22,439,443	101,125	61,496	162,621	22,602,064	19,258,426
Accounting and legal	-	36,160	-	-	36,160	546,098	-	546,098	582,258	558,928
Insurance	-	2,950	-	-	2,950	212,558	-	212,558	215,508	148,526
Communications	55,551	39,779	196,216	4,796	296,342	39,324	16,651	55,975	352,317	215,173
Other	-	-	-	-	-	68,596	-	68,596	68,596	35,193
Total expenses	$ 7,076,879	$ 5,728,142	$ 40,883,332	$ 536,747	$ 54,225,100	$ 4,780,274	$ 2,083,741	$ 6,864,015	$ 61,089,115	$ 55,721,040

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Consolidated Statement of Cash Flows
Year Ended June 30, 2021
With Summarized Totals for the Year Ended June 30, 2020

	2021	2020
Operating Activities		
Change in net assets	$ 10,312,322	$ 4,781,970
Items not requiring (providing) cash		
Gain on extinguishment of debt	(2,823,067)	-
Depreciation	779,720	720,794
Net realized and unrealized gains on investments	(771,945)	(114,310)
Amortization of notes payable through service credits	(30,000)	-
Change in value of split-interest agreements	(1,757)	2,370
Grants for the acquisition of property and equipment	(871,867)	-
Changes in		
Accounts receivable	1,051,454	(2,144,461)
Medi-Cal waiver receivable	8,015	(27,534)
Grants receivable	(99,530)	(685,240)
Contributions receivable	206,551	326,108
Deposits	-	(48,661)
Prepaid expenses and other assets	3,179	39,096
Inventories	5,649	(42,140)
Accounts payable and accrued expenses	780,017	1,278,244
Deferred revenue	(651,411)	357,600
Net cash provided by operating activities	7,897,330	4,443,836
Investing Activities		
Purchase of investments	(1,073,421)	(1,100,629)
Proceeds from sale of investments	1,673,373	3,041,138
Deposit for facility construction	-	(8,100,000)
Purchase of property and equipment	(3,417,403)	(846,582)
Advances made on note receivable	(500,000)	-
Net cash used in investing activities	(3,317,451)	(7,006,073)
Financing Activities		
Proceeds from grant for acquisition of property and equipment	871,867	-
Proceeds from issuance of long-term debt	3,373,067	5,323,067
Principal payments on long-term debt	(5,000,000)	(873,067)
Net cash provided by (used in) financing activities	(755,066)	4,450,000
Increase in Cash and Cash Equivalents	3,824,813	1,887,763
Cash and Cash Equivalents, Beginning of Year	10,972,462	9,084,699
Cash and Cash Equivalents, End of Year	$ 14,797,275	$ 10,972,462
Reconciliation of Cash and Cash Equivalents, Restricted Cash and Restricted Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 14,763,800	$ 10,972,462
Cash and cash equivalents in term endowment	33,475	-
	$ 14,797,275	$ 10,972,462
Supplemental Cash Flows Information		
Accounts payable incurred for property and equipment	$ 476,053	$ -

Note 1: Nature of Operations

APLA Health & Wellness operates as APLA Health, the mission of which is to achieve health care equity and promote well-being for the LGBT and other underserved communities and people living with and affected by HIV.

History

The Organization was founded in 1982 by four friends who were alarmed by the sudden deaths in their communities and enraged at an unresponsive government. AIDS Project Los Angeles (the agency's predecessor organization) officially opened its doors in early 1983 and grew from a single telephone hotline operating out of a closet to a provider of comprehensive health and HIV support services, HIV testing and prevention education and government advocacy from 14 locations across Los Angeles County. APLA Dental Services was founded in 2004 to house the Organization's dental program for individuals living with HIV. In 2012, APLA Dental Services changed its name to APLA Health & Wellness and in 2014 became a Federally Qualified Health Center (FQHC) and began offering primary medical and HIV care and behavioral health services as well as dental services. On June 30, 2018, AIDS Project Los Angeles merged into APLA Health & Wellness.

Services for the Low-Income LGBT Community and People Living with HIV

APLA Health serves more than 18,000 people from 16 locations in Los Angeles County, and focuses on providing free or low-cost medical, dental, and behavioral health care to the LGBT community, as well as support services for those who are living with HIV. APLA Health's patient population is primarily people of color living at or below the federal poverty level who are facing multiple challenges in regard to their physical and mental health. As a FQHC, APLA Health provides medical, dental, and behavioral health care to the community at large, but with an expertise in the unique needs of LGBT individuals, regardless of their HIV status.

APLA Health operates two full-service health centers, offering primary medical care, oral health, and behavioral health services—the Gleicher/Chen Health Center in the Baldwin Hills neighborhood of South Los Angeles, and the Long Beach Health Center in downtown Long Beach, two communities with diverse LGBT residents that have also been hit hard by the HIV/AIDS epidemic. The Olympic Health Center, in the Fairfax-Carthay Circle neighborhood of Los Angeles, was added in December 2017, and offers primary medical care. Behavioral health services were added in January 2020 at a separate suite in the same building. In addition, the Organization offers oral health care from the Downtown Dental Clinic in downtown Los Angeles.

The David Geffen Center in Mid-City offers behavioral health care services. For patients who are living with HIV, APLA Health provides specialized medical care from its Gleicher/Chen Health Center, Long Beach Health Center, and Olympic Health Center. The goal of APLA Health's HIV care services is to achieve an undetectable viral load. Maintaining an undetectable viral load helps the patient achieve the best health status possible as well as makes the patient unable to transmit HIV to sexual partners. This strategy, Undetectable Equals Untransmittable (U=U), has the promise of helping to significantly reduce the number of new HIV infections and brings us one step closer to ending the AIDS epidemic.

APLA Health also provides a diverse array of social support services from multiple locations throughout the county. These services include housing support, home health care, benefits counseling, case management, a telephone information line, and groceries and nutrition counseling through its Vance North Necessities of Life Program food pantry network, the largest network of food pantries for people living with HIV in the country. The Organization also offers behavioral health care to people living with HIV from a West Hollywood satellite office.

STD Screening and Treatment, HIV Testing, PrEP and PEP Counseling, and Management, and HIV Prevention and Education

Since the beginning of the epidemic, APLA Health has delivered innovative HIV prevention programs that reduce infection rates through individual, group, and community-level activities. The Organization's prevention programs seek to prevent infections among those who are HIV-negative and reduce the risk of HIV transmission among people who are already living with the disease. These efforts target those at greatest risk of HIV infection, including gay and bisexual men, people of color, youth, transgender individuals, and those who struggle with addiction and mental health challenges. The Organization provides free HIV testing in three locations across the county, as well as free STD screening and treatment services at the Gleicher/Chen Health Center and the Long Beach Health Center.

Additionally, APLA Health is a trailblazer in the implementation of comprehensive biomedical HIV prevention programs that educate patients about pre-exposure prophylaxis (PrEP) and post-exposure prophylaxis (PEP) and offers them access to both. PrEP is a biomedical intervention in which a person takes a medication (currently Truvada and Descovy) daily to help prevent HIV infection. If taken correctly, PrEP is up to 99 percent effective in preventing HIV transmission. PEP is used in emergency situations and must be taken within 72 hours of possible exposure to HIV. This biomedical intervention requires the person to take Truvada or Descovy plus a second anti-retroviral medication for 28 days after possible exposure. Both PrEP and PEP are offered at the Gleicher/Chen Health Center, the Long Beach Health Center, and the Olympic Health Center.

Government Affairs

APLA Health's Government Affairs team works to advance LGBT and social justice initiatives, such as reducing health care disparities and advocates for optimal HIV/AIDS and health care policy, programs, funding, and legislation. Government Affairs also advocates for strengthening and expanding the nation's network of federally qualified health centers and increasing access to comprehensive health services for low-income, uninsured, and underserved individuals.

The Government Affairs staff works at all levels of government—local, county, state, and federal—meeting and speaking with elected officials, administrators, and other decision makers to ensure that people affected by HIV, LGBT individuals, and other underserved communities have access to the services they need for optimal health and well-being. Government Affairs also advocates for structural approaches to address social determinants of health including stigma, racism, homophobia and transphobia, poverty, and homelessness.

Government Affairs operates unilaterally and within a broad range of coalitions such as the California Alliance of HIV Advocates and AIDS United in Washington, D.C. APLA Health also works in conjunction with national, state, and regional primary care associations – including the National Association of Community Health Centers, the California Primary Care Association, and the Community Clinic Association of Los Angeles County – as well as other public and private sector organizations to expand health care access to all in need. It supports initiatives such as the Ryan White Program, prevention programs at the Centers for Disease Control and Prevention, Housing Opportunities for Persons with AIDS, the AIDS Drug Assistance Program and California PrEP Assistance Program, Medicaid, Medicare, the Health Center Program at the Health Resources and Services Administration, the 340B Drug Discount Program, and health care reform.

The Global Forum on MSM & HIV (doing business as MPact Global Action for Gay Men's Health and Rights "MPact")

MPact was founded in 2006 to address inequities in access to HIV prevention, care, and treatment programs among gay and bisexual men, and other men who have sex with men, while promoting their health and human rights worldwide. MPact has instigated and supports a global movement to address homophobic stigma and discrimination through strengthening public health policies and alleviating funding disparities. Working at the intersection between the HIV and LGBT rights sectors, MPact is directly linked to 120 CBOs across 62 countries. MPact conducts advocacy, delivers technical support, and manages subgrants with CBOs that work at the country level.

During the year that ended June 30, 2021, MPact delivered funding and technical assistance support to community-based organizations around the world primarily through Bridging the Gaps, the Robert Carr Fund and Global Fund. These efforts resulted in thousands of lesbian, gay, bisexual, and transgender people receiving sexual health services and hundreds of health professionals receiving technical training in gay men's health and rights. In addition, MPact created and disseminated numerous new publications.

MPact's work in fiscal year 2021 resulted in important advocacy wins at the country, regional, and global levels such as: working on universal health coverage and sustainable development goals; organizing the Multi-Stakeholder Task Force for the High-Level Political Forum on HIV; participating as NGO Delegate for North America on UNAIDS Program Coordinating Board; assisting with the development and passing of the Global AIDS Strategy; taking part in the World Health Organization STI, HIV and viral Hepatitis key population prevention guidelines; assisting with community participation in U.S. PEPFAR Country Operating Plans and the Global Fund COVID-19 response mechanism; and collaborating with health ministries in Canada, U.S., Thailand, Mexico, Australia, and Namibia.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) (collectively, "the Organization"). A majority of The Global Forum on MSM & HIV (MSMGF) directors are designated by the APLA Health & Wellness board of directors. All material intercompany transactions and balances have been eliminated in consolidation.

Accounting Method

The Organization maintains its accounting records on an accrual method in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with initial maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are considered to be cash and cash equivalents.

At June 30, 2021, the Organization's cash accounts exceeded federally insured limits by approximately $12,581,000.

Investments

The Organization measures securities, other than investments that qualify for the equity method of accounting, at fair value.

The Organization measures equity securities and equity investments without a readily determinable fair value at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment.

Net Investment Return

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Accounts Receivable

Accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for copays, coinsurance, and deductibles is determined. Patient account receivables are due in full when billed.

No material bad debt expense has been recognized for the year ended June 30, 2021.

Inventories

The Organization values food supplies inventory at the lower of cost, determined using the first-in, first-out method, or net realizable value. Donated food inventory is valued at the wholesale price.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Betterments, renewals, and extraordinary repairs that extend the life of the asset are capitalized. Repair and maintenance expenditures that increase the efficiency of the assets are expensed as incurred. As assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts and any gain or loss on disposition is recognized in the statement of activities.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	1 – 15 years
Equipment	1 – 7 years
Furniture and fixtures	1 – 10 years

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless the donor restricts use of the assets. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service. Donor restricted contributions for property and equipment whose restrictions are met within the same period as received are reported as contributions without donor restrictions.

Certain property and equipment have been purchased with grant funds received from governmental agencies. Such items may be reclaimed if not used to further the grant's objective.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, and board-designated endowment. Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Patient Service Revenue

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies, and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies, and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and reconciliations by third-party payors.

Pharmacy Revenue

The Organization participates in the 340B Drug Discount Program which enables qualifying covered entities to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization benefits under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangements with the Organization. Reported 340B revenue consists of the gross pharmacy reimbursements. Pharmacy and third-party administrator fees are included in expenses. The 340B revenue is included in patient service revenue on the statement of activities. The 340B expenses are included in supplies, equipment rental, and maintenance.

Contributed Goods and Services

In-kind contributions are recorded at the estimated fair value. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized during the year ended June 30, 2021, from contributed goods and services consisted of:

Food supplies	$ 631,067
Professional volunteer hours	157,983
Legal services	419,091
	$ 1,208,141

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions from donor-restricted conditional grants having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Government Grants

Support funded by grants is generally considered a conditional contribution and recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Fundraising Expenses

Fundraising expenses are recognized as they are incurred.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the program, management and general, and fundraising services categories based on various methods. The statement of functional expenses present, by natural classification, the expenses of each program and support service.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Change in Accounting Principles

On July 1, 2020, the Organization adopted Topic 606 *Revenue from Contracts with Customers (Topic 606),* using a full retrospective method of adoption to all contracts with customers (patients) at July 1, 2020.

The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods or services to customers or patients in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services.

The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded revenue in exchange for providing patient services to its patients.

Adoption of Topic 606 resulted in changes in presentation of financial statements and related disclosures in the notes to the consolidated financial statements.

Prior to the adoption of Topic 606, the majority of the provision was uncollectible accounts related to patients without insurance, as well as patient responsibility balances for co-pays, co-insurance, and deductibles for patients with insurance. Under Topic 606 the estimated amounts due from patients for which the Organization does not expect to be entitled or collected from patients are considered implicit price concessions and excluded from the Organization’s estimation of the transaction price or revenue recorded.

The adoption had no impact on total revenue and other support, overall change in net assets, or net cash provided by operating activities.

Note 3: Patient Service and Medi-Cal Waiver Revenue

Patient service and Medi-Cal waiver revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the Organization’s clinics. The Organization measures the performance obligation from commencement of a service, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the patient. The Organization had no performance obligations considered unsatisfied or partially unsatisfied as of June 30, 2021.

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization’s sliding fee discount program policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Third-Party Payors

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medi-Cal reimbursement purposes. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medi-Cal. Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed at a negotiated encounter rate, for each clinic site, for all services provided. Services not covered under the FQHC benefit are paid based on established fee schedules.

The Organization is required to submit an annual Medi-Cal Reconciliation Request Form, per site to the California Department of Health Care Services for purposes of determining whether it was paid appropriately for certain Medi-Cal visits. These annual reconciliations result in the determination of any underpayment or overpayment by the Medi-Cal program for the covered visits.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change in the near term.

The Organization is a partner in the *My Health LA (MHLA)* program with the County of Los Angeles and has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges as well as capitation payments.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2021.

Patient and Uninsured Payors

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended June 30, 2021, no significant revenue was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Refund Liabilities

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. For the year ended June 30, 2021, the Organization had no significant liabilities for refunds to third-party payors and patients recorded.

Revenue Composition

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medi-Cal, managed care, or other insurance, patient) have different reimbursement and payment methodologies
- Method of reimbursement (fee for service or incentive)

For the year ended June 30, 2021, the Organization recognized revenue of $10,955,233 from services that transfer to the customer over time and $32,482,027 from goods and services that transfer to the customer at a point in time.

Contract Balances

The following table provides information about the Organization's receivables from contracts with customers:

Accounts receivable, beginning of year	$ 5,906,615
Accounts receivable, end of year	4,855,161

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time the patient pays for that service will be one year or less.

Contract Costs

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2021, was:

Medi-Cal	19%
Third-party payors (including 340B and MHLA)	81%
	100%

Note 5: Investments

Investments, including term endowment funds, at June 30, 2021, consisted of the following:

Cash and cash equivalents	$ 33,475
Mutual funds	409,204
Equity securities	2,458,100
U.S. Treasury securities	289,280
Corporate debt securities	140,388
Total	$ 3,330,447

Note 6: Contributions Receivable

Contributions receivable consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 343,000	$ 250,000	$ 593,000

Note 7: Conditional Gifts

The Organization has received the following conditional promises to give at June 30, 2021, that are not recognized in the financial statements:

Conditional promise to give upon incurring allowable expenditures under the agreement	$ 20,938,737

These conditional promises received generally represent awards from federal, state, and other agencies with periods of performance extending through January 2025.

Note 8: Split-Interest Agreement

The California Community Foundation, on behalf of the Organization, has received donations of assets in exchange for distributions of a fixed amount for a specific period of time to the donor or other beneficiaries. At June 30, 2021, the Organization has recorded a receivable of $15,844, which reflects the fair market value of the donated assets, net of the annuitant liability, which is adjusted annually to reflect changes in life expectancies.

The Organization's interest in the agreement above is included in the Organization's financial statements as net assets with donor restrictions.

Note 9: Property and Equipment

Property and equipment at June 30, 2021, consisted of the following:

Buildings and leasehold improvements	$ 5,649,870
Equipment	1,207,530
Furniture and fixtures	774,775
Construction in progress	7,788,104
	15,420,279
Less: accumulated depreciation	3,586,364
Property and equipment – net	$ 11,833,915

Depreciation expense for the year ended June 30, 2021, was $779,720.

Note 10: Accrued Expenses

Accrued expenses at June 30, 2021, consisted of the following:

Accrued vacation	$ 1,030,877
Accrued payroll	827,216
Other accrued expenses	270,263
Total	$ 2,128,356

Note 11: Medical Malpractice Claims

The Organization purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claim experience, no accrual has been made for the Organization's medical malpractice costs for the year ended June 30, 2021. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Note 12: Note Receivable

In April 2021, the Organization issued an unsecured promissory note to Alliance for Housing and Healing (Alliance) in the amount of $500,000. The note accrues interest at a rate of 4.25 percent per annum. All unpaid principal and any unpaid interest are due on demand after December 31, 2021. The note is subordinated to all of Alliance's obligations for indebtedness of borrowed money. At June 30, 2021, the outstanding balance of the note receivable was $500,000. Subsequent to year end, Alliance amended their bylaws to require that the majority of the board of directors be designated by the board of directors of the Organization (see *Note 27*).

Note 13: Line of Credit

The Organization has a revolving bank line of credit for $2,500,000. The line of credit matures on September 1, 2024. The line of credit bears interest at a rate tied to LIBOR and interest is payable monthly. The line of credit was collateralized by the Organization's assets, including its equipment fixtures, security, and deposit accounts. Proceeds from the line of credit were used to pay an outstanding note payable (*Note 14*). The line of credit was paid in full during 2021, and there was no outstanding balance at June 30, 2021.

Note 14: Long-Term Debt

	2021	2020
Note payable (A)	$ 99,490	$ 129,490
Note payable (B)	280,000	280,000
Note payable (C)	-	2,500,000
Note payable (D)	-	1,950,000
	$ 379,490	$ 4,859,490

(A) Note payable with the City of Los Angeles due in annual installments of $10,000, maturing in April 2031. The note bears no interest. The note is a service repayment loan that is forgiven annually subject to the property being used to provide low-income housing to people living with HIV/AIDS. No principal or interest is due prior to maturity as long as the property continues to be used for the intended purpose. The loan is secured by the property.

(B) Note payable with the State of California Department of Housing and Community Development, due June 2025, with interest-only payments and any unpaid principal and interest due at maturity. Note bears interest at 3.00 percent and is secured by the property.

(C) Note payable to bank; payable interest only through February 6, 2021, with interest at 3.09 percent; thereafter, the outstanding principal balance will be amortized over five years and principal will be payable in equal successive installments beginning March 6, 2021, with a final payment of all remaining unpaid principal due on February 6, 2024. The note payable was paid in full in October 2020, with funds drawn from a new $2,500,000 revolving bank line of credit that matures September 1, 2024 (see *Note 13*).

(D) Note payable from the Paycheck Protection Program (PPP) due April 2022; payable $1,625 monthly starting on August 19, 2021, including 1 percent interest if the loan is not forgiven. In May 2021, the Organization received official notice from the Small Business Administration that the PPP loan was forgiven in its entirety and is recognized as gain on extinguishment of debt in the accompanying consolidated statement of activities.

Aggregate annual maturities of long-term debt at June 30, 2021, are:

2022	$ 10,000
2023	10,000
2024	10,000
2025	290,000
2026	10,000
Thereafter	49,490
	$ 379,490

Note 15: Net Assets with Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021, are available for the following purposes:

New site construction	$ 1,050,000
Health education programs	21,705
Term endowment fund (to support NOLP)	3,330,447
Split-interest agreements	15,844
Capacity building	105,100
Client/patient support programs	115,248
Global Forum on MSM & HIV (MSMGF)	763,450
	$ 5,401,794

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Health education programs	$ 62,055
Endowment released	158,396
Capacity building	96,526
Client/patient support programs	199,395
Global Forum on MSM & HIV (MSMGF)	622,329
Covid communications	75,000
Other	100,000
Total restrictions released	$ 1,313,701

Note 16: Term Endowment

In 2017, the Organization established a term endowment with funds distributed from a trust in which the Organization was named as a beneficiary. Per the terms of the trust agreement, the total funds distributed of $2,331,000 are to be held for a twenty-year period as a restricted fund. Investment return generated by the term endowment are to be used to support the Vance North Necessities of Life Program (NOLP). The balance of the restricted fund may be reduced below the value of the amounts originally contributed by market losses and by distributions under the Organization’s spending policy. At the conclusion of the twenty-year period, the funds shall be considered an unrestricted asset of the Organization and used for general charitable purposes.

The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment. To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized) and targets a diversified asset allocation. During the year ended June 30, 2021, endowment assets generated an investment return totaling $843,700, which is included in net assets with donor restrictions at June 30, 2021.

Note 17: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021, comprise the following:

Financial assets at year-end	
Cash and cash equivalents	$ 14,763,800
Term endowment	3,330,447
Accounts receivable	4,855,161
Medi-Cal waiver receivable	436,399
Note receivable	500,000
Grants receivable	3,837,097
Contributions receivable	593,000
Total financial assets	28,315,904
Less amounts not available to be used within one year	
Cash and cash equivalents with donor restrictions	755,503
Term endowment	3,330,447
Contributions receivable	250,000
Financial assets not available to be used within one year	4,335,950
Financial assets available to meet general expenditures within one year	$ 23,979,954

The Organization has certain Board-designated assets which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets meeting general expenditures within one year.

The Organization's endowment funds consist of donor-restricted endowments. As described in *Note 16*, income from donor-restricted endowments is not available for general expenditure if restricted for specific purposes.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of $2,500,000, which it could draw upon (see *Note 13*).

Note 18: Operating Leases

The Organization has operating leases for certain facilities which expire in various years through 2032, including certain leases which were entered into subsequent to June 30, 2021. These leases generally contain renewal options for periods ranging from one to ten years.

Future minimum lease payments at June 30, 2021, are:

2022	$ 2,502,876
2023	1,919,676
2024	1,020,160
2025	740,046
2026	604,575
Thereafter	1,343,181
Future minimum lease payments	$ 8,130,514

Rent expense under operating leases totaled $2,351,863 for the year ended June 30, 2021.

Note 19: Retirement Plan

The Organization has a 403(b) defined contribution plan covering substantially all employees. The Organization provides a discretionary employer matching contribution. Matching contributions of $762,397 were recognized during the year ended June 30, 2021.

Note 20: Support to Other Organizations

It is the policy of the Board of Directors to support other service organizations whose goals are compatible with and whose services complement those of the Organization. In this regard, during the year ended June 30, 2021, the Organization contributed $113,123 to other service organizations.

Note 21: Allocation of Joint Costs

Through certain fundraising events, the Organization incurred joint costs of $319,853 to expand outreach focused on achieving health care equity and promoting well-being for the LGBT and other underserved communities, including people living with and affected by HIV/AIDS and to raise funds. Of those costs, $222,682 was allocated to fundraising expenses and $97,171 was allocated to program services.

Note 22: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 409,204	$ 409,204	$ -	$ -
Equity securities				
Communication services	187,563	187,563	-	-
Consumer goods	400,577	400,577	-	-
Energy	70,326	70,326	-	-
Financial services	416,841	416,841	-	-
Health care	327,150	327,150	-	-
Industrial, materials, and manufacturing	401,841	401,841	-	-
Technology	481,952	481,952	-	-
Utilities	31,914	31,914	-	-
Other	139,936	139,936	-	-
U.S. Treasury securities	289,280	289,280	-	-
Corporate debt securities	140,388	140,388	-	-
Split-interest agreements	15,844	-	-	15,844
	$ 3,312,816	$ 3,296,972	$ -	$ 15,844

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and would be classified as Level 2. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no securities classified as Level 2 or as Level 3.

Split-Interest Agreements

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Note 23: Construction in Progress

As of June 30, 2021, the Organization had construction in progress related to clinic construction and renovation. All projects are expected to be completed by December 31, 2021, with services beginning in January 2022, at a total cost of approximately $10,300,000. These projects are funded through general agency funds including assets without donor restrictions, restricted contributions, and $1,215,000 in funds paid in advance for construction costs which are recorded in deposits on the consolidated statement of financial position.

Note 24: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments are reimposing certain restrictions due to increasing rates of COVID-19 cases.

The Organization has taken steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business, including the following implementation of targeted cost reduction initiatives.

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated implicit price concessions related to uninsured patient accounts, and potential impairments of long-lived assets.

Provider Relief Fund

During the year ended June 30, 2020, the Organization received $517,940 of distributions from the CARES Act Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Organization accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses through year-end, the Organization recognized $517,940 during the year ended June 30, 2021, related to the distributions from the Provider Relief Fund, and these payments are recorded as grant revenue in the accompanying consolidated statement of activities.

The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, our ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

The Organization received a PPP loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

In May 2021, the Organization received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment in the accompanying consolidated statement of activities.

Supplementary CARES Act Grants

In the spring of 2020, the Organization was awarded three additional federal grant awards with various budget periods through April 2021 from the *Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding* totaling $2,390,763. Each grant award contains specific terms and conditions that must be followed when utilizing this funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. During the year ended June 30, 2021, the Organization recognized $868,313 in CARES Act grant funds.

In the spring of 2021, as part of the *American Rescue Plan Act* (the "ARPA"), the Organization was awarded a federal grant award for $2,378,000 for a budget period of April 2021 through March 2023. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue will be recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. During the year ended June 30, 2021, the Organization recognized $585,423 in ARPA grant funds.

Subsequent to year end as part of the ARPA, the Organization was awarded a Health Center Infrastructure Support award for $614,928 for a budget period of September 2021 through September 2024. This grant award also has specific terms and conditions that must be followed when utilizing the funding. Grant revenue will be recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreement which require incurring qualifying expenditures over the grant period.

Note 25: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerability due to certain concentrations. Those matters include the following:

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statement of financial position.

Variable Consideration

Estimates of variable consideration in determining transaction price for patient service revenue are described in *Notes 1* and *3*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 11*.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

340B Drug Pricing Program

The Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA) is currently conducting routine audits of 340B programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur in the near term.

Note 26: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for consolidated statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards.

The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the impact the standard will have on the consolidated financial statements; however, the standard is expected to have a material impact on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 27: Subsequent Events

Subsequent to year end, the Alliance for Housing and Healing (Alliance) amended their bylaws to require that the majority of the board of directors be designated by the board of directors of the Organization. Alliance is a not-for-profit organization that serves low-income persons living with HIV/AIDS and other chronic health conditions. Alliance's programs include transitional and permanent housing for homeless persons with HIV/AIDS, in addition to other housing support for persons with HIV/AIDS. The Alliance believes it would benefit from the Organization's handling various administrative functions, including communications, accounting, financial planning and budgeting, information technology, payroll, and human resources. The Organization also believes that coordinating Alliance's housing services with its own services will significantly promote its own mission. Commencing on July 1, 2021, the accounts of the Alliance will be consolidated with the accounts of the Organization and all material intercompany transactions and balances will be eliminated in consolidation. The final accounting for the acquisition has not been completed as of November 29, 2021, as such, the fair value of the assets received, including receivables, and the liabilities assumed has not been determined as of November 29, 2021.

Subsequent to year-end, the Organization received an award under the *American Rescue Plan Act*. See *Note 24* for details on this award.

Subsequent events have been evaluated through November 29, 2021, which is the date the financial statements were available to be issued.

Other Information

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Consolidating Schedule – Statement of Financial Position Information
June 30, 2021

	APLA Health & Wellness	The Global Forum on MSM & HIV (MSMGF)	Eliminating Entries	Consolidated Total
Assets				
Cash and cash equivalents	$ 13,959,561	$ 804,239	$ -	$ 14,763,800
Investments	-	-	-	-
Term endowment	3,330,447	-	-	3,330,447
Accounts receivable	4,853,004	2,157	-	4,855,161
Medi-Cal waiver receivable	436,399	-	-	436,399
Note receivable	500,000	-	-	500,000
Grants receivables	3,711,066	126,031	-	3,837,097
Contributions receivable	343,000	250,000	-	593,000
Prepaid expenses and other assets	290,976	9,814	-	300,790
Deposits	1,296,091	250	-	1,296,341
Inventories	238,462	-	-	238,462
Due from affiliate	1,849	-	(1,849)	-
Split interest agreements	15,844	-	-	15,844
Property and equipment, net	11,833,915	-	-	11,833,915
Total assets	$ 40,810,614	$ 1,192,491	$ (1,849)	$ 42,001,256
Liabilities and Net Assets				
Accounts payable	$ 3,207,541	$ 57,389	$ -	$ 3,264,930
Accrued expenses	2,041,295	87,061	-	2,128,356
Due to affiliate	-	1,849	(1,849)	-
Deferred revenue	101,096	575,071	-	676,167
Notes payable	379,490	-	-	379,490
Total liabilities	5,729,422	721,370	(1,849)	6,448,943
Net assets				
Without donor restriction				
Undesignated	23,214,181	(292,329)	-	22,921,852
Board designated	7,228,667	-	-	7,228,667
With donor restriction	4,638,344	763,450	-	5,401,794
Total net assets	35,081,192	471,121	-	35,552,313
Total liabilities and net assets	$ 40,810,614	$ 1,192,491	$ (1,849)	$ 42,001,256

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Consolidating Schedule – Statement of Activities Information
Year Ended June 30, 2021

	APLA Health & Wellness	The Global Forum on MSM & HIV (MSMGF)	Eliminating Entries	Consolidated Total
Revenues and Other Support				
Fundraising events	$ 1,073,616	$ -	$ -	$ 1,073,616
Cost of direct donor benefits	(26,043)	-	-	(26,043)
Net fundraising events	1,047,573	-	-	1,047,573
Contribution revenue	2,250,666	683,683	-	2,934,349
Grant revenue	15,940,042	2,667,719	-	18,607,761
Net patient service revenue	41,098,537	-	-	41,098,537
Medi-Cal waiver revenue	2,195,748	-	-	2,195,748
Contributed goods and services	1,208,141	-	-	1,208,141
Other revenue	455,609	96,856	-	552,465
Gain on extinguishment of debt	2,823,067	-	-	2,823,067
Investment return, net	933,773	23	-	933,796
Total revenue and other support	67,953,156	3,448,281	-	71,401,437
Expenses and (Losses)				
Salaries and wages	18,244,222	910,271	-	19,154,493
Employee benefits	3,959,107	216,185	-	4,175,292
Purchased services and professional fees	3,802,404	2,028,817	-	5,831,221
Occupancy	2,744,552	31,324	-	2,775,876
Attendant care	1,650,115	-	-	1,650,115
Temporary help	375,631	-	-	375,631
Food supplies	1,676,882	-	-	1,676,882
Printing and duplication	85,779	1,283	-	87,062
Staff training, development, and travel	304,697	23,211	-	327,908
Depreciation	779,720	-	-	779,720
Support to other organizations	113,123	-	-	113,123
Promotion and outreach	282,859	16,625	-	299,484
Postage and delivery	20,903	662	-	21,565
Supplies, equipment rental, and				-
maintenance	22,588,519	13,545	-	22,602,064
Accounting and legal	546,098	36,160	-	582,258
Insurance	212,558	2,950	-	215,508
Communications	347,527	4,790	-	352,317
Other	68,596	-	-	68,596
Total expenses	57,803,292	3,285,823	-	61,089,115
Change in Net Assets	10,149,864	162,458	-	10,312,322
Net Assets, Beginning of Year	24,931,328	308,663	-	25,239,991
Net Assets, End of Year	$ 35,081,192	$ 471,121	$ -	$ 35,552,313

Supplementary Information

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Schedule of Expenditures of Federal and Nonfederal Awards
Year Ended June 30, 2021

Federal Grantor/Federal Program or Cluster Title Pass-Through Grantor / Grant Name	Federal Assistance Listing Number	Pass-Through Identifying Number	Program Expenditures Federal	Program Expenditures Nonfederal	Federal Funds Passed Through to Subrecipients
MAJOR PROGRAMS					
U.S. Department of Health and Human Services/					
COVID-19 - Coronavirus Supplemental Funding for Health Centers/ Health Center Program Cluster	93.224	H8CCS34075	$ 11,932	$ -	$ -
COVID-19 - CARES Act Funding/Health Center Program Cluster	93.224	H8DCS35781	604,114	-	-
COVID-19 - Expanding Capacity for Coronavirus Testing/Health Center				-	-
Program Cluster	93.224	H8ECS38527	252,767	-	-
COVID-19 - American Rescue Plan Funding for Health Centers/Health Center Program Cluster	93.224	H8FCS40448	585,423	-	-
Grants for New and Expanded Services under the Health Center Program/ Health Center Program Cluster	93.527	H8OCS26614	2,378,312	-	-
Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care/Health Center Program Cluster	93.224	H80CS26614	324,279	-	-
Total Health Center Program Cluster			4,156,827	-	-
U.S. Department of Health and Human Services/					
HIV Prevention Activities Non-Governmental Organization Based					
HIV Prevention Activities - R3VNG	93.939	N/A	413,362	-	-
HIV Prevention Activities - Trans Connections	93.939	N/A	382,534	-	-
			795,896	-	-
U.S. Department of Health and Human Services/					
COVID-19 - Provider Relief Funds	93.498	N/A	517,940	-	-
Total major programs			5,470,663	-	-
NONMAJOR PROGRAMS					
U.S. Department of Health and Human Services/					
HIV Emergency Relief Project Grants					
Pass-through the County of Los Angeles					
Division of HIV & STD Programs/					
HIV/AIDS Nutrition Support Services	93.914	H-700241	3,042,526	-	-
HIV/AIDS Case Management, Home Based Services	93.914	H-204620	1,173,582	-	-
HIV/AIDS Oral Health (Dental) Services	93.914	H-204505	823,407	-	-
HIV/AIDS Specialty Dental Services	93.914	PH-003801	383,509	-	-
HIV/AIDS DHSP Transportation Program	93.914	PH-004204	18,071	-	-
HIV/AIDS Medical Care Coordination	93.914	PH-003742	735,242	-	-
HIV/AIDS Ambulatory Outpatient Medical	93.914	PH-003741	102,683	-	-
HIV/AIDS Benefits Specialty Services	93.914	PH-002673	164,593	-	-
			6,443,613	-	-
U.S. Department of Housing and Urban Development/					
Housing Opportunities for Persons With AIDS (HOPWA) Program					
Pass-through the City of Los Angeles/					
Training Module	14.241	C-128728	116,062	-	-
Regional Office SPA 6 Housing Specialist Services	14.241	C-127716	1,275,949	-	344,583
Transportation	14.241	C-136207	103,935	-	-
Pass-through Alliance for Housing and Healing/					
Housing Specialist Services	14.241	01-01	326,413	-	-
			1,822,359	-	344,583
Total forward			13,736,635	-	344,583

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Schedule of Expenditures of Federal and Nonfederal Awards
Year Ended June 30, 2021

Federal Grantor/Federal Program or Cluster Title Pass-Through Grantor / Grant Name	Federal Assistance Listing Number	Pass-Through Identifying Number	Program Expenditures Federal	 Nonfederal	Federal Funds Passed Through to Subrecipients
Total forward			$ 13,736,635	$ -	$ 344,583
U.S. Department of Health and Human Services/					
Substance Abuse & Mental Health Services	93.243	N/A	222,885	-	-
U.S. Department of Health and Human Services/					
HIV Prevention Activities Health Department Based					
Pass-through the County of Los Angeles					
Division of HIV & STD Programs/					
HIV/AIDS Counseling and Testing Prevention Services	93.940	PH-003779	167,273	-	-
U.S. Department of Health and Human Services/Nursing Research					
Pass-through Rand Corporation/Nursing Research/					
Research and Development Cluster	93.242	9920180079	989	-	-
Pass-through Cal State University Dominguez Hills					
PrEP Talk	93.242	19-010APLA	71,085	-	-
U.S. Department of Health and Human Services/Nursing Research					
Pass-through Rand Corporation	93.361	SCON-00000113	126,499	-	-
U.S. Department of Health and Human Services/Minority Health and Health					
Disparities Research					
Pass-through Rand Corporation	93.307	SCON-00000338	199,276	-	-
Total Research and Development Cluster			397,849	-	-
U.S. Department of Homeland Security/					
Emergency Food and Shelter National Board Program					
Pass-through Local Services Board of Federal Emergency					
Management Agency/Emergency Food and Shelter National					
Board Program	97.024	069500-001	24,610	-	-
Agency for International Development/					
USAID Foreign Assistance for Programs Overseas					
Pass-through/Family Health International, Inc. (FHI 360)	98.001	1297.0022	200,235	-	-
County of Los Angeles, Division of HIV & STD Programs/					
HIV/AIDS Health Education/Risk Reduction Prevention Services	N/A	PH-001026	-	324,577	-
STD - Screening, Diagnosis and Treatment Services	N/A	PH-004127	-	152,199	-
Biomedical HIV Prevention Services	N/A	PH-003079	-	80,927	-
Social & Sexual Networks	N/A	PH-004113	-	17,188	-
State of California Department of Public Health Office of AIDS	N/A	19-10707	-	303,103	-
Los Angeles County Department of Mental Health/Mental Health Services	N/A	MH121954	-	33,129	-
City of West Hollywood	N/A	2018-19	-	286,482	-
UARP - CA Center for HIV/AIDS Research Policy	N/A	RP15-APLA-008	-	129,675	-
Total forward			14,749,487	1,327,280	344,583

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Schedule of Expenditures of Federal and Nonfederal Awards
Year Ended June 30, 2021

Federal Grantor / Federal Program or Cluster Title Pass-Through Grantor / Grant Name	Federal Assistance Listing Number	Pass-Through Identifying Number	Program Expenditures Federal	 Nonfederal	Federal Funds Passed Through to Subrecipients
Total forward			$ 14,749,487	$ 1,327,280	$ 344,583
Pass-through City of Los Angeles/					
Proyecto Impacto	N/A	C-132785	-	22,159	-
Older Adults HIV Services	N/A	C-132786	-	29,538	-
Pass-through University of California Los Angeles/					
UARP - CA Center for HIV/AIDS Research Policy	N/A	2000 G TP661	-	11,816	-
United Nations AIDS (UNAIDS)	N/A	PFA 201904	-	50,029	-
The Global Fund	N/A	20177210	-	291,439	-
Robert Carr Civil Society Networks Fund	N/A	2019050	-	848,016	-
Aids Fonds - Soa Aids Nederland	N/A		-	1,089,349	-
Pitch HIV Event	N/A		-	122,682	-
BTG Love Alliance	N/A		-	37,759	-
San Francisco Department of Health	N/A		-	18,530	-
FHI EPIC Project	N/A		-	9,677	-
			$ 14,749,487	$ 3,858,274	$ 344,583

APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) under programs of federal government for the year ended June 30, 2021. The information in this 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 APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF), it is not intended to and does not present the financial position, changes in net assets, or cash flows of APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF).

2. 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 allowed or are limited to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. APLA Health & Wellness has a federally approved indirect cost rate and is not eligible to use the 10 percent de minimis indirect cost rate as referenced under the Uniform Guidance. The Global Forum on MSM & HIV (MSMGF) has elected to use the 10 percent de minimis indirect cost rate as referenced under the Uniform Guidance.

3. APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) did not have any federal loan programs during the year ended June 30, 2021.

4. APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) did not receive any donated federal Personal Protective Equipment (PPE) during the year ended June 30, 2021 (Unaudited).

BKD
CPAs & Advisors

910 E. St. Louis Street, Suite 200 | P.O. Box 1190 | Springfield, MO 65801-1190
417.865.8701 | Fax 417.865.0682 | bkd.com

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*

Independent Auditor's Report

Board of Directors
APLA Health & Wellness
and The Global Forum on MSM & HIV (MSMGF)
Los Angeles, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 29, 2021, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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 over financing reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
November 29, 2021

BKD
CPAs & Advisors
910 E. St. Louis Street, Suite 200 | P.O. Box 1190 | Springfield, MO 65801-1190
417.865.8701 | Fax 417.865.0682 | bkd.com

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Directors
APLA Health & Wellness
and The Global Forum on MSM & HIV (MSMGF)
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited APLA Health & Wellness and The Global Forum on MSM & HIV's (MSMGF) (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of APLA Health & Wellness and The Global Forum on MSM & HIV's (MSMGF) major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of APLA Health & Wellness and The Global Forum on MSM & HIV's (MSMGF) major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Board of Directors
APLA Health & Wellness
and The Global Forum on MSM & HIV (MSMGF)

Opinion on Each Major Federal Program

In our opinion, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) 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 June 30, 2021.

Report on Internal Control Over Compliance

Management of APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
November 29, 2021

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

3. Noncompliance considered material to the consolidated financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

5. The opinion expressed in the independent auditor's report on compliance for major federal award program were:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

7. The Organization's major programs were:

Cluster/Program	Assistance Listing Number
Health Center Program Cluster	93.224 and 93.527
HIV Prevention Activities Non-Governmental Organization Based	93.939
Provider Relief Funds	93.498

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Organization qualified as a low-risk auditee? ☒ Yes ☐ No

APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
	No matters are reportable.

APLA Health & Wellness and
The Global Forum on MSM & HIV (MSMGF)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Finding	Status
2020-001	Health Center Program Cluster CFDA No. 93.224 and 93.527 U.S. Department of Health and Human Services Award No. 6H80CS26614-07-06 Program Year 2020 Criteria or Specific Requirement – Special Tests and Provisions: Sliding Fee Discounts (42 USC 254(k)(3)(g); 42 CFR sections 51c.303(g) and 42 CFR section 56.303(f)) Condition – Patients received a sliding fee discount that was inconsistent with the stated sliding fee discount categories under the Organization's policy. Questioned cost – None Context – A sample of 40 patient encounters was tested out of the population of 27,090 adjustments. The sample is not, and is not intended to be, statistically valid. Eight patients received discounts that were not in accordance with the Organization's policy. Effect – Sliding fee discounts were given to patients that were inconsistent with the Organization's sliding fee policy. Cause – The Organization did not comply with their sliding fee policy.	Resolved