

**Harlem United Community AIDS Center, Inc.  
and Affiliates**

**Consolidated Financial Statements,  
Schedule of Expenditures of Federal Awards,  
Internal Control and Compliance  
(With Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2020**

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# Harlem United Community AIDS Center, Inc. and Affiliates

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## Independent Auditor's Report

To the Board of Directors  
Harlem United Community AIDS Center, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Harlem United Community AIDS Center, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, changes in net assets, 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. The financial statements of a certain affiliate were not audited in accordance with *Government Auditing Standards*.

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 entity'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 entity'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 the Organization as of June 30, 2020, 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.

### *Other Matters*

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in the accompanying statements on pages 26 and 27 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the changes in net assets of the individual organizations, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 22, 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



New York, New York  
February 22, 2021

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Consolidated Statement of Financial Position  
June 30, 2020**

Assets

Current assets	
Cash and cash equivalents	\$ 1,102,411
Grants and contracts receivable	10,078,363
Patient services receivable, net	1,394,219
Subvention note receivable	179,922
340B pharmacy receivable	496,681
Prepaid expenses and other receivables	<u>1,150,705</u>
Total current assets	<u>14,402,301</u>
Debt service reserve	326,508
Property and equipment, net	19,440,674
Security deposits	<u>721,300</u>
Total noncurrent assets	<u>20,488,482</u>
Total	<u><u>\$ 34,890,783</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 9,310,455
Accrued compensation	1,851,816
Current maturities of long-term debt	365,203
Deferred revenue	<u>1,014,841</u>
Total current liabilities	12,542,315
Long-term debt, less current maturities	7,096,727
Refundable advances - PPP	3,627,810
Conditional grants	<u>10,056,036</u>
Total liabilities	<u>33,322,888</u>
Commitments and contingencies	
Net assets	
Net assets without donor restrictions	
Controlling interest	2,632,127
Noncontrolling limited partners' interests in consolidated affiliates	<u>(1,139,384)</u>
Total	1,492,743
Net assets with donor restrictions	<u>75,152</u>
Total net assets	<u>1,567,895</u>
Total	<u><u>\$ 34,890,783</u></u>

See Notes to Consolidated Financial Statements.

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Consolidated Statement of Activities  
Year Ended June 30, 2020**

Revenue without donor restrictions	
Net patient services revenue (net of contractual allowances and discounts)	\$ 10,841,280
Grants and contract services	27,895,250
Donations and contributions	312,423
Rental income	5,198,697
340B pharmacy revenue	4,663,960
Other	541,310
Released from restrictions	<u>370,715</u>
Total revenue without donor restrictions	<u>49,823,635</u>
Expenses	
Salaries and related benefits	22,585,699
Other than personnel services	29,833,277
Interest	<u>663,795</u>
Total expenses	<u>53,082,771</u>
Operating loss prior to depreciation and amortization	(3,259,136)
Depreciation and amortization	<u>925,698</u>
Operating loss prior to nonoperating activity	(4,184,834)
Gain on settlement of New Market Tax Credit Structure	<u>7,096,387</u>
Change in consolidated net assets without donor restrictions	<u>2,911,553</u>
Change in consolidated net assets with donor restrictions	
Contributions	250,000
Released to operations	<u>(370,715)</u>
Decrease in consolidated net assets with donor restrictions	<u>(120,715)</u>
Change in consolidated net assets	2,790,838
Less change in consolidated net assets attributable to noncontrolling interest	<u>147,953</u>
Change in consolidated net deficit attributable to Harlem United Community AIDS Center, Inc. and Affiliates	<u><u>\$ 2,938,791</u></u>

See Notes to Consolidated Financial Statements.

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Consolidated Statement of Changes in Net Assets  
Year Ended June 30, 2020**

	Net asset (deficit) without donor restrictions			Net assets with donor restrictions	Net assets total
	Controlling	Noncontrolling	Total		
Beginning balance, July 1, 2019	\$ (427,379)	\$ (991,431)	\$ (1,418,810)	\$ 195,867	\$ (1,222,943)
Change in consolidated net assets attributable to Harlem United Community AIDS Center, Inc. and Affiliates	3,059,506	-	3,059,506	(120,715)	2,938,791
Change in consolidated net assets attributable to noncontrolling interest	-	(147,953)	(147,953)	-	(147,953)
Ending balance, June 30, 2020	<u>\$ 2,632,127</u>	<u>\$ (1,139,384)</u>	<u>\$ 1,492,743</u>	<u>\$ 75,152</u>	<u>\$ 1,567,895</u>

See Notes to Consolidated Financial Statements.

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2020**

	Program services			Total program services	Management and general	Total
	Housing	Healthcare	Prevention			
Salaries and wages	\$ 5,655,074	\$ 8,426,259	\$ 1,395,729	\$ 15,477,062	\$ 2,109,954	\$ 17,587,016
Fringe benefits	1,510,550	2,301,687	378,811	4,191,048	807,635	4,998,683
Professional fees and contractual services	1,174,567	1,113,736	466,699	2,755,002	2,107,372	4,862,374
340B pharmaceuticals	-	3,679,963	-	3,679,963	-	3,679,963
Supplies	103,186	299,665	39,173	442,024	69,671	511,695
Occupancy	1,991,950	430,309	285,437	2,707,696	198,970	2,906,666
Residential expenses	12,180,098	1,754	-	12,181,852	606	12,182,458
Client stipends and reimbursements	187,997	310,797	178,379	677,173	26,600	703,773
Insurance	219,805	282,937	26,999	529,741	337,238	866,979
Repairs and maintenance	702,038	133,928	7,829	843,795	57,974	901,769
Program events	435,102	992,029	109,830	1,536,961	39,099	1,576,060
Transportation	189,540	204,415	52,957	446,912	54,517	501,429
Staff training and recruitment	18,971	79,534	665	99,170	55,194	154,364
Reserves and finance fees	15,357	195,367	-	210,724	23,025	233,749
Equipment	113,325	158,518	26,162	298,005	40,337	338,342
Bad debts - others	-	218,153	-	218,153	33,164	251,317
Interest	50	104,582	-	104,632	559,163	663,795
Other	9,217	131,880	-	141,097	21,242	162,339
<b>Total</b>	<b>24,506,827</b>	<b>19,065,513</b>	<b>2,968,670</b>	<b>46,541,010</b>	<b>6,541,761</b>	<b>53,082,771</b>
Depreciation and amortization	135,688	523,603	-	659,291	266,407	925,698
<b>Total functional expenses</b>	<b>\$ 24,642,515</b>	<b>\$ 19,589,116</b>	<b>\$ 2,968,670</b>	<b>\$ 47,200,301</b>	<b>\$ 6,808,168</b>	<b>\$ 54,008,469</b>

See Notes to Consolidated Financial Statements.

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Consolidated Statement of Cash Flows  
Year Ended June 30, 2020**

Cash flows from operating activities	
Cash received from government grants and contract services	\$ 26,270,038
Cash received from patient services	12,169,285
Cash received from donations and contributions	312,423
Cash received from rental income	5,198,697
Cash received from other	5,843,102
Cash paid to employees	(22,328,821)
Cash paid to vendors	(30,657,720)
Cash paid for interest	(591,706)
Net cash used in operating activities	<u>(3,784,702)</u>
Cash flows from investing activities	
Cash paid for purchase of property and equipment	<u>(2,636)</u>
Net cash used in investing activities	<u>(2,636)</u>
Cash flows from financing activities	
Decrease in debt service reserve	(37,119)
Principal payments of long-term debt	474,743
Proceeds from refundable advances - PPP	<u>3,627,810</u>
Net cash provided by financing activities	<u>4,065,434</u>
Net increase in cash and cash equivalents	278,096
Cash and cash equivalents, beginning	<u>824,315</u>
Cash and cash equivalents, end	<u><u>\$ 1,102,411</u></u>
Reconciliation of change in consolidated net assets to net cash used in operating activities	
Change in consolidated net assets	\$ 2,790,838
Adjustments to reconcile change in consolidated net assets to net cash used in operating activities	
Gain on settlement of New Market Tax Credit Structure	(7,096,387)
Depreciation and amortization	925,698
Amortization of deferred financing costs	72,089
Changes in operating assets and liabilities	
Grants and contracts receivable	518,889
Patient services receivable	1,328,005
340B pharmacy receivable	431,817
Prepaid expenses and other receivables	(127,150)
Security deposits	83,165
Accounts payable and accrued expenses	(824,443)
Accrued compensation	256,878
Deferred revenue	<u>(2,144,101)</u>
Net cash used in operating activities	<u><u>\$ (3,784,702)</u></u>

See Notes to Consolidated Financial Statements.

## Harlem United Community AIDS Center, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2020

#### Note 1 - Organization and summary of significant accounting policies

##### Nature of activities

Harlem United Community AIDS Center, Inc. (the "Company") was founded in 1988 as a nonprofit organization to provide assistance and housing to persons living with HIV/AIDS ("PLWHA"). Since then, the Company has expanded its brand of service and now operates as a fully integrated patient-centered medical home for underserved communities, including but not limited to PLWHA, the homeless, communities of color and the LGBT community, among others. The Company's mission is to provide full access to integrated health care and social services for clients experiencing multiple and complex issues (i.e., mental illness, chronic substance use, homelessness, HIV/AIDS, extreme poverty and social stigma related to sexuality and gender identity). Today, the Company provides the following services using an integrated and nonjudgmental approach: primary care, mental health care and dental services, supportive housing, adult day health care, HIV/hepatitis C/sexually transmitted infection testing and prevention services; health home care management and patient navigation services; integrated harm reduction; and food and nutrition services, among other services.

To facilitate in providing these services, the Company established two separately incorporated not-for-profit affiliates that are controlled by the Board of Directors of the Company. Upper Room AIDS Ministry, Inc.: Adult Day Health Care Center, an adult, day healthcare center ("URAM") and Harlem United Supportive Housing Development Fund Corporation ("HUSHDFC"). URAM operates freestanding diagnostic and treatment facilities as a Federally Qualified Health Center ("FQHC") and is licensed under Article 28 of the New York State health law, and the facilities are located in New York City. URAM provides a broad range of health services to persons living with AIDS or HIV-related illnesses.

HUSHDFC is the sole shareholder of H.U.124th Street Supportive Housing, Inc. ("HUSH, Inc."), a for-profit corporation, which is the general partner with 0.1% ownership in HUSH 124th Street ("HUSH"). HUSH, a for-profit partnership, is the limited beneficial owner of the Congregate Housing Project on West 124th Street. It is the finance vehicle and will hold tax credits related to the Project. All activities of HUSH have been consolidated under HUSHDFC, the general partner.

Effective July 1, 2007, The Foundation for Research on Sexually Transmitted Diseases, Inc. ("FROST'D") and the Company, both not-for-profit companies, forged a strategic alliance in which the Company is the sole member of FROST'D. The Company will preserve FROST'D's corporate and public identity with the official name "FROST'D at Harlem United" at least for the foreseeable future. FROST'D was incorporated under New York State law during April 1986 and was created for the purpose of reaching out to underserved populations at high risk of acquiring HIV or other sexually transmitted and blood borne diseases to lower the incidence of such infections in these populations, and to provide assistance to those already infected.

The Company became the sole member of North General AIDS Housing Development Fund Corporation ("NGHDFC"), a not-for-profit corporation, as of July 1, 2011. NGHDFC provides housing and supportive services for low-income or homeless individuals diagnosed with AIDS. The Company acquired NGHDFC by assuming its outstanding liabilities.

The Company, together with URAM, became the members of Harlem United HCH, LLC ("HUHCH"), a New York State limited liability company formed on May 8, 2012 to facilitate the transactions related to the New Markets Tax Credits for the construction of a new healthcare center in New York City.

## Harlem United Community AIDS Center, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2020

#### **Basis of presentation**

The consolidated financial statements include the accounts of the Company, URAM, HUSHDFC, FROST'D, NGHDFC and HUHCH. The Company and its affiliates are collectively referred to as the "Organization". All significant intercompany accounts and transactions are eliminated in consolidation. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Classification of net assets**

The accompanying consolidated financial statements present information regarding the Organization's financial position and activities according to two classes of net assets.

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Organization and an outside party other than a donor or grantor.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. Net assets with donor restrictions amounted to \$75,152 as of June 30, 2020.

#### **Performance indicator**

The consolidated statement of activities includes operating loss prior to nonoperating activities as the performance indicator.

#### **Cash and cash equivalents and assets limited to use**

The Organization maintains its cash in bank deposit accounts, which at times, may exceed Federal Deposit Insurance Corporation's insurance coverage. The Organization has not experienced any losses in such accounts. The Organization monitors its financial institutions and concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions. All highly liquid investments available for operations with original maturities of three months or less when purchased are considered to be cash equivalents. There were no cash equivalents at June 30, 2020.

#### **Debt service reserve**

The Organization has debt service reserve whose use has been limited by the lending institution in connection with long-term debt entered into in 2006 and prior years.

## Harlem United Community AIDS Center, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2020

#### **Grants and contracts receivable**

Grants and contracts receivable consists of reimbursements due to the Organization under the grant and contract agreements for costs which were incurred prior to year-end for which payment has not been received. Grants receivable credit risk is limited due to the nature of the grants. The Organization regularly monitors its grants and contracts receivable by investigating delayed payments and differences when payments do not conform to the amount billed. Management determines the allowance for doubtful accounts by reviewing and identifying items that are uncollectible.

#### **Patient services receivable and concentration of credit risk**

The collection of receivables from third-party payors and patients is the Organization's primary source of cash for operations and is critical to their operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Organization's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization does not charge interest on past due accounts. Patient receivables are written off against the allowance when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of provision for bad debts when received.

#### **Property and equipment**

Purchased property and equipment is carried at cost less accumulated depreciation and amortization. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Organization depreciates their assets using the half-year convention in the first year the assets are placed in services. The Organization capitalizes all purchases of property and equipment in excess of \$1,000.

According to federal regulations, any equipment items obtained through federal funds are subject to a lien by the federal government. As long as the Organization maintains its tax-exempt status, or as long as the equipment is used for its intended purpose, the Organization is not required to reimburse the federal government in an amount equal to the fair value of the equipment.

Construction-in-progress is recorded at cost. The Organization capitalizes construction, insurance, interest and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service. For the year ended June 30, 2020, the Organization did not capitalize any interest.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of activities.

## Harlem United Community AIDS Center, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2020

#### **Impairment of long-lived assets**

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Organization compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Organization does not believe that any material impairment currently exists related to their long-lived assets.

#### **Fair value of financial instruments**

The Organization's material financial instruments at June 30, 2020, for which disclosure of estimated fair value is required by certain accounting standards, consisted of cash and cash equivalents, patient services receivable, grants and contracts receivable, accounts payable and accrued expenses, accrued compensation and notes and bonds payable. The fair values of cash and cash equivalents, patient services receivable, grants and contracts receivable, accounts payable and accrued expenses and accrued compensation are equal to their carrying value because of their liquidity and short-term maturity. Management believes that the fair values of notes and bonds payable do not differ materially from their aggregate carrying values in that substantially all the obligations bear interest rates that are based on market rates or interest rates that are periodically adjustable to rates that are based on market rates.

#### **Deferred financing costs**

Deferred financing costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the long-term debt to which such costs relate. Amortization of debt issuance costs is reported as a 5.585% to 7.884%.

#### **Conditional grants**

Conditional grants, which depend on the occurrence of a specified future and uncertain event to bind the funder, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional grant becomes unconditional. Conditional grants where the conditions have not been substantially met are included in liabilities on the consolidated statement of financial position (see Note 9).

#### **Revenue recognition**

##### **Patient services revenue**

Patient care service 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. Generally, the Organization bills the patients and third party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

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 expected (or 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,

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2020**

performance obligations satisfied over time related to patients receiving services in our outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of the completion of the outpatient services.

The Organization's performance obligations consist primarily of outpatient services that occur within one day of a patient's visit, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

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 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.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid - Reimbursements for Medicaid services are generally paid at prospectively determined rates per visit or per covered member.

Medicare - Outpatient services are paid using prospectively determined rates.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per visit, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

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.

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2020**

Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, 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, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

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 (for example, 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.

The Organization is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Organization renders services to patients who are financially unable to pay for healthcare. The Organization provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size.

The Organization maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Community benefit represents the cost of services for Medicaid, Medicare, and other public patients that the Organization are not reimbursed for.

Based on the cost of patient services, charity care and community benefit amounted to approximately \$591,000 and \$5,378,000, respectively, for the year ended June 30, 2020.

Such amounts determined to qualify as charity care are not reported as revenue.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized.

## Harlem United Community AIDS Center, Inc. and Affiliates

### Notes to Consolidated Financial Statements

June 30, 2020

#### **Government grants and contract services revenue**

Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Organization, the revenue from the grant or contract is accounted for as an exchange transaction in accordance with ASU 2014-09. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Organization deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as deferred revenue.

At June 30, 2020, the Organization has received grants and contracts from governmental entities, accounted for as conditional grants, in the aggregate amount of approximately \$7,210,000 that have not been recorded in the accompanying financial statements. These grants and contracts require the Organization to complete certain performance obligations during specified periods. If such performance obligations are not provided during the specified periods, the governmental entities are not obligated to expend the funds allotted under the contracts. On the other hand, when the resource provider does not receive commensurate value, the transaction is accounted for as a contribution.

#### **Contributions**

Transactions where the resource provider often receives value indirectly by providing a societal benefit although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as deferred revenue.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Conditional and unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net asset without donor restrictions and are reported in the statement of activities as net asset released from restriction. Donor-restricted contributions whose restriction expire during the same fiscal year are recognized as contribution without donor restrictions.

## Harlem United Community AIDS Center, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2020

Donated services are recognized at fair value if they create or enhance a nonfinancial asset or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

#### **340B pharmacy revenue**

URAM participates in Section 340B of the Public Health Service Act ("PHS Act"), "Limitation on Prices of Drugs Purchased by Covered Entities" through its agreement with a third-party administrative agent and certain unaffiliated local pharmacies. Participation in this program allows URAM to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. Pharmacy revenue is generated through 340B program that URAM operates through its agreement with third party contractors. Under its program, the Organization uses the third party as its agent for the purpose of providing pharmacy services. URAM recognized 340B pharmacy revenue of \$4,663,960 for the year ended June 30, 2020, and 340B pharmacy receivable of \$496,681 as of June 30, 2020.

#### **Rental income**

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the property are operating leases and generally are for terms of less than one year.

#### **Interest earned on federal funds**

Interest earned on federal funds is recorded as a payable to the United States Public Health Service (the "PHS") in compliance with the regulations of the United States Office of Management and Budget.

#### **Functional expenses**

Expenses are charged to program services and management and general based on a combination of specific identification and allocation by management on an equitable basis. Natural expenses attributable to more than one functional category are allocated using a variety of costs allocations such as time and effort and square footage.

#### **Performance indicator**

The statement of activities includes change in net assets without donor restrictions as the performance indicator.

#### **Tax status**

The Company, URAM, HUSHDFC, FROST'D and NGHDFC were incorporated as not-for-profit entities under the laws of the State of New York and are exempt from income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). In addition, the Organization are not classified as private foundations.

HUSH and HUHCH are not subject to federal income taxes because their income and losses are includable in the tax returns of their partners or members. HUSH and HUHCH may be required to file returns and pay tax in various state and local jurisdictions as a result of their operations or the residency of their partners or members.

Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustments to the consolidated financial statements. Generally, the Organization is no longer subject to income tax examinations by federal, state and local tax authorities for years before 2017.

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2020**

If applicable, the Organization recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the statement of financial position.

**Subsequent events**

The Organization have evaluated events and transactions for potential recognition or disclosure through February 22, 2021, which is the date the consolidated financial statements were available to be issued.

**Note 2 - Availability and liquidity**

The following represents the Organization's financial assets at June 30, 2020:

Financial assets at year end	
Cash and cash equivalents	\$ 1,102,411
Grants and contracts receivable	10,078,363
Patient services receivable, net	1,394,219
Subvention note receivable	179,922
340B pharmacy receivable	<u>496,681</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 13,251,596</u></u>

Management structures its financial assets to be available as general expenditures, liabilities and obligations come due within one year. As part of the liquidity strategy, the goal is to maintain enough financial assets to meet 90 days of operating expenses.

**Note 3 - Grants and contracts receivable**

Grants and contracts receivable consist of the following as of June 30, 2020:

New York City Human Resources Administration	\$ 5,371,538
New York State Department of Health AIDS Institute	1,394,145
New York City Department of Health and Mental Hygiene	944,322
U.S. Department of Housing and Urban Development	838,663
Public Health Solutions	758,955
New York City Department of Social Services	506,000
Health Research Incorporated	129,644
New York State Office of Temporary and and Disability Assistance	42,811
Other	<u>92,285</u>
Total	<u><u>\$ 10,078,363</u></u>

## Harlem United Community AIDS Center, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2020

#### Note 4 - Patient services revenue and receivable, net

For the year ended June 30, 2020, patient services revenue, net, consists of the following:

Medicaid (including Managed Care)	\$ 8,992,764
Medicare	731,486
Other third-party	804,423
New York State uncompensated care	<u>312,607</u>
Total	<u>\$ 10,841,280</u>

Patient services receivable consists of amounts due from government programs, commercial insurance companies, other group insurance programs, and private pay patients. Net patient services receivable consists of the following at June 30, 2020:

Medicaid (including Managed Care)	\$ 1,072,220
Medicare	138,746
Other third-party	73,460
Self-pay	30,563
Uncompensated care/safety net pool	<u>79,230</u>
Total	<u>\$ 1,394,219</u>

The Organization's concentration of credit risk related to patient services receivable primarily related to uninsured patient accounts and patient accounts for which the primary insurance payor has paid but patient responsibility amounts remain outstanding.

#### Note 5 - New Markets Tax Credit financing

In 2012, URAM began a capital construction project to build a health center facility in New York City. URAM obtained financing for the capital project through borrowings from PCDC Empire State Health Opportunities Fund II, LLC (the "Project Lender" or "PESHO Fund") totaling \$8,970,000. The financing arrangements between URAM and the Project Lender qualified as a "qualified low-income community investment" and generate to the Project Lender certain tax credits called New Markets Tax Credits ("NMTCs") under Section 45D of the Internal Revenue Code of 1986, as amended.

In order to facilitate this financing transaction, HUHCH acts as the financing facilitator. HUHCH also obtained outside financing from JPMorgan Chase Bank N.A. ("JPMC") and Primary Care Development Corporation ("PCDC") in the amount of \$2,460,000 and \$3,700,000, respectively. HUHCH also entered into an Account Pledge and Control Agreement with JPMC and PCDC, to collaterally assign its interest in the Pledge Agreement (see Note 6), as security for the payment and performance of its obligations.

Upon completion of the contributions and loans above, HUHCH made a loan to Chase NMTC Harlem United Investment Fund, LLC (the "Fund") amounting to \$6,952,447. The Fund obtained capital from an investor in the amount of \$2,963,653. The Fund then invested the proceeds of the loan from HUHCH and the capital from the investor to the Project Lender in order for it to make the loan to URAM for the construction of the health center facility.

## Harlem United Community AIDS Center, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2020

The Company, together with URAM, has agreed that in the event any specified NMTC recapture event shall occur, the Company shall be obligated to pay the NMTC recapture amount to the Project Lender. The maximum aggregate amount due under the clauses in the agreement governing these possible recaptures is \$3,802,120. As of June 30, 2020, no recapture event has occurred.

This structure stayed in effect for a period of seven years, until August 30, 2019, when the NMTC period expired and the put was exercised. When the NMTC period expired, the NMTC transactions were unwound in accordance with the terms of the governing documents, and the total amount of the outstanding debt was paid in full. As a result of the NMTC period expiring, the Organization recorded a gain on the settlement of the NMTC Structure of \$7,096,387.

#### Note 6 - Property and equipment, net

Property and equipment, net, consists of the following at June 30, 2020:

Land	\$ 2,014,741
Buildings and building improvements	22,856,592
Furniture and equipment	6,703,634
Leasehold improvements	<u>5,074,391</u>
Subtotal	36,649,358
Less accumulated depreciation and amortization	<u>17,208,684</u>
Total	<u><u>\$ 19,440,674</u></u>

Depreciation and amortization expense was \$925,698 for the year ended June 30, 2020.

Some funders reserve the right to transfer all property and equipment purchased with grant funds back or to third parties, in the event the grants are terminated.

#### Note 7 - Refundable advances - PPP

The Company was granted a \$2,270,000 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Company is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Company has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Company maintains employment levels during the covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Company will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments beginning six months from the date of the agreement. Principal and interest payments will be required through the maturity date.

URAM was granted a \$1,357,810 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. URAM is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. URAM has initially recorded the loan as a refundable

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2020**

advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Company maintains employment levels during the covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. URAM will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments beginning six months from the date of the agreement. Principal and interest payments will be required through the maturity date.

**Note 8 - Long-term debt**

Long-term debt consists of the following at June 30, 2020:

Note payable to FJC and Marty and Dorothy Silverman Foundation in the amount of \$6,750,000 with interest payable at 8.00% per annum and matures on June 30, 2022. The entire principal amount is payable in full on maturity date. The mortgage is secured by the building at 123-125 West 124th Street and its improvements.	\$ 6,750,000
Mortgage payable to Dormitory Authority of the State of New York ("DASNY") in the amount of \$5,135,000, with interest ranging from 3.25% to 5% over the terms of the mortgage. The mortgage matures on July 1, 2022 with the principal amount of the mortgage payable in monthly installments. The mortgage is secured by the building at 123-125 West 125th Street and its improvements.	852,917
Financing loan for the purchase of three vehicles, with zero interest, payable in equal monthly payments for 60 months and due in April 2021. The loan is secured by the vehicles purchased.	<u>10,203</u>
Subtotal	7,613,120
Less current portion	365,203
Less unamortized deferred financing costs	<u>151,190</u>
Long-term portion	<u><u>\$ 7,096,727</u></u>

As of June 30, 2020, long-term debt and related unamortized deferred financing costs are as follows:

	<u>Principal</u>	<u>Unamortized deferred financing costs</u>
Note payable in the amount of \$6,155,00 due on July 1, 2022 (deferred financing costs based on imputed interest rate of 7.884%).	\$ 6,750,000	\$ 89,224
Mortgage payable in the amount of \$5,135,000 due on July 1, 2022 (deferred financing costs based on imputed interest rate of 5.585%).	852,917	61,966
Financing loan with zero interest due in April 2021.	<u>10,203</u>	<u>-</u>
	<u><u>\$ 7,613,120</u></u>	<u><u>\$ 151,190</u></u>

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2020**

The long-term debts require the Organization to meet certain financial and nonfinancial covenants.

Principal payment requirements on the above notes subsequent to June 30, 2020 and thereafter are as follows:

2021	\$ 365,203
2022	<u>7,247,917</u>
Total	<u>\$ 7,613,120</u>

**Note 9 - Conditional grants**

Conditional grants consist of the following at June 30, 2020:

The Organization obtained a conditional grant in the form of a noninterest-bearing promissory note pursuant to a construction loan agreement with the HHAP. The purpose of this grant is to fund capital programs for the purpose of expanding and improving the supply of shelter and other housing arrangements for homeless persons. The note for the construction costs with a limit of \$6,300,387 is secured by the building. If the Organization complies with all the terms stated in the agreement through April 9, 2038, the grant will not have to be repaid. However, if the Organization defaults on the agreement, the balance of the unpaid grants plus interest at a rate of 1% may become immediately due and payable. \$ 6,093,541

The Organization obtained a conditional grant in the form of a noninterest-bearing promissory note pursuant to a construction loan agreement from Affordable Housing Program ("AHP"). The purpose of this note is to fund capital programs for the purpose of expanding and improving the supply of shelter and other housing arrangements for homeless persons. The note for the construction costs has a limit of \$400,000 and is secured by the building. If the Organization complies with all of the terms stated in the agreement through August 2025, the note will not have to be repaid. 400,000

The Organization obtained a conditional grant in the form of a promissory note pursuant to a construction loan agreement from the U.S. Department of Housing and Urban Development. The purpose of this note is to fund capital programs for the purpose of expanding and improving the supply of shelter and other housing arrangements for homeless persons. The note for the constructions costs has a limit of \$400,000 and is secured by the building. If the Organization complies with all of the terms stated in the agreement through June 2035, the note will not have to be repaid. 400,000

The Organization obtained a conditional grant in the form of a promissory note at a rate of 5.75% pursuant to a construction loan agreement from the U.S. Department of Housing and Urban Development. The purpose of this note is to fund low-income housing for individuals and families with AIDS. The note for the construction costs has a limit of \$2,639,700 and is secured by the building. If the Organization complies with all of the terms stated in the agreement through November 2040, the note will not have to be repaid. 2,576,700

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2020**

NGHDFC obtained a conditional grant in the form of a secondary promissory note with a maturity date of April 4, 2042 at a rate of 1.0% pursuant to a construction loan agreement from the Department of Housing Preservation and Development ("HPD") of the City of New York. The note for the construction costs has a limit of \$698,854 and is secured by the building. If on the anniversary date following the thirty-fifth anniversary, the premises shall be owned by a not-for-profit corporation acceptable to HPD and there shall be no other default under the loan documents, the principal balance and accrued but unpaid interest will be forgiven over a five-year period.

	<u>585,795</u>
Total	<u>\$ 10,056,036</u>

**Note 10 - Grants and contracts services revenue**

Grants and contracts services revenue consists of the following for the year ended June 30, 2020:

New York City Human Resources Administration	\$ 15,684,350
U.S. Department of Health and Human Services	
Health Resources Services Administration	3,122,074
Public Health Solutions	3,181,336
New York City Department of Health and Mental Hygiene	2,636,365
U.S. Department of Housing and Urban Development	1,311,774
New York State Department of Health AIDS Institute	1,226,445
Health Research Incorporated	487,914
New York State Office of Temporary and Disability Assistance	89,492
Other	<u>155,500</u>
Total	<u>\$ 27,895,250</u>

**Note 11 - Pension plans**

The Organization has two contributory defined contribution plans covering substantially all employees who meet certain eligibility requirements. All full-time employees who have been employed for more than a year are eligible to participate. Pension expense for the year ended June 30, 2020 was \$509,480.

**Note 12 - Leases**

The Organization entered into various noncancelable annual lease agreements for apartment space for their clients. The clients sublease the apartments from the Organization as a part of the rental assistance program. The leases are subsidized by various federal and state contracts. Aggregate housing assistance space rent for the year ended June 30, 2020 amounted to approximately \$11.8 million. Sublease rental income received from clients and government agencies amounted to approximately \$5.7 million for the year ended June 30, 2020.

The Organization occupies four offices where the lease agreements are currently under negotiation for renewal and rental payment is on a month to month basis until the new lease agreements are signed. Rent expense for the year ended June 30, 2020 amounted to approximately \$1.1 million.

## Harlem United Community AIDS Center, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2020

#### Note 13 - Commitments and contingencies

##### Healthcare industry

The Organization have contracted with various funding agencies to perform certain healthcare services, and receive Medicaid and Medicare revenue from federal, state and local governments. Reimbursements received under these contracts and payments from Medicaid and Medicare are subject to audit by federal, state and local governments and other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question.

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this

time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions.

In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Organization believe that they are in material compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question.

During the ordinary course of operations, the Organization are defendants in various lawsuits related to normal business matters. Management, based upon the opinion of legal counsel, believes that the resolution of these matters will not materially affect the consolidated financial statements.

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally including in early 2020 has caused business disruption domestically in the United States, the area in which the Organization primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while the Organization expects this matter to negatively impact the Organization's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

#### Note 14 - Financial services agreement

On September 19, 2016, the Company entered into a financial services agreement with a management service company ("MSC") to provide financial services management, including general financial management, planning and budgeting, maintenance of accounting and financial reporting system, management of cash receipts and accounts receivable functions, management of cash disbursement and the accounts payable function, assistance in coordinating and managing the government contracts and private grants, and audit preparation and management.

Under the financial services agreement, at each annual anniversary of the engagement, the parties will review the staffing plan and functions and activities covered by the agreement to determine if staffing and responsibilities should be revised. The parties will also agree to adjust pricing to reflect any adjustment in the level of effort. The agreement will be automatically renewed for successive periods of one year unless either party gives 90 days' written notice to the other prior to the

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2020**

expiration of the current period. A 3% fee escalation will be included in any automatic renewals. For the year ended June 30, 2020, the Organization incurred approximately \$1,751,000, which is recorded as part of professional fees and contractual services in the consolidated statement of functional expenses.

## **Supplementary Information**

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Consolidating Statement of Financial Position  
June 30, 2020**

<u>Assets</u>	Harlem United Community AIDS Center, Inc.	Upper Room AIDS Ministry, Inc.: Adult Day Health Center	Harlem United Supportive Housing Development Fund Corporation	The Foundation for Research on Sexually Transmitted Diseases, Inc.	North General AIDS Housing Development Fund Corporation	Harlem United HCH, LLC	Elimination	Consolidated
<b>Current assets</b>								
Cash and cash equivalents	\$ 219,862	\$ 715,120	\$ 163,481	\$ 1,977	\$ 1,970	\$ 1	\$ -	\$ 1,102,411
Grants and contracts receivable	8,763,137	870,620	-	87,921	356,685	-	-	10,078,363
Patient services receivable, net	431,258	962,961	-	-	-	-	-	1,394,219
Current maturities of long-term receivable	-	-	-	-	-	-	-	-
Subvention note receivable	179,922	-	-	-	-	-	-	179,922
340B pharmacy receivable	-	496,681	-	-	-	-	-	496,681
Prepaid expenses and other receivables	1,114,498	-	36,207	-	-	-	-	1,150,705
Due from related party	7,792,147	-	-	884,067	-	-	(8,676,214)	-
<b>Total current assets</b>	<b>18,500,824</b>	<b>3,045,382</b>	<b>199,688</b>	<b>973,965</b>	<b>358,655</b>	<b>1</b>	<b>(8,676,214)</b>	<b>14,402,301</b>
Debt service reserve	-	203,690	-	-	122,818	-	-	326,508
Long-term loans receivable	-	-	-	-	-	-	-	-
Property and equipment, net	306,625	10,166,926	5,900,462	241,548	2,825,113	-	-	19,440,674
Security deposits	632,283	-	19,800	69,217	-	-	-	721,300
<b>Total noncurrent assets</b>	<b>938,908</b>	<b>10,370,616</b>	<b>5,920,262</b>	<b>310,765</b>	<b>2,947,931</b>	<b>-</b>	<b>-</b>	<b>20,488,482</b>
<b>Total</b>	<b>\$ 19,439,732</b>	<b>\$ 13,415,998</b>	<b>\$ 6,119,950</b>	<b>\$ 1,284,730</b>	<b>\$ 3,306,586</b>	<b>\$ 1</b>	<b>\$ (8,676,214)</b>	<b>\$ 34,890,783</b>
<b><u>Liabilities and Unrestricted Net Assets</u></b>								
<b>Current liabilities</b>								
Accounts payable and accrued expenses	\$ 9,040,638	\$ 175,483	\$ -	\$ 61,972	\$ 32,362	\$ -	\$ -	\$ 9,310,455
Accrued compensation	1,473,373	335,021	-	43,422	-	-	-	1,851,816
Current maturities of long-term debt	-	355,000	-	10,203	-	-	-	365,203
Deferred revenue	967,633	-	-	-	47,208	-	-	1,014,841
Due to related party	-	5,981,010	192,976	-	836,361	1,665,867	(8,676,214)	-
<b>Total current liabilities</b>	<b>11,481,644</b>	<b>6,846,514</b>	<b>192,976</b>	<b>115,597</b>	<b>915,931</b>	<b>1,665,867</b>	<b>(8,676,214)</b>	<b>12,542,315</b>
Long-term debt, less current maturities	6,660,776	435,951	-	-	-	-	-	7,096,727
Refundable advances - PPP	2,270,000	1,357,810	-	-	-	-	-	3,627,810
Conditional grants	-	-	6,893,541	-	3,162,495	-	-	10,056,036
<b>Total liabilities</b>	<b>20,412,420</b>	<b>8,640,275</b>	<b>7,086,517</b>	<b>115,597</b>	<b>4,078,426</b>	<b>1,665,867</b>	<b>(8,676,214)</b>	<b>33,322,888</b>
<b>Net assets (deficiencies)</b>								
Without donor restrictions								
Controlling interest	(988,555)	4,716,438	172,817	1,169,133	(771,840)	(1,665,866)	-	2,632,127
Noncontrolling limited partners' interests in consolidated affiliates	-	-	(1,139,384)	-	-	-	-	(1,139,384)
	(988,555)	4,716,438	(966,567)	1,169,133	(771,840)	(1,665,866)	-	1,492,743
With donor restrictions net assets	15,867	59,285	-	-	-	-	-	75,152
<b>Total net assets (deficiencies)</b>	<b>(972,688)</b>	<b>4,775,723</b>	<b>(966,567)</b>	<b>1,169,133</b>	<b>(771,840)</b>	<b>(1,665,866)</b>	<b>-</b>	<b>1,567,895</b>
<b>Total</b>	<b>\$ 19,439,732</b>	<b>\$ 13,415,998</b>	<b>\$ 6,119,950</b>	<b>\$ 1,284,730</b>	<b>\$ 3,306,586</b>	<b>\$ 1</b>	<b>\$ (8,676,214)</b>	<b>\$ 34,890,783</b>

See Independent Auditor's Report.

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Consolidating Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2020**

	Harlem United Community AIDS Center, Inc.	Upper Room AIDS Ministry, Inc.: Adult Day Health Center	Harlem United Supportive Housing Development Fund	The Foundation for Research on Sexually Transmitted Diseases, Inc.	North General AIDS Housing Development Corporation	Harlem United HCH, LLC	Elimination	Consolidated
Revenue without donor restrictions								
Net patient services revenue (net of contractual allowances and discounts)	\$ 3,574,809	\$ 7,266,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,841,280
Grants and contract services	22,695,002	3,765,488	-	652,086	782,674	-	-	27,895,250
Donations and contributions	162,938	149,485	-	-	-	-	-	312,423
Rental income	4,378,712	8,960	349,369	534,704	276,321	-	(349,369)	5,198,697
340B pharmacy revenue	-	4,663,960	-	-	-	-	-	4,663,960
Management services fee	1,636,095	-	-	-	-	-	(1,636,095)	-
Other	167,748	320,041	-	1,008	-	52,513	-	541,310
Released from restrictions	-	340,715	-	30,000	-	-	-	370,715
Total revenue without donor restrictions	<u>32,615,304</u>	<u>16,515,120</u>	<u>349,369</u>	<u>1,217,798</u>	<u>1,058,995</u>	<u>52,513</u>	<u>(1,985,464)</u>	<u>49,823,635</u>
Expenses								
Salaries and related benefits	13,629,946	8,002,488	133,397	307,523	512,345	-	-	22,585,699
Other than personnel services	21,096,133	8,754,059	143,986	1,031,324	764,239	29,000	(1,985,464)	29,833,277
Interest	530,608	104,581	-	50	-	28,556	-	663,795
Total expenses	<u>35,256,687</u>	<u>16,861,128</u>	<u>277,383</u>	<u>1,338,897</u>	<u>1,276,584</u>	<u>57,556</u>	<u>(1,985,464)</u>	<u>53,082,771</u>
Operating income (loss) prior to depreciation and amortization	(2,641,383)	(346,008)	71,986	(121,099)	(217,589)	(5,043)	-	(3,259,136)
Depreciation and amortization	36,545	571,954	219,954	20,113	77,132	-	-	925,698
Operating income (loss) prior to nonoperating activity	(2,677,928)	(917,962)	(147,968)	(141,212)	(294,721)	(5,043)	-	(4,184,834)
Gain (loss) on settlement of the New Market Tax Credit Structure	816,400	8,970,000	-	-	-	(2,690,013)	-	7,096,387
Change in consolidated net assets without donor restrictions	<u>(1,861,528)</u>	<u>8,052,038</u>	<u>(147,968)</u>	<u>(141,212)</u>	<u>(294,721)</u>	<u>(2,695,056)</u>	<u>-</u>	<u>2,911,553</u>
Change in consolidated net assets with donor restrictions								
Contributions	-	250,000	-	-	-	-	-	250,000
Released to operations	-	(340,715)	-	(30,000)	-	-	-	(370,715)
Increase (decrease) in consolidated net assets with donor restrictions	<u>-</u>	<u>(90,715)</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,715)</u>
Change in consolidated net assets (deficiencies)	<u>(1,861,528)</u>	<u>7,961,323</u>	<u>(147,968)</u>	<u>(171,212)</u>	<u>(294,721)</u>	<u>(2,695,056)</u>	<u>-</u>	<u>2,790,838</u>
Less change in consolidated net assets attributable to noncontrolling interests	<u>-</u>	<u>-</u>	<u>147,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,953</u>
Change in consolidated net assets (deficiencies) attributable to Harlem United Community AIDS Center, Inc. and Affiliates	<u>\$ (1,861,528)</u>	<u>\$ 7,961,323</u>	<u>\$ (15)</u>	<u>\$ (171,212)</u>	<u>\$ (294,721)</u>	<u>\$ (2,695,056)</u>	<u>\$ -</u>	<u>\$ 2,938,791</u>
Net assets (deficiencies) beginning balance, July 1, 2019	\$ 888,840	\$ (3,185,600)	\$ (818,599)	\$ 1,340,345	\$ (477,119)	\$ 1,029,190	\$ -	\$ (1,222,943)
Change in consolidated net assets (deficiencies) attributable to Harlem United Community AIDS Center, Inc. and Affiliates	(1,861,528)	7,961,323	(15)	(171,212)	(294,721)	(2,695,056)	-	2,938,791
Change in consolidated net assets attributable to noncontrolling interests	<u>-</u>	<u>-</u>	<u>(147,953)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(147,953)</u>
Net assets (deficiencies) ending balance, June 30, 2020	<u>\$ (972,688)</u>	<u>\$ 4,775,723</u>	<u>\$ (966,567)</u>	<u>\$ 1,169,133</u>	<u>\$ (771,840)</u>	<u>\$ (1,665,866)</u>	<u>\$ -</u>	<u>\$ 1,567,895</u>

See Independent Auditor's Report.

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020**

Federal grantor/agency/ pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Health and Human Services				
Direct Programs				
Health Centers Cluster				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224	N/A	\$ -	\$ 628,124
COVID-19 0 Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224	N/A	-	56,850
COVID-19 0 Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224	N/A	-	382,565
COVID-19 0 Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224	N/A	-	24,126
Total 93.224			-	1,091,665
Grants for New and Expanded Services under the Health Care Center Program	93.527	N/A	-	2,030,409
Total Health Centers Cluster			-	3,122,074
Passed through Public Health Solutions				
HIV Emergency Relief Projects Grants	93.914	11-FNS-516 / H89HA0015	-	677,596
	93.914	14-STH-516 / H89HA0015	-	636,054
	93.914	15-SCI-516	-	115,200
	93.914	16-HRM-516 / H89HA00015	-	475,917
	93.914	18-TPT-516 / H89HA00015	-	207,478
Total HIV Emergency Relief Projects Grants			-	2,112,245
Passed through the Trustee of Columbia University In the City of New York				
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924	6H65HA00014-18-01	-	141,133
Passed through the New York City Human Resources Administration Department of Social Services				
Temporary Assistance for Needy Families	93.558	20181409109	-	2,057,472
	93.558	20171426920	-	154,072
	93.558	20200000363	-	49,760
	93.558	20200000707	-	59,682
Total Temporary Assistance for Needy Families			-	2,320,986
Total U.S. Department of Health and Human Services			-	7,696,438
U.S. Department of Housing and Urban Development				
Direct Programs				
Continuum of Care Program	14.267	N/A	-	437,826
Continuum of Care Program	14.267	N/A	-	221,862
Continuum of Care Program	14.267	N/A	-	652,086
Total Continuum of Care Program			-	1,311,774
Passed through the New York City Human Resources Administration Department of Social Services				
Housing Opportunities for Persons with AIDS	14.241	20171426920	-	1,041,875
	14.241	20200000363	-	522,370
	14.241	20200000707	-	437,885
Passed through the New York City Department of Health and Mental Hygiene				
Housing Opportunities for Persons with AIDS	14.241	14A-SPH1-006	-	435,419
	14.241	14D-SPH5-006	-	440,546
	14.241	14D-SPH6-006	-	426,562
	14.241	14B-SPH2-006	-	433,899
	14.241	14B-SPH3-006	-	451,712
	14.241	14B-SPH4-006	-	448,227
Total Housing Opportunities for Persons with AIDS			-	4,638,495
Total U.S. Department of Housing and Urban Development			-	5,950,269
Total expenditures of federal awards			\$ -	\$ 13,646,707

See Notes to Schedule of Expenditures of Federal Awards.

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Notes to Schedule of Expenditures of Federal Awards  
June 30, 2020**

**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Harlem United Community AIDS Center, Inc. and Affiliates (the "Organization") under programs of the federal government for the year ended June 30, 2020. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

The Organization's consolidated financial statements include the operations of North General AIDS Housing Development Fund Corporation, which received federal funds that are not included in the Schedule for the year ended June 30, 2020. The Schedule does not include the federal programs of North General AIDS Housing Development Fund Corporation because the entity issues a separate Uniform Guidance audit.

**Note 2 - Summary of significant accounting principles**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors  
Harlem United Community AIDS Center, Inc.

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 Harlem United Community AIDS Center, Inc. and Affiliates (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 22, 2021.

The Organization's consolidated financial statements include the operations of North General AIDS Housing Development Fund Corporation ("NGHDFC"), which received federal funds that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2020. The schedule of expenditures of federal awards did not include the operations of NGHDFC because the entity issues a separate Uniform Guidance report. Accordingly, this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with NGHDFC.

#### Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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 result of that testing, and not to provide an opinion on the effectiveness of the Organization'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.



New York, New York  
February 22, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors  
Harlem United Community AIDS Center, Inc.

*Report on Compliance for Each Major Federal Program*

We have audited Harlem United Community AIDS Center, Inc. and Affiliates (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 the Organization's major federal programs for the year ended June 30, 2020. 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.

The Organization's consolidated financial statements include the operations of North General AIDS Housing Development Fund Corporation, which expended \$234,663 in federal funds which is not included in the Organization's schedule of expenditures of federal awards for the year ended June 30, 2020. Our audit described below, did not include the operations of North General AIDS Housing Development Fund Corporation because the entity issues a separate Uniform Guidance report.

*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 the Organization's 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* (the "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.

### *Opinion on Each Major Federal Program*

In our opinion, the Organization 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 other major federal programs for the year ended June 30, 2020.

### Report on Internal Control over Compliance

Management of the Organization 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 an 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 a 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.



New York, New York  
February 22, 2021

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

**Section I - Summary of Auditor's Results**

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes X no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes X no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes X no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.914	U.S. Department of Health and Human Services: HIV Emergency Relief Projects Grants
14.267	U.S. Housing and Urban Development: Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no

**Harlem United Community AIDS Center, Inc. and Affiliates**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

**Section II - Financial Statements Findings**

None noted.

**Section III - Federal Award Findings and Questioned Costs**

None noted.



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