

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

Independent Auditor's Report and Consolidated  
Financial Statements

June 30, 2017

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GLOBAL FORUM  
ON MSM & HIV  
MSMGF.ORG

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

June 30, 2017

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of AIDS Project Los Angeles, 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, 2017, 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. 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.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF) as of June 30, 2017, 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.

**Report on Summarized Consolidated Comparative Information**

We have previously audited the June 30, 2016, consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 22, 2016. In our opinion, the summarized consolidated comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

*BKD, LLP*

Springfield, Missouri  
October 30, 2017

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Consolidated Statement of Financial Position

June 30, 2017

With Summarized Totals at June 30, 2016

### Assets

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Cash and cash equivalents	\$ 1,913,299	\$ 365,573	\$ 2,278,872	\$ 2,348,318
Investments	1,054,459	-	1,054,459	662,943
Term endowment	-	2,074,393	2,074,393	-
Accounts receivable, net	839,706	-	839,706	655,896
Medi-Cal waiver receivable	264,311	-	264,311	374,120
Grants receivable	2,329,196	-	2,329,196	1,690,128
Contributions receivable	518,206	784,084	1,302,290	3,212,567
Prepaid expenses and other assets	456,806	-	456,806	310,347
Deposits	242,967	-	242,967	388,052
Inventories	247,542	-	247,542	168,916
Split interest agreements	-	21,062	21,062	69,877
Property and equipment, net	2,521,958	-	2,521,958	2,558,318
	<u>\$ 10,388,450</u>	<u>\$ 3,245,112</u>	<u>\$ 13,633,562</u>	<u>\$ 12,439,482</u>

### Liabilities and Net Assets

Accounts payable	\$ 891,740	\$ -	\$ 891,740	\$ 1,182,481
Accrued expenses	1,155,865	-	1,155,865	1,074,186
Deferred revenue	874,612	-	874,612	326,548
Notes payable	439,490	-	439,490	439,490
	<u>3,361,707</u>	<u>-</u>	<u>3,361,707</u>	<u>3,022,705</u>

### Net Assets

Unrestricted				
Undesignated	4,915,212	-	4,915,212	4,529,735
Board designated	2,111,531	-	2,111,531	1,935,255
Temporarily restricted	-	3,245,112	3,245,112	2,951,787
	<u>7,026,743</u>	<u>3,245,112</u>	<u>10,271,855</u>	<u>9,416,777</u>
Total net assets	<u>7,026,743</u>	<u>3,245,112</u>	<u>10,271,855</u>	<u>9,416,777</u>
	<u>\$ 10,388,450</u>	<u>\$ 3,245,112</u>	<u>\$ 13,633,562</u>	<u>\$ 12,439,482</u>

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Consolidated Statement of Activities

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

	2017		Total	2016 Total
	Unrestricted	Temporarily Restricted		
<b>Revenues and Other Support</b>				
Fundraising events	\$ 2,505,838	\$ -	\$ 2,505,838	\$ 2,835,116
Cost of direct donor benefits	(572,146)	-	(572,146)	(563,915)
Net fundraising events	1,933,692	-	1,933,692	2,271,201
Contribution revenue	1,670,358	907,378	2,577,736	2,556,137
Grant revenue	13,954,250	-	13,954,250	13,520,751
Net patient service revenue	5,070,601	-	5,070,601	3,105,742
Medi-Cal waiver revenue	1,282,093	-	1,282,093	1,359,008
Contributed goods and services	1,721,694	-	1,721,694	1,362,589
Other revenue	703,980	-	703,980	486,837
Investment return	10,106	74,393	84,499	7,293
Net assets released from restrictions	688,446	(688,446)	-	-
Total revenue and other support	<u>27,035,220</u>	<u>293,325</u>	<u>27,328,545</u>	<u>24,669,558</u>
<b>Expenses</b>				
Client support	7,596,736	-	7,596,736	6,618,044
Education	6,414,568	-	6,414,568	6,554,015
Medical and dental services	7,344,253	-	7,344,253	5,578,232
Government affairs	505,875	-	505,875	492,336
Total program services	<u>21,861,432</u>	<u>-</u>	<u>21,861,432</u>	<u>19,242,627</u>
Management and general	2,470,852	-	2,470,852	2,024,902
Fundraising	2,141,183	-	2,141,183	2,035,528
Total expenses	<u>26,473,467</u>	<u>-</u>	<u>26,473,467</u>	<u>23,303,057</u>
<b>Change in Net Assets</b>	561,753	293,325	855,078	1,366,501
<b>Net Assets, Beginning of Year</b>	<u>6,464,990</u>	<u>2,951,787</u>	<u>9,416,777</u>	<u>8,050,276</u>
<b>Net Assets, End of Year</b>	<u>\$ 7,026,743</u>	<u>\$ 3,245,112</u>	<u>\$ 10,271,855</u>	<u>\$ 9,416,777</u>

**AIDS Project Los Angeles, APLA Health & Wellness and  
The Global Forum on MSM & HIV (MSMGF)  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2017  
With Summarized Totals for the Year Ended June 30, 2016**

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total	2016 Total
	Client Support	Education	Medical and Services	Government Affairs		Management and General	Fundraising			
<b>Salaries and Related</b>										
Salaries and wages	\$ 2,467,137	\$ 2,244,628	\$ 3,776,338	\$ 311,806	\$ 8,799,909	\$ 954,569	\$ 677,255	\$ 1,631,824	\$ 10,431,733	\$ 9,001,159
Employee benefits	601,089	490,304	795,105	59,878	1,946,376	198,233	136,995	335,228	2,281,604	2,236,203
Total personnel expenses	3,068,226	2,734,932	4,571,443	371,684	10,746,285	1,152,802	814,250	1,967,052	12,713,337	11,237,362
Purchased services and professional fees	1,033,080	2,124,239	350,417	31,131	3,538,867	391,590	403,374	794,964	4,333,831	3,389,667
Occupancy	614,155	409,873	770,901	31,652	1,826,581	132,104	133,710	265,814	2,092,395	1,817,049
Attendant care	866,541	-	-	-	866,541	-	-	-	866,541	895,981
Temporary help	90,396	163,557	259,131	-	513,084	-	329,599	329,599	842,683	874,096
Food supplies	1,369,949	-	-	-	1,369,949	-	-	-	1,369,949	1,180,026
Printing and duplication	37,934	58,663	22,194	5,174	123,965	10,239	155,141	165,380	289,345	223,687
Staff training, development and travel	53,453	422,312	69,232	37,281	582,278	50,397	82,646	133,043	715,321	918,463
Depreciation	106,054	99,033	334,809	5,670	545,566	40,800	11,062	51,862	597,428	475,511
Support to other organizations	46,101	9,670	52	287	56,110	183,699	9,386	193,085	249,195	184,788
Promotion and outreach	91,603	238,582	14,570	11,849	356,604	50,350	65,009	115,359	471,963	452,083
Postage and delivery	575	4,839	405	19	5,838	3,144	98,106	101,250	107,088	106,909
Supplies, equipment rental and maintenance	163,233	63,653	963,304	5,174	1,195,364	43,016	19,504	62,520	1,257,884	909,389
Accounting and legal	19	41,289	3	2	41,313	264,340	4,107	268,447	309,760	201,017
Insurance	-	3,218	-	-	3,218	133,455	167	133,622	136,840	151,544
Communications	55,417	40,708	62,792	5,952	164,869	14,916	15,122	30,038	194,907	180,812
(Gain) loss on disposal of fixed assets	-	-	(75,000)	-	(75,000)	-	-	-	(75,000)	104,673
<b>Total expenses</b>	<b>\$ 7,596,736</b>	<b>\$ 6,414,568</b>	<b>\$ 7,344,253</b>	<b>\$ 505,875</b>	<b>\$ 21,861,432</b>	<b>\$ 2,470,852</b>	<b>\$ 2,141,183</b>	<b>\$ 4,612,035</b>	<b>\$ 26,473,467</b>	<b>\$ 23,303,057</b>

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Consolidated Statement of Cash Flows

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

	2017	2016
<b>Operating Activities</b>		
Change in net assets	\$ 855,078	\$ 1,366,501
Items not requiring (providing) cash		
(Gain) loss on disposal of property and equipment	(75,000)	104,673
Depreciation	597,428	475,511
Net realized and unrealized (gains) losses on investments	(68,502)	-
Amortization of notes payable through service credits	-	(10,000)
Change in value of split interest agreements	48,815	6,239
Contribution of investments	-	(10,446)
Changes in		
Accounts receivable, net	(183,810)	(424,900)
Medi-Cal waiver receivable	109,809	(160,179)
Grants receivable	(639,068)	(46,726)
Contributions receivable	1,910,277	(22,899)
Deposits	145,085	146,597
Prepaid expenses and others assets	(146,459)	(111,302)
Inventories	(78,626)	(29,653)
Accounts payable and accrued expenses	143,487	234,418
Deferred revenue	548,064	(402,689)
	<u>3,166,578</u>	<u>1,115,145</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchase of investments	(4,382,053)	(1,318,124)
Proceeds from sale of investments	1,984,646	1,979,341
Purchase of property and equipment	(913,617)	(748,312)
Proceeds from sale of property and equipment	75,000	-
	<u>(3,236,024)</u>	<u>(87,095)</u>
Net cash used in investing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(69,446)	1,028,050
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,348,318</u>	<u>1,320,268</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,278,872</u>	<u>\$ 2,348,318</u>
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for property and equipment	\$ -	\$ 352,549



# **AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)**

## **Notes to Consolidated Financial Statements**

**June 30, 2017**

### **Note 1: Nature of Operations**

AIDS Project Los Angeles and APLA Health & Wellness jointly operate 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 officially opened its doors in early 1983 and has grown 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.

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

APLA Health serves more than 14,000 people from 14 locations in Los Angeles County every year, 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 regards to their physical and mental health. As a federally qualified health center (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—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. In addition, the Organization offers oral health care from the Wilshire Dental Clinic in downtown Los Angeles and The S. Mark Taper Foundation Center dental clinic in South Los Angeles. The David Geffen Center in Mid-City offers behavioral health care services. The Organization also offers behavioral health care from a West Hollywood satellite office.

For patients who are living with HIV, APLA Health provides specialized medical care from its Gleicher/Chen Health Center. It 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.

# **AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)**

## **Notes to Consolidated Financial Statements**

**June 30, 2017**

### ***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 its Gleicher/Chen Health Center and the Long Beach Health Center.

Additionally, APLA Health is a trailblazer in the implementation of a comprehensive program that educated 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) daily to help prevent HIV infection. If taken correctly, PrEP is up to 99% effective in preventing HIV transmission. PEP is to be 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 plus a second anti-retroviral medication for 28 days after possible exposure. Both PrEP and PEP are offered at the Gleicher/Chen Health Center and the Long Beach 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.

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 living with and at risk of acquiring HIV have access to the best possible information, prevention education, care, treatment and medications.

Government Affairs operates unilaterally and within a broad range of coalitions—from the California Alliance of HIV Advocates to AIDS United in Washington, D.C., and with organizations addressing health care more broadly, such as the California Primary Care Association and the Community Clinic Association of Los Angeles County. 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, Medicaid, Medicare and health care reform.

APLA Health also advocates for strengthening and expanding the nation's network of federally qualified health centers.

# **AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)**

## **Notes to Consolidated Financial Statements**

**June 30, 2017**

### ***The Global Forum on MSM & HIV (MSMGF)***

The MSMGF 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. MSMGF 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, MSMGF is directly linked to 120 CBOs across 62 countries. MSMGF conducts advocacy, delivers technical support and manages sub-grants with CBOs that work at the country level. Over the past 10 years, MSMGF was instrumental in achieving: 1) priority focus given to men who have sex with men and other key populations by the Global Fund, International AIDS Society, UNAIDS and bilateral donors, including U.S. PEPFAR; 2) evidence-informed, global guidance on rights-based prevention and treatment of HIV issued by WHO; 3) stronger technical guidance on civil society engagement and on the specific needs of men who have sex with men issued by U.S. PEPFAR to country missions; and 4) expanded global funding opportunities for key population-led organizations and networks, *e.g.*, RCNF; U.S. PEPFAR's LINKAGES, Global Fund's new funding model.

During the year that ended June 30, 2017, MSMGF shined a spotlight on gay and bisexual men's community-level contributions to the global HIV response at the International AIDS Conference in Durban, South Africa. Aligned with the conference's overall theme – Access, Equity, Rights, Now – MSMGF's Pre-Conference focused on HIV advocacy and service delivery, with an emphasis on action on access to sexual health services. Our pre-conference was geared towards activists, program implementers, government officials and researchers interested in aligning their efforts with the latest science on HIV. Participants strategized approaches and shared best practices. We gathered 700 advocates, healthcare professionals, researchers, government officials and donors for a 1-day deep-dive into the issues that matter the most to gay and bisexual men. MSMGF answered the call to do more to support technical capacity and sensitivity of healthcare professionals. In 2016, we launched CPR, a new e-learning hub designed to revive health systems that are failing gay and bisexual men. The online platform offers continuing education opportunities for healthcare providers, community-based service providers and other health sector stakeholders to ensure that HIV and sexual health programs for men who have sex with men are aligned with global standards as endorsed by the World Health Organization. MSMGF also engaged with gay app users. We partnered with Hornet – one of the world's largest gay apps – to reach its 9 million users with educational messages about sexual health and HIV. 53,000 Hornet users overwhelmingly responded to the campaign by documenting their experiences accessing HIV services through a short survey administered through the Hornet app. Users all over the world were encouraged to demand expanded availability of high quality HIV prevention and treatment services.

# **AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)**

## **Notes to Consolidated Financial Statements**

**June 30, 2017**

Additionally, MSMGF directed much of its advocacy and global organizing strength in 2016 towards the United Nations (UN) High-level Meeting to End AIDS, where governmental leaders from around the world convened to review progress and to make future commitments to the world's AIDS response. MSMGF organized the first-ever side event at the UN focused on the needs of gay and bisexual men. Men who have sex with men are among the few groups for which HIV remains uncontrolled in many parts of the world. Despite active attempts by governments like Russia and Iran to bar community participation at the High-level Meeting, we used this forum to produce factual policy briefs, educate UN mission staff and join forces with other constituency-led community movements.

### **Note 2: Summary of Significant Accounting Policies**

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of AIDS Project Los Angeles, APLA Health & Wellness, and The Global Forum on MSM & HIV (MSMGF) (collectively, "the Organization"). Each director of APLA Health & Wellness also serves on the AIDS Project Los Angeles board of directors. A majority of The Global Forum on MSM & HIV (MSMGF) directors shall be designated by the AIDS Project of Los Angeles 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 and Cash Equivalents***

The Organization considers all liquid investments with initial maturities of three months or less to be cash equivalents. At June 30, 2017, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$1,570,000.

# **AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)**

## **Notes to Consolidated Financial Statements**

**June 30, 2017**

### ***Investments and Investment Return***

Investments in marketable securities having a readily determinable fair value and in all debt securities are carried at fair value. Investments in certificates of deposit are carried at amortized cost. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

### ***Accounts Receivable***

Patient accounts receivable are recorded at their net realizable value. In evaluating the collectability of patient accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the amount it anticipates will be collected. Management regularly reviews data about these major payer sources of revenue in evaluating this calculation.

### ***Inventories***

The Organization values food supplies inventory at the lower of cost, determined using the first-in, first-out method, or market. 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 - 38 years
Equipment	5 - 15 years
Furniture and fixtures	1 - 10 years

# **AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)**

## **Notes to Consolidated Financial Statements**

**June 30, 2017**

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets 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 unrestricted net assets 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 unrestricted contributions.

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, 2017.

### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

### ***Net Patient Service Revenue***

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

### ***Pharmacy Revenue***

The Organization participates in the 340B "Drug Discount Program" which enables qualifying health care providers 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 earns revenue 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 arrangement with the Organization. Reported 340B revenue consists of the pharmacy reimbursements, net of pharmacy fees. The 340B revenue is included in net patient service revenue on the statement of activities.

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Notes to Consolidated Financial Statements

June 30, 2017

### **Contributions**

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same period as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

### **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, 2017, from contributed goods and services consisted of:

Food supplies	\$ 1,274,364
Volunteer hours	273,828
Legal services	146,709
Transportation	15,329
Other	11,464
	<hr/>
	\$ 1,721,694
	<hr/> <hr/>

### **Government Grants**

Support funded by grants is 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.

# **AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)**

## **Notes to Consolidated Financial Statements**

**June 30, 2017**

### ***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 activities. 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.

### ***Subsequent Events***

Subsequent events have been evaluated through October 30, 2017, which is the date the financial statements were available to be issued.

### **Note 3: Net Patient Service Revenue**

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 payers 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 a set encounter rate 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 (the "Department") 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 affected visits.



# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Notes to Consolidated Financial Statements

June 30, 2017

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.

Patient service revenue, net of contractual allowances and discounts, recognized for the year ended June 30, 2017, was:

Medi-Cal	\$ 3,710,441
Medicare	141,611
MHLA and other third-party payers	1,211,168
Patients	<u>7,381</u>
Total	<u><u>\$ 5,070,601</u></u>

### 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 payer agreements. The mix of receivables from patients and third-party payers at June 30, 2017, was:

Medi-Cal	91%
Medicare	5%
Private insurance	<u>4%</u>
	<u><u>100%</u></u>

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Notes to Consolidated Financial Statements

June 30, 2017

### Note 5: Investments

Investments including term endowment funds at June 30, 2017, consisted of the following:

Certificates of deposit	\$ 908,209
Mutual funds	396,447
Equity securities	1,504,466
U.S. Treasury securities	222,690
Corporate debt securities	<u>97,040</u>
Total	<u><u>\$ 3,128,852</u></u>

### Note 6: Contributions Receivable

Contributions receivable consisted of the following:

	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 463,431	\$ 757,643	\$ 1,221,074
Due in one to five years	<u>54,775</u>	<u>26,441</u>	<u>81,216</u>
	<u><u>\$ 518,206</u></u>	<u><u>\$ 784,084</u></u>	<u><u>\$ 1,302,290</u></u>

Included in contributions receivable at June 30, 2017, is the use of donated land for the S. Mark Taper Foundation Center through March 2019. The use of the land is expected to be recognized as follows:

2018	\$ 39,662
2019	<u>26,441</u>
	<u><u>\$ 66,103</u></u>

In-kind rent expense for the year ended June 30, 2017, was \$39,662.

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Notes to Consolidated Financial Statements

June 30, 2017

### Note 7: 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, 2017, the Organization has recorded a receivable of \$21,062, 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 temporarily restricted net assets.

### Note 8: Property and Equipment

Property and equipment at June 30, 2017, consisted of the following:

Buildings and leasehold improvements	\$ 4,399,209
Equipment	1,736,768
Furniture and fixtures	623,055
Construction in progress	4,095
	<hr/>
	6,763,127
Less: accumulated depreciation	4,241,169
	<hr/>
Property and equipment - net	<u>\$ 2,521,958</u>

Depreciation expense for the year ended June 30, 2017, was \$597,428.

### Note 9: Accrued Expenses

Accrued expenses at June 30, 2017, consisted of the following:

Accrued vacation	\$ 495,572
Accrued payroll	467,445
Other accrued expenses	192,848
	<hr/>
Total	<u>\$ 1,155,865</u>

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Notes to Consolidated Financial Statements

June 30, 2017

### Note 10: 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, 2017. 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 11: Long-Term Debt

Note payable (A)	\$ 159,490
Note payable (B)	280,000
	439,490
Less current maturities	10,000
	\$ 429,490

(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 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% and is secured by certain property.

Aggregate annual maturities of long-term debt at June 30, 2017, are:

2018	\$ 10,000
2019	10,000
2020	10,000
2021	10,000
2022	10,000
Thereafter	389,490
	\$ 439,490

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Notes to Consolidated Financial Statements

June 30, 2017

### Note 12: Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017, are available for the following purposes:

Vance North Necessities of Life Program (NOLP)	\$ 80,000
Term endowment fund (to support NOLP)	2,394,393
Dental service operations	66,103
Patient centered medical home certification	217,519
Split interest agreements	21,062
Client/patient support programs	98,494
Global Forum on MSM & HIV	367,541
	<hr/>
	\$ 3,245,112
	<hr/>

### Note 13: Term Endowment

In 2017, the Organization established a term endowment with \$2,000,000 of funds distributed from a trust in which the Organization was named as a beneficiary. Additional funds from the trust totaling \$320,000 were received subsequent to June 30, 2017, and are included in contributions receivable on the consolidated Statement of Financial Position. Per the terms of the trust agreement, the total funds distributed of \$2,320,000 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, 2017, endowment assets generated an investment return totaling \$74,393, which is included in temporarily restricted net assets at June 30, 2017.

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Notes to Consolidated Financial Statements

June 30, 2017

### Note 14: Operating Leases

The Organization has operating leases for certain facilities which expire in various years through 2023. These leases generally contain renewal options for periods ranging from one to ten years.

Future minimum lease payments at June 30, 2017, are:

2018	\$ 1,585,207
2019	1,244,131
2020	1,101,691
2021	1,080,701
2022	850,565
Thereafter	<u>280,378</u>
Future minimum lease payments	<u>\$ 6,142,673</u>

Rent expense under operating leases totaled \$1,665,597 for the year ended June 30, 2017.

### Note 15: 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 \$227,558 were recognized during the year ended June 30, 2017.

### Note 16: 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 supplement those of the Organization. In this regard, during the year ended June 30, 2017, the Organization contributed \$249,195 to other service organizations.

### Note 17: Allocation of Joint Costs

Through certain fundraising events, the Organization incurred joint costs of \$960,026 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, \$662,036 was allocated to fundraising expenses and \$297,990 was allocated to program services.

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Notes to Consolidated Financial Statements

June 30, 2017

### Note 18: 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, 2017:

	<b>Fair Value Measurements Using</b>			
	<b>Total Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash equivalent money				
market funds	\$ 258,057	\$ 258,057	\$ -	\$ -
Mutual funds	396,446	396,446	-	-
Equity securities	1,504,466	1,504,466	-	-
U.S. Treasury securities	222,690	222,690	-	-
Corporate debt securities	97,040	97,040	-	-
Split interest agreements	21,062	-	-	21,062

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.

# **AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)**

## **Notes to Consolidated Financial Statements**

**June 30, 2017**

### ***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.

### ***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 19: 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:

### ***Medical Malpractice Claims***

Estimates related to the accrual for medical malpractice claims are described in *Note 10*.

### ***Current Economic Conditions***

The current economic environment presents not-for-profit organizations, including community health centers, with difficult circumstances and challenges. As employers make adjustments to health insurance plans or more patients become unemployed, certain patients may find it difficult to pay for services rendered. Any changes to the *Affordable Care Act*, including the health insurance exchanges and Medicaid expansion, will directly impact community health centers' net revenues. Further, the effect of economic conditions on federal and state budgets could adversely impact the grant revenues available to not-for-profit organizations, including community health centers and the programs they administer. Each of these factors could have an adverse impact on the Organization's future operating results.

### ***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 statement(s) of financial position.



## **Supplementary Information**

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Consolidating Schedule – Statement of Financial Position Information

June 30, 2017

	AIDS Project Los Angeles	APLA Health & Wellness	The Global Forum on MSM & HIV (MSMGF)	Eliminating Entries	Consolidated Total
<b>Assets</b>					
Cash and cash equivalents	\$ 579,149	\$ 768,190	\$ 931,533	\$ -	\$ 2,278,872
Investments	1,054,459	-	-	-	1,054,459
Term endowment	2,074,393	-	-	-	2,074,393
Accounts receivable, net	12,468	819,272	7,966	-	839,706
Medi-Cal waiver receivable	-	264,311	-	-	264,311
Grants receivables	897,757	1,329,884	101,555	-	2,329,196
Contributions receivable	725,265	384,044	192,981	-	1,302,290
Prepaid expenses and other assets	222,242	167,871	66,693	-	456,806
Deposits	229,991	8,342	4,634	-	242,967
Inventories	247,542	-	-	-	247,542
Due from affiliate	4,315,169	-	-	(4,315,169)	-
Split interest agreements	21,062	-	-	-	21,062
Property and equipment, net	596,031	1,925,045	882	-	2,521,958
	<u>\$ 10,975,528</u>	<u>\$ 5,666,959</u>	<u>\$ 1,306,244</u>	<u>\$ (4,315,169)</u>	<u>\$ 13,633,562</u>
<b>Liabilities and Net Assets</b>					
Accounts payable	\$ 319,286	\$ 321,504	\$ 250,950	\$ -	\$ 891,740
Accrued expenses	384,193	626,487	145,185	-	1,155,865
Due to affiliate	-	4,311,927	3,242	(4,315,169)	-
Deferred revenue	172,786	-	701,826	-	874,612
Notes payable	439,490	-	-	-	439,490
	<u>1,315,755</u>	<u>5,259,918</u>	<u>1,101,203</u>	<u>(4,315,169)</u>	<u>3,361,707</u>
<b>Net assets</b>					
Unrestricted					
Undesignated	6,166,361	(1,088,649)	(162,500)	-	4,915,212
Board designated	959,438	1,152,093	-	-	2,111,531
Temporarily restricted	2,533,974	343,597	367,541	-	3,245,112
	<u>9,659,773</u>	<u>407,041</u>	<u>205,041</u>	<u>-</u>	<u>10,271,855</u>
Total liabilities and net assets	<u>\$ 10,975,528</u>	<u>\$ 5,666,959</u>	<u>\$ 1,306,244</u>	<u>\$ (4,315,169)</u>	<u>\$ 13,633,562</u>

# AIDS Project Los Angeles, APLA Health & Wellness and The Global Forum on MSM & HIV (MSMGF)

## Consolidating Schedule – Statement of Activities Information Year Ended June 30, 2017

	AIDS Project Los Angeles	APLA Health & Wellness	The Global Forum on MSM & HIV (MSMGF)	Eliminating Entries	Consolidated Total
<b>Revenues and Other Support</b>					
Fundraising events	\$ 2,505,838	\$ -	\$ -	\$ -	\$ 2,505,838
Cost of direct donor benefits	(572,146)	-	-	-	(572,146)
Net fundraising events	1,933,692	-	-	-	1,933,692
Contribution revenue	1,814,067	339,354	424,315	-	2,577,736
Grant revenue	4,580,843	6,357,329	3,016,078	-	13,954,250
Net patient service revenue	-	5,070,601	-	-	5,070,601
Medi-Cal waiver revenue	-	1,282,093	-	-	1,282,093
Contributed goods and services	1,479,709	230,520	11,465	-	1,721,694
Other revenue	292,016	248,886	163,078	-	703,980
Investment return	84,499	-	-	-	84,499
Net assets released from restrictions	-	-	-	-	-
Total revenue and other support	<u>10,184,826</u>	<u>13,528,783</u>	<u>3,614,936</u>	<u>-</u>	<u>27,328,545</u>
<b>Expenses and (Losses)</b>					
Salaries and wages	3,973,583	5,365,783	1,092,367	-	10,431,733
Employee benefits	927,710	1,142,910	210,984	-	2,281,604
Purchased services and professional fees	1,776,698	816,396	1,740,737	-	4,333,831
Occupancy	899,188	1,123,749	69,458	-	2,092,395
Attendant care	-	866,541	-	-	866,541
Temporary help	583,552	259,131	-	-	842,683
Food supplies	1,369,949	-	-	-	1,369,949
Printing and duplication	223,458	33,995	31,892	-	289,345
Staff training, development and travel	355,299	94,574	265,448	-	715,321
Depreciation	109,345	487,495	588	-	597,428
Support to other organizations	237,258	2,500	9,437	-	249,195
Promotion and outreach	255,313	179,736	36,914	-	471,963
Postage and delivery	105,861	766	461	-	107,088
Supplies, equipment rental and maintenance	239,669	1,002,492	15,723	-	1,257,884
Accounting and legal	223,714	44,761	41,285	-	309,760
Insurance	71,122	62,583	3,135	-	136,840
Communications	91,701	92,402	10,804	-	194,907
Gain on disposal of fixed assets	-	(75,000)	-	-	(75,000)
Indirect cost charges	(1,620,928)	1,620,928	-	-	-
Total expenses	<u>9,822,492</u>	<u>13,121,742</u>	<u>3,529,233</u>	<u>-</u>	<u>26,473,467</u>
<b>Change in Net Assets</b>	362,334	407,041	85,703	-	855,078
<b>Net Assets, Beginning of Year</b>	<u>9,297,439</u>	<u>-</u>	<u>119,338</u>	<u>-</u>	<u>9,416,777</u>
<b>Net Assets, End of Year</b>	<u>\$ 9,659,773</u>	<u>\$ 407,041</u>	<u>\$ 205,041</u>	<u>\$ -</u>	<u>\$ 10,271,855</u>