

**APLA Health &
Wellness, The Global
Forum on MSM & HIV
(MSMGF) and Alliance
for Housing and
Healing**

**Independent Auditor's Report
and Financial Statements**

June 30, 2022



**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF)
and Alliance for Housing and Healing
June 30, 2022**

Contents

Independent Auditor’s Report	1
 Consolidated Financial Statements	
Statement of Financial Position.....	4
Statement of Activities	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to Financial Statements	9
 Supplementary Information	
Consolidating Schedule – Statement of Financial Position Information.....	38
Consolidating Schedule – Statement of Activities Information	39

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of APLA Health & Wellness, The Global Forum on MSM & HIV (MSMGF) and Alliance for Housing and Healing (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flow for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 26* to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived including restated totals as noted in *Note 26*.

FORVIS, LLP
Springfield, Missouri
March 2, 2023

THIS PAGE INTENTIONALLY LEFT BLANK

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Consolidated Statement of Financial Position
June 30, 2022
With Summarized Totals as of June 30, 2021**

Assets

	2022			2021 Total (Restated - Note 26)
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash and cash equivalents	\$ 16,090,090	\$ 1,402,752	\$ 17,492,842	\$ 14,763,800
Term endowment	-	2,621,569	2,621,569	3,330,447
Accounts receivable	13,314,747	-	13,314,747	10,636,260
Medi-Cal waiver receivable	480,882	-	480,882	436,399
Note receivable	-	-	-	500,000
Grants receivable	8,347,286	-	8,347,286	3,837,097
Contributions receivable	105,497	1,380,001	1,485,498	593,000
Prepaid expenses and other assets	711,708	-	711,708	300,790
Deposits	336,826	-	336,826	1,296,341
Inventories	174,378	-	174,378	238,462
Split-interest agreements	-	23,640	23,640	15,844
Property and equipment, net	13,351,770	-	13,351,770	11,833,915
Total assets	\$ 52,913,184	\$ 5,427,962	\$ 58,341,146	\$ 47,782,355

Liabilities and Net Assets

Accounts payable	\$ 9,431,338	\$ -	\$ 9,431,338	\$ 7,386,246
Accrued expenses	2,548,937	-	2,548,937	2,128,356
Deferred revenue	672,879	-	672,879	676,167
Notes payable	379,490	-	379,490	379,490
Total liabilities	13,032,644	-	13,032,644	10,570,259

Net Assets

Without donor restrictions				
Undesignated	30,756,542	-	30,756,542	24,581,635
Board designated	9,123,998	-	9,123,998	7,228,667
With donor restrictions	-	5,427,962	5,427,962	5,401,794
Total net assets	39,880,540	5,427,962	45,308,502	37,212,096
Total liabilities and net assets	\$ 52,913,184	\$ 5,427,962	\$ 58,341,146	\$ 47,782,355

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Consolidated Statement of Activities
Year Ended June 30, 2022
With Summarized Totals for the Year Ended June 30, 2021**

	2022			2021 Total (Restated - Note 26)
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and Other Support				
Fundraising events	\$ 1,208,794	\$ -	\$ 1,208,794	\$ 1,073,616
Cost of direct donor benefits	(98,660)	-	(98,660)	(26,043)
Net fundraising events	1,110,134	-	1,110,134	1,047,573
Contribution revenue	2,550,760	2,977,365	5,528,125	2,934,349
Grant revenue	24,754,069	-	24,754,069	18,607,761
Patient service revenue	51,237,643	-	51,237,643	45,134,429
Medi-Cal waiver revenue	2,191,864	-	2,191,864	2,195,748
Contributed goods and services	1,227,651	-	1,227,651	1,208,141
Other revenue	759,002	-	759,002	552,465
Gain on extinguishment of debt	-	-	-	2,823,067
Investment return, net	27,394	(560,629)	(533,235)	933,796
Inherent contribution in acquisition of not-for-profit activity	1,731,616	-	1,731,616	-
Net assets released from restrictions	2,390,568	(2,390,568)	-	-
Total revenue and other support	87,980,701	26,168	88,006,869	75,437,329
Expenses				
Client support	15,677,686	-	15,677,686	7,076,879
Education	5,158,831	-	5,158,831	5,728,142
Clinical services	50,569,609	-	50,569,609	43,970,896
Government affairs	687,588	-	687,588	536,747
Total program services	72,093,714	-	72,093,714	57,312,664
Management and general	5,876,565	-	5,876,565	4,780,274
Fundraising	1,940,184	-	1,940,184	2,083,741
Total expenses	79,910,463	-	79,910,463	64,176,679
Change in Net Assets	8,070,238	26,168	8,096,406	11,260,650
Net Assets, Beginning of Year, As Previously Reported	31,810,302	5,401,794	37,212,096	25,239,991
Adjustment Applicable to Prior Years				711,455
Net assets without donor restrictions				711,455
Net Assets, Beginning of Year, As Restated				25,951,446
Net Assets, End of Year	\$ 39,880,540	\$ 5,427,962	\$ 45,308,502	\$ 37,212,096

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022
With Summarized Totals for the Year Ended June 30, 2021**

	Program Services				Total Program Services
	Client Support	Education	Clinical Dental Services	Government Affairs	
Salaries and Related					
Salaries and wages	\$ 4,852,085	\$ 1,965,497	\$ 12,877,551	\$ 430,543	\$ 20,125,676
Employee benefits	1,208,479	476,065	2,840,338	83,113	4,607,995
Total personnel expenses	6,060,564	2,441,562	15,717,889	513,656	24,733,671
Purchased services and professional fees	3,003,850	1,827,194	1,448,173	126,527	6,405,744
Occupancy	986,787	341,425	1,871,841	25,867	3,225,920
Attendant care	-	-	1,651,718	-	1,651,718
Client Rental Assistance	1,733,603	-	-	-	1,733,603
Emergency/Direct Financial Assistance	1,034,285	-	-	-	1,034,285
Temporary help	74,815	-	335,653	-	410,468
Food supplies	1,756,997	-	-	-	1,756,997
Printing and duplication	37,077	22,306	40,223	839	100,445
Staff training, development, and travel	48,345	104,233	172,056	2,065	326,699
Depreciation	131,540	79,310	551,832	10,463	773,145
Support to other organizations	4,637	2,500	-	-	7,137
Promotion and outreach	116,084	154,718	44,341	994	316,137
Postage and delivery	3,468	1,390	2,310	22	7,190
Supplies, equipment rental, and maintenance	516,471	46,522	28,493,754	2,538	29,059,285
Accounting and legal	8,244	38,335	16,903	-	63,482
Insurance	41,728	4,454	9,066	172	55,420
Communications	119,191	33,115	213,850	4,445	370,601
Other	-	61,767	-	-	61,767
Total expenses	\$ 15,677,686	\$ 5,158,831	\$ 50,569,609	\$ 687,588	\$ 72,093,714

See Notes to Consolidated Financial Statements

Supporting Services		Total Supporting Services	Total	2021 Total (Restated - Note 26)
Management and General	Fundraising			
\$ 2,785,718	\$ 947,431	\$ 3,733,149	\$ 23,858,825	\$ 19,154,493
543,844	181,703	725,547	5,333,542	4,175,292
3,329,562	1,129,134	4,458,696	29,192,367	23,329,785
486,316	561,319	1,047,635	7,453,379	5,831,221
231,345	68,182	299,527	3,525,447	2,775,876
-	-	-	1,651,718	1,650,115
-	115	115	1,733,718	-
-	-	-	1,034,285	-
158,674	-	158,674	569,142	375,631
-	-	-	1,756,997	1,676,882
7,761	27,847	35,608	136,053	87,062
65,919	11,531	77,450	404,149	327,908
137,037	21,980	159,017	932,162	779,720
177,512	-	177,512	184,649	113,123
320,616	62,790	383,406	699,543	299,484
8,899	1,602	10,501	17,691	21,565
189,591	42,803	232,394	29,291,679	25,689,628
548,912	214	549,126	612,608	582,258
175,551	361	175,912	231,332	215,508
38,870	12,306	51,176	421,777	352,317
-	-	-	61,767	68,596
\$ 5,876,565	\$ 1,940,184	\$ 7,816,749	\$ 79,910,463	\$ 64,176,679

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Consolidated Statement of Cash Flows
Year Ended June 30, 2022
With Summarized Totals for the Year Ended June 30, 2021**

	2022	2021 (Restated - Note 26)
Operating Activities		
Change in net assets	\$ 8,096,406	\$ 11,260,650
Items not requiring (providing) cash		
Gain on extinguishment of debt	-	(2,823,067)
Depreciation	932,162	779,720
Net realized and unrealized gains on investments	596,353	(771,945)
Amortization of notes payable through service credits	-	(30,000)
Change in value of split-interest agreements	(7,796)	(1,757)
Inherent contribution in acquisition	(1,731,616)	
Grants for the acquisition of property and equipment	-	(871,867)
Changes in		
Accounts receivable	(2,678,487)	(2,326,118)
Medi-Cal waiver receivable	(44,483)	8,015
Grants receivable	(2,004,633)	(99,530)
Contributions receivable	(702,067)	206,551
Deposits	-	-
Prepaid expenses and other assets	(329,952)	3,179
Inventories	64,084	5,649
Accounts payable and accrued expenses	1,613,832	3,209,261
Deferred revenue	(24,057)	(651,411)
Net cash provided by operating activities	3,779,746	7,897,330
Investing Activities		
Purchase of investments	(808,496)	(1,073,421)
Proceeds from sale of investments	1,086,146	1,673,373
Cash received in acquisition	164,076	-
Purchase of property and equipment	(1,327,305)	(3,417,403)
Advances made on note receivable	-	(500,000)
Net cash used in investing activities	(885,579)	(3,317,451)
Financing Activities		
Proceeds from grant for acquisition of property and equipment	-	871,867
Proceeds from issuance of long-term debt	-	3,373,067
Principal payments on long-term debt	-	(5,000,000)
Net cash provided by (used in) financing activities	-	(755,066)
Increase in Cash and Cash Equivalents	2,894,167	3,824,813
Cash and Cash Equivalents, Beginning of Year	14,797,275	10,972,462
Cash and Cash Equivalents, End of Year	\$ 17,691,442	\$ 14,797,275

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Consolidated Statement of Cash Flows
Year Ended June 30, 2022
With Summarized Totals for the Year Ended June 30, 2021**

	2022	2021
Reconciliation of Cash and Cash Equivalents, Restricted Cash and Restricted Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 17,492,842	\$ 14,763,800
Cash and cash equivalents in term endowment	198,600	33,475
	\$ 17,691,442	\$ 14,797,275
Supplemental Cash Flows Information		
Accounts payable incurred for property and equipment	\$ -	\$ 476,053
The Organization acquired Alliance for Housing and Healing. In conjunction with the acquisition, assets acquired, liabilities assumed, and the inherent contribution received as follows:		
Fair value of the noncash assets acquired	\$ 2,940,150	\$ -
Fair value of the liabilities assumed	(1,372,610)	-
	1,567,540	-
Cash acquired	164,076	-
Inherent contribution received	\$ 1,731,616	\$ -

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 1: Nature of Operations

Mission Statement

APLA Health restores dignity and trust within underserved communities by providing world-class LGBTQ+ empowering healthcare, support services, and HIV specialty care.

History

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

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

APLA Health serves more than 15,800 patients and clients annually from 18 locations in Los Angeles County, and focuses on providing free or low-cost medical, dental, and behavioral health care to the LGBTQ+ community, as well as medical and support services for those who are living with HIV. APLA Health's patient population is primarily people of color living at or below the federal poverty level who are facing multiple challenges in regard to their physical and mental health. As a FQHC, APLA Health provides medical, dental, and behavioral healthcare to the community at large, but with an expertise in the unique needs of LGBTQ+ individuals, regardless of their HIV status.

APLA Health operates three full-service health centers, offering LGBTQ+ primary medical care, HIV specialty care, oral health, and behavioral health services—the Gleicher/Chen Health Center, Baldwin Hills in South Los Angeles, the APLA Health Center, CDU/MLK Medical Campus in South Los Angeles, the APLA Health Center, Long Beach, in downtown Long Beach, all communities with diverse LGBTQ+ residents that have also been hit hard by the HIV/AIDS epidemic. The APLA Health Center, Mid-Wilshire in the Fairfax-Carthy Circle neighborhood of Los Angeles, offers LGBTQ+ primary medical care, HIV specialty care and behavioral health services. In addition to the full service health center sites, the Organization offers comprehensive oral health services from its dedicated dental facility, the twelve chair APLA Health Dental Clinic, Downtown Los Angeles and behavioral healthcare & HIV support services at the David Geffen Health Center, Koreatown.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

APLA Health's HIV specialty care services provide specialized medical care for patients living with HIV from four locations. The goal of these services is for every patient to achieve an undetectable viral load. Maintaining an undetectable viral load helps the patient achieve the best health status possible as well as making the patient unable to transmit HIV to sexual partners. This strategy, Undetectable Equals Untransmittable (U=U), has the promise of helping to significantly reduce the number of new HIV infections, bringing us one step closer to ending the HIV/AIDS epidemic.

APLA Health also provides a comprehensive array of social support services for people living with HIV from multiple locations throughout Los Angeles County. These services include housing support, home health care, benefits counseling, case management, a client telephone information line, and groceries and nutrition counseling through its Vance North Necessities of Life Program food pantry program, the largest network of food pantries for people living with HIV in the country.

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

Since the beginning of the HIV/AIDS 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 HIV negative people and reduce the risk of HIV transmission from 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.

In the spring of 2022, in part to address the rapidly rising rates of sexually transmitted infections in Los Angeles County, APLA Health opened Out Here Sexual Health Center, Baldwin Hills. Out Here offers fast, convenient, and free or low-cost sexual health services including HIV testing, STD screening and treatment, and PrEP and PEP services by and for the LGBTQ+ community. The goal of Out Here is to empower our patients about their sexual health. The Organization intends to expand the availability of Out Here sexual health services over the next several years by opening additional stand-alone Sexual Health center locations and by embedding Out Here services in existing and future APLA Health center locations. Out Here sexual health services are also currently offered at our APLA Health Center, CDU/MLK Medical Campus location, the first example of service integration within an APLA Health Center.

The Organization provides free HIV testing, STD screening and treatment, and PrEP and PEP services at five health center locations across the county including Gleicher/Chen Health Center, Baldwin Hills, APLA Health Center, Long Beach, APLA Health Center, CDU/MLK Medical Campus, APLA Health Center, Mid-Wilshire, and Out Here Sexual Health Center, Baldwin Hills.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

APLA Health is a leader in the implementation of comprehensive biomedical HIV prevention programs that educate patients about pre-exposure prophylaxis (PrEP) and post-exposure prophylaxis (PEP) and provides both. PrEP is a biomedical intervention in which a person takes a medication daily or a series of monthly or every other month injections to help prevent HIV infection. If taken correctly, PrEP is up to 99 percent effective in preventing HIV transmission. PEP is used in emergency situations and must be taken within 72 hours of possible exposure to HIV. Both PrEP and PEP are offered at five APLA Health locations in Los Angeles County.

Government Affairs

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

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

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

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

MPact was founded in 2006 to address inequities in access to HIV prevention, care, and treatment programs among gay and bisexual men, and other men who have sex with men, while promoting their health and human rights worldwide. MPact has instigated and supports a global movement to address homophobia, stigma, and discrimination through strengthening public health policies and alleviating funding disparities.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Working at the intersection between the HIV and LGBTQ+ rights sectors, MPact is directly linked to 120 CBOs (community-based organizations) across 62 countries. MPact conducts advocacy, delivers technical support, and manages subgrants with CBOs that work at the country level.

During the year that ended June 30, 2022, MPact delivered funding and technical assistance support to community-based organizations around the world. These efforts resulted in thousands of gay, bisexual, and transgender people receiving sexual health services and hundreds of health professionals receiving technical training in gay men’s health and rights. In addition, MPact created and disseminated numerous new publications.

MPact’s work in fiscal year 2022 resulted in important advocacy wins at the country, regional, and global levels such as: finalizing WHO guidelines on HIV and STI prevention and treatment for gay and bisexual men; increasing focus on gay and bisexual men living with HIV in the US National AIDS Strategy; implementing World AIDS Day events in Mexico City and Washington, DC; responding to the Monkey Pox outbreak amongst gay and bisexual men; assisting with community participation in U.S. PEPFAR Country Operating Plans and the Global Fund COVID-19 response mechanism; and collaborating with health ministries in Canada, U.S., Thailand, Mexico, and the European Union.

The Alliance for Housing and Healing

In July of 2021, the Alliance for Housing and Healing (Alliance) became a subsidiary of APLA Health & Wellness.

Alliance is a leader in the “housing first” model of healthcare and is the largest provider of housing and housing support services for people living with HIV in Los Angeles County.

Alliance was formed by the merger of two longstanding AIDS service providers, Aid For AIDS (AFA) and The Serra Project (Serra). In 1983, volunteers from the LGBTQ+ community in West Hollywood founded AFA to provide financial assistance for life’s essentials—food, rent, utilities—to people struck down by the HIV/AIDS pandemic. In 1987, the Catholic Archdiocese and seven of its hospitals launched Serra, opening the first AIDS-specific group home in Los Angeles. In 2006, AFA and Serra merged their programs and boards of directors. In 2009, Serra absorbed AFA, retired the AFA tax number and Alliance emerged with a single mission to “provide essential housing and supportive services to people living in poverty with HIV/AIDS or other challenging health conditions.”

Alliance’s target population are people living with HIV who are living in poverty, disconnected from care, homeless, and at risk for homelessness. Many of its clients are also multi-diagnosed with an array of serious co-morbidities such as mental illness, chemical dependency, or other physical disabilities. Over 1,200 people with HIV and their families are served by the Alliance on an annual basis.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

To mitigate these conditions, Alliance offers a variety of programs that include:

Transitional Housing: For persons with HIV who are unable to continue normal activity or to do active work, Alliance operates a state-licensed Residential Care Facility for the Chronically Ill (RCFCI) in Long Beach that provides 24-hour assisted living, hospice care (if needed), and HIV-specific meals.

In addition to the group home, the Alliance has up to 40 beds for emergency or transitional shelter at its disposal throughout Los Angeles County.

Permanent Supportive Housing: Alliance operates 96 rental units of permanent supportive housing for low-income homeless, multi-diagnosed people living with HIV and their families in its Community Housing Options at Independent Supported Sites (CHOISS) Program. Through regular, in-home visits with Alliance staff, clients are linked to a range of services that facilitate entry into care, access to treatment, care retention, medication adherence, and treatment success. In addition, clients are helped to build life skills for household management, financial literacy, nutrition, parenting, and interpersonal development.

Housing Support Services: Alliance operates regional offices in West Hollywood, Koreatown, Baldwin Hills, and Long Beach. As the regional lead for HIV housing support services in these areas, Alliance is responsible for overseeing operations, connecting with community organizations, monitoring subcontractors, and ensuring compliance with program goals set forth by the Housing Department of the City of Los Angeles.

Housing support services encompasses psycho-social assessments, case management, housing placement, linkage to specialized resources, budgetary counseling, monitoring of client goals toward improving health, discharge planning and short-term financial assistance for food, housing, utilities, and nonprescription wellness items (paid to third-party providers, not directly to clients).

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

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

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Accounting Method

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

Use of Estimates

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

Cash Equivalents

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

At June 30, 2022, the Organization's cash accounts exceeded federally insured limits by approximately \$15,570,000.

Equity Investments

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

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

Debt Investments

Debt securities held by the Organization generally are classified and recorded in the consolidated financial statements as follows:

Classified as	Description	Recorded at
Trading	Securities that are bought and held principally for the purpose of selling in the near term and, therefore, held for only a short period of time	Fair value, with changes in fair value included in earnings

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Net Investment Return

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

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

Accounts Receivable

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

No material bad debt expense has been recognized for the year ended June 30, 2022.

Inventories

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

Property and Equipment

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

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

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

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

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

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

Long-Lived Asset Impairment

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

No asset impairment was recognized during the year ended June 30, 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, and board-designated endowment.

Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Patient Service Revenue

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

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

Pharmacy Revenue

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

Contributed Nonfinancial Assets

In addition to receiving cash contributions, the Organization receives in-kind contributions of food supplies as well as contributed services. 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.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

For the year ended June 30, 2022, contributed nonfinancial assets recognized within the consolidated statement of activities included:

Food supplies	\$ 599,743
Professional volunteer hours	256,423
Legal services	371,485
	\$ 1,227,651

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed food supplies were distributed through the food pantry operated by the Organization's Necessities of Life Program (NOLP) and were valued based on estimates of wholesale values. Contributed services recognized comprise professional services from medical providers which were valued based on current salary rates for similar services and attorney services which were valued based on hourly rates for similar purchased services.

Contributions

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

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

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

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

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

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

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

Government Grants

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

Fundraising Expenses

Fundraising expenses are recognized as they are incurred.

Functional Allocation of Expenses

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

Income Taxes

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

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 3: Patient Service and Medi-Cal Waiver Revenue

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

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the Organization's clinics. The Organization measures the performance obligation from commencement of a service, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the patient. The Organization had no performance obligations considered unsatisfied or partially unsatisfied as of June 30, 2022.

Transaction Price

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

The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Third-Party Payors

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

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

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

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

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

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations. The 2022 patient service revenue increased approximately \$366,000 due to changes in transaction prices related to dates of service prior to July 1, 2021.

Patient and Uninsured Payors

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges.

The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended June 30, 2022, additional revenue of approximately \$385,000 was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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

Refund Liabilities

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. For the year ended June 30, 2022, the Organization had no significant liabilities for refunds to third-party payors and patients recorded.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Revenue Composition

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

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

For the year ended June 30, 2022, the Organization recognized revenue of \$13,745,583 from services that transfer to the customer over time and \$39,683,924 from goods and services that transfer to the customer at a point in time.

Contract Balances

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

Accounts receivable, beginning of year	\$ 10,636,260
Accounts receivable, end of year	13,314,747

Financing Component

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

Contract Costs

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

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2022, was:

Medi-Cal	13%
Third-party payors (including 340B and MHLA)	<u>87%</u>
	<u><u>100%</u></u>

Note 5: Investments

Investments, including term endowment funds, at June 30, 2022, consisted of the following:

Cash and cash equivalents	\$ 198,600
Mutual funds	252,945
Equity securities	1,903,800
U.S. Treasury securities	177,078
Corporate debt securities	<u>89,146</u>
Total	<u><u>\$ 2,621,569</u></u>

Note 6: Contributions Receivable

Contributions receivable consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due within one year	<u>\$ 105,497</u>	<u>\$ 1,380,001</u>	<u>\$ 1,485,498</u>

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 7: Conditional Gifts

The Organization has received the following conditional promises to give at June 30, 2022, that are not recognized in the financial statements:

Conditional promise to give upon incurring allowable expenditures under the agreement	<u>\$ 54,472,519</u>
---	----------------------

These conditional promises received generally represent awards from federal, state, and other agencies with periods of performance extending through June 2027.

Note 8: Split-Interest Agreement

The California Community Foundation, on behalf of the Organization, has received donations of assets in exchange for distributions of a fixed amount for a specific period of time to the donor or other beneficiaries. At June 30, 2022, the Organization has recorded a receivable of \$23,640, which reflects the fair market value of the donated assets, net of the annuitant liability, which is adjusted annually to reflect changes in life expectancies.

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

Note 9: Property and Equipment

Property and equipment at June 30, 2022, consisted of the following:

	<u>2022</u>
Buildings and leasehold improvements	\$ 15,721,206
Equipment	1,245,935
Furniture and fixtures	1,076,297
Construction in progress	114,281
	<u>18,157,719</u>
Less accumulated depreciation	4,805,949
	<u>\$ 13,351,770</u>

Depreciation expense for the year ended June 30, 2022, was \$932,162.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 10: Accrued Expenses

Accrued expenses at June 30, 2022, consisted of the following:

Accrued vacation	\$ 1,241,017
Accrued payroll	1,066,987
Other accrued expenses	<u>240,933</u>
Total	<u><u>\$ 2,548,937</u></u>

Note 11: Medical Malpractice Claims

Effective January 27, 2022, the U.S. Department of Health and Human Services deemed the Organization and its participating physicians and other licensed or certified health care practitioners covered under the Federal Torts Claim Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

The Organization also 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, 2022. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Note 12: Long-Term Debt

	<u>2022</u>	<u>2021</u>
Note payable (A)	\$ 99,490	\$ 99,490
Note payable (B)	<u>280,000</u>	<u>280,000</u>
	<u><u>\$ 379,490</u></u>	<u><u>\$ 379,490</u></u>

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

- (A) Note payable with the City of Los Angeles due in annual installments of \$10,000, maturing in April 2031. The note bears no interest. The note is a service repayment loan that is forgiven annually subject to the property being used to provide low-income housing to people living with HIV/AIDS. No principal or interest is due prior to maturity as long as the property continues to be used for the intended purpose. The loan is secured by the property.
- (B) Note payable with the State of California Department of Housing and Community Development, due June 2025, with interest-only payments and any unpaid principal and interest due at maturity. Note bears interest at 3.00 percent and is secured by the property.

Aggregate annual maturities of long-term debt at June 30, 2022, are:

2023	\$ 10,000
2024	10,000
2025	290,000
2026	10,000
2027	10,000
Thereafter	<u>49,490</u>
	<u>\$ 379,490</u>

Note 13: Net Assets with Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022, are available for the following purposes:

Health education programs	\$ 35,485
Term endowment fund (to support NOLP)	2,621,569
Split-interest agreements	23,640
Capacity building	-
Client/patient support programs	1,203,662
Global Forum on MSM & HIV (MSMGF)	<u>1,543,606</u>
	<u>\$ 5,427,962</u>

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Net Assets Released from Restrictions

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

Purpose restrictions accomplished	
New site construction	\$ 1,050,000
Health education programs	81,220
Term endowment fund (to support NOLP)	148,249
Capacity building	9,316
Client/patient support programs	507,369
Global Forum on MSM & HIV (MSMGF)	<u>594,414</u>
 Total restrictions released	 <u><u>\$ 2,390,568</u></u>

Note 14: Term Endowment

In 2017, the Organization established a term endowment with funds distributed from a trust in which the Organization was named as a beneficiary. Per the terms of the trust agreement, the total funds distributed of \$2,331,000 are to be held for a twenty-year period as a restricted fund. Investment return generated by the term endowment are to be used to support the Vance North Necessities of Life Program (NOLP).

The balance of the restricted fund may be reduced below the value of the amounts originally contributed by market losses and by distributions under the Organization's spending policy. At the conclusion of the twenty-year period, the funds shall be considered an unrestricted asset of the Organization and used for general charitable purposes.

The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment. To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized) and targets a diversified asset allocation.

During the year ended June 30, 2022, endowment assets experienced a loss totaling approximately \$561,000, which was recorded as a reduction in net assets with donor restrictions at June 30, 2022.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 15: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022, comprise the following:

Financial assets at year-end	
Cash and cash equivalents	\$ 17,492,842
Term endowment	2,621,569
Accounts receivable	13,314,747
Medi-Cal waiver receivable	480,882
Grants receivable	8,347,286
Contributions receivable	<u>1,485,498</u>
 Total financial assets	 <u>43,742,824</u>
 Less amounts not available to be used within one year	
Cash and cash equivalents with donor restrictions	1,402,752
Term endowment	2,621,569
Contributions receivable	<u>1,380,001</u>
 Financial assets not available to be used within one year	 <u>5,404,322</u>
 Financial assets available to meet general expenditures within one year	 <u><u>\$ 38,338,502</u></u>

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

The Organization's endowment funds consist of donor-restricted endowments. As described in *Note 14*, income from donor-restricted endowments is not available for general expenditure if restricted for specific purposes.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 16: Operating Leases

The Organization has operating leases for certain facilities which expire in various years through 2033, including certain leases which were entered into subsequent to June 30, 2022. These leases generally contain renewal options for periods ranging from one to ten years.

Future minimum lease payments at June 30, 2022, are:

2023	\$ 2,855,769
2024	2,474,055
2025	2,239,843
2026	2,111,637
2027	1,864,505
Thereafter	<u>8,563,197</u>
Future minimum lease payments	<u><u>\$ 20,109,006</u></u>

Rent expense under operating leases totaled \$2,501,907 for the year ended June 30, 2022.

Note 17: Retirement Plan

The Organization has a 403(b) defined contribution plan covering substantially all employees. The Organization provides a discretionary employer matching contribution, currently up to 6 percent of the employee's contribution. Matching contributions of \$874,652 were recognized during the year ended June 30, 2022.

Note 18: Support to Other Organizations

It is the policy of the Board of Directors to support other service organizations whose goals are compatible with and whose services complement those of the Organization. In this regard, during the year ended June 30, 2022, the Organization contributed \$184,649 to other service organizations.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 19: Allocation of Joint Costs

Through certain fundraising events, the Organization incurred joint costs of \$320,660 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, \$218,062 was allocated to fundraising expenses and \$102,598 was allocated to program services.

Note 20: 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, 2022:

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 252,945	\$ 252,945	\$ -	\$ -
Equity securities				
Communication services	104,508	104,508	-	-
Consumer goods	345,726	345,726	-	-
Energy	58,938	58,938	-	-
Financial services	315,014	315,014	-	-
Health care	283,266	283,266	-	-
Industrial, materials, and manufacturing	322,451	322,451	-	-
Technology	352,931	352,931	-	-
Utilities	32,702	32,702	-	-
Other	88,264	88,264	-	-
U.S. Treasury securities	177,078	177,078	-	-
Corporate debt securities	89,146	89,146	-	-
Split-interest agreements	23,640	-	-	23,640
	<u>\$ 2,446,609</u>	<u>\$ 2,422,969</u>	<u>\$ -</u>	<u>\$ 23,640</u>

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

Investments

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

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

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 21: Construction in Progress

As of June 30, 2022, the Organization had construction in progress related to clinic construction and renovation. The project is expected to be completed by June 2023, with services beginning in August, at a total cost of approximately \$1,750,000. The project will be funded through general agency funds including assets with and without donor restrictions.

Note 22: COVID-19 Pandemic and CARES Act Funding

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

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

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business.

American Rescue Plan Act Grants

In March 2021, as part of the *American Rescue Plan Act* (the "ARPA"), the Organization was awarded a federal grant award for \$2,378,000 for a budget period of April 2021 through March 2023. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue will be recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. During the year ended June 30, 2022, the Organization recognized \$492,312 in ARPA grant funds.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

In August 2021, as part of the ARPA, the Organization was awarded a Health Center Infrastructure Support award for \$614,928 for a budget period of September 2021 through September 2024. This grant award also has specific terms and conditions that must be followed when utilizing the funding. Grant revenue will be recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreement which require incurring qualifying expenditures over the grant period. During the year ended June 30, 2022, the Organization did not recognize any revenue from this award.

Note 23: Significant Estimates and Concentrations

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

Investments

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

Variable Consideration

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

Medical Malpractice Claims

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

340B Drug Pricing Program

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

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 24: Acquisition

On July 1, 2021, the Alliance for Housing and Healing (Alliance) amended their bylaws to require that the majority of the Alliance board of directors be designated by the board of directors of the Organization resulting in the Organization's acquisition of the Alliance. As a result of the acquisition, the Organization will have an opportunity to expand its scope of services. No significant acquisition costs were incurred in connection with this acquisition.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized by the Organization at the acquisition date:

Cash	\$ 164,076
Grants receivable	2,505,556
Contributions receivable	36,000
Property and equipment	68,194
Other assets	330,400
Liabilities	<u>(1,372,610)</u>
 Inherent contribution	 <u><u>\$ 1,731,616</u></u>

Acquired assets include cash, grants and contributions receivable, prepaid expenses, deposits and property and equipment recorded at their estimated fair values at the acquisition date. Liabilities acquired include accounts payable, accrued expenses, and refundable advances recorded at their estimate fair value.

The acquisition of the Alliance resulted in an inherent contribution of \$1,731,616. The inherent contribution represents the net identifiable assets acquired less the liabilities assumed. No consideration was incurred in connection with the acquisition.

Note 25: Change in Accounting Principle

In 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial statements in the statements of activities and disclosures within the notes to the financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. The adoption had no impact on any financial statement line items or the change in net assets.

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 26: Adjustment Applicable to Prior Years

In 2021 and prior, the Organization's accounts receivable, accounts payable, patient service revenue and clinical services expense were misstated due to reporting errors from a 340b contract pharmacy provider. During 2022, the Organization corrected these errors to conform to the requirements of accounting principles generally accepted in the United States of America. An adjustment of \$1,659,783 applicable to 2021 and prior has been included in the restated beginning net assets balance. The adjustment increased the previously reported 2021 change in net assets by \$948,328. The following financial statement line items were affected by the adjustment applicable to prior years:

	As Restated	As Previously Reported	Effect of Change
Consolidated Statement of Financial Position			
Accounts receivable	\$ 10,636,260	\$ 4,855,161	\$ 5,781,099
Total assets	47,782,355	42,001,256	5,781,099
Accounts payable	7,386,246	3,264,930	4,121,316
Total liabilities	10,570,259	6,448,943	4,121,316
Net assets without donor restrictions - undesignated	24,581,635	22,921,852	1,659,783
Total net assets	37,212,096	35,552,313	1,659,783
Total liabilities and net assets	47,782,355	42,001,256	5,781,099
Consolidated Statement of Activities			
Patient service revenue	45,134,429	41,098,537	4,035,892
Total revenue and other support	75,437,329	71,401,437	4,035,892
Expenses - Clinical Services	43,970,896	40,883,332	3,087,564
Total program services	57,312,664	54,225,100	3,087,564
Total expenses	64,176,679	61,089,115	3,087,564
Change in net assets	11,260,650	10,312,322	948,328
Net assets, beginning of year	25,951,446	25,239,991	711,455
Net assets, end of year	37,212,096	35,552,313	1,659,783
Consolidated Statement of Functional Expenses			
Supplies, equipment rental, and maintenance	25,689,628	22,602,064	3,087,564
Total expenses	64,176,679	61,089,115	3,087,564
Statement of Cash Flows			
Change in net assets	10,312,322	11,260,650	(948,328)
Changes in accounts receivable	(2,326,118)	1,051,454	(3,377,572)
Changes in accounts payable and accrued expenses	3,209,261	780,017	2,429,244

**APLA Health & Wellness,
The Global Forum on MSM & HIV (MSMGF) and
Alliance for Housing and Healing
Notes to Consolidated Financial Statements
June 30, 2022**

Note 27: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for consolidated statement of activities recognition purposes: operating leases and finance leases.

Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards.

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

Note 28: Subsequent Events

Subsequent events have been evaluated through March 2, 2023, which is the date the financial statements were available to be issued.