**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center) and
Callen-Lorde Support, Inc.**

**Consolidated Financial Statements,
Schedule of Expenditures of Federal Awards,
Internal Control and Compliance
and Independent Auditor's Reports**

June 30, 2019 and 2018

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Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

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Independent Auditor's Report

To the Board of Directors
Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Community Health Project, Inc. (d/b/a Michael Callen - Audre Lorde Community Health Center) ("Callen-Lorde") and Callen-Lorde Support, Inc. (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Callen-Lorde Support, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2019, the Organization adopted new accounting guidance for revenue due to the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in the accompanying statements on pages 34 and 35 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the changes in net assets and equity of the individual organizations, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of Callen-Lorde's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Callen-Lorde's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Callen-Lorde's internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
January 21, 2020

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Consolidated Statements of Financial Position
June 30, 2019 and 2018

Assets

	2019	2018
Current assets		
Cash and cash equivalents	$ 11,630,466	$ 11,796,932
Patient services receivable, net	1,679,331	1,750,988
Pharmacy and other receivables	4,140,907	3,556,286
Grants and contracts receivable	3,001,328	1,707,917
Prepaid expenses and other current assets	1,428,130	349,119
Inventory	1,177,990	1,190,925
Total current assets	23,058,152	20,352,167
Restricted cash and cash equivalents	13,604,431	5,250,000
Debt service reserve	737,268	-
Notes receivable	10,789,600	-
Property and equipment, net	20,129,663	14,455,444
Security deposits	897,456	895,706
Total	$ 69,216,570	$ 40,953,317
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 3,464,309	$ 2,405,624
Accrued compensation	2,602,924	2,269,256
Note payable, current maturities	651,166	433,962
Current maturities of capital lease obligations	26,665	54,711
Due to third party, current maturities	893,591	987,109
Total current liabilities	7,638,655	6,150,662
Long-term liabilities		
Note payable, less current maturities	26,500,390	1,566,605
Capital lease obligations less current maturities	41,838	38,084
Due to third party, less current maturities	-	256,942
Deferred rent	549,653	557,745
Total long-term liabilities	27,091,881	2,419,376
Total liabilities	34,730,536	8,570,038
Commitments and contingencies		
Net assets		
Without donor restrictions		
Without donor restrictions	29,030,263	26,869,078
Without donor restrictions - Board-designated reserve for capital projects and special projects	5,250,000	5,250,000
Total without donor restrictions	34,280,263	32,119,078
With donor restrictions	205,771	264,201
Total net assets	34,486,034	32,383,279
Total	$ 69,216,570	$ 40,953,317

See Notes to Consolidated Financial Statements.

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue						
Patient services revenue (net of contractual allowances and discounts)	$ 15,974,480	$ -	$ 15,974,480	$ 16,251,654	$ -	$ 16,251,654
Pharmacy revenue	63,203,714	-	63,203,714	57,988,525	-	57,988,525
DHHS grants	1,935,476	-	1,935,476	1,604,807	-	1,604,807
Contract services and other grants	6,024,864	-	6,024,864	6,440,231	-	6,440,231
Fundraising and contributions	1,319,896	125,000	1,444,896	1,431,438	457,500	1,888,938
Other	792,260	-	792,260	1,158,293	-	1,158,293
Released from restrictions	283,430	(283,430)	-	383,355	(383,355)	-
Total revenue	89,534,120	(158,430)	89,375,690	85,258,303	74,145	85,332,448
Expenses						
Salaries and related benefits	31,480,484	-	31,480,484	29,732,513	-	29,732,513
Other than personnel services	55,093,925	-	55,093,925	49,357,617	-	49,357,617
Interest	451,719	-	451,719	105,787	-	105,787
Total expenses	87,026,128	-	87,026,128	79,195,917	-	79,195,917
Operating income prior to depreciation and amortization and nonoperating revenue	2,507,992	(158,430)	2,349,562	6,062,386	74,145	6,136,531
Depreciation and amortization	1,686,711	-	1,686,711	1,644,029	-	1,644,029
Operating income prior to nonoperating revenue	821,281	(158,430)	662,851	4,418,357	74,145	4,492,502
Nonoperating revenue						
Fundraising and contributions for capital additions	-	100,000	100,000	143,500	(143,500)	-
Contract services and other grants for capital additions	1,339,904	-	1,339,904	-	-	-
Total nonoperating revenue	1,339,904	100,000	1,439,904	143,500	(143,500)	-
Changes in net assets	2,161,185	(58,430)	2,102,755	4,561,857	(69,355)	4,492,502
Net assets, beginning	32,119,078	264,201	32,383,279	27,557,221	333,556	27,890,777
Net assets, end	$ 34,280,263	$ 205,771	$ 34,486,034	$ 32,119,078	$ 264,201	$ 32,383,279

See Notes to Consolidated Financial Statements.

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program services	General and administrative	Fundraising	Total
Salaries and wages	$ 15,057,371	$ 7,970,367	$ 261,101	$ 23,288,839
Employee benefits	5,296,298	2,803,507	91,840	8,191,645
Consultants and contractual services	1,724,559	1,820,483	73,310	3,618,352
Professional fees	-	549,210	11,090	560,300
Consumable supplies	1,728,413	269,250	1,157	1,998,820
Laboratory and radiology	191,241	-	-	191,241
Pharmaceuticals	42,590,802	-	-	42,590,802
Occupancy	1,261,070	1,100,364	29,104	2,390,538
Insurance	47,918	200,588	-	248,506
Equipment rental and maintenance	80,032	22,823	-	102,855
Telephone	724,914	370,211	26,081	1,121,206
Printing, publications and postage	23,401	29,656	38,248	91,305
Travel, conference and meeting	236,918	111,049	2,265	350,232
Dues and subscriptions	62,224	175,554	1,779	239,557
Health promotion	706	79,013	768	80,487
Interest	329,755	121,964	-	451,719
Bad debt expense	326,060	-	-	326,060
Other	165,309	785,593	232,762	1,183,664
Total	69,846,991	16,409,632	769,505	87,026,128
Depreciation and amortization	1,231,299	455,412	-	1,686,711
Total functional expenses	$ 71,078,290	$ 16,865,044	$ 769,505	$ 88,712,839

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program services	General and administrative	Fundraising	Total
Salaries and wages	$ 16,243,818	$ 4,887,458	$ 417,906	$ 21,549,182
Employee benefits	6,168,612	1,856,019	158,700	8,183,331
Consultants and contractual services	2,133,588	1,024,350	44,158	3,202,096
Professional fees	-	623,809	12,369	636,178
Consumable supplies	1,585,072	90,114	553	1,675,739
Laboratory and radiology	192,971	-	-	192,971
Pharmaceuticals	39,347,909	-	-	39,347,909
Occupancy	928,152	478,313	29,089	1,435,554
Insurance	45,087	106,646	-	151,733
Equipment rental and maintenance	98,197	23,073	-	121,270
Telephone	671,476	202,035	17,275	890,786
Printing, publications and postage	26,610	36,852	24,567	88,029
Travel, conference and meeting	217,340	77,883	2,145	297,368
Dues and subscriptions	69,948	165,619	3,293	238,860
Health promotion	17,967	249,638	1,117	268,722
Interest	77,225	28,562	-	105,787
Bad debt expense	298,185	-	-	298,185
Other	111,040	169,660	231,517	512,217
Total	68,233,197	10,020,031	942,689	79,195,917
Depreciation and amortization	1,200,141	443,888	-	1,644,029
Total functional expenses	$ 69,433,338	$ 10,463,919	$ 942,689	$ 80,839,946

See Notes to Consolidated Financial Statements.

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash received from patient services	$ 16,046,137	$ 15,724,403
Cash received from pharmacy	62,619,093	58,683,923
Cash received from grants and contract services	7,753,493	7,948,630
Cash received from fundraising and contributions	1,544,896	1,745,438
Cash received from other	792,260	940,893
Cash paid to employees	(31,146,816)	(29,521,438)
Cash paid to vendors	(55,045,481)	(48,096,661)
Cash paid for interest	(534,330)	(119,885)
Net cash provided by operating activities	2,029,252	7,305,303
Cash flows from investing activities		
Purchases of property and equipment	(7,069,089)	(1,020,579)
Issuance of notes receivable	(10,789,600)	-
Net cash used in investing activities	(17,858,689)	(1,020,579)
Cash flows from financing activities		
Proceeds from long-term debt	26,460,000	-
Receipt of nonoperating contract services and other grants for capital additions	253,340	-
Receipt of nonoperating fundraising and contributions for capital additions	-	143,500
Cash paid for debt service reserve	(737,268)	-
Repayments of capital lease obligation	(56,232)	(51,125)
Repayments of note payable	(433,962)	(416,594)
Cash received from third party	-	770,825
Payments for deferred financing costs	(954,592)	-
Repayments to third party	(513,884)	(256,942)
Net cash provided by financing activities	24,017,402	189,664
Net increase in cash and cash equivalents and restricted cash and cash equivalents	8,187,965	6,474,388
Cash and cash equivalents and restricted cash and cash equivalents, beginning	17,046,932	10,572,544
Cash and cash equivalents and restricted cash and cash equivalents, end	$ 25,234,897	$ 17,046,932

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	$ 2,102,755	$ 4,492,502
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	1,686,711	1,644,029
Deferred rent	(8,092)	19,698
Nonoperating revenue	(1,339,904)	(143,500)
Provision for bad debts	-	565,492
Capitalized interest expense	(162,154)	(41,241)
Amortization of deferred financing cost	79,543	27,143
Changes in operating assets and liabilities		
Patient services receivable	71,657	(794,558)
Pharmacy and other receivables	(584,621)	695,398
Grants and contracts receivable	(206,847)	(96,408)
Prepaid expenses and other current assets	(1,079,011)	80,106
Inventory	12,935	(30,382)
Security deposits	(1,750)	(15,555)
Accounts payable and accrued expenses	960,938	692,048
Accrued compensation	333,668	211,075
Due to third party	163,424	(544)
Net cash provided by operating activities	$ 2,029,252	$ 7,305,303
Supplemental disclosures of noncash investing and financing activities		
Capital acquisitions included in accounts payable and accrued expenses	$ 97,747	$ 27,764
Capital acquisitions funded through capital leases	$ 31,940	$ -

See Notes to Consolidated Financial Statements.

Note 1 - Organization

Community Health Project, Inc. (d/b/a Michael Callen - Audre Lorde Community Health Center) ("Callen-Lorde" or the "Center") is a community-based healthcare center located in New York, New York. The Center provides high-quality healthcare and related services primarily to the lesbian, gay, bisexual, transgender and queer communities, as well as HIV-positive people of New York and other underserved residents of New York City in all its diversity, without regard to ability to pay. To further this mission, the Center promotes health education and wellness, and advocates for lesbian, gay, bisexual and transgender health issues. The Center also conducts health-related advocacy and clinical research and education.

Callen-Lorde Support, Inc. ("CLSI") was established in October 2018 as a corporation in accordance with sub-paragraph (5) of paragraph (a) of Section 102 of the Not-for-Profit Corporation Law of the State of New York, and was formed for the purpose of supporting Callen-Lorde by holding title to real property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to Callen-Lorde.

The U.S. Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

Note 2 - Significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

The consolidated financial statements include Callen-Lorde and Callen-Lorde Support, Inc., referred to collectively as the "Organization". All significant intercompany transactions and account balances have been eliminated in consolidation.

Use of estimates

The preparation of the 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Classification of net assets

The Organization classifies its net assets into two categories, which are described as follows:

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

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

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Adoption of new accounting pronouncement

For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements for Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

The Organization adopted FASB ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves current accounting guidance to determine when a transaction should be accounted for as a contribution and as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The changes required by the update have been applied on a modified prospective basis to the 2019 consolidated financial statements. Due to the adoption of ASU 2018-08, certain transactions previously accounted for as exchange transactions are now accounted for as conditional contributions.

The Organization adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization adopted ASU 2014-09 on July 1, 2018 using the modified retrospective method of transition. The Organization performed an analysis of revenue streams and transactions under ASU 2014-09. In particular, for patient service revenue net of contractual allowances and discounts and for pharmacy revenue, the Organization performed an analysis into the application of the portfolio approach as a practical expedient to group patient contracts and group pharmacy contracts with similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. Upon adoption, the majority of what was previously classified as provision for bad debts and presented as reduction to patient revenue net of contractual allowances and discounts on the consolidated statement of activities and changes in net assets is now treated as a price concession that reduces the transaction price, which is reported as net patient services revenue. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The impact of adopting ASU 2014-09 was not material to total revenue without donor restrictions, increase in net assets without donor restrictions, or total net assets.

The Organization adopted FASB ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash and cash equivalents. Due to this change, amounts described as restricted cash and cash equivalents are now included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The changes required by the update have been applied retrospectively to all periods presented.

The Organization adopted FASB ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on the classification of eight specific cash flow issues. Due to this change, certain cash receipts and payments have been reclassified between investing and financing activities. The changes required by the update have been applied retrospectively to all periods presented.

Cash and cash equivalents
All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. The Organization's bank deposits exceeded Federal Deposit Insurance Corporation limits at various times during the years ended June 30, 2019 and 2018.

Grants and contracts receivable
Grants and contracts receivable consists of costs under the grant and contract agreements which were incurred prior to year-end for which payment has not been received. Grants and contracts receivable credit risk is limited due to the nature of the grants and contracts. The Organization regularly monitors its grants and contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Organization considers all grants and contracts as collectible.

Fair value of financial instruments
The Organization's material financial instruments at June 30, 2019 and 2018 for which disclosure of estimated fair value is required by certain accounting standards consists of cash and cash equivalents, patient services receivable, pharmacy receivable, grants and contracts receivable, accounts payable and accrued expenses, accrued compensation, and due to third party. The fair values of cash and cash equivalents, patient services receivable, pharmacy receivable, grants and contracts receivable, receivables from unrelated party, accounts payable and accrued expenses and accrued compensation are equal to their carrying value because of their liquidity and short-term maturity.

Management believes that as a result of the relationship between the Organization and the third party, there is no practical method that can be used to determine the fair value of due to third party and that the amount is not material to the financial statements.

Inventory

Inventory, consisting of supplies and drugs, is stated at the lower of cost (first-in, first-out basis) or market.

Restricted cash and cash equivalents

The Organization has cash and cash equivalents the use of which has been limited by the Board of Directors for special and expansion projects. Restricted cash and cash equivalents also include the amount of cash proceeds from a term loan which is restricted for the purpose of funding a construction project. See Note 10.

Property and equipment

Property and equipment are stated at cost, or, if donated, at the fair value at the date of donation. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets, ranging from 2 to 40 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Organization capitalizes all purchases of property and equipment in excess of $5,000.

Construction-in-progress is recorded at cost. The Organization capitalizes construction, insurance and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in changes in net assets.

Property and equipment under capital lease is recorded in property and equipment with corresponding obligations carried in current and long-term liabilities. The amount capitalized is the lower of the present value of minimum lease payments or the fair value of the leased asset. Amortization on assets leased under capital leases is recorded on a straight-line basis over the estimated useful life of the asset or the term of the lease, whichever is shorter.

According to federal regulations, any equipment items obtained through federal funds are subject to a lien by the federal government. Provided that the Organization maintains its tax-exempt status, and the equipment is used for its intended purpose, the Organization is not required to reimburse the federal government. If the stated requirements are not met, the Organization would be obligated to the federal government in an amount equal to the fair value of the equipment.

Impairment of long-lived assets

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

Deferred financing costs

Deferred financing costs consist of various expenses the Organization incurred in obtaining long-term financing. These costs are accounted for as a reduction in the related outstanding debt and are amortized using the effective interest rate method. Amortization expenses are included in interest expense.

Deferred rent

The Organization's lease agreement for a certain building contains escalation clauses that require normalization of the rental expense over the life of the lease. The resulting deferred rent is reflected in the accompanying statements of financial position.

Pharmacy receivable and revenue

The Organization participates in Section 340B of the Public Health Service Act ("PHS Act"), Limitation on Prices of Drugs Purchased by Covered Entities. Participation in this program allows the Organization to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. Pharmacy revenue is generated through the pharmacy and 340B program that the Organization operates through its agreement with a third party for the years ended June 30, 2019 and 2018. Under this program, the Organization uses the third party as its agent for the purpose of operating and managing the pharmacy and providing pharmacy services.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the Organization's pharmacy patients and customers and the Organization does not believe it is required to provide additional goods or services related to that sale. The Organization recognized pharmacy revenue of $63,203,714 and $57,988,525 for the years ended June 30, 2019 and 2018, respectively, and pharmacy and other receivables of $4,140,907 and $3,556,286 as of June 30, 2019 and 2018, respectively.

Because all of its performance obligations relate to pharmacy sales contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Organization's performance obligations in relation to pharmacy revenue consist primarily of pharmacy sales that occur as the patient purchases the goods, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

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

Net patient services revenue and receivables

Patient care service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others 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 or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in our outpatient centers. The Organization measures the performance obligation from the commencement of an outpatient 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 outpatient services.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB Accounting Standards Codification ("ASC") 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Organization's performance obligations consist primarily of outpatient services that occur within one day of a patient's visit, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

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

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

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

Medicare - Outpatient services are paid using prospectively determined rates.

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

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2019.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended June 30, 2019, there was no additional revenue 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 (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

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

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

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

Based on the cost of patient services, charity care and community benefit for the years ended June 30 amounted to the following:

	2019	2018
Charity Care	$ 4,613,359	$ 4,302,603
Community Benefit	$ 14,391,437	$ 12,417,894

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

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

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 that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

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.

Grants and contracts revenue

Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Organization, the revenue from the grant or contract is accounted for as an exchange transaction in accordance with ASU 2014-09. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Organization deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider.

Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

Grants and contract transactions where the resource provider does not receive commensurate value are accounted for as a contribution.

Contributions

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

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

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

At June 30, 2019, the Organization has received grants and contracts from governmental entities, accounted for as either exchange transactions or conditional contributions, in the aggregate amount of $5,220,780 that have not been recorded in the accompanying financial statements. These grants and contracts require the Organization to complete certain performance obligations during specified periods. If such performance obligations are not provided during the specified periods, the governmental entities are not obligated to expend the funds allotted under the contracts.

Meaningful use incentives

The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified EHR technology, (2) use the certified EHR technology for electronic exchange of health information to improve quality of healthcare and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for meaningful use incentives will be staged in three steps over the course of six years and be paid out based on a transitional schedule. Certain providers of the Center have met the said criteria, thereby causing the Center to earn $17,000 and $191,250 from the Medicaid incentive program for the years ended June 30, 2019 and 2018, respectively, which are included in other revenue on the statements of activities and changes in net assets.

Performance indicator
The consolidated statements of activities and changes in net assets include operating income prior to non-operating revenue as the performance indicator. Changes in net assets which are excluded from the performance indicator include fundraising and contributions for capital additions and contracts services and other grants for capital additions.

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

Functional expenses
The cost of providing the various services and other activities has been summarized on a functional basis in the consolidated statement of functional expenses. Expenses are charged to program or general and administrative based on a combination of specific identification and allocation basis determined by management. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation bases such as time and effort, full time equivalent, and square footage.

Tax status
The Center was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CLSI is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

The Center has no unrecognized tax benefits at June 30, 2019 and 2018. The Center's federal and state information returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. CLSI has no unrecognized tax benefits at June 30, 2019.

The Organization recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the consolidated statements of financial position.

Reclassifications
Certain reclassifications have been made to the 2018 financial statements to conform with the 2019 consolidated financial statements presentation. These reclassifications had no impact on total assets, total liabilities and net assets and total cash flows as previously reported.

Subsequent events
The Organization has evaluated subsequent events through January 21, 2020, which is the date the consolidated financial statements were available to be issued.

Note 3 - Availability and liquidity

The following represents the Organization's financial assets at June 30, 2019:

Financial assets at year-end	
Cash	$ 11,630,466
Patient services receivable, net	1,679,331
Pharmacy and other receivables	4,140,907
Grants and contracts receivable	3,001,328
Restricted cash and cash equivalents	13,604,431
Subtotal	34,056,463
Less amounts not available to be used within one year	
Restricted cash and cash equivalents	13,604,431
Financial assets available to meet general expenditures over the next 12 months	$ 20,452,032

The Organization routinely monitors the availability of resources required to meet contractual commitments and its general operating needs, and strives to maintain liquid financial assets sufficient to cover 30 days of cash flow needs. The Organization also has a $10 million line of credit which can be utilized for operations.

Note 4 - Cash and cash equivalents and restricted cash and cash equivalents

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

	2019	2018
Cash and cash equivalents	$ 11,630,466	$ 11,796,932
Restricted cash and cash equivalents	13,604,431	5,250,000
Total	$ 25,234,897	$ 17,046,932

Note 5 - Net patient services revenue and net patient receivables

The composition of patient care service revenue by primary payor for the years ended June 30 is as follows:

	2019	2018
Medicaid	$ 3,181,750	$ 4,134,035
Medicaid managed care	3,277,787	3,057,174
Medicare	1,056,912	1,094,471
Private insurance	1,640,836	1,450,182
Self-pay	499,869	506,106
Total	9,657,154	10,241,968
New York State Uncompensated Care	1,043,820	1,167,612
New York State Medicaid Managed Care Wraparound	5,273,506	4,842,074
Total	$ 15,974,480	$ 16,251,654

Revenue from patient's deductibles and coinsurance are included in the preceding categories based on the primary payor. Patient receivables consist of amounts due from government programs, commercial insurance companies, other group insurance programs, and private pay patients Net patient services receivable, consist of the following at June 30:

	2019	2018
Medicaid	$ 385,787	$ 427,703
Medicare	118,710	142,591
Private insurance	176,316	191,024
Self-pay	89,617	71,002
Managed care	770,312	699,084
Total	1,540,742	1,531,404
Less allowance for doubtful accounts	74,918	57,187
Total	1,465,824	1,474,217
New York State Uncompensated Care	213,507	276,771
Total	$ 1,679,331	$ 1,750,988

The Organization's concentration of credit risk relating to patient services receivables primarily relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts remain outstanding. The Organization recognized $326,060 of patient receivable impairment or bad debt for the year ended June 30, 2019 based on patient-specific impairment events.

Note 6 - Grants and contracts receivable

Grants and contracts receivable consists of the following at June 30:

	2019	2018
New York State Department of Health	$ 1,468,825	$ 348,202
New York City Department of Health and Mental Hygiene	62,500	63,750
Lutheran Medical Center	257,881	72,409
Public Health Solutions	588,998	564,019
U.S. Department of Health and Human Services	180,065	115,304
Health Research, Inc.	23,327	58,560
Other	419,732	485,673
Total	$ 3,001,328	$ 1,707,917

Grants and contracts receivable credit risk is limited due to the nature of the grants and contracts. The Organization regularly monitors its grants and contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Organization estimates doubtful accounts based on historical bad debts, factors related to specific grantor's ability to pay and current economic trends. The Organization writes off grants and contracts receivable against the allowance when a balance is determined to be uncollectible. As of June 30, 2019, and 2018, there was no allowance for doubtful grants and contracts receivable.

Note 7 - Notes receivable

On December 14, 2018, Callen-Lorde made a loan (the "Leverage Loan") to Chase NMTC CL Investment Fund, LLC (the "Investment Fund") amounting to $10,789,600, with a maturity date of March 31, 2044, bearing interest rate of 1.272%. From the loan effective date until June 30, 2026, the principal balance of the Leverage Loan shall accrue interest at 1.272% payable in quarterly installments on the 10th day of each March, June, September and December of each year. Beginning on July 1, 2026, both the principal and interest shall be payable quarterly on the 10th day of each March, June, September and December until maturity date. The notes receivable balance at June 30, 2019 was $10,789,600 (see Note 10).

Note 8 - Property and equipment, net

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

	2019	2018
Land	$ 1,000,000	$ 1,000,000
Building and building improvements	12,636,842	12,636,842
Furniture and equipment	11,807,936	11,286,358
Construction-in-progress	7,684,296	872,090
Total	33,129,074	25,795,290
Less accumulated depreciation and amortization	12,999,411	11,339,846
Total	$ 20,129,663	$ 14,455,444

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to the PHS or third parties.

For the years ended June 30, 2019 and 2018, the Center incurred interest of $599,622 and $147,028, of which $162,777 and $41,241 was capitalized in 2019 and 2018, respectively.

As of June 30, 2019, the Organization has the following future commitments for construction contracts:

Project	Type of Project	Estimated Cost to Complete	Estimated Completion Date
Brooklyn Project	Renovation	$ 5,222,000	January 31, 2020
West 18th Street Renovation	Renovation	60,000	September 2019

Note 9 - Note payable

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

	2019	2018
DASNY Loan - On September 14, 1995, the Center obtained permanent financing for its facility. On that date, the Center entered into a ground lease and a construction disbursement agreement with the Dormitory Authority of the State of New York ("DASNY"). DASNY's disbursements to the Center under these agreements, which were financed through DASNY's issuance of bonds, totaled $7,630,000. Under these agreements, the Center makes lease payments to DASNY in amounts equal to the principal and interest payments required under the bonds through April 1, 2023. On August 26, 2010, the DASNY bonds were refinanced through the issuance of new DASNY bonds. Under the new bonds, the Center's security deposit for the lease, held by DASNY through its intermediary was reduced to $261,251, which is included in the statements of financial position under security deposits. Also, the monthly amortization amounts (for principal and interest) were reduced with an average interest rate over the remaining term of the debt expected to be 3.56%.	$ 1,783,745	$ 2,217,706
Buck Foundation Loan - On December 12, 2018, the Center entered into a loan with a face value of $1,000,000, maturing on October 30, 2027 and having an interest of 0% per annum on unpaid balance from closing date to the last day of the 5th year of the loan and 3 percentage points below the prime rate as published by Bank of America per annum, compounded annually, from the 1st day of the 6th year of the loan to the date the loan is repaid. The loan is secured by a certain mortgage and assignment of leases and rents in the principal sum of $1,000,000.	1,000,000	-
PCDC Term Loan - On December 14, 2018 CHP entered into a term loan agreement with a face amount of $10,000,000, maturing on June 14, 2026 and with an interest set at the greater of the current prime rate plus 150 basis points or 6.5%, to be reset every 3 years, subject to a 1% cap and a floor of 6.5% at each reset. The loan is secured by a second mortgage on the property at 356 West 18th Street, which has a carrying value of $7,671,328 as of June 30, 2019, and a first mortgage on CHP's subleasehold in the 3rd floor of the property located in 40 Flatbush Extension (aka Chapel Street), Brooklyn, NY, which is still in construction as of June 30, 2019, having a carrying value of $4,784,896. Monthly interest-only payments shall be payable during the time of the construction of the project funded by the term loan, not to exceed 12 months. After the interest-only period, monthly payments of principal and interest on the amount outstanding based on a loan amortization period of 15 years.	10,000,000	-

(continued)

	2019	2018
PCDC Health Opportunities Fund XXIV - New Markets Tax Credit ("NMTC") Loans - On December 14, 2018, CLSI entered into three NMTC loan agreements all maturing on December 31, 2048, with interest set at 1.15% per annum. Interest is payable quarterly on the 1st day of March, June, September, and December. Commencing on September 1, 2026 through the maturity date, the principal and interest shall be paid quarterly on the 1st day of March, June, September and December. The loans are secured by a certain building loan mortgage, assignment of leases and rents, security agreement encumbering the real property and personality and all other rights, interests, and benefits of every kind and character CLSI has and will acquire in the future under the project funded by the loan.		
Loan A - with a face amount of $5,042,117	5,042,117	-
Loan B - with a face amount of $352,683	352,683	-
Loan C - with a face amount of $2,365,200	2,365,200	-
Catalyst CDE - NMTC Loans - On December 14, 2018, CLSI entered into three NMTC loan agreements all maturing on December 31, 2048 and having an interest rate of 1.15% per annum. Interest shall be due payable quarterly on the 1st day of March, June, September, and December. Commencing on September 1, 2026 through the maturity date, the principal and interest shall be paid quarterly on the 1st day of March, June, September and December. The loans are secured by a certain building loan mortgage, assignment of leases and rents, security agreement encumbering the real property and personality and all other rights, interests, and benefits of every kind and character CLSI has and will acquire in the future under the project funded by the loan.		
Loan A - with a face amount of $5,042,117	5,042,117	-
Loan B - with a face amount of $352,683	352,683	-
Loan C - with a face amount of $2,305,200	2,305,200	-
Total	28,243,745	2,217,706
Less current maturities	(651,166)	(433,962)
Less unamortized deferred financing costs	(1,092,189)	(217,139)
Long-term portion	$ 26,500,390	$ 1,566,605

The aggregate amount of principal payments of long-term debt in each of the five years subsequent to 2019 and thereafter is as follows:

2020	$ 651,166
2021	886,282
2022	926,829
2023	868,469
2024	8,450,998
Thereafter	16,460,001
Total	$ 28,243,745

Callen-Lorde is required to comply with certain covenants under its various loans.

Debt issuance costs are reported in the consolidated statement of financial position as a direct reduction from the face amount of the related debt. The amortization of debt issuance costs are reported as interest expense in the consolidated statement of activities and changes in net assets.

Note 10 - New Markets Tax Credit transactions

On December 14, 2018 (the "closing date"), CLSI entered into a NMTC financing agreement with various entities for the purpose of receiving financing to renovate and develop a leased property located in 40 Flatbush Avenue Extension (aka 25 Chapel Street) Brooklyn, NY (the "Flatbush Avenue Property") which will be leased for use as a community health center providing primary care and other services (the "Qualified Purpose"). The NMTC structure consists of NMTC investors and other lenders that provide qualified equity investments ("QEI") to designated community development entities ("CDEs"), who, in turn, provide debt financing to qualified active low-income community businesses ("QALICB"). A NMTC program permits taxpayers, who have made quality equity investments in CDEs, to receive a credit against their federal income taxes.

On the closing date, PCDC ("Lender") and Callen-Lorde (as "Borrower"), entered into a Building Loan Agreement (the "Term Loan") through which, PCDC made a $10,000,000 loan to Callen-Lorde, maturing within 7 ½ years from the closing date, with an interest equal to the greater of the current prime rate + 150 bps or 6.5%, to be reset every three years, subject to a 1% cap and a floor of 6.5% at each reset. Interest rate shall be calculated on a 30/360 basis. The loan shall be paid interest-only for the first 12 months and then principal and interest shall be paid on the thirteenth month up to the maturity date. The proceeds from the loan was utilized by Callen-Lorde to make a leverage loan to be used indirectly to finance the Qualified Purpose. The loan is secured by a second mortgage on Callen-Lorde's 356 West 18th Street Property in New York, New York and a first mortgage on Callen-Lorde's subleasehold interest in the Flatbush Avenue Property. The Term Loan required a debt service reserve fund to be held by PCDC in an interest-bearing account equivalent to three months' debt service based on monthly principal and interest payments or $261,332; a commitment fee equal to 1.5% of the loan or $150,000; and $33,000 loan legal fees. The debt service reserve is reflected in the consolidated statement of financial position.

On closing date, Callen-Lorde made the Leverage Loan to Chase NMTC CL Investment Fund, LLC (the "Investment Fund") amounting to $10,789,600 (see Note 7). Meanwhile, pursuant to an operating agreement, NMTC investor Chase Community Equity LLC ("Equity Investor") made a capital contribution (the "Equity Investment") to the Investment Fund amounting to $5,210,400. The Investment Fund used the combined proceeds of the Leverage Loan and the Equity Investment to make a QEI of $8 million each into two CDEs: PCDC Health Opportunities Fund XXIV LLC (the "PCDC CDE") and Catalyst CDE-15, LLC (the "CSH CDE"), in exchange for a 99.99% ownership in each CDE.

The CDEs used substantially all of the funds provided by the QEI to make six separate loans to CLSI with a total face value of $15,460,000, for the abovementioned qualified purpose (see Note 9).

As stipulated in the Project Loan and Security Agreement between CLSI and the two CDEs, CLSI transferred $160,000 to a PCDC reserve account and $369,111 to a CSH reserve account. The PCDC reserve account amounted to $132,018 and the CSH reserve account amounted to $343,918 as of June 30, 2019 and are both included in the debt service reserve in the consolidated statement of financial position. CLSI recognized deferred financing costs in relation to the CDE loans amounting to $739,023, which is recognized as a deduction from the related notes payable in the consolidated statement of financial position. CLSI also incurred $432,880 of tax expenses which are included in the other expenses in the consolidated statement of functional expense.

Callen-Lorde has entered into a Guaranty of Payment, Performance, and Completion agreement with PCDC CDE and CSH CDE and have guaranteed payment and performance of all obligations (except for payment of principal under the loan) and the completion of the improvements that will make the project free of any mechanics liens or other liens for the provision of labor, materials, or other goods or services to the project.

This structure will stay in effect for a period of seven years, until December 1, 2024, when the NMTC period expires. Built within the agreements is a put/call option for the Equity Investor to sell and Callen-Lorde to buy 100% of the Equity Investor's ownership of the Investment Fund at a purchase price in an amount equal to the sum of $1,000. If Callen-Lorde exercises the put option, Callen-Lorde will then become owner of the Investment Fund and will then indirectly own $15,460,000 worth of QLICI notes to CLSI. Callen-Lorde may forgive such debt with no tax consequences to itself and CLSI because they are both tax-exempt entities.

Note 11 - Related party transactions

As part of the NMTC arrangement, CLSI sub-leased the Flatbush Avenue Property to Callen-Lorde for 20 years ending December 31, 2038. The future annual rent payment commitments are as follows:

2020	$ 148,400
2021	827,000
2022	930,000
2023	997,000
2024	1,296,000
Thereafter	59,295,514
Total	$ 63,493,914

The Flatbush Avenue Property was initially leased by Callen-Lorde based on a lease agreement dated February 14, 2017. Such agreement was later on amended on July 27, 2018 and December 14, 2018. On December 14, 2018, Callen-Lorde assigned its interest on the lease to CLSI through an Assignment and Assumption of Lease Agreement. CLSI then sub-leased the property back to Callen-Lorde as abovementioned.

On November 14, 2018, CLSI and Callen-Lorde entered into an equipment lease agreement through which, Callen-Lorde shall lease from CLSI various furnishings, fixtures, equipment and other personal property from November 14, 2018 through July 31, 2022 for a monthly rent of $4,167.

On closing date, Callen-Lorde and CLSI entered into a Reimbursement and Compliance Agreement through which CLSI has agreed to reimburse Callen-Lorde a total of $541,532 for expenses incurred by Callen-Lorde in relation to the project being funded by the NMTC proceeds. Furthermore, Callen-Lorde and CLSI also entered into a Reimbursement and Contribution Agreement through which the parties agreed that Callen-Lorde shall deem $329,822 of amount spent for the project as a "contribution" to CLSI. CLSI recorded the $329,822 as contribution revenue and Callen-Lorde recognized it as other than personnel expense in the consolidating statement of activities and changes in net assets. These transactions were eliminated during consolidation.

On closing date, CLSI and Callen-Lorde entered into a Construction and Development Management Agreement through which CLSI engaged Callen-Lorde to be the development and construction manager of the project until its substantial completion.

As of June 30, 2019, Callen-Lorde had a receivable from CLSI and CLSI had a payable to Callen-Lorde amounting to $112,518 arising from various inter-company transactions. The amount was eliminated in the consolidated statement of financial position.

Note 12 - Due from/to third party

Amounts due to third party pertain to amounts owed to a vendor operating and managing the 340B program. As of June 30, 2019, and 2018, the Center has a payable of $893,591 and $1,244,051 to the third party, respectively.

A portion of the amount due to the third party as of June 30, 2018 is a $770,825 noninterest-bearing loan, payable over a period of three years, amortized monthly in the amount of $21,412, with an outstanding balance of $513,884 as of June 30, 2018. Total payments due to the third party within one and two years subsequent to June 30, 2018 amount to $256,942 and $256,942, respectively. In 2019, the Center paid the total amount owed to the vendor under the noninterest-bearing loan amounting to $513,884.

Note 13 - Capital lease obligations

The following is a summary of property and equipment held under capital leases:

Equipment	$ 255,943
Less accumulated depreciation and amortization	170,162
Total	$ 85,781

The Organization is liable under terms of capital lease obligations for the following minimum lease payments:

2020	$ 28,854
2021	17,720
2022	13,456
2023	6,084
2024	6,084
Total minimum lease payments	72,198
Less amount representing interest	3,695
Present value of net minimum lease payment	68,503
Less current maturities of capital lease obligation	26,665
Capital lease obligations, less current maturities	$ 41,838

Note 14 - Line of credit

The Center has a revolving line of credit available in the amount of $10,000,000, which is due and payable by April 3, 2020, the date the agreement expires. The line of credit has an interest rate set at 2.79% plus the LIBOR rate applicable to the interest period divided by 1 minus the maximum aggregate reserve requirement under Regulation D of the Board of Governors of the Federal Reserve System. There were no amounts outstanding on the line of credit at June 30, 2019 or 2018.

Note 15 - Net assets with donor restrictions

The Organization receives contributions from various funders designated for program-specific purposes. Unspent donor-restricted funds as of June 30 are as follows:

	2019	2018
The New York Community Trust - Brooklyn Construction Project	$ 100,000	$ -
LGBTQ Service Collaborative	50,000	25,000
Breast Cancer Screening Project	28,079	32,091
The New York Women's Foundation	17,692	27,644
Citizens Committee of NYC	10,000	-
Booth Ferris Foundation	-	100,000
MAC AIDS Fund	-	11,205
Open Society Foundation	-	40,761
Community Health Awards	-	27,500
Total	$ 205,771	$ 264,201

The $100,000 contribution from The New York Community Trust was for a capital project.

Note 16 - Contract services and other grants revenue

Contract services and other grants revenue consist of the following for the years ended June 30:

	2019	2018
New York State Department of Health	$ 1,625,859	$ 1,703,501
New York City Department of Health and Mental Hygiene	250,000	255,000
Lutheran Medical Center		
Community Health Center Program	569,886	428,803
Public Health Solutions	2,125,770	2,118,186
Health Research, Inc.	330,029	320,429
New York City Department of Design and Construction	-	934,721
Research Foundation of City University of New York	-	84,629
Delivery System Reform Incentive Payment (DSRIP)	406,186	242,848
Other	717,134	352,114
Total operating	6,024,864	6,440,231
Non-operating: New York State Department of Health		
Capital Restructuring Financing Program	1,339,904	-
Total	$ 7,364,768	$ 6,440,231

Note 17 - DHHS grants

For the years ended June 30, 2019 and 2018, Callen-Lorde received the following grants from the DHHS:

Grant number	Grant period	Total Grant	2019 Revenue	2018 Revenue
6 H76HA00636-18-01	05/01/17 - 04/30/18	$ 353,269	$ -	$ 308,286
6 H76HA00636-19-01	05/01/18 - 04/30/19	361,955	321,443	40,512
2 H76HA00636-20-00	05/01/19 - 04/30/20	361,955	41,060	-
6 P06HA3254-01-01	09/01/18 - 08/31/19	147,116	117,804	-
2 H12HA24871-05-01	08/01/16 - 07/31/17	331,902	-	46,601
2 H12HA24871-06-00	08/01/17 - 07/31/18	327,919	44,304	283,615
5 H12HA24871-07-01	08/01/18 - 07/31/19	473,881	397,462	-
6 H80CS29017-03-02	06/01/17 - 05/31/18	919,699	-	903,940
3 H80CS29017-04-03	06/01/18 - 05/31/19	1,145,465	995,890	21,853
8 H80CS29017-05-05	06/01/19 - 05/31/20	1,270,326	17,513	-
Total			$ 1,935,476	$ 1,604,807

Note 18 - Fundraising and contributions revenue

Fundraising and contributions revenue consists of the following for the years ended June 30:

	2019		2018
Fundraising	$ 864,581		$ 955,630
Contributions	680,315	*	933,308
	$ 1,544,896		$ 1,888,938

*Includes contributions with donor restrictions amounting to $225,000 and $457,500 for 2019 and 2018, respectively. See Note 15 for more details. $100,000 of the contribution with donor restrictions for 2019 was for capital purposes and is reported in the consolidated statement of activities and change in net assets as non-operating revenue from contract services and other grants for capital additions.

Note 19 - Leases

The Organization has noncancelable operating leases of various facilities with terms that range from five to eleven years. Rent expense amounted to $1,431,413 and $1,220,798 for the years ended June 30, 2019 and 2018, respectively. The leases require future minimum payments as follows:

2020	$ 1,101,982
2021	1,034,061
2022	878,827
2023	909,715
2024	842,163
Thereafter	885,446
Total	$ 5,652,194

The leases for four of the Organization's spaces include scheduled base rent increases over the terms of the leases. The total amount of the base rent payments is being charged to expense on the straight-line method over the terms of each lease. The Organization has recorded deferred rent to reflect the excess of rent expense over payments since inception of each lease.

Note 20 - Commitments and contingencies

Callen-Lorde has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from the state and federal governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by the federal and state governments and other agencies. Upon audit, if discrepancies are discovered, Callen-Lorde could be held responsible for reimbursing the agencies for the amounts in question.

Callen-Lorde maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. The Center purchases professional and general liability insurance to cover medical malpractice claims in excess of the FTCA coverage. There are no known claims or incidents that may result in the assertion of additional claims arising from services provided to patients as of June 30, 2019.

Callen-Lorde provides medical and prescription insurance coverage for all eligible employees. Under the terms of the insurance policy, Callen-Lorde is at risk for covered claims submitted, not to exceed $125,000 per person per year. Callen-Lorde is indemnified for claims in excess of $1,000,000 million in the aggregate by the stop-loss insurance policy coverage. As of June 30, 2019, Callen-Lorde has recorded $517,500 of claims liability in relation to the medical and prescription insurance; it is included in accounts payable and accrued expenses in the consolidated statements of financial position.

Callen-Lorde and CLSI are involved in other claims and legal actions in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the Organization's financial position, results of operations or cash flows.

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Organization believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amount in question.

Note 21 - Pension plan

Callen-Lorde maintains a contributory defined contribution retirement plan covering substantially all its employees. Participants are always fully vested in their contributions to the plan and benefits are limited to plan assets. If certain requirements are met, Callen-Lorde may make matching contributions to the plan. Callen-Lorde may also make non-elective contributions and qualified non-elective contributions to the plan. However, no employer contributions were made during the year ended June 30, 2019 and 2018.

Note 22 - Concentration of source or supply of labor

As of June 30, 2019, 187 or approximately 46% of Callen-Lorde's employees are members of the 1199SEIU United Healthcare Workers East (the "Union"). Callen-Lorde's contract with the Union will expire on December 31, 2021. Callen-Lorde's other employees are not represented by a union.

Supplementary Information

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Consolidating Statement of Financial Position
June 30, 2019

	Community Health Project, Inc.	Callen-Lorde Support, Inc.	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	$ 11,629,524	$ 942	$ -	$ 11,630,466
Patient services receivable, net	1,679,331	-	-	1,679,331
Pharmacy and other receivables	4,140,907	-	-	4,140,907
Grants and contracts receivable	3,001,328	-	-	3,001,328
Prepaid expenses and other current assets	935,252	492,878	-	1,428,130
Inventory	1,177,990	-	-	1,177,990
Total current assets	22,564,332	493,820	-	23,058,152
Restricted cash and cash equivalents	5,250,000	8,354,431	-	13,604,431
Debt service reserve	261,332	475,936	-	737,268
Notes receivable	10,789,600	-	-	10,789,600
Due from related party	112,518	-	(112,518)	-
Property and equipment, net	15,344,767	4,784,896	-	20,129,663
Security deposits	647,456	250,000	-	897,456
Total assets	$ 54,970,005	$ 14,359,083	$ (112,518)	$ 69,216,570
Liabilities and Net Assets (Deficit)				
Current liabilities				
Accounts payable and accrued expenses	$ 3,146,258	$ 318,051	$ -	$ 3,464,309
Accrued compensation	2,602,924	-	-	2,602,924
Note payable, current maturities	651,166	-	-	651,166
Current maturities of capital lease obligations	26,665	-	-	26,665
Due to third party, current maturities	893,591	-	-	893,591
Total current liabilities	7,320,604	318,051	-	7,638,655
Long-term liabilities				
Note payable, less current maturities	11,765,162	14,735,228	-	26,500,390
Capital lease obligations less current maturities	41,838	-	-	41,838
Due to related party	-	112,518	(112,518)	-
Deferred rent	549,653	-	-	549,653
Total long-term liabilities	12,356,653	14,847,746	(112,518)	27,091,881
Total liabilities	19,677,257	15,165,797	(112,518)	34,730,536
Commitments and contingencies				
Net assets (deficit)				
Without donor resrictions				
Without donor restrictions	29,836,977	(806,714)	-	29,030,263
Without donor restrictions - board-designated reserve for capital projects and special projects	5,250,000	-	-	5,250,000
Total without donor restrictions	35,086,977	(806,714)	-	34,280,263
With donor restrictions	205,771	-	-	205,771
Total net assets (deficit)	35,292,748	(806,714)	-	34,486,034
Total	$ 54,970,005	$ 14,359,083	$ (112,518)	$ 69,216,570

See Independent Auditor's Report.

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Consolidating Statement of Activities and Changes in Net Assets (Deficit)
Year Ended June 30, 2019

	Community Health Project, Inc.					Total		
	Without donor restrictions	With donor restrictions	Total	Callen-Lorde Support, Inc.	Eliminations	Without donor restrictions	With donor restrictions	Total
Revenue								
Patient services revenue (net of contractual allowances and discounts)	$ 15,974,480	$ -	$ 15,974,480	$ -	$ -	$ 15,974,480	$ -	$ 15,974,480
Pharmacy revenue	63,203,714	-	63,203,714	-	-	63,203,714	-	63,203,714
DHHS grants	1,935,476	-	1,935,476	-	-	1,935,476	-	1,935,476
Contract services and other grants	6,024,864	-	6,024,864	-	-	6,024,864	-	6,024,864
Fundraising and contributions	1,319,896	125,000	1,444,896	329,822	(329,822)	1,319,896	125,000	1,444,896
Other	747,780	-	747,780	44,480	-	792,260	-	792,260
Released from restrictions	283,430	(283,430)	-	-	-	283,430	(283,430)	-
Total revenue	89,489,640	(158,430)	89,331,210	374,302	(329,822)	89,534,120	(158,430)	89,375,690
Expenses								
Salaries and related benefits	31,480,484	-	31,480,484	-	-	31,480,484	-	31,480,484
Other than personnel services	54,299,872	-	54,299,872	1,123,875	(329,822)	55,093,925	-	55,093,925
Interest	394,578	-	394,578	57,141	-	451,719	-	451,719
Total expenses	86,174,934	-	86,174,934	1,181,016	(329,822)	87,026,128	-	87,026,128
Operating income prior to depreciation and amortization and nonoperating revenue	3,314,706	(158,430)	3,156,276	(806,714)	-	2,507,992	(158,430)	2,349,562
Depreciation and amortization	1,686,711	-	1,686,711	-	-	1,686,711	-	1,686,711
Operating income prior to nonoperating revenue	1,627,995	(158,430)	1,469,565	(806,714)	-	821,281	(158,430)	662,851
Nonoperating revenue								
Fundraising and contributions for capital additions	-	100,000	100,000	-	-	-	100,000	100,000
Contract services and other grants for capital additions	1,339,904	-	1,339,904	-	-	1,339,904	-	1,339,904
Total nonoperating revenue	1,339,904	100,000	1,439,904	-	-	1,339,904	100,000	1,439,904
Changes in net assets (deficit)	2,967,899	(58,430)	2,909,469	(806,714)	-	2,161,185	(58,430)	2,102,755
Net assets, beginning	32,119,078	264,201	32,383,279	-	-	32,119,078	264,201	32,383,279
Net assets (deficit), end	$ 35,086,977	$ 205,771	$ 35,292,748	$ (806,714)	$ -	$ 34,280,263	$ 205,771	$ 34,486,034

See Independent Auditor's Report.

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:				
Direct Programs				
Health Centers Program Cluster				
Grants for New and Expanded Services under the Health Center Program	93.527	N/A	$ -	$ 885,237
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	-	128,168
Sub-total Health Centers Cluster			-	1,013,405
Passed through Sunset Park Health Council, Inc.				
Health Centers Program Cluster				
Grants for New and Expanded Services under the Health Center Program	93.527	Not Available	-	569,886
Sub-total Health Centers Program Cluster			-	569,886
Total Health Centers Program Cluster			-	1,583,291
Direct Programs				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	-	480,307
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153	N/A	-	441,765
Passed through Public Health Solutions				
HIV Prevention Activities - Health Department Based	93.940	13-SBH-707/18-NCT-707	-	547,316
HIV Emergency Relief Project Grants	93.914	09-MCM-707	-	368,430
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	16-AHD-707	-	5,000
Passed through New York State Department of Health				
Medicaid Cluster				
Medical Assistance Program	93.778	C028917	-	166,650
Total Medicaid Cluster			-	166,650
Children's Health Insurance Program	93.767	C028917	-	28,159
Research and Development Cluster				
Passed through Research Foundation of The City University of New York				
Mental Health Research Grants	93.242	41910-00-05	-	43,641
Mental Health Research Grants	93.242	CM00001201	-	69,046
Subtotal CFDA Number 93.242			-	112,687
Passed through Johns Hopkins University				
Allergy and Infectious Diseases Research	93.855	2003649195	-	258,739
Passed through Columbia University in the City of New York				
Minority Health and Health Disparities Research	93.307	5(GG011834-01)	-	55,905
Passed through New York University School of Medicine				
Minority Health and Health Disparities Research	93.307	18-A0-00-1001313	-	53,926
Subtotal CFDA Number 93.307			-	109,831
Total Research and Development Cluster			-	481,257
Passed through Health Research, Inc.				
HIV Care Formula Grants	93.917	5173-02, 5173-03	-	330,029
Total Expenditures of Federal Awards - U.S. Department of Health and Human Services			$ -	$ 4,432,204

See Notes to Schedule of Expenditures of Federal Awards.

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Community Health Project, Inc. (d/b/a Michael Callen-Audre Lorde Community Health Center) ("Callen-Lorde") and Callen-Lorde Support, Inc. (collectively, the "Organization") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Callen-Lorde, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Callen-Lorde elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

To the Board of Directors
Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Community Health Project, Inc. (d/b/a Michael Callen - Audre Lorde Community Health Center) ("Callen-Lorde" or the "Center") and Callen-Lorde Support, Inc. (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 21, 2020. The financial statements of Callen-Lorde Support, Inc. were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Callen-Lorde Support, Inc.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

New York, New York
January 21, 2020

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

To the Board of Directors
Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
And Callen-Lorde Support, Inc.

Report on Compliance for Each Major Federal Program

We have audited Community Health Project, Inc.'s (d/b/a Michael Callen - Audre Lorde Community Health Center) ("Callen-Lorde" or the "Center") and Callen-Lorde Support, Inc.'s (collectively, the "Organization") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

CohnReznick LLP

New York, New York
January 21, 2020

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)
and Callen-Lorde Support, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements:

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

Internal control over financial reporting:

• Material weakness(es) identified?	___ yes	✓ no
• Significant deficiency(ies) identified?	___ yes	✓ none reported
Noncompliance material to financial statements noted?	___ yes	✓ no

Federal Awards:

Internal control over major programs:

• Material weakness(es) identified?	___ yes	✓ no
• Significant deficiency(ies) identified?	___ yes	✓ none reported

Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes	✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program
	U.S. Department of Health and Human Services:
	Health Center Program Cluster:
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
93.527	Grants for New and Expanded Services under the Health Center Program

Dollar threshold used to distinguish between type A and type B programs	$750,000	
Auditee qualified as low-risk auditee?	✓ yes	___ no

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

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