POSITIVE IMPACT HEALTH CENTERS, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2018

Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Positive Impact Health Centers, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Positive Impact Health Centers, Inc. which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Positive Impact Health Centers, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Positive Impact Health Centers, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 29, 2019, on our consideration of Positive Impact Health Centers, Inc.'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 those reports is 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Positive Impact Health Centers, Inc.'s internal control over financial reporting and compliance.

Atlanta, Georgia
August 29, 2019

POSITIVE IMPACT HEALTH CENTERS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Cash	$ 148,516	$ 1,590,326
Investments	687,093	-
Clinic receivables	695,723	374,061
Grants receivable	2,561,036	1,266,517
Inventory	230,355	-
Prepaid expenses	120,435	92,119
Property and equipment, net of accumulated depreciation	2,206,167	1,383,113
Deposits	19,308	19,308
TOTAL ASSETS	$ 6,668,633	$ 4,725,444

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued liabilities	$ 1,065,669	$ 438,730
Deferred rent	2,764,810	2,352,049
Line of credit	400,000	600,000
TOTAL LIABILITIES	4,230,479	3,390,779
NET ASSETS		
Without donor restrictions	2,140,372	1,181,805
With donor restrictions		
Restricted by purpose	297,782	152,860
Total net assets with donor restrictions	297,782	152,860
TOTAL NET ASSETS	2,438,154	1,334,665
TOTAL LIABILITIES AND NET ASSETS	$ 6,668,633	$ 4,725,444

See notes to the financial statements.

POSITIVE IMPACT HEALTH CENTERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative totals for 2017)

	2018			2017
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
PUBLIC SUPPORT AND REVENUE				
Federal grants	$ 8,268,488	$ -	$ 8,268,488	$ 7,737,080
Contributions	184,989	552,879	737,868	673,540
Special events, net of direct expenses of $21,099 and $10,771, respectively	75,255	-	75,255	81,581
Program income	8,289,846	-	8,289,846	3,101,584
Other income	31,299	-	31,299	30,158
Total public support and revenue	16,849,877	552,879	17,402,756	11,623,943
NET ASSETS RELEASED FROM RESTRICTIONS	407,957	(407,957)	-	-
Net public support and revenue	17,257,834	144,922	17,402,756	11,623,943
EXPENSES				
Program services				
Client services and housing	1,963,821	-	1,963,821	1,500,952
Medical services	10,655,786	-	10,655,786	7,040,228
HIV prevention education	1,763,698	-	1,763,698	1,738,220
Supporting services				
Management and general	1,698,862	-	1,698,862	1,083,371
Fundraising	217,100	-	217,100	124,000
Total expenses	16,299,267	-	16,299,267	11,486,771
CHANGES IN NET ASSETS	958,567	144,922	1,103,489	137,172
NET ASSETS AT BEGINNING OF YEAR	1,181,805	152,860	1,334,665	1,197,493
NET ASSETS AT END OF YEAR	$ 2,140,372	$ 297,782	$ 2,438,154	$ 1,334,665

See notes to the financial statements.

POSITIVE IMPACT HEALTH CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative totals for 2017)

	2018						2017
	Program Services			Supporting Services			
	Client Services and Housing	Medical Services	HIV Prevention Education	Management and General	Fund Raising	Total Expenses	Total Expenses
Salaries	$ 904,045	$ 2,313,804	$ 995,281	$ 730,846	$ 83,727	$ 5,027,703	$ 4,199,260
Payroll taxes	62,706	160,489	69,034	50,693	5,807	348,729	321,092
Employee benefits	149,715	413,023	225,795	132,460	16,577	937,570	704,497
Total salaries and related expenses	1,116,466	2,887,316	1,290,110	913,999	106,111	6,314,002	5,224,849
Contract services	93,510	2,943,412	148,859	91,561	23,934	3,301,276	2,381,287
Pharmacy	-	3,615,792	-	-	-	3,615,792	1,559,921
Supplies	54,063	540,998	224,378	13,014	37,380	869,833	973,617
Housing assistance	548,804	-	-	-	-	548,804	339,526
Office expense	36,387	205,812	21,226	34,113	32,396	329,934	274,241
Rent and utilities	36,377	148,832	29,441	10,948	10,538	236,136	211,638
Transportation expense	26,188	124,375	14,672	22,341	3,554	191,130	143,506
Other	23,345	112,919	12,158	98,865	677	247,964	113,994
Insurance	3,518	26,786	5,455	4,275	282	40,316	40,747
Telephone expense	12,191	33,033	9,476	2,726	2,228	59,654	39,769
Professional fees	6,252	16,511	7,923	67,874	-	98,560	33,999
Nutrition	6,720	-	-	-	-	6,720	13,440
Interest expense	-	-	-	28,379	-	28,379	19,046
Total expense before depreciation	1,963,821	10,655,786	1,763,698	1,288,095	217,100	15,888,500	11,369,580
Depreciation	-	-	-	410,767	-	410,767	117,191
TOTAL EXPENSES	$ 1,963,821	$ 10,655,786	$ 1,763,698	$ 1,698,862	$ 217,100	$ 16,299,267	$ 11,486,771
Percentage of total expenses	12%	65%	11%	10%	1%	100%	

See notes to the financial statements.

POSITIVE IMPACT HEALTH CENTERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,103,489	$ 137,172
Adjustments to reconcile changes in net assets to cash provided by operating activities		
Depreciation	410,767	117,191
Unrealized loss on investments	59,119	-
Realized gains on sale of investments	(3,482)	-
Loss on sale of property and equipment	21,151	16,082
(Increase) decrease in:		
Clinic receivables	(321,662)	(229,785)
Grants receivable	(1,294,519)	(149,103)
Inventory	(230,355)	-
Prepaid expenses	(28,316)	43,046
Increase in:		
Accounts payable and accrued liabilities	626,939	168,483
Deferred rent	412,761	2,282,959
Net cash provided by operating activities	755,892	2,386,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,254,972)	(1,220,232)
Investments	(742,730)	-
Net cash required by investing activities	(1,997,702)	(1,220,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayments) draws on line of credit	(200,000)	200,000
Net cash (required) provided by financing activities	(200,000)	200,000
NET (DECREASE) INCREASE IN CASH	(1,441,810)	1,365,813
CASH AT BEGINNING OF YEAR	1,590,326	224,513
CASH AT END OF YEAR	$ 148,516	$ 1,590,326
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for: interest	$ 28,379	$ 19,046

See notes to the financial statements.

1. ORGANIZATION

Effective March 1, 2015 AID Gwinnett, Inc. and Positive Impact, Inc. completed a merger of their operations. As a result of the merger, the combined organization was renamed Positive Impact Health Centers, Inc. AID Gwinnett, Inc.'s tax ID was the surviving ID. Positive Impact Health Centers, Inc. (the Agency) is a not-for-profit organization incorporated on September 26, 1991 under the laws of the State of Georgia. The Agency is a community based agency organized to respond with compassion and sensitivity to the HIV/AIDS epidemic through support, advocacy, education and collaboration with other agencies. Client support services include medical care, professional mental health counseling and outpatient substance abuse treatment, long term housing, emergency housing assistance, emergency shelter, medical case management, education, counseling, transportation and nutrition. Public awareness and education include adult and youth education programs, newsletters and community advocacy. The Agency provides services to individuals in 20 Metro Atlanta Counties. It is supported primarily by contributions and grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Agency have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities at year-end. Net assets, revenues, expenses, gains, and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or passage of time.

Accounting for Contributions

The Agency records contributions at the date of the gift. Donated investments are recorded at their fair value on the date donated. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated by the donor for specific purposes or for use in a future period are reported as an increase to net assets with donor restrictions.

Restrictions on contributions expire when a purpose or time restriction is accomplished. Upon satisfaction, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying statements of activities as net assets released from restrictions. Net assets with donor restrictions include the principal amount of contributions accepted with the stipulation from the donors that the principal be maintained in perpetuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in restricted support at the time of receipt and as net assets released from restrictions upon satisfaction of the donor restriction.

Cash Equivalents
For purposes of the statements of cash flows, the Agency considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Concentrations of Credit and Market Risk
Financial instruments, principally receivables and accounts payable, are reported at values which the Agency believes are not significantly different from fair values. The Agency believes no significant credit risk exists with respect to any of its financial instruments. The Agency maintains cash balances with financial institutions. Deposit accounts at the institutions are insured up to $250,000 by the Federal Deposit Insurance Corporation. At December 31, 2018 and 2017, the Agency's uninsured cash balance was $116,392 and $1,062,985, respectively.

As of December 31, 2018 and 2017, 51% of receivables related to two funders.

Investments
Investments in marketable securities with readily determinable fair values are reported at fair value based on quoted market prices. The investments are initially recorded at cost if they were purchased and at fair value on the date of the gift if received as a donation. Unrealized gains and losses resulting in fluctuations in market prices are included in the statement of activities.

The Agency adheres to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*. This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by accounting principles generally accepted in the United States of America (GAAP). The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs that are derived principally from or corroborated by observable market data
- Level 3 - Inputs that are unobservable and significant to the overall fair value measurement

All of the Agency's investments are Level 1 investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Clinic Revenue and Receivables

Clinic fees are recognized as revenue when services are delivered. Clinic receivables are net of an allowance for doubtful accounts of $32,909 at December 31, 2017. The Agency uses the allowance method to account for uncollectible receivables. The allowance is based on prior years' experience and management's analysis of possible bad debts. Receivables are considered past due after 90 days. It is the Agency's policy to charge off uncollectible clinic receivables when management determines the receivable will not be collected. Management did not believe an allowance was necessary at December 31, 2018. Approximately $96,000 of doubtful accounts were written off during 2018.

Grant Receivables

Grants receivable relate to reimbursement basis grants and are recorded when related expenditures are made. (See Note 8) The Agency uses the allowance method to account for uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. Management did not believe that an allowance was necessary at December 31, 2018 or 2017.

Inventory

Inventory consists of pharmaceutical items that are held at the on-site pharmacies. These items are valued at cost.

Property and Equipment

The Agency capitalizes all expenditures for property, furniture, fixtures and equipment in excess of $500. Property and equipment are recorded at cost or fair value, if donated, and are depreciated using straight-line methods over their estimated useful lives. (See Note 4)

Contributed Services

Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services of $38,200 and $41,300 were recognized for the years ended December 31, 2018 and 2017, respectively.

Many individuals volunteer their time and perform a variety of tasks that assist the Agency's clients and fund raising activities. The Agency received approximately 12,400 and 18,700 volunteer hours during the years ended December 31, 2018 and 2017, respectively, that are not valued in the financial statements.

Tax Status

The Agency is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is classified as an organization which is not a private foundation under Section 509(a) of the IRC. The Agency qualifies for the charitable contribution deduction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on a personnel-cost basis.

Comparative Statements
The amounts shown for the year ended December 31, 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, the 2017 totals are not intended to present all information necessary for a fair presentation in conformity with GAAP. Such information should be read in conjunction with the financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recently Issued Accounting Standards
In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14-*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which made several improvements to current financial reporting for not-for-profits. The guidance was effective for the Agency's annual financial statements for the year ending December 31, 2018. The most significant provisions of this standard required two classes of net assets, rather than the previously required three classes. The changes in the ASU were applied on a retrospective basis, which means that all financial statements presented reflected the changes and the effect was disclosed for each period presented.

In May 2014, the FASB issued 2014-09, *Revenue from Contracts with Customers (Topic 606)* superseding the guidance in former ACS 605, *Revenue Recognition*. It requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance will be effective for fiscal year ending December 31, 2019 for the Agency. The Agency does not expect the adoption to have a material impact on the financial statements.

In June 2018, the FASB issued 2018-08 *Not-for-Profit Entities (Topic 958-605)* clarifying the accounting guidance for contributions received and contributions made to further improve the scope and the accounting guidance for revenue recognition, to assist entities distinguishing between contributions (non-reciprocal) and exchange (reciprocal) transactions and to determine whether a contribution is conditional. The effective date of the amendment is fiscal year ending December 31, 2019. The Agency does not expect the adoption to have a material impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In February 2016, the FASB issued ASU No. 2016-02: *Leases (Topic 842)*. It requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the statements of financial position. ASU No. 2016-02 is effective for the Agency in fiscal year 2020 and must be adopted using a modified retrospective approach. The Agency is currently evaluating the impact the adoption of ASU No. 2016-02 will have on its financial statements.

Events Occurring After Report Date
Management has evaluated events and transactions that occurred between December 31, 2018 and August 29, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

3. INVESTMENTS

The Agency's investments are managed by an independent investment company and are valued at quoted market prices in an active market. The Agency's investments at December 31, 2018 are comprised of the following:

	2018	
	Fair Value	Cost
Equities	$ 438,501	$ 490,224
Fixed income	248,592	245,932
Total investments measured at fair value	$ 687,093	$ 736,156

Investment loss for the year ended December 31, 2018 is composed of:

	2018
Interest and dividend income	$ 15,748
Net realized gain on investments	3,482
Unrealized loss on investments	(59,119)
Brokerage fees	(9,038)
	$ (48,927)

4. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets (primarily five years). Property and equipment consist of the following at December 31, 2018 and 2017:

	2018	2017
Vehicle	$ 35,070	$ 35,070
Computer equipment and software	452,821	606,895
Furniture and fixtures	192,671	184,169
Leasehold improvements	2,226,783	1,194,010
	2,907,345	2,020,144
Less accumulated depreciation	(724,049)	(637,031)
	$ 2,183,296	$ 1,383,113

Depreciation expense of $356,229 and $117,191 was recorded for the years ended December 31, 2018 and 2017, respectively.

5. LINE OF CREDIT

The Agency had a line of credit with a bank for $725,000 which matured in March 2017. The line was renewed in April 2017 for $1,000,000. The line accrues interest monthly at prime rate plus 0.5% (6% at December 31, 2018), matures in October 2020 and is guaranteed by the Agency's receivables. At December 31, 2018 and 2017, the outstanding balance was $400,000 and $600,000, respectively.

6. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were available for the following purposes at December 31, 2018 and 2017:

	2018	2017
Subject to expenditures for specific purpose:		
Client service	$ 85,605	$ 75,000
Prevention	117,155	57,557
Medical services	95,022	18,503
Other	-	1,800
	$ 297,782	$ 152,860

6. RESTRICTIONS ON NET ASSETS – CONTINUED

Net assets with donor restrictions released from restrictions during the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Client service	$ 64,395	$ 5,000
Prevention	301,613	206,583
Medical services	40,149	131,861
Other	1,800	-
	$ 407,957	$ 343,444

7. OPERATING LEASES

The Agency leases office and clinic space and certain office equipment under non-cancellable operating leases through November 2024. Rent expense for the years ended December 31, 2018 and 2017 was $795,000 and $546,000, respectively. Operating lease expense is accounted for on a straight line basis. During 2017, the Agency relocated one of its offices. In connection with and as an enticement for the relocation, the landlord paid $2,400,000 in cash and leasehold improvement incentives that have been included in the calculation of lease expense due to the fact that the landlord is the same for the new and old location. During 2018, the Agency relocated another location and received an additional $748,640 in leasehold improvement incentives. These amounts are included in deferred rent on the statement of financial position and are being amortized over the life of the lease.

Future minimum rental payments required under the leases are as follows:

2018	$ 395,863
2019	404,410
2020	410,553
2021	422,871
2022	435,555
Thereafter	792,603

8. GRANTS FROM GOVERNMENT AGENCIES

The Agency is the recipient of federal financial assistance from several government agencies. The balances of these grants and awards as of December 31, 2018 are as follows:

	Cumulative Awards	Cumulative Expenditures Incurred	Available Funds On Grants
Department of Housing and Urban Development – federal grants	$ 5,099,734	$ 1,900,246	$ 3,199,488
Department of Health and Human Services – federal grants	18,097,846	15,041,553	3,056,293
	$ 23,197,580	16,941,799	$ 6,255,781
Less expenditures related to prior year		8,673,311	
Federal revenue for the year ended December 31, 2018		$ 8,268,488	

9. EMPLOYEE BENEFIT PLAN

Effective April 2008 the Agency adopted a 401(k) plan (the Plan) for those employees who meet the eligibility requirements set forth in the Plan. All Plan participants are allowed to contribute any amount up to the legal maximum allowed. The Agency contributes 5% of a participant's compensation deferred to the Plan. Senior staff receive an additional 1% and the CEO receives an additional 2%. Employer contributions amounted to approximately $280,000 and $204,000 for years ended December 31, 2018 and 2017, respectively.

10. PAID TIME OFF

Employees earn paid time off (PTO) depending on years of service. Accrued PTO is paid upon an employee's termination. Accrued PTO is not paid upon employee termination. A liability for accumulated PTO of $192,349 and $168,265 was accrued in the financial statements at December 31, 2018 and 2017, respectively.

11. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Agency's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2018	2017
Financial assets:		
Cash and cash equivalents	$ 148,516	$ 1,590,326
Clinic receivables	695,723	374,061
Grants receivable	2,561,036	1,266,517
Investments	687,093	-
Financial assets, at year-end	4,092,368	3,230,904
Less: Assets unavailable for general expenditures within one year:		
Net assets with donor restrictions unavailable due to donor-imposed purpose restrictions	(297,782)	(152,860)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,794,586	$ 3,078,044

The Agency is substantially supported by federal grants and contributions. Because a donor's restrictions require resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to donors. Therefore, certain financial assets may not be available for general expenditures within one year. As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

SINGLE AUDIT SECTION

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INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Positive Impact Health Centers, Inc.

We have audited the financial statements of Positive Impact Health Centers, Inc. as of and for the year ended December 31, 2018, and have issued our report thereon dated August 29, 2019, which contained an unmodified opinion on those financial statements and appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Atlanta, Georgia
August 29, 2019

POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Expenditures
U.S. Department of Housing and Urban Development passed through City of Atlanta/Housing Opportunities for People with AIDS	14.241	25032266	$ 529,734	$ 80,971
U.S. Department of Housing and Urban Development passed through City of Atlanta/Housing Opportunities for People with AIDS	14.241	250132331	670,000	125,924
U.S. Department of Housing and Urban Development passed through City of Atlanta/Housing Opportunities for People with AIDS	14.241	250132457	400,000	347,118
U.S. Department of Housing and Urban Development passed through City of Atlanta/Housing Opportunities for People with AIDS	14.241	250132511	3,500,000	303,034
	Subtotal 14.241			857,047
U.S. Department of Health and Human Services/Ryan White Part A	93.914		3,476,146	802,688
U.S. Department of Health and Human Services/Ryan White Part A	93.914		3,416,780	2,688,174
	Subtotal 93.914			3,490,862
U.S. Department of Health and Human Services/Ryan White Part B	93.917		679,794	254,516
U.S. Department of Health and Human Services/Ryan White Part B	93.917		744,296	515,996
	Subtotal 93.917			770,512
U.S. Department of Health and Human Services/Ryan White Part C	93.918		493,794	156,563
U.S. Department of Health and Human Services/Ryan White Part C	93.918		744,296	360,390
	Subtotal 93.918			516,953

See accompanying note.

POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Expenditures
U.S. Department of Health and Human Services passed through Health Resources and Services Administration - Special Projects of National Significance	93.928		$ 300,000	$ 243,581
	Subtotal 93.928			243,581
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Facilitating United Service Efforts	93.243		500,000	24,200
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Facilitating United Service Efforts	93.243		500,000	378,662
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Facilitating United Service Efforts	93.243		485,000	136,383
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Treatment, Recovery, and Navigation Services for Overcoming Risks in Minority	93.243		500,000	448,700
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Realistic Alternatives Prevention Project	93.243		283,875	241,562
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Realistic Alternatives Prevention Project	93.243		308,875	58,813
	Subtotal 93.243			1,288,320

See accompanying note.

POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Expenditures
U.S. Department of Health and Human Services passed through Georgia Department of Human Resources/ HIV Prevention Activities – Health Department Based	93.940	40500-044-16130842	$ 169,932	$ 50,047
U.S. Department of Health and Human Services passed through Georgia Department of Human Resources/ HIV Prevention Activities – Health Department Based	93.940	40500-044-17130842	84,966	84,966
U.S. Department of Health and Human Services passed through Georgia Department of Human Resources/ HIV Prevention Activities – Health Department Based	93.940	40500-044-19192849	218,265	4,519
	Subtotal 93.940			139,532
U.S. Department of Health and Human Services passed through Center for Disease Control	93.939	A3078P1	697,681	363,901
U.S. Department of Health and Human Services passed through Center for Disease Control	93.939	A3078P1	697,681	247,666
	Subtotal 93.939			611,567

See accompanying note.

POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Expenditures
U.S. Department of Health and Human Services passed through National Association of County and City Health Officials	93.914		$ 125,000	$ 23,534
U.S. Department of Health and Human Services passed through National Association of County and City Health Officials	93.914		200,000	200,000
U.S. Department of Health and Human Services passed through National Association of County and City Health Officials	93.914		200,000	39,766
	Subtotal 93.914			263,300
U.S. Department of Health and Human Services passed through Health Resources and Services Administration - AIDS United	93.914		42,500	42,500
U.S. Department of Health and Human Services passed through Health Resources and Services Administration - AIDS United	93.914		170,000	44,314
	Subtotal 93.914			86,814
TOTAL FEDERAL AWARDS				$ 8,268,488

See accompanying note.

POSITIVE IMPACT HEALTH CENTERS, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Positive Impact Health Centers, Inc. under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Positive Impact Health Centers, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Positive Impact Health Centers, Inc.

2. INDIRECT COST RATE

The Agency has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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INDEPENDENT AUDITORS' 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
Positive Impact Health Centers, 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 financial statements of Positive Impact Health Centers, Inc. (the Agency) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2019.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018–01, that we consider to be a material weakness.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018–01.

The Agency's Response to Findings
The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Atlanta, Georgia
August 29, 2019

Warren Averett
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Positive Impact Health Centers, Inc.

Report on Compliance for Each Major Federal Program
We have audited Positive Impact Health Centers, Inc.'s (the Agency) (a nonprofit 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 its major federal programs for the year ended December 31, 2018. The Agency'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the Agency'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 Agency'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 Agency's compliance.

Opinion on Each Major Federal Program
In our opinion, the Agency 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 December 31, 2018.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018–02. Our opinion on each major federal program is not modified with respect to these matters.

The Agency's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Agency 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, we considered the Agency'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 Agency'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, 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 identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018–02, that we consider to be a material weakness.

The Agency's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Atlanta, Georgia
August 29, 2019

POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section 1 – Summary of Auditors' Results

Financial Statements

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Positive Impact Health Centers, Inc. were prepared in accordance with GAAP.
2. One material weakness relating to the audit of the financial statements is reported. No significant deficiencies are reported.
3. No instances of noncompliance material to the financial statements of Positive Impact Health Centers, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

4. One material weakness in internal control over major federal award programs is reported. No significant deficiencies are reported.
5. The auditors' report on compliance for the major federal awards programs for Positive Impact Health Centers, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516a are reported in this Schedule.
7. The programs tested as major programs were:

14.241	U.S. Department of Housing and Urban Development passed through City of Atlanta/Housing Opportunities for People with AIDS
93.917	U.S Department of Health and Human Services/Ryan White Part B
93.928	U.S Department of Health and Human Services passed through Health Resources and Services Administration – Special Projects of National Significance

8. The threshold used for distinguishing between Type A and B programs was $750,000.
9. Positive Impact Health Centers, Inc. was determined to be a low risk auditee.

Section 2 – Financial Statement Findings Reported in Accordance with Government Auditing Standards

Material Weakness

2018–01 Controls over Amounts Recorded in the Financial Statements

Condition: The Agency's internal controls did not prevent or detect an instance of overstating grant revenue. Adjustments were necessary to correctly state financial statement balances at year end.

Criteria: The Agency's management is responsible for the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designed and maintaining internal controls to ensure the accuracy of the reported amounts.

Questioned Costs: None noted.

Context: Ryan White Part A federal grant revenue and related grants receivable were overstated by approximately $130,000.

Section 2 – Financial Statement Findings Reported in Accordance with Government Auditing Standards – Continued

Cause: The Agency did not have procedures in place for proper oversight and review.

Effect: Grant revenue and grant receivables were overstated by approximately $130,000 requiring a financial statement adjustment.

Repeat Finding: No.

Recommendation: Procedures should be put in place for proper oversight and review.

Section 3 – Federal Award Findings and Questioned Costs (All Programs)

Material Weakness

2018–02 Schedule of Expenditures of Federal Awards (SEFA)

Condition: The Agency does not have proper oversight for the preparation of the SEFA. The SEFA as originally provided was incomplete.

Criteria: Internal controls should be in place that provide reasonable assurance that the SEFA is accurate.

Cause: The Agency did not have procedures in place for proper oversight and approval of the preparation of the SEFA.

Effect: The SEFA as originally provided was materially misstated.

Recommendation: Procedures should be put in place for proper oversight and approval of the preparation of the SEFA.

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POSITIVE IMPACT HEALTH CENTERS, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-01: Views of Responsible Officials and Place Corrective Actions:
The overstatement was caused by an invoice and related revenue being recorded twice, noting that expenses and the donor were not charged twice. While management believes this to be an isolated incident, controls have been put into place to ensure that errors are identified timely. At the close of each month, a reconciliation will be performed between revenue recorded and reimbursements requests to donors. Any variances will be reconciled and adjusted in the proper accounting period.

Responsibility: Finance Manager.

2018-02: Views of Responsible Officials and Place Corrective Actions:
PIHC has experienced significant program growth over the past three years, with administrative functions such as finance unable to expand at the same pace. The control failure in this instance occurred at the time that the contract was first entered into PIHC's financial system. PIHC will be taking a number of correction actions, including the implementation of a Grant Checklist which will ensure all contract attributes, including the Catalogue of Federal Domestic Assistance (CFDA) number, are properly reflected in PIHC's financial systems. A reconciliation will be prepared between US Government revenue and expenses shown in the finance system with the SEFA to ensure completeness. PIHC will also be adding additional finance and compliance positions to address the rapid growth.

Grant Reviewer/Checklist Responsibility: 340b Legal Analyst.

SEFA Responsibility: Finance Manager

SUPPLEMENTARY INFORMATION

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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors
Positive Impact Health Centers, Inc.

We have audited the financial statements of Positive Impact Health Centers, Inc. as of and for the year ended December 31, 2018, and have issued our report thereon dated August 29, 2019, which contained an unmodified opinion on those financial statements and appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary material on pages 29 and 30 is presented for the purpose of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Atlanta, Georgia
August 29, 2019

POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

		Total Budgets	Cash Receipts	Expenditures Incurred	Balance Due from State
Georgia Department of Human Resources/					
HIV Prevention Activities					
Contract # 40500-044-17130842	Contract year – 01/01/17-12/31/17	$ 169,932	$ 78,367	$ 50,047	$ -
Contract # 40500-044-17130842	Contract year – 01/01/18-06/30/18	84,966	53,109	84,966	31,857
Contract # 40500-044-19192849	Contract year – 10/01/18-09/30/19	218,265	-	4,519	4,519
TOTAL		$ 473,163	$ 131,476	$ 139,532	$ 36,376

POSITIVE IMPACT HEALTH CENTERS, INC.
PROGRAM INCOME DISTRIBUTION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Ryan White Part A	Ryan White Part B	Ryan White Part C	CDC	SAMHSA	GA Prevention	Total Program Income
340b Ryan White income	$ 3,730,475	$ 835,439	$ 522,022	$ -	$ -	$ -	$ 5,087,936
Clinic insurance	33,378	7,475	4,671	-	-	-	45,524
Patient income	85,824	19,220	12,010	-	-	-	117,054
Clinic Medicare	1,834	411	257	-	-	-	2,501
Clinic Medicaid	9,369	2,098	1,311	-	-	-	12,778
Clinic medical records	487	109	68	-	-	-	664
340b Prep	-	-	-	-	-	2,937,239	2,937,239
STI services	-	-	-	65,650	-	-	65,650
Thereapy service	-	-	-	-	20,500	-	20,500
	$ 3,861,366	$ 864,752	$ 540,338	$ 65,650	$ 20,500	$ 2,937,239	$ 8,289,846