

CITIWIDE HARM REDUCTION PROGRAM, INC.

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

BARRY POPICK, CPA

**CITIWIDE HARM REDUCTION PROGRAM, INC.
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors
of CitiWide Harm Reduction, Program, Inc.

I have audited the accompanying financial statements of CitiWide Harm Reduction Program, Inc. (a New York corporation), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses 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 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CitiWide Harm Reduction Program, Inc. as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 15, 2013 on my consideration of CitiWide Harm reduction Program, Inc.'s internal control over financial reporting and on my tests of compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on 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 CitiWide Harm Reduction Program, Inc.'s internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANT

August 15, 2013

CITIWIDE HARM REDUCTION PROGRAMS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ 551,022	\$ 466,631
Grants receivable	483,269	357,810
Other receivables	1,087	-
Prepaid expenses	6,518	12,542
Security deposits	44,100	44,100
Fixed assets-net (Note 2)	<u>1,113,984</u>	<u>1,033,339</u>
TOTAL ASSETS	<u>\$ 2,199,980</u>	<u>\$ 1,914,422</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accrued expenditures and accounts payable	\$ 299,640	\$ 334,407
Loan payable-bank	148,447	185,167
Accrued vacation	68,765	32,533
Other current liabilities	41,550	52,490
Unexpended program advances	<u>256,676</u>	<u>93,000</u>
Total liabilities	<u>815,078</u>	<u>697,597</u>
Net assets:		
Unrestricted	1,269,902	1,216,825
Temporarily restricted	<u>115,000</u>	<u>-</u>
Total net assets	<u>1,384,902</u>	<u>1,216,825</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,199,980</u>	<u>\$ 1,914,422</u>

See accompanying notes to financial statements.

**CITIWIDE HARM REDUCTION PROGRAM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013			2012
	Unrestricted	Temporarily Restricted	Total	
Revenues:				
Government contracts	\$ 3,635,280	\$ -	\$ 3,635,280	\$ 2,817,084
Grants -foundations and corporations	325,000	115,000	440,000	110,000
Contributions	9,777	-	9,777	5,833
Rental income	83,862	-	83,862	36,368
Special events	32,758	-	32,758	-
Other revenue	31,729	-	31,729	2,873
	<u>4,118,406</u>	<u>115,000</u>	<u>4,233,406</u>	<u>2,972,158</u>
Expenses:				
Program services				
HIV and related programs	3,275,584	-	3,275,584	2,777,410
Other programs	534,544	-	534,544	57,176
	<u>3,810,128</u>	<u>-</u>	<u>3,810,128</u>	<u>2,834,586</u>
Supporting services				
Management and general	154,554	-	154,554	77,751
Fund raising	100,647	-	100,647	26,404
	<u>255,201</u>	<u>-</u>	<u>255,201</u>	<u>104,155</u>
	<u>4,065,329</u>	<u>-</u>	<u>4,065,329</u>	<u>2,938,741</u>
Change in net assets	53,077	115,000	168,077	33,417
Net assets beginning	1,216,825	-	1,216,825	1,183,408
NET ASSETS-ENDING	<u>\$ 1,269,902</u>	<u>\$ 115,000</u>	<u>\$ 1,384,902</u>	<u>\$ 1,216,825</u>

See accompanying notes to financial statements.

**CITIWIDE HARM REDUCTION PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Operating activities:		
Increase in net assets	\$ 168,077	\$ 33,417
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	68,100	39,372
Changes in assets and liabilities:		
Grants receivable	(125,459)	185,567
Other receivables	(1,087)	13,039
Prepaid expenses and other assets	6,024	(9,275)
Security deposits	-	(4,080)
Accrued expenditures and accounts payable	1,465	115,423
Unexpended program advances	163,676	(81,060)
Other liabilities	<u>(10,940)</u>	<u>12,813</u>
Cash provided from operations	<u>269,856</u>	<u>305,216</u>
Investing operations:		
Acquisition of fixed assets	<u>(148,745)</u>	<u>(395,971)</u>
Financing activities:		
Increase in loan payable	-	200,000
Payment of loan	<u>(36,720)</u>	<u>(14,833)</u>
Cash provided from financing activities	<u>(36,720)</u>	<u>185,167</u>
Net increase in cash	84,391	94,412
Cash-beginning	<u>466,631</u>	<u>372,219</u>
CASH-ENDING	<u>\$ 551,022</u>	<u>\$ 466,631</u>
Supplemental information:		
Interest paid	<u>\$ 8,851</u>	<u>\$ 4,182</u>

See accompanying notes to financial statements.

CITIWIDE HARM REDUCTION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				Management Services				
	Housing & Housing Related Supportive Services	HIV Emergency Relief Program	HIV Preventive Program	Other Programs	Total	Management And General	Fund Raising	Total	Total
Salaries	\$ 447,906	\$ 370,452	\$ 611,107	\$ 184,764	\$ 1,614,229	\$ 128,252	\$ 39,000	\$ 167,252	\$ 1,781,481
Payroll taxes	46,304	37,367	60,082	19,295	163,048	6,981	2,145	9,126	172,174
Employee benefits	63,038	59,105	89,577	28,224	239,944	149	-	149	240,093
Total personnel costs	557,248	466,924	760,766	232,283	2,017,221	135,382	41,145	176,527	2,193,748
Program materials-supplies	47,823	32,856	78,870	26,957	186,506	9,489	-	9,489	195,995
Office supplies	39,636	39,291	49,970	17,007	145,904	22,827	-	22,827	168,731
Occupancy	61,777	-	167,715	102,520	332,012	133,470	800	134,270	466,282
Depreciation and amortization	-	-	-	-	-	68,100	-	68,100	68,100
Communications	5,618	4,392	7,640	1,500	19,150	35,608	-	35,608	54,758
Postage and shipping	-	-	-	-	-	1,860	-	1,860	1,860
Insurance	4,394	5,475	20,655	-	30,524	28,918	-	28,918	59,442
Accounting and auditing	-	-	14,175	-	14,175	73,351	-	73,351	87,526
Consultants	24,000	58,500	11,775	45,307	139,582	79,056	41,149	120,205	259,787
Community peers, advocates and program incentives	26,643	19,987	102,220	13,143	161,993	5,727	-	5,727	167,720
Client expenses	8,142	21,072	41,732	46,220	117,166	-	-	-	117,166
Equipment leases	-	2,818	3,427	-	6,245	1,337	-	1,337	7,582
Equipment purchase	25,625	11,660	11,862	5,537	54,684	-	-	-	54,684
Training and conferences	7,919	6,666	12,608	7,616	34,809	10,022	-	10,022	44,831
Travel	10,053	12,447	14,050	4	36,554	20,838	-	20,838	57,392
Other program costs	-	-	4,632	-	4,632	5,074	17,553	22,627	27,259
Interest expense	-	-	-	-	-	8,851	-	8,851	8,851
Fees, dues and subscriptions	5,353	305	-	-	5,658	17,957	-	17,957	23,615
Expenses before allocation	824,231	682,393	1,302,097	498,094	3,306,815	657,867	100,647	758,514	4,065,329
Expense allocation	114,184	296,096	56,583	36,450	503,313	(503,313)	-	(503,313)	-
TOTAL EXPENSES	\$ 938,415	\$ 978,489	\$ 1,358,680	\$ 534,544	\$ 3,810,128	\$ 154,554	\$ 100,647	\$ 255,201	\$ 4,065,329

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CITIWIDE HARM REDUCTION PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services				Management Services				
	Housing & Housing related Supportive Services	HIV Emergency Relief Program	HIV Preventive Program	HEP C Testing & Care	Total	Management And General	Fund Raising	Total	Total
Salaries	\$ 331,738	\$ 355,004	\$ 493,054	\$ 15,363	\$ 1,195,159	\$ 72,290	\$ -	\$ 72,290	\$ 1,267,449
Payroll taxes	33,742	33,309	51,587	1,461	120,099	11,475	-	11,475	131,574
Employee benefits	57,476	58,160	74,950	1,475	192,061	41,117	-	41,117	233,178
Total personnel costs	422,956	446,473	619,591	18,299	1,507,319	124,882	-	124,882	1,632,201
Program materials-supplies	48,252	16,580	51,087	75	115,994	24,705	-	24,705	140,699
Office supplies	12,131	16,859	18,996	333	48,319	13,315	548	13,863	62,182
Occupancy	-	70,682	146,299	-	216,981	147,109	-	147,109	364,090
Depreciation and amortization	-	-	-	-	-	39,372	-	39,372	39,372
Communications	7,703	9,800	10,771	300	28,574	27,118	-	27,118	55,692
Postage and shipping	-	-	-	-	-	2,991	-	2,991	2,991
Insurance	3,160	18,090	20,928	-	42,178	11,029	-	11,029	53,207
Accounting and auditing	-	19,390	20,118	-	39,508	41,743	-	41,743	81,251
Consultants	500	58,500	14,300	12,999	86,299	38,554	25,856	64,410	150,709
Community peers, advocates and program incentives	18,516	20,107	68,181	1,000	107,804	4,872	-	4,872	112,676
Participant transportation	5,580	22,603	31,075	322	59,580	-	-	-	59,580
Client expenses	-	-	2,670	-	2,670	31,926	-	31,926	34,596
Equipment leases	1,915	7,687	8,251	-	17,853	6,308	-	6,308	24,161
Training and conferences	-	-	1,188	150	1,338	44,712	-	44,712	46,050
Travel	12,952	8,866	9,853	-	31,671	12,636	-	12,636	44,307
Other program costs	-	-	3,474	-	3,474	5,331	-	5,331	8,805
Interest expense	-	-	-	-	-	4,182	-	4,182	4,182
Fees, dues and subscriptions	1,607	-	-	-	1,607	20,383	-	20,383	21,990
Expenses before allocation	535,272	715,637	1,026,782	33,478	2,311,169	601,168	26,404	627,572	2,938,741
Expense allocation	114,694	292,386	92,639	23,698	523,417	(523,417)	-	(523,417)	-
TOTAL EXPENSES	\$ 649,966	\$ 1,008,023	\$ 1,119,421	\$ 57,176	\$ 2,834,586	\$ 77,751	\$ 26,404	\$ 104,155	\$ 2,938,741

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CITIWIDE HARM REDUCTION, PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

CitiWide Harm Reduction, Inc. ("the Organization") is a not-for-profit community based organization dedicated to providing non-judgmental and holistic services directly to drug using communities and their social networks. CitiWide Harm Reduction Program, Inc. provides a framework to reduce the harm associated with drug use, HIV infection and homelessness.

Programs include, but are not limited to: educational outreach, community initiatives, support groups, case management, peer programs, syringe exchange and other programs to serve as a catalyst for self-empowerment and improvement.

Funding consists primarily of federal pass-through, state, local and government affiliated organization government grants, plus foundation and corporate grants.

Income Tax Status

The Organization was formed under the Not-for-Profit Corporation Law of the State of New York. It is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. All of the Organization's revenue is derived from direct public and government sources. Net assets and changes in net assets are classified based on sponsor or donor-imposed restrictions.

Support and Expenses

Contributions, grants and other funds received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The organization reports grants, gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of non-interest bearing demand deposits plus money market accounts for certain program receipts.

CITIWIDE HARM REDUCTION, PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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CITIWIDE HARM REDUCTION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE-2 GRANTS RECEIVABLE (Continued)

	<u>2013</u>	<u>2012</u>
Public Health Solutions	\$211,532	\$179,415
Health Research, Inc.	18,164	44,108
HELP/PSI	104,576	-
NYC Council	15,002	-
Fund for Public Health	11,579	28,142
New York State Dept. of Health	<u>122,416</u>	<u>106,145</u>
Total	<u>\$483,269</u>	<u>\$357,810</u>

NOTE-3 LEASEHOLD IMPROVEMENTS AND OFFICE EQUIPMENT

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$1,279,333	\$1,178,303	15-31.5 Yrs.
Vehicles	47,714	-	5 Yrs.
Office equipment	<u>78,552</u>	<u>78,552</u>	5-7 Yrs.
	1,405,599	1,256,855	
Accumulated depreciation	<u>(291,615)</u>	<u>(223,516)</u>	
Total	<u>\$1,113,984</u>	<u>\$1,033,339</u>	

NOTE-4 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable at June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Payables-program and operations	\$229,783	\$273,543
Accrued payroll and related expenses	<u>69,857</u>	<u>60,864</u>
Total payables	<u>\$299,640</u>	<u>\$334,407</u>

NOTE-5 UNEXPENDED PROJECT ADVANCES

Represents grant advances for committed grants and contracts received prior to the period in which expenses are incurred and revenue recognized, consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Public Health Solutions	\$ -	\$93,000
HELP/PSI	6,676	-
MAC AIDS	<u>250,000</u>	<u>-</u>
	<u>\$256,676</u>	<u>\$93,000</u>

**CITIWIDE HARM REDUCTION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE-6 LEASE COMMITMENTS

CitiWide Harm Reduction Program, Inc. entered into a new long term lease agreement for program and administrative facilities located at East 144th Street, in the Bronx, New York. The lease commenced February 1, 2012 and runs until January 31, 2037. The lease manual minimum payments goes from \$282,000 to \$608,016 over the life of the lease. The following summarizes the minimum payments required under the lease agreement:

<u>Fiscal year ended June 30</u>	
2014	\$ 312,000
2015	312,000
2016	325,000
2017	343,200
2018	343,200
Subsequent	<u>6,435,760</u>
 Total	 <u>\$8,071,160</u>

NOTE-7 CONTINGENCIES

Substantially all government and foundation grants are subject to financial and compliance audits by the grantor. Disallowances, if any, as a result of these audits may become liabilities of the Organization. Management believes that no material disallowances will result from audits by grantors.

NOTE-8 CONCENTRATIONS

The organization receives funding through contract agreements with the City of New York and its affiliates, with majority funding from Public Health Solutions. For the years ended June 30, 2013 and 2012 the funding relating to these sources was approximately 52% and 65%, respectively. In 2013 and 2012 15% and 14% of funding, respectively, came from New York State Department of Health.

The organization maintains balances at its banking institution in excess of the Federal Deposit Insurance Corporation's maximum coverage of \$250,000. At June 30, 2013 it exceeded this amount by approximately \$300,000.

NOTE-9 LOAN PAYABLE

On January 11, 2012 the Organization borrowed \$200,000 from its bank to fund part of the leasehold improvement costs. The loan, which is for 5 years calls for monthly installments of \$3,798, which includes interest. Interest is computed using the 5 Year Treasury Constant Maturity Rate plus 4.5%.

The interest expense for the year was \$8,851. The interest rate at June 30, 2013 was 5.18%.

**CITIWIDE HARM REDUCTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 10- FUNCTIONAL EXPENSES

The cost of providing various programs and specific areas of activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and activities. Management and general expenses include those expenses that are not directly identifiable with any specific program or activity but provide for the overall support and direction of the Organization.

NOTE 11- SUBSEQUENT EVENT

On August 14, 2013 the Board of Directors of Citiwide Harm Reduction Program, Inc. approved the combining of Citiwide with Bronx AIDS Services, Inc., a not-for-profit with similar programs. The combined organization will have operating revenue in excess of \$11 million. The new organization will be called BOOM Health. It is the intention of both organizations to complete the combination by July 1, 2014.

COMPLIANCE AND INTERNAL CONTROL SECTION

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
CitiWide Harm Reduction Program, Inc.

I have audited the financial statements of CitiWide Harm Reduction Program, Inc. as of and for the year ended June 30, 2013 and 2012, and have issued my report thereon dated August 15, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered CitiWide Harm Reduction Program, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CitiWide Harm Reduction Program, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of CitiWide Harm Reduction Program, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when 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.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weakness. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether CitiWide Harm Reduction Program, Inc.'s financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Directors, management of the Agency and the funding agencies and is not intended to be and should not be used by anyone other than the specified parties.


CERTIFIED PUBLIC ACCOUNTANT

August 15, 2013