HOWARD BROWN HEALTH CENTER
(A NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENTS
(INCLUDING SINGLE AUDIT)

June 30, 2017 and 2016

HOWARD BROWN HEALTH CENTER
(A NOT-FOR-PROFIT CORPORATION)
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Howard Brown Health Center
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Howard Brown Health Center (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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 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 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 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Howard Brown Health Center as of June 30, 2017 and 2016, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 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 other 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 11, 2017 on our consideration of Howard Brown Health Center'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 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Howard Brown Health Center's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
December 11, 2017

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 16,782,085	$ 12,711,639
Accounts receivable, net of allowance for doubtful accounts of $841,637 and $830,026	7,999,475	5,845,673
Pledges receivable, net of allowance for doubtful accounts of $50,511 and $24,653	1,405,608	373,119
Prepaid expenses and other current assets	696,653	756,088
Total current assets	26,883,821	19,686,519
Property and equipment, net	12,956,788	7,300,563
Construction in progress	223,012	255,309
Investment in Alliance and others	1,014,381	846,000
Other assets, primarily works of art	494,362	501,673
	$ 41,572,364	$ 28,590,064
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of long-term debt	$ 374,534	$ 3,900,815
Accounts payable	1,163,097	2,610,912
Accrued expenses	1,924,183	874,110
Deferred revenue	20,974	9,846
Total current liabilities	3,482,788	7,395,683
Long-term debt, less current maturities	7,066,335	2,655,562
Total liabilities	10,549,123	10,051,245
Net assets		
Unrestricted	29,154,768	17,976,359
Temporarily restricted	1,868,473	562,460
Total net assets	31,023,241	18,538,819
	$ 41,572,364	$ 28,590,064

HOWARD BROWN HEALTH CENTER
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Net patient service revenue, net of contractual allowances, discounts, and charitable care	$ 67,123,736	$ -	$ 67,123,736
Government contracts	6,627,171	-	6,627,171
Direct public support	4,722,858	1,909,827	6,632,685
Donated services	617,133	-	617,133
Net assets released from restriction	603,814	(603,814)	-
Other, including Alliance income	447,862	-	447,862
Total revenues, gains and other support	80,142,574	1,306,013	81,448,587
Expenses			
Medical	52,829,307	-	52,829,307
Youth services	1,576,533	-	1,576,533
Behavioral health	1,466,559	-	1,466,559
Research	813,640	-	813,640
Prevention	2,952,377	-	2,952,377
Total program expenses	59,638,416		59,638,416
Development	649,814	-	649,814
Public relations	226,832	-	226,832
Brown elephant	3,192,143	-	3,192,143
Total expenses by function	63,707,205		63,707,205
General and administrative	5,256,960	-	5,256,960
Total expenses	68,964,165	-	68,964,165
Change in net assets	11,178,409	1,306,013	12,484,422
Net assets at beginning of year	17,976,359	562,460	18,538,819
Net assets at end of year	$ 29,154,768	$ 1,868,473	$ 31,023,241

(Continued)

HOWARD BROWN HEALTH CENTER
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Net patient service revenue, net of contractual allowances, discounts, and charitable care	$ 41,571,795	-	$ 41,571,795
Government contracts	5,031,979	-	5,031,979
Direct public support	5,415,976	529,826	5,945,802
Donated services	689,933	-	689,933
Net assets released from restriction	396,921	(396,921)	-
Other, including Alliance income	377,909	-	377,909
Total revenues, gains and other support	53,484,513	132,905	53,617,418
Expenses			
Medical	31,914,515	-	31,914,515
Youth services	888,819	-	888,819
Behavioral health	1,083,977	-	1,083,977
Research	509,713	-	509,713
Prevention	1,739,617	-	1,739,617
Total program expenses	36,136,641	-	36,136,641
Development	801,959	-	801,959
Public relations	322,860	-	322,860
Brown elephant	2,680,345	-	2,680,345
Total expenses by function	39,941,805	-	39,941,805
General and administrative	4,044,402	-	4,044,402
Total expenses	43,986,207	-	43,986,207
Change in net assets	9,498,306	132,905	9,631,211
Net assets at beginning of year	8,478,053	429,555	8,907,608
Net assets at end of year	$ 17,976,359	$ 562,460	$ 18,538,819

See accompanying notes to financial statements

HOWARD BROWN HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2017

	Program Services									
	Medical	Youth Services	Behavioral Health	Research	Prevention	Development	Public Relations	Brown Elephant	General and Administrative	Total
Salaries	$ 7,461,047	$ 870,725	$ 1,117,160	$ 593,702	$ 1,776,386	$ 362,896	$ 111,098	$ 1,347,490	$ 2,624,669	$ 16,265,173
Fringe benefits	937,983	131,362	117,939	62,591	264,741	54,406	14,674	233,248	600,530	2,417,474
Payroll taxes	521,572	64,551	79,607	42,958	129,446	26,919	7,927	102,737	223,930	1,199,647
Bad debt	818,154	-	-	-	-	-	-	-	-	818,154
Accounting and legal fees	-	-	-	-	-	-	-	-	119,584	119,584
Supplies	267,974	62,700	2,729	5,979	11,688	2,343	-	15,178	136,714	505,305
Telephone	221,650	35,478	-	3,380	-	-	665	82,688	97,333	441,194
Postage and shipping	15,986	396	-	2,882	163	2,043	79	21,594	2,329	45,472
Occupancy and utilities	449,766	122,098	68,349	-	900	-	-	815,393	88,273	1,544,779
Repairs and maintenance	378,873	23,200	-	454	-	-	-	100,853	31,391	534,771
Printing	33,953	5,267	721	77	8,983	10,342	3,022	500	2,423	65,288
Travel	68,112	5,229	5,449	2,664	53,425	1,005	328	45	60,859	197,116
Seminars and meetings	19,572	6,543	13,343	2,613	3,908	1,675	-	-	24,483	72,137
Depreciation and amortization	320,516	8,569	-	-	-	-	-	28,705	37,861	395,651
Outside services	7,221,402	32,556	13,207	44,612	93,563	34,948	40,280	14,320	424,649	7,919,537
Staff services	107,179	1,593	10,997	1,214	12,780	4,295	332	773	33,780	172,943
Pharmaceuticals, outside labs and medical supplies	32,738,283	97,335	-	6,537	109,271	-	-	-	-	32,951,426
Client assistance	104,155	90,322	1,273	532	35,157	-	-	-	-	231,439
Dues and subscriptions	23,610	-	1,070	-	46	2,345	750	5,580	37,488	70,889
Advertising	3,599	6,840	-	800	81	167	19,565	4,595	6,605	42,252
Client development	9,367	9,499	-	35,913	1,139	-	-	-	--	55,918
Public relations	-	-	-	-	4,707	750	12,075	-	-	17,532
Other	38,797	-	48	-	64	120	-	338,513	2,777	380,319
Benefit expense	-	-	-	-	19,015	107,985	-	-	-	127,000
Donated services	475,668	-	-	-	-	29,905	15,200	-	96,360	617,133
Bank fees	20,528	55	-	-	-	1,398	-	65,137	58,631	145,749
Interest expense	129,389	-	-	-	-	-	-	3	119,086	248,478
Insurance expense	73,713	-	-	-	-	-	-	14,791	97,366	185,870
Subcontractor expense	7,386	-	-	-	405,205	-	-	-	-	412,591
Computer and software expense	361,073	2,215	34,667	6,732	21,709	6,272	837	-	329,839	763,344
Total expense	$ 52,829,307	$ 1,576,533	$ 1,466,559	$ 813,640	$ 2,952,377	$ 649,814	$ 226,832	$ 3,192,143	$ 5,256,960	$ 68,964,165

(Continued)

HOWARD BROWN HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2016

	Program Services									
	Medical	Youth Services	Behavioral Health	Research	Prevention	Development	Public Relations	Brown Elephant	General and Administrative	Total
Salaries	$ 5,314,925	$ 578,815	$ 857,602	$ 391,825	$ 1,034,216	$ 330,036	$ 85,052	$ 1,285,046	$ 2,279,260	$ 12,156,777
Fringe benefits	705,596	75,407	97,996	39,282	145,750	41,914	9,277	193,319	364,722	1,673,263
Payroll taxes	347,835	42,390	62,498	28,337	75,018	24,227	6,580	95,522	201,210	883,617
Bad debt	522,479	-	-	-	-	-	-	-	-	522,479
Accounting and legal fees	-	-	-	-	51,915	-	-	-	131,442	183,357
Supplies	273,437	7,652	38,251	11,900	35,245	5,956	1,351	40,260	181,448	595,500
Telephone	122,537	24,360	-	3,115	-	-	614	62,404	51,935	264,965
Postage and shipping	21,004	149	(132)	1,504	232	1,048	-	24,734	(1,016)	47,523
Occupancy and utilities	497,165	59,241	-	528	3,450	528	-	743,537	86,512	1,390,961
Repairs and maintenance	150,078	3,571	-	940	40	-	-	96,688	21,479	272,796
Printing	40,487	3,640	1,194	658	4,742	13,776	4,287	945	9,997	79,726
Travel	22,787	4,921	7,420	870	42,427	2,171	1,174	-	34,297	116,067
Seminars and meetings	4,029	-	3,238	96	2,334	527	-	490	14,226	24,940
Depreciation and amortization	158,020	2,161	-	-	-	-	-	28,341	26,637	215,159
Outside services	4,262,276	16,015	1,840	12,780	86,332	18,799	22,469	4,388	146,763	4,571,662
Staff services	102,580	8,013	12,971	1,023	9,941	6,929	1,003	1,145	36,749	180,354
Pharmaceuticals, outside labs and medical supplies	19,046,226	34,084	200	552	25,811	-	-	-	-	19,106,873
Client assistance	33,539	13,299	(338)	403	29,879	-	-	-	-	76,782
Licenses and fees	6,598	-	(100)	-	-		700	740	11,960	19,898
Dues and subscriptions	6,316	583	1,282	-	(100)	94	34	3,424	31,665	43,298
Advertising	-	-	-	-	1,911	5,372	2,694	2,052	890	12,919
Client development	3,766	5,202	-	15,700	(400)	-	-	-	-	24,268
Public relations	-	-	-	200	-	-	30,317	-	40	30,557
Leases and equipment	4,201	-	-	-	-	-	-	-	50	4,251
Other	23,909	7,882	-	-	4,853	70	-	20,408	(10,782)	46,340
Donated services	144,185	-	-	-	-	165,400	157,308	-	223,040	689,933
Event expense	-	-	-	-	16,348	182,003	-	-	200	198,551
Bank fees	17,915	1,434	55	-	-	3,109	-	63,684	23,579	109,776
Interest expense	6,390	-	-	-	-	-	-	85	79,677	86,152
Insurance expense	76,235	-	-	-	-	-	-	13,133	98,422	187,790
Subcontractor expense	-	-	-	-	169,673	-	-	-	-	169,673
Total expense	$ 31,914,515	$ 888,819	$ 1,083,977	$ 509,713	$ 1,739,617	$ 801,959	$ 322,860	$ 2,680,345	$ 4,044,402	$ 43,986,207

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Increase in net assets	$ 12,484,422	$ 9,631,211
Adjustments to reconcile increase in net assets to net cash from operating activities		
Bad debt expense	818,154	522,479
Depreciation and amortization	395,651	215,159
Loss on disposal of equipment	-	9,223
Equity share of Alliance income	(172,683)	(89,130)
Changes in assets and liabilities		
Accounts receivable	(2,972,655)	(3,297,327)
Pledges receivable	(1,032,489)	(167,835)
Prepaid expenses and other current assets	59,435	(320,042)
Accounts payable	(1,447,815)	1,247,149
Accrued expenses	1,050,073	173,235
Other assets	7,311	(75,657)
Deferred revenue	11,128	(24,470)
Net cash from operating activities	9,200,532	7,823,995
Cash flows from investing activities		
Purchase of property and equipment	(6,019,578)	(4,900,091)
Investment proceeds from Together4Health	-	25,000
Investment in CHC Access Partnership	5,000	-
Investment in Alliance	-	(20,000)
Net cash from investing activities	(6,014,578)	(4,895,091)
Cash flows from financing activities		
Borrowings from notes payable	5,000,000	3,740,670
Principal payments on notes payable	(4,115,508)	(447,074)
Net cash from financing activities	884,492	3,293,596
Net change in cash and cash equivalents	4,070,446	6,222,500
Cash and cash equivalents at beginning of year	12,711,639	6,489,139
Cash and cash equivalents at end of year	$ 16,782,085	$ 12,711,639
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 212,143	$ 86,759
Donated services	617,133	689,933

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization, Nature of Business: Howard Brown Health Center (the "Organization") provides a comprehensive array of healthcare and social services to a broad community with a focus on lesbian, gay, bi-sexual and transgender ("LGBT") communities. In addition to healthcare services, the Organization also conducts behavioral and clinical research in a variety of areas that impact wellness in the LGBT community.

Basis of Presentation: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted – Net assets include resources which are not subject to donor-imposed restrictions plus those resources for which donor-imposed restrictions have been satisfied. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. At June 30, 2017 and 2016 temporarily restricted net assets consisted of the following:

	2017	2016
Board designated endowment	$ 136,702	$ 136,599
Time	1,016,964	55,271
Specific programming	714,807	370,590
Total temporarily restricted net assets	$1,868,473	$ 562,460

Satisfaction of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as a reclassification from temporarily restricted net assets to unrestricted net assets. Where the stipulation of the temporarily restricted net assets is fulfilled in the same year as the original contribution, the contribution is recorded as unrestricted revenue. Restrictions released during the periods ended June 30 are summarized as follows:

	2017	2016
Time	$ 24,000	$ 36,018
Specific programming	579,814	360,903
Total releases from restriction	$ 603,814	$ 396,921

Permanently restricted – Net assets are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently. There were no permanently restricted net assets at June 30, 2017 and 2016.

Cash and Cash Equivalents: Cash and cash equivalents consist of demand deposits in accounts insured up to $250,000 per financial institution. The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Financial instruments that potentially subject the Organization to concentrations of credit risk include the Organization's cash and cash equivalents. At certain times cash and cash equivalents may be in excess of federal insurance limits.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable and Allowances: Accounts receivable represents charges to patients, primarily on open account. Past due receivables are determined based on contractual terms. The Organization does not accrue interest on any of its accounts receivable. Adjustments to patient accounts are made in amounts estimated to maintain allowances to cover estimated contractual allowances and anticipated losses from patients, third-party payers and others. The allowance is determined by management based on the Organization's historical net collection percentages, specific patient circumstances, and general economic conditions. As payments are received, specific contractual adjustments detailed in the explanation of benefits are charged against the patient's account and the allowance. After all reasonable collection efforts have been exhausted patient accounts are charged against the allowance for doubtful accounts. Accounts receivable is shown net of allowances on the statement of financial position. Gross patient accounts receivable greater than 90 days outstanding at June 30, 2017 and 2016 were approximately $456,000 and $278,000.

Pledges Receivable: Pledges receivable that are expected to be collected within one year are recorded at net realizable value. All amounts are expected to be collected within one year so no discount has been applied to this receivable balance. There were no long-term pledge receivables at June 30, 2017 or 2016. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment and Related Depreciation: Property and equipment are stated at cost or, if donated, at estimated fair value upon donation, and are depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 25 years. All productive assets with a cost when purchased, or fair value when donated, of over $5,000 are capitalized, with the exception of computer hardware and software which is capitalized when purchase costs exceed $1,000. When assets are sold or otherwise disposed of, the assets and related accumulated depreciation are removed from the accounts, and the remaining gain or loss is included in operations. Repairs and maintenance costs are charged to expense as incurred. Capitalized works of art are not depreciated since they are expected to maintain their value.

Impairment of Long-Lived Assets: On an ongoing basis, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of June 30, 2017 and 2016, management believes that no impairment existed.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Alliance and Others: Investment in Alliance and others consists of investments in one and two organizations for the year ended June 30, 2017 and 2016, respectively, on the equity and cost methods of accounting.

Equity Method Investment: The Organization accounts for its 25% investment in the Alliance of Chicago Community Health Services, LLC ("the Alliance") under the equity method of accounting. The Alliance was created to coordinate the sharing of resources and the development and integration of IT systems between and among its members. During the year ended June 30, 2016, the Organization and the other member agencies were each required to contribute $20,000 to the Alliance. The Alliance also receives grants from government and private foundations. The Organization's share of equity gain in the Alliance (unconsolidated affiliate) was $172,683 and $89,130 for 2017 and 2016, and is included in the statements of activities in other revenues.

Summarized audited financial information for the Alliance at June 30, 2017 and 2016 is as follows:

	2017	2016
Assets	$ 6,838,480	$ 6,889,742
Liabilities	2,595,222	3,340,009
Equity	4,243,258	3,549,733

Cost Method Investments: During 2013 the Organization acquired a 2.5% ownership interest in Together4Health, LLC ("Together4Health"). The Organization does not have significant influence over the management or operations of Together4Health. On October 31, 2015 Together4Health ceased operations and liquidated. No dividends were received during the years ended June 30, 2017 and 2016. During 2015 the Organization invested $5,000 in CHC Partnership Access. The Organization does not have significant influence over the management or operations of CHC Partnership Access. CHC Partnership Access ceased operations in 2017.

Deferred Rent: The Organization has various facility leases that provide for escalating rent payments over the life of the lease. Accounting principles generally accepted in the United States of America require that rent expense be recognized on a straight-line basis over the life of the lease. This accounting results in a non-interest-bearing liability (deferred rent) that increases during the early portion of the lease term, as the cash paid is less than the expense recognized, and reverses by the end of the lease term. These are recorded as accrued expenses.

Endowment: The Organization's endowment funds include funds designated by the Board of Directors to function as an endowment. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There were no permanently restricted endowment funds at June 30, 2017 or 2016.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in endowment net assets for years ended June 30, 2017 and 2016, are as follows:

	Total	Unrestricted	Temporarily Restricted
Endowment net assets, June 30, 2015	$ 136,507	$ -	$ 136,507
Interest income	92	-	92
Endowment net assets, June 30, 2016	136,599	-	136,599
Interest income	103	-	103
Endowment net assets, June 30, 2017	$ 136,702	$ -	$ 136,702

Interpretation of UPMIFA: Effective June 30, 2009 Illinois signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA modernizes the laws governing a not-for-profit organization's investment and management of donor-restricted endowment funds. The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the Endowment funds absent explicit donor stipulations to the contrary.

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as prescribed by the Board, the endowment assets are to be invested in a prudent manner where the primary objective is the preservation of principal in an attempt to provide a predictable stream of funding to programs supported by the endowment.

Strategies Employed for Achieving Objectives: The purpose of the endowment fund is to provide funds for professional development for gay and lesbian providers and fellowships for medical staff. To satisfy its objectives, the Organization has elected to invest in a money market bank account to preserve principle and provide interest income to provide professional development and fellowships for medical staff.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Board of Directors of the Organization has established an endowment fund spending policy, which utilizes the interest income to provide funds for professional development and fellowships for medical staff. The amount of the funding is determined by the Board of Directors and upon specific events, may exceed interest income. It is expected that only the interest income of the endowment will be utilized in support of the Organization's activities, but in the event that the Organization's Board of Directors determines that there is a critical need in providing medical services which could not otherwise be met through funds available to the Organization, the Board can utilize endowment principal for such purposes upon approval by a two-thirds vote of the Board of Directors.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

The Organization reports gifts of property and equipment and works of art as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support, and released from restriction as depreciated. There were no donor restricted long-lived assets at June 30, 2017 or 2016.

Patient revenue is recognized as revenue when the services are performed and is reported at the estimated net realizable amounts from patients, third-party payers and others. Provisions for estimated third-party payer settlements and adjustments are made in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenue related to the sale of prescription drugs in the Organization's health centers and contracted pharmacy locations consists of the amount paid by third-party payers and patients Revenue is recognized when prescription drugs are dispensed.

Net Patient Revenue: Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), by major payor sources, is a follows:

	June 30, 2017					
	Medicare	Medicaid	Grant or Trial Sponsored	Commercial Payers	Self Pay	Total
Gross patient charges	$ 750,519	$ 2,021,798	$ 826,755	$ 3,258,853	$ 2,421,534	$ 9,279,459
Less:						
Contractual allowances and discounts	382,987	509,116	25,787	899,484	-	1,817,374
Charity care	-	-	-	-	1,516,818	1,516,818
Net patient service revenue, excluding 340B pharmacy	$ 367,533	$ 1,512,681	$ 800,968	$ 2,359,369	$ 904,716	$ 5,945,267

	June 30, 2016					
	Medicare	Medicaid	Grant or Trial Sponsored	Commercial Payers	Self Pay	Total
Gross patient charges	$ 604,121	$ 1,779,359	$ 335,815	$ 2,765,264	$ 1,888,485	$ 7,373,044
Less:						
Contractual allowances and discounts	182,614	532,240	26,312	702,161	316,372	1,759,699
Charity care	-	-	-	-	874,360	874,360
Net patient service revenue, excluding 340B pharmacy	$ 421,507	$ 1,247,119	$ 309,503	$ 2,063,103	$ 697,753	$ 4,738,985

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amounts above do not include the 340B pharmacy revenue of approximately $61,200,000 and $36,800,000 for the year ended June 30, 2017 and 2016, respectively.

Patient service revenue is reduced by the provision for bad debts and accounts receivable are reduced by an allowance for uncollectible accounts. These amounts are based on management's assessment of historical and expected net collections for each major payor source, considering business and economic conditions, trends in healthcare coverage, historical write-off and collection experience using hindsight or look-back approach, cash collections as a percentage of net patient service revenue and other collection indicators. Management periodically reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. The Organization performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for doubtful accounts. Accounts receivable are written off after collection efforts have been followed in accordance with the Organization's policies.

Charity Care: The Organization provides charity care (care for which the Organization receives no payment, revenue or grant reimbursement) to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because collection of amounts determined to qualify as charity care is not pursued, such amounts are not reported as revenue. Records are maintained to identify and monitor the level of charity care provided including the amount of charges foregone for services and supplies furnished.

The estimated costs incurred by the Organization to provide these services to patients who are unable to pay was approximately $4,224,000 and $3,627,000 for 2017 and 2016, respectively. The estimated costs of these charity care services was determined using a ratio of certain costs to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period. Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under the Organization's charity care policy and that do not otherwise qualify for reimbursement from a government program. During 2017 and 2016, the Organization received grant revenue of approximately $3,072,000 and $2,705,000 to help defray the costs of indigent care.

Government Grants and Contracts: Government grants and contracts are recognized as income in the period in which services are provided. Subcontractor expense results from certain contracts passed through to sub-recipients.

Resale Shop: The Organization operates three resale shops supported solely by donations of second-hand goods. Revenue from sales of donated goods at the date of sale, as well as net increases or decreases of inventory, are recorded as direct public support in the statement of activities. Donations of second-hand goods were $3,435,000 and $3,540,000 for 2017 and 2016, respectively.

Donated Services: Various services and support (primarily professional fees) for the Organization's operations and staff members have been provided by volunteers with specialized skills. The Organization recognizes the estimated fair value of the donated services as a contribution when such services are rendered. Included in the financial statements are contributions from such donated services and the corresponding expenses of approximately $617,000 and $690,000 for 2017 and 2016.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Incentive Program Revenue: The Patient Protection and Affordable Care Act of 2010 (PPACA), the American Recovery and Reinvestment Act of 2009 (ARRA) and the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) all include provisions for incentive revenue to be provided to physicians who participate in providing data on quality measures or utilize electronic prescription, or demonstrate meaningful use of certified electronic health records technology, within their practice of medicine. The Organization follows the gain contingency method of revenue recognition with regard to these types of incentive programs, whereby revenue is recognized under notification from governmental authorities that incentive program revenue has been earned and/or actual payment has been received. Total incentive program revenue recognized in 2017 and 2016 was $272,000 and $95,000, respectively. Such incentive revenue is included in other revenues in the statements of activities.

Functional Allocation of Expenses: The costs of providing various programs and supporting activities are presented on the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization’s activities are reported in the following nine functional expense categories: medical, youth services, behavioral health, research, and prevention, all of which are program services; development, which includes general fundraising/benefits and grant writings; public relations, which includes marketing; Brown Elephant, which are the resale shop operations; and general and administrative, which includes all other types of expenses. Expenses that are common to program services, development and general and administrative expenses are allocated based on estimates of management.

Income Tax Status: The Organization is incorporated under the laws of the State of Illinois as a not-for-profit organization. The Organization has received a determination letter from the Internal Revenue Service indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements as the Organization had no material unrelated business income in fiscal years 2017 and 2016.

The Organization follows guidance issued by the FASB with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Organization recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Organization has no amounts accrued for interest or penalties as of June 30, 2017. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Organization has applied this criterion to all tax positions for which the statute of limitations remains open. The Organization has determined that its tax provisions satisfy the more likely than not criterion and that no provision for income taxes is required at June 30, 2017.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Areas where significant estimates that are sensitive to change in the near term are used in the accompanying financial statements include allowances for contractual adjustments and doubtful accounts, incurred but not reported self-funded health insurance liability, and fair value of inventory. Actual results may differ from these estimates.

Concentrations: At June 30, 2017 and 2016, substantially all of the Organization's cash and cash equivalents were with two financial institutions. At times amounts on deposit may exceed federally insured limits which represents a concentration of credit risk; however, management monitors this risk and believes the likelihood of loss to be remote.

NOTE 2 - CONTRACTUAL AGREEMENTS

The Organization's principal contractual agreements are as follows:

Health Resources and Services Administration (Ryan White Part A): Funded by HRSA HIV/AIDS Bureau, the Organization sub-contracted with CDPH to provide Ambulatory Outpatient Medical Care, Behavioral Health Services, Substance Abuse Treatment, Early Intervention Services, and Psychosocial Support Services to individuals living with HIV.

Health Resources and Services Administration (Ryan White Part C): The Organization contracted with HRSA's HIV/AIDS Bureau to conduct Outpatient Early Intervention and Primary Care Services to HIV-infected individuals.

Health Resources and Services Administration (Ryan White Part D): The Organization contracted with HRSA's HIV/AIDS Bureau to provide Medical Services, Mental Health Services, and Case Management to HIV-positive women, infants, children and youth.

Health Resources and Services Administration (Bureau of Primary Health Care): The Organization was awarded Community Health Center funding, which provides Federally Qualified Health Center (FQHC) status and eligibility for medical malpractice insurance through Federal Tort Claims Act deeming. FQHC status also provides eligibility for participation in the 340b pharmaceutical program.

Centers for Disease Control: The Organization was awarded multi-year funding to provide outreach and HIV testing services and linkage to care services; University of Chicago Medical Center and Project Vida are subrecipients for this award, expanding the reach of testing services throughout the City.

The Organization also has numerous federal, state and local grants for the purpose of providing medical services, research, case management services, as well as prevention and education programs, to the gay, lesbian, bisexual and transgender community.

(Continued)

NOTE 2 - CONTRACTUAL AGREEMENTS (Continued)

As described above, the Organization receives a significant amount of its funding from federal government agencies, though grants. Accordingly, the Organization's management is responsible for administering and managing these funds in accordance with the specific terms and provisions of the underlying grants or contracts as well as the general compliance and administrative rules to which any recipient of federal funds must adhere.

NOTE 3 - PROPERTY AND EQUIPMENT

At June 30, property and equipment consist of:

	2017	2016
Land	$ 1,583,140	$ 983,141
Buildings and improvements	11,498,088	6,936,349
Leasehold improvements	1,466,208	754,870
Furniture and fixtures	96,582	131,827
Office equipment	27,959	240,510
Software	221,216	235,367
Medical equipment	139,471	47,122
Vehicles	181,181	139,800
	15,213,845	9,468,986
Less accumulated depreciation and amortization	2,257,057	2,168,423
	$ 12,956,788	$ 7,300,563

NOTE 4 - PRETAX SAVINGS PLAN

The Organization maintains a 401(k) savings plan covering substantially all employees with three months of service. Employees can contribute up to 90% of their compensation, subject to Internal Revenue Code limits. Effective September 1, 2015 eligible employees who contribute up to 2% of their salary to a 401(k) will receive a match. Effective September 1, 2016 eligible employees who contribute up to 3% of their salary to a 401(k) will receive a match. The Organization made contributions to the Plan of $320,699 and $158,755 in 2017 and 2016, respectively.

NOTE 5 - LEASES

At June 30, 2017 and 2016, the Organization was obligated for future rentals under various non-cancelable operating leases for their operating facilities. Monthly payments range from $5,653 to $33,300 through 2032, and various leases include escalation clauses and renewal options. Future minimum lease payments are as follows:

2018	$ 1,106,225
2019	1,209,865
2020	1,271,048
2021	1,218,153
2022	947,926
Thereafter	5,097,953
Total	$ 10,851,170

(Continued)

NOTE 5 - LEASES (Continued)

Rent expense for 2017 and 2016 was approximately $1,015,000 and $1,074,000, which is included in occupancy and utilities expense in the statement of functional expenses.

NOTE 6 - NOTES PAYABLE AND LETTER OF CREDIT

A summary of notes payable at June 30 is as follows:

	2017	2016
Six month bridge loan from MB Financial Bank for Clark building purchase.	$ -	$ 3,740,670
Bank mortgage note (IFF) secured by real estate at 4025 N. Sheridan with monthly payments of $18,561, including interest at 5.00%.	1,377,895	1,527,651
Bank mortgage note (IFF) secured by real estate at 6500 N. Clark with monthly payments of $25,372 including interest at 6.035%	2,989,715	-
Additional bank mortgage note (IFF) secured by real estate at 6500 N. Clark with monthly payments of $16,209, including interest at 5.375%	1,992,749	-
Note payable of $41,803 collateralized by a truck, with monthly payments of $1,179, including interest at 1.50%	-	1,191
Note payable of $36,104 collateralized by a truck, with monthly payments of $1,003, non-interest bearing through May 22, 2017.	-	12,207
Ten year non-interest bearing note payable of $1,728,182 with Northwestern University per the agreement reached on June 27, 2014. Payments of $194,148 annually beginning July 2016 through 2022 with a final payment of $109,772 in 2023.	1,080,510	1,274,658
Total notes payable	7,440,869	6,556,377
Less current maturities	374,534	3,900,815
Total long-term notes payable	$ 7,066,335	$ 2,655,562

On October 29, 2014 the Organization obtained financing through the Illinois Facilities Fund (IFF) in the amount of $1,750,000. Debt proceeds were used to pay off the bank mortgage note on the property at 4025 N. Sheridan. The loan is due and payable in full on October 31, 2024 and has an initial interest rate equal to 5.0% and will be adjusted every five years from the first day of the first full month after the loan.

(Continued)

NOTE 6 - NOTES PAYABLE AND LETTER OF CREDIT (Continued)

On May 23, 2016, the Organization entered into a $3,740,670 bridge loan agreement with MB Financial Bank. Interest is paid monthly at a fixed rate of 2.05% on the outstanding principal balance. The loan was paid in full on November 30, 2016. The loan was collateralized by a $3,740,670 certificate of deposit held at MB Financial Bank.

On November 30, 2016 the Organization obtained financing through the Illinois Facilities Fund (IFF) in the amount of $5,000,000 structured in two separate notes payable. Debt proceeds were used to pay off the bridge loan agreement with MB financial and to pay for the building improvements at 6500 N. Clark. The first mortgage note payable is $3,000,000 and is due and payable in full on May 31, 2032 and has an interest rate of 6.035%. The second mortgage note payable is $2,000,000 and is due in full on May 31, 2032 and has an initial interest rate equal to 5.375% and will be adjusted every five years from the first day of the first full month after the loan.

Future payments on debt are as follows:

2018	$ 374,534
2019	589,635
2020	611,712
2021	635,031
2022	659,662
Thereafter	4,570,295
	$ 7,440,869

Interest expense was $248,478 and $86,152 for the years ended June 30, 2017 and 2016, respectively.

The Organization entered into a letter of credit agreement with MB Financial Bank on June 4, 2015 in the amount of $125,000 which serves as collateral for an operating lease. The letter of credit is itself collateralized by a $137,500 certificate of deposit held at MB Financial Bank. The letter of credit remained unused at June 30, 2017 and expires on June 12, 2018.

On May 23, 2016, the Organization entered into a letter of credit agreement with MB Financial Bank in the amount of $20,978 which serves as collateral for an operating lease. The letter of credit is itself collateralized by a $23,075 certificate of deposit at MB Financial Bank. The letter of credit remained unused at June 30, 2017 and expires on July 1, 2018.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Organization purchases ongoing information technology services from the Alliance, a related party through equity ownership. The services include discounted licensing and maintenance fees for the Centricity electronic health records system (which includes a patient accounts receivable system), hosting and technical support. Annual fees of $264,720 and $288,604 were incurred during 2017 and 2016. At June 30, 2017 and 2016, the Organization had accounts payable due to the Alliance of $18,623 and $9,450, respectively.

NOTE 8 - EMPLOYEE HEALTH BENEFIT PLAN

Through December 31, 2014, the Organization participated in a self-funded health insurance plan covering substantially all employees. Upon termination of the plan all eligible employees who elected health coverage became covered under a traditional plan through Blue Cross Blue Shield. Covered services include medical benefits and prescription drugs. The prior plan had annual reinsurance coverage for a maximum eligible claim expense per covered person in excess of $50,000, and an unlimited maximum aggregate per covered person.

Expenses of the self-funded health insurance plan for 2017 and 2016 were approximately $0 and $9,000, respectively, and are recorded net of stop-loss coverage reimbursements in the accompanying statements of activities.

NOTE 9 - CONSTRUCTION IN PROGRESS

Construction in progress as of June 30, 2017 primarily consists of funds expended for leasehold and building improvements related to interior renovations to the health centers. The remaining costs to complete these projects are approximately $4,000,000 and are expected to be completed in 2018.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, various legal actions and claims are pending or may be instituted or asserted in the future against the Organization. Management believes the Organization does not have any significant claims or other litigation which the ultimate resolution would have a material financial impact.

NOTE 11 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended June 30, 2017. Management has performed their analysis through December 11, 2017, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

HOWARD BROWN HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title for Year ended June 30, 2017	Federal CFDA Number	Agency or Pass-Through Number	Grant Period	Program or Award Amount	Federal Expenditure
Department of Health and Human Services					
Health Resources and Services Administration,	93.153	H12 HA24805	08/01/15-07/31/16	$ 487,306	$ 49,252
HIV/AIDS Bureau, Ryan White Part D	93.153	H12 HA24805	08/01/16-07/31/17	509,528	480,211
					529,463
Health Resources and Services Administration					
AIDS Foundation of Chicago/HRSA, Ryan White Part A	93.914	AFC CCRAO-FY16	03/01/16-02/28/17	278,625	189,108
Medical Case Management Services	93.914	AFC CCRAO-FY17	03/01/17-02/28/18	304,501	90,422
					279,530
Health Resources and Services Administration					
Chicago Department of Public Health - Ryan White Part A	93.914	33733	03/01/16-02/28/17	476,453	369,314
Primary Care/Behavioral Science/Substance Abuse	93.914	33733	03/01/17-02/28/18	469,427	148,632
					517,946
Chicago Department of Public Health – Ryan White Part A	93.914	36727	03/01/16-02/28/17	585,000	461,113
Primary Care/Behavioral Science/Oral Health	93.914	36727	03/01/17-02/28/18	582,287	206,616
					667,729
					1,465,205
Health Resources and Services Administration	93.918	H76 HA00184	01/01/16-12/31/16	715,782	215,606
HIV/AIDS Bureau, Ryan White Part C	93.918	H76 HA00184	01/01/17-12/31/17	698,604	292,359
					1,175,694
Health Resources and Services Administration, 330 Funding	93.224	H80CS29004	08/01/16-05/31/17	936935	849,043
Health Resources and Services Administration	93.928	H97HA24969	09/01/15-08/31/16	306,448	48,883
Special Projects of National Significance, Transgender	93.928	H97HA24969	09/01/16-08/31/17	285,860	213,386
					262,269
Health Resources and Services Administration	93.928	H97HA28891	09/01/15-08/31/16	299,072	12,727
Special Projects of National Significance, Transgender	93.928	H97HA28891	09/01/16-08/31/17	404,187	347,490
					360,217

See accompanying notes to schedule of expenditures of federal awards

HOWARD BROWN HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title for Year ended June 30, 2017	Federal CFDA Number	Agency or Pass-Through Number	Grant Period	Program or Award Amount	Federal Expenditure
Department of Health and Human Services					
Health Resources and Services Administration, AIDS United	93.928	U90HA29237	06/01/16-08/31/16	57,015	$ 17,223
Special Projects of National Significance, Transgender	93.928	U90HA29237	09/01/16-08/31/17	210,348	177,034
					194,257
					816,743
Department of Health and Human Services,	93.752	76180011E	07/01/16-06/30/17	$ 78,880	67,279
Illinois Department of Public health – Illinois Breast and Cervical Cancer Program					
Department of Health and Human Services	93.667	FCSTT01574	07/01/16-06/30/17	7,404	7,404
Illinois Department of Human Services – Domestic Violence					
Department of Health and Human Services	93.977	65180020D	01/01/16-12/31/16	75,000	43,087
Illinois Department of Public Health – Syphilis Elimination Initiative	93.977	75180001E	01/01/17-12/31/17	75,000	46,550
					89,637
Center for Disease Control and Prevention,	93.977	31643	01/01/16-12/31/16	140,244	54,796
Chicago Department of Public Health, Syphilis Elimination	93.977	31643	01/01/17-12/31/17	140,243	76,947
					131,743
					221,380
Centers for Disease Control and Prevention	93.940	1U62PS003681-01	07/01/15-12/31/16	121,750	3,284
Cook County Department of Public Health, HIV/AIDS Prevention Education	93.940	1U62PS003681-01	01/01/17-12/31/17	102,384	7,500
Illinois Dept. of Public Health/Illinois Public Health Assoc., HIV Prevention					10,784
Centers for Disease Control and Prevention	93.940	31680	01/01/16-12/31/16	415,000	209,961
Chicago Department of Public Health	93.940	31680	01/01/17-12/31/17	415,000	192,427
					402,388
Department of Health and Human Services	93.940	42046	09/30/16-09/29/17	207,370	148,183
Chicago Department of Public Health					561,355
Centers for Disease Control and Prevention	93.939	U65PS004896	07/10/16-06/30/17	757,793	748,210
HIV Prevention Projects for Community-Based Organizations					
Centers for Disease Control and Prevention	93.939	1 NU65PS923654-01-00	04/01/17-03/31/18	338,365	13,944
HIV Prevention Projects for Community-Based Organizations					762,154

See accompanying notes to schedule of expenditures of federal awards

HOWARD BROWN HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title for Year ended June 30, 2017	Federal CFDA Number	Agency or Pass-Through Number	Grant Period	Program or Award Amount	Federal Expenditure
Department of Health and Human Services					
Department of Health and Human Services The Night Ministry	93.557	HHS-2015-ACF-ACYF-YO-0956	09/30/15-9/29/16	116,730	$ 47,326
Department of Health and Human Services Rush University Medical Center, Geriatrics workforce Enhancement Program	93.969	U1QHP2871501	07/01/15-06/30/17	100,665	85,829
					1,456,664
Total Department of Health and Human Services					5,921,146
R&D Cluster					
Health Resources and Services Administration Erie Family Health Center, Community Health Applied Research Network (ARRA)	93.420	1UB2HA20234	07/01/14-05/31/17	34,135	12,637
National Institute of Health Northwestern University	93.855	60040627 HBHC	07/07/16-06/30/17	5,645	5,642
Centers for Disease Control and Prevention Health HIV	93.941	PS13-1315	07/25/14-09/29/17	120,000	25,625
National Institute on Drug Abuse, Drug Abuse and Addiction Research Programs Efficacy of Internet-based HIV Prevention	93.279	1R01DA035145-01	08/01/16-07/31/17	119,779	32,214
Total R&D Cluster					76,118
Department of Justice					
Department of Justice, Office on Violence Against Women	16.889	2016-UD-AX-001	10/01/16-09/30/18		39,025
Total Expenditures of Federal Awards					**$ 6,036,289**

See accompanying notes to schedule of expenditures of federal awards

Of the federal expenditures presented in the schedule, the Center provided federal awards to the following subrecipients:

Program	**CFDA Number**	**Amount Provided**
Chicago Department of Public Health	93.940	$ 16,112
HIV Prevention Projects for Community-Based Organizations	93.939	333,528
Total Federal Awards Paid to Subrecipients		$ 349,640

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Howard Brown Health Center (the "Organization") under programs of the federal government for the year ended June 30, 2017. 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 the Organization, 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 FOR FEDERAL AWARD EXPENDITURES

Expenditures consist of direct and indirect costs. Direct costs are those that can be readily identified with an individual federally sponsored project. The salary of a principal researcher of a sponsored research project and the materials consumed by the project are examples of direct costs.

Unlike direct costs, indirect costs cannot be readily identified with an individually sponsored project. Indirect costs are the costs of services and resources that benefit many projects as well as non-sponsored projects and activities. Indirect costs primarily consist of expenses incurred for administration, payroll taxes and fringe benefits.

The Organization and federal agencies use an indirect cost rate to charge indirect costs to individual sponsored projects. The rate is the result of a number of cost allocation procedures that the Organization uses to allocate its indirect costs to both sponsored and non-sponsored activities. The indirect costs allocated to sponsored projects are divided by the direct costs of sponsored projects to arrive at a rate. The U.S. Department of Health and Human Services ("DHHS") must approve the rate before the Organization can use it to charge indirect costs to federally sponsored projects.

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. The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - NON-CASH ASSISTANCE, LOANS OR LOAN GUARANTEES, AND FEDERAL INSURANCE

No federal awards were expended in the form of non-cash assistance, loans or loan guarantees during the fiscal year. There was no federal insurance in effect from a federal insurance program during the fiscal year.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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*

The Board of Directors
Howard Brown Health Center
Chicago, Illinois

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 Howard Brown Health Center (the " Organization"), which comprise the statement of financial position as of June 30, 2017, 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 December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howard Brown Health Center's financial statements are free of 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
December 11, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors
Howard Brown Health Center
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Howard Brown Health Center's (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, 2017. 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, Howard Brown Health Center 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, 2017.

(Continued)

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.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
December 11, 2017

SECTION I - SUMMARY OF AUDITORS RESULTS

Financial Statements Type of auditor's report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	____Yes __X__No
• Significant deficiencies identified that are not considered to be material weakness(es)?	____Yes __X__No
• Noncompliance material to financial statements noted?	____Yes __X__No
Federal Awards	
Internal control over major programs:	
• Material weakness(es) identified?	____Yes __X__No
• Significant deficiencies identified that are not considered to be material weakness(es)?	____Yes __X__No
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 __X__No

(Continued)

SECTION I - SUMMARY OF AUDITORS RESULTS (Continued)

Identification of major programs:

CFDA or identifying number	Name of federal program or cluster
93.224	Health Resources and Services Administration, 330 Funding
93.928	Health Resources and Services Administration, Special Projects of National Significance, Transgender

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ___X___Yes ______ No

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

None

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

SECTION IV - SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None