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

FINANCIAL STATEMENTS
June 30, 2020 and 2019

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

FINANCIAL STATEMENTS
June 30, 2020 and 2019

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Crowe LLP
Independent Member Crowe Global

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, 2020 and 2019, 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. 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Chicago, Illinois
December 16, 2020

HOWARD BROWN HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 61,715,390	$ 44,174,275
Investments	8,841,106	-
Accounts receivable, net of allowance for doubtful accounts of $1,352,625 in 2020 and $1,250,927 in 2019	16,424,794	12,997,454
Pledges receivable, net of allowance for doubtful accounts of $65,000 in 2020 and $72,596 in 2019	891,751	1,222,644
Prepaid expenses and other	996,620	1,134,331
Total current assets	88,869,661	59,528,704
Property and equipment, net	20,361,063	11,242,632
Investment in Alliance	1,687,198	1,384,942
Deposits and other assets	760,838	519,615
Total assets	$ 111,678,760	$ 72,675,893
LIABILITIES		
Current maturities of long-term debt	$ 503,240	$ 479,920
Accounts payable	4,482,376	3,151,041
Accrued expenses	3,970,723	3,396,879
Deferred revenue	178,988	37,228
Total current liabilities	9,135,327	7,065,068
Long-term debt, less current maturities	10,773,500	5,802,682
Total liabilities	$ 19,908,827	$ 12,867,750
NET ASSETS		
Without donor restrictions	$ 88,923,254	$ 57,794,729
With donor restrictions	2,846,679	2,013,414
Total net assets	91,769,933	59,808,143
Total liabilities and net assets	$ 111,678,760	$ 72,675,893

See accompanying notes to financial statements

HOWARD BROWN HEALTH CENTER
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Net patient service revenue	$ 171,045,073	$ -	$ 171,045,073
Government contracts	8,895,210	-	8,895,210
Direct support	4,780,977	2,468,416	7,249,393
Donated services	393,646	-	393,646
Net assets released from restrictions	1,635,151	(1,635,151)	-
Net investment return	478,623	-	478,623
Other, including Alliance income	1,415,564	-	1,415,564
Total operating revenue and support	188,644,244	833,265	189,477,509
Expenses			
Medical	126,916,780	-	126,916,780
Youth services	3,235,548	-	3,235,548
Behavioral health	5,815,780	-	5,815,780
Research	1,379,139	-	1,379,139
Prevention	3,783,097	-	3,783,097
Total program expenses	141,130,344	-	141,130,344
Development	643,496	-	643,496
Public relations	692,010	-	692,010
Brown elephant	2,731,695	-	2,731,695
General and administrative	12,318,174	-	12,318,174
Total supporting expenses	16,385,375	-	16,385,375
Total expenses	157,515,719	-	157,515,719
Change in net assets	31,128,525	833,265	31,961,790
Net assets at beginning of year	57,794,729	2,013,414	59,808,143
Net assets at end of year	$ 88,923,254	$ 2,846,679	$ 91,769,933

(Continued)

HOWARD BROWN HEALTH CENTER
STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Net patient service revenue	$ 121,219,493	$ -	$ 121,219,493
Government contracts	7,042,540	-	7,042,540
Direct support	5,314,709	2,313,903	7,628,612
Donated services	359,958	-	359,958
Net assets released from restrictions	2,033,240	(2,033,240)	-
Other, including Alliance income	1,293,969	-	1,293,969
Total operating revenue and support	137,263,909	280,663	137,544,572
Expenses			
Medical	96,016,225	-	96,016,225
Youth services	3,266,500	-	3,266,500
Behavioral health	3,995,879	-	3,995,879
Research	1,030,710	-	1,030,710
Prevention	2,372,991	-	2,372,991
Total program expenses	106,682,305	-	106,682,305
Development	670,149	-	670,149
Public relations	819,384	-	819,384
Brown elephant	2,954,342	-	2,954,342
General and administrative	11,098,710	-	11,098,710
Total supporting expenses	15,542,585	-	15,542,585
Total expenses	122,224,890	-	122,224,890
Changes in net assets before loss on impairment	15,039,019	280,663	15,319,682
Loss on impairment	(2,527,244)	-	(2,527,244)
Change in net assets	12,511,775	280,663	12,792,438
Net assets at beginning of year	45,282,954	1,732,751	47,015,705
Net assets at end of year	$ 57,794,729	$ 2,013,414	$ 59,808,143

See accompanying notes to financial statements

HOWARD BROWN HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2020

	Program Services										
	Medical	Youth Services	Behavioral Health	Research	Prevention	Total Program Services	Development	Public Relations	Brown Elephant	General and Administrative	Total
Salaries	$ 16,967,007	$ 1,306,574	$ 3,114,840	$ 866,771	$ 2,021,152	$ 24,276,344	$ 380,925	$ 328,305	$ 1,183,902	$ 6,113,155	$ 32,282,631
Fringe benefits	2,581,222	256,647	338,026	123,864	347,725	3,647,484	42,838	49,727	176,688	1,889,630	5,806,367
Payroll taxes	1,163,731	94,853	216,930	61,261	144,614	1,681,389	27,987	23,945	89,922	411,883	2,235,126
Bad debt	1,766,035	-	280,652	-	-	2,046,687	-	-	-	-	2,046,687
Accounting and legal fees	-	-	-	-	-	-	-	-	-	252,567	252,567
Supplies	373,043	66,738	8,699	6,112	31,614	486,206	202	1,697	24,734	66,533	579,372
Telephone	340,172	40,396	36,155	2,590	5,839	425,152	80	1,630	79,919	92,991	599,772
Postage and shipping	24,965	65	-	383	160	25,573	1,785	-	3,819	4,446	35,623
Occupancy and utilities	781,725	180,310	141,867	-	-	1,103,902	-	-	844,886	107,483	2,056,271
Repairs and maintenance	1,526,240	107,484	42,825	404	2,953	1,679,906	-	-	139,767	732,259	2,551,932
Printing	139,393	6,525	3,648	325	24,805	174,696	10,864	28,253	1,906	93,503	309,222
Travel	76,141	27,917	15,702	11,899	20,140	151,799	1,725	1,180	92	70,283	225,079
Seminars and meetings	121,420	9,718	39,010	4,028	34,870	209,046	3,306	984	-	101,071	314,407
Depreciation and amortization	404,070	43,968	134,053	435	-	582,526	-	-	19,200	167,510	769,236
Outside services	20,713,987	91,546	450,717	68,238	139,168	21,463,656	38,123	43,683	17,087	876,657	22,439,206
Staff services	192,155	9,353	2,286	3,818	7,000	214,612	1,480	455	518	50,765	267,830
Pharmaceuticals, outside labs and medical supplies	77,415,326	117,246	562,683	286	87,549	78,183,090	-	-	-	762	78,183,852
Client assistance	690,667	520,148	5,700	3,607	13,580	1,233,702	-	-	-	113	1,233,815
Dues and subscriptions	54,052	214	3,916	1,628	60	59,870	1,103	10,275	790	99,496	171,534
Advertising	486	199	-	-	321	1,006	6,226	83,577	35	65,050	155,894
Client development	18,797	166,700	5,452	38,167	20,960	250,076	-	5,000	-	41,427	296,503
Public relations	-	-	-	-	3,000	3,000	-	69,261	-	-	72,261
Other	8,073	4,526	242	-	4	12,845	1,384	189	50,163	26,492	91,073
Benefit expense	-	-	-	-	-	-	72,964	323	-	-	73,287
Donated services	9,469	-	-	-	-	9,469	6,200	29,757	-	348,220	393,646
Bank fees	37,558	78	1,849	-	-	39,485	13,846	-	48,190	5,757	107,278
Interest expense	-	-	-	-	-	-	-	-	-	315,551	315,551
Insurance expense	89,048	7,232	12,117	-	-	108,397	-	-	4,266	180,651	293,314
Subcontractor expense	-	122,515	159,408	143,295	803,589	1,228,807	-	-	-	-	1,228,807
Computer and software expense	1,421,998	54,596	239,003	42,028	73,994	1,831,619	32,458	13,769	45,811	203,919	2,127,576
Total expense	$ 126,916,780	$ 3,235,548	$ 5,815,780	$ 1,379,139	$ 3,783,097	$ 141,130,344	$ 643,496	$ 692,010	$ 2,731,695	$ 12,318,174	$ 157,515,719

(Continued)

HOWARD BROWN HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

	Program Services										
	Medical	Youth Services	Behavioral Health	Research	Prevention	Total Program Services	Development	Public Relations	Brown Elephant	General and Administrative	Total
Salaries	$ 13,833,141	$ 1,672,218	$ 2,637,995	$ 680,015	$ 1,366,649	$ 20,190,018	$ 402,239	$ 301,511	$ 1,349,363	$ 5,155,831	$ 27,398,962
Fringe benefits	1,963,444	303,600	277,688	105,068	219,465	2,869,265	36,836	44,601	227,378	1,624,591	4,802,671
Payroll taxes	968,775	120,008	183,200	49,008	98,312	1,419,303	28,899	21,870	101,408	358,439	1,929,919
Bad debt	1,315,732	-	190,895	-	-	1,506,627	14,489	-	-	-	1,521,116
Accounting and legal fees	-	-	-	-	-	-	-	-	-	374,532	374,532
Supplies	272,312	69,350	31,340	1,972	31,255	406,229	529	773	22,923	61,304	491,758
Telephone	265,941	31,538	30,443	3,465	838	332,225	-	1,730	83,575	68,087	485,617
Postage and shipping	27,745	68	349	94	362	28,618	2,333	-	23,922	1,991	56,864
Occupancy and utilities	694,133	109,156	137,936	-	-	941,225	-	-	873,932	540,198	2,355,355
Repairs and maintenance	840,391	67,546	36,212	-	-	944,149	-	-	98,775	46,263	1,089,187
Printing	141,528	10,110	2,651	369	24,293	178,951	18,064	71,422	4,480	54,749	327,666
Travel	124,329	26,350	10,981	19,788	25,508	206,956	4,259	3,874	-	95,062	310,151
Seminars and meetings	127,611	25,042	23,854	4,877	7,768	189,152	1,645	4,338	-	56,772	251,907
Depreciation and amortization	352,442	43,098	115,026	-	-	510,566	-	-	35,560	120,558	666,684
Outside services	12,689,940	127,621	82,387	63,663	171,304	13,134,915	7,675	65,847	10,256	585,363	13,804,056
Staff services	42,292	2,140	1,160	1,930	2,456	49,978	2,036	1,423	-	27,477	80,914
Pharmaceuticals, outside labs and medical supplies	60,912,566	177,780	82,256	-	29,676	61,202,278	-	-	-	-	61,202,278
Client assistance	364,071	245,624	17,147	2,236	3,057	632,135	-	-	-	-	632,135
Dues and subscriptions	44,568	1,193	8,652	360	85	54,858	1,862	4,703	490	144,721	206,634
Advertising	9,467	200	-	-	10,902	20,569	849	76,165	5,714	21,107	124,404
Client development	36,345	103,438	5,828	47,740	31,073	224,424	-	-	-	875	225,299
Public relations	-	-	-	-	250	250	-	47,718	-	-	47,968
Other	80,786	700	220	-	523	82,229	12,755	40,482	32,940	45,893	214,299
Benefit expense	-	-	-	-	1,900	1,900	100,824	-	-	-	102,724
Donated services	-	-	-	-	-	-	12,059	132,757	-	215,143	359,959
Bank fees	59,402	-	1,787	-	-	61,189	9,062	-	66,804	7,281	144,336
Interest expense	-	-	-	-	-	-	-	-	-	324,488	324,488
Insurance expense	146,668	3,090	12,976	-	-	162,734	-	-	-	70,903	233,637
Subcontractor expense	-	103,381	-	48,000	337,156	488,537	-	-	12,093	-	500,630
Computer and software expense	702,596	23,249	104,896	2,125	10,159	843,025	13,734	170	4,729	1,097,082	1,958,740
Total expense	$ 96,016,225	$ 3,266,500	$ 3,995,879	$ 1,030,710	$ 2,372,991	$ 106,682,305	$ 670,149	$ 819,384	$ 2,954,342	$ 11,098,710	$ 122,224,890

See accompanying notes to financial statements

HOWARD BROWN HEALTH CENTER
STATEMENTS OF CASH FLOWS
Years ended June 30, 2020 and 2019

	2020	2019
Operating activities		
Change in net assets	$ 31,961,790	$ 12,792,438
Adjustments to reconcile changes in net assets to net cash from operating activities		
Bad debt expense	2,046,687	1,521,116
Depreciation and amortization	769,236	666,684
Loss (gain) on disposal of equipment	-	2,527,244
Unrealized gain on investments	(471,880)	-
Equity share of Alliance income	(302,256)	(236,805)
Changes in assets and liabilities		
Accounts receivable	(5,474,027)	1,276,681
Pledges receivable	330,893	(504,912)
Prepaid expenses and other current assets	137,711	(328,197)
Accounts payable	1,331,335	(893,203)
Accrued expenses	573,844	666,250
Other assets	(241,223)	(9,839)
Deferred revenue	141,760	(17,141)
Net cash from operating activities	30,803,870	17,460,316
Investing activities		
Purchase of property and equipment	(9,887,667)	(363,658)
Purchase of investments	(8,369,226)	-
Net cash from investing activities	(18,256,893)	(363,658)
Financing activities		
Funds received from notes payable	5,605,800	-
Principal payments on notes payable	(611,662)	(589,585)
Net cash from financing activities	4,994,138	(589,585)
Increase in cash and cash equivalents	17,541,115	16,507,073
Cash and cash equivalents at beginning of year	44,174,275	27,667,202
Cash and cash equivalents at end of year	$ 61,715,390	$ 44,174,275
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 304,205	$ 324,488
Donated services	393,646	359,958

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 ("LGBTQ") communities. In addition to healthcare services, the Organization also conducts behavioral and clinical research in a variety of areas that impact wellness in the LGBTQ 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 two classes of net assets: with donor restrictions and without donor restrictions.

Without Donor Restrictions – Net assets include resources which are not subject to donor-imposed restrictions plus those resources for which donor-imposed restrictions have been satisfied. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. Also included are net assets subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently. There were $1,000,000 in net assets with donor restrictions in perpetuity as of June 30, 2020. There were no net assets with donor restrictions in perpetuity at June 30, 2019. At June 30, 2020 and 2019 net assets with donor restrictions consisted of the following:

	2020	2019
Time	$ 225,000	$ 567,615
Specific programming	2,621,679	1,445,799
Total net assets with donor restrictions	$ 2,846,679	$ 2,013,414

Satisfaction of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as a reclassification of net assets with donor restrictions to net assets without donor restrictions. Where the stipulation of the net assets with donor restrictions is fulfilled in the same year as the original contribution, the contribution is recorded as revenue without donor restrictions. Restrictions released during the periods ended June 30 are summarized as follows:

	2020	2019
Time	$ 96,500	$ 505,679
Specific programming	1,538,651	1,527,561
Total releases from restriction	$ 1,635,151	$ 2,033,240

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.

(Continued)

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 statements of financial position. Gross patient accounts receivable greater than 90 days outstanding at June 30, 2020 and 2019 were approximately $1,034,000 and $774,000.

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, 2020 or 2019. 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. 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. During evaluation in fiscal year 2019, of a building acquired during fiscal year 2017, the organization recognized an impairment of the asset which was accounted for during fiscal year 2019. As of June 30, 2020 and 2019, management believes that no additional impairments exist.

Investments: Investments are valued at their fair values in the consolidated statements of financial position. Unrealized gains (losses) are included in the change in net assets. See Note 2 for additional information on the nature of the Organization's investments.

Investment in Alliance: Investment in Alliance consists of an investment in one organization for the years ended June 30, 2020 and 2019, on the equity method 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. The Alliance also receives grants from government and private foundations. The Organization's share of equity gain in the Alliance (unconsolidated affiliate) was $257,628 and $236,805 for 2020 and 2019, and is included in the statements of activities in other revenues.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized audited financial information for the Alliance at June 30, 2020 and 2019 is as follows:

	2020	2019
Assets	$ 8,100,217	$ 7,705,085
Liabilities	1,351,427	1,979,581
Equity	6,748,790	5,725,504

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 executed an endowment agreement with a donor in June 2020. The required endowment funds are restricted to support a summer fellowship program, in perpetuity, for individuals from underserved communities. The Organization is in the process of developing policies related to this endowment.

Changes in endowment net assets for years ended June 30, 2020 and 2019, are as follows:

	Endowment
Endowment net assets, June 30, 2019	$ -
Additions to restriction	1,000,000
Endowment net assets, June 30, 2020	$ 1,000,000

Revenue Recognition: Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Medicare	Medicaid	Commercial Payers	Self Pay	Total
June 30, 2020					
Gross patient charges	$ 1,275,696	$ 3,735,038	$ 4,483,819	$ 4,573,419	$ 14,067,972
Less:					
Contractual allowances and discounts	684,200	804,896	1,593,096	-	3,082,192
Charity care	-	-	-	2,085,036	2,085,036
Net patient service revenue, excluding 340B pharmacy	$ 591,496	$ 2,930,142	$ 2,890,723	$ 2,488,383	$ 8,900,744
June 30, 2019					
Gross patient charges	$ 1,329,603	$ 3,931,250	$ 4,927,626	$ 4,650,951	$ 14,839,430
Less:					
Contractual allowances and discounts	787,445	1,109,679	1,913,811	-	3,810,935
Charity care	-	-	-	2,020,327	2,020,327
Net patient service revenue, excluding 340B pharmacy	$ 542,158	$ 2,821,571	$ 3,013,815	$ 2,630,624	$ 9,008,168

The amounts above do not include the 340B pharmacy revenue of approximately $162,144,000 and $112,200,000 for the years ended June 30, 2020 and 2019, 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 payer 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 payer 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $14,610,000 and $10,348,000 for 2020 and 2019, 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 2020 and 2019, the Organization received grant revenue of approximately $4,491,000 and $3,194,000 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 are recorded as direct public support in the statement of activities. Donations of second-hand goods were approximately $2,439,000 and $3,338,000 for 2020 and 2019, 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 $394,000 and $360,000 for 2020 and 2019.

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 2020 and 2019 was $144,262 and $92,190, 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 statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The allocations of supporting activities to the functional expenses are done in a manner that represents an approximation of the benefits accruing to that function. Such allocations are done either on full time equivalents of personnel or square footage of space.

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 2020 and 2019.

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, 2020 or 2019. 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, 2020 or 2019.

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 and incurred but not reported self-funded health insurance liability. Actual results may differ from these estimates.

Concentrations: At June 30, 2020 and 2019, 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.

Performance Indicator: The statement of activities include changes in net assets as the performance indicator.

Reclassifications: Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. These reclassifications had no effect on the change in net assets or total net assets.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Guidance: In June 2018, the FASB issued (ASU) 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Organization implemented ASU 2018-08 for the year ended June 30, 2020. The new standard had no impact on the amount recognized or the timing of when revenue was recognized.

Upcoming Accounting Guidance: In May 2014, the FASB issued (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively in the fiscal year ending June 30, 2021. The Organization has not yet implemented this ASU and is in the process of assessing the effect on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The new standard is effective for the Organization in the fiscal year ending June 30, 2023. The Organization has not yet implemented this ASU and is in the process of assessing the effect on the Organization's financial statements.

Coronavirus Impact: In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. Government actions undertaken to contain the coronavirus have impacted the Organization. While the Organization's visit volumes have declined as a result of the coronavirus, 340B pharmacy revenue has not been materially impacted as of the date of issuance of the financial statements.

The Organization has received either in the form of cash or in the form of contractual commitments approximately $10,850,000 in COVID-19 related funding. The funding includes approximately $5,600,000 received in April 2020 in the form of a Paycheck Protection Program (PPP) loan as more fully described in Note 12. The residual funding, approximately $5,250,000, was received subsequent to year-end.

(Continued)

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Accounting principles generally accepted in the United States of America require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of mutual funds, US equities, and international equities that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Certain investments held by the Organization are valued based on the net asset value ("NAV") determined by the investment manager. These investments are not classified in the fair value hierarchy, however they have been included in the table below to permit reconciliation to the total value of investments reported in the statement of financial position.

Howard Brown invests in a proprietary investment vehicle offered by Alliance Bernstein that utilizes a strategy to mitigate overall portfolio risk by adjusting asset mix in response to changing levels of market risks and expected returns. The proprietary investment vehicle consists of registered mutual fund portfolios that allow modifications to the overall exposure to stocks, bonds, currencies, and other asset classes, while remaining consistent with the stated investment objectives. There are no outstanding capital commitments and the Organization has the ability to redeem their investment on a daily basis.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2020 and the valuation techniques used by the Organization to determine those fair values:

	June 30, 2020				
	Level 1	Level 2	Level 3	NAV	Total
Cash	$ 18,799	$ -	$ -	$ -	$ 18,799
Fixed income mutual funds	1,840,820	-	-	-	1,840,820
US equities	1,942,454	-	-	-	1,942,454
International equities	2,390,105	-	-	-	2,390,105
Dynamic asset allocation overlay	-	-	-	2,648,928	2,648,928
	$ 6,192,178	$ -	$ -	$ 2,648,928	$ 8,841,106

(Continued)

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

There were no investments held by the Organization at June 30, 2019.

Investment return includes the following amounts for the years ended June 30:

	2020	2019
Interest	$ 930	$ -
Dividends	5,813	-
Unrealized gain	471,880	-
	$ 478,623	$ -

NOTE 3 - 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 Use 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 the Federal Tort Claims Act. 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.

As described above, the Organization receives a significant amount of its funding from federal government agencies, though grants and other arrangements. 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.

(Continued)

NOTE 4 - PROPERTY AND EQUIPMENT

At June 30, property and equipment consist of:

	2020	2019
Land	$ 5,794,709	$ 1,583,140
Buildings and improvements	13,149,750	8,769,350
Construction in Progress	963,500	-
Leasehold improvements	3,498,706	3,410,125
Furniture and fixtures	46,388	23,843
Office equipment	343,294	249,797
Software	258,805	234,625
Medical equipment	235,787	167,691
Vehicles	178,512	143,213
	24,469,451	14,581,784
Less accumulated depreciation and amortization	4,108,388	3,339,152
	$ 20,361,063	$ 11,242,632

NOTE 5 - 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, 2018 eligible employees who contribute up to 5% of their salary to a 401(k) will receive a match. The Organization made contributions to the Plan of $1,128,175 and $867,020 in 2020 and 2019, respectively.

NOTE 6 - LEASES

At June 30, 2020 and 2019, the Organization was obligated for future rentals under various non-cancelable operating leases for their operating facilities. Monthly payments range from $1,647 to $30,364 through 2032, and various leases include escalation clauses and renewal options. Future minimum lease payments are as follows:

2021	$ 1,411,867
2022	1,232,032
2023	1,198,629
2024	1,045,242
2025	836,313
Thereafter	3,431,152
Total	$ 9,155,235

Rent expense for 2020 and 2019 was approximately $1,343,000 and $1,669,000, which is included in occupancy and utilities expense in the statements of functional expenses.

(Continued)

NOTE 7 - NOTES PAYABLE AND LETTER OF CREDIT

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

	2020	2019
Bank mortgage note (IFF) secured by real estate at 4025 N. Sheridan with monthly payments of $18,561, including interest at 5.00%.	$ 881,068	$ 1,055,006
Bank mortgage note (IFF) secured by real estate at 6500 N. Clark with monthly payments of $25,372 including interest at 6.035%	2,582,897	2,726,743
Additional bank mortgage note (IFF) secured by real estate at 6500 N. Clark with monthly payments of $16,209, including interest at 5.375%	1,708,909	1,808,639
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.	498,066	692,214
Note Payable (Fifth Third) issued through the Small Business Administration's Payroll Protection Program with monthly payments of $313,905 beginning July 30, 2021, including interest at 1%.	5,605,800	-
Total notes payable	11,276,740	6,282,602
Less current maturities	503,240	479,920
Total long-term notes payable	$ 10,773,500	$ 5,802,682

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.

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.

On April 15, 2020 the Organization obtained financing through Fifth Third Bank in the amount of $5,605,800 structured as a note payable as part of the Small Business Administration's Payroll Protection Program. Debt proceeds were used to pay qualifying expenses. The first note payable payment is $313,905 and is due July 30, 2021 with an interest rate of 1.0%. The loan can become forgivable if all conditions of use of the contract are met within 24 weeks from origination. See Note 12 for additional information.

(Continued)

NOTE 7 - NOTES PAYABLE AND LETTER OF CREDIT (Continued)

Future payments on debt are as follows:

2021	$ 504,240
2022	4,426,472
2023	2,524,568
2024	713,108
2025	416,425
Thereafter	2,692,927
	$ 11,276,740

Interest expense was $315,551 and $324,488 for the years ended June 30, 2020 and 2019, respectively.

The Organization entered into a letter of credit agreement with Fifth Third 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 Fifth Third Bank. The letter of credit remained unused at June 30, 2020 and expires on June 12, 2021.

On May 23, 2016, the Organization entered into a letter of credit agreement with Fifth Third 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 Fifth Third Bank. The letter of credit remained unused at June 30, 2020 and expires on July 1, 2021.

The Organization entered into a letter of credit agreement with Fifth Third Bank on September 26, 2017 in the amount of $2,984 which serves as collateral for an operating lease. The letter of credit is itself collateralized by a $3,282 certificate of deposit at Fifth Third Bank. The letter of credit remained unused at June 30, 2020 and expires on July 31, 2021.

NOTE 8 - 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 $444,868 and $549,893 were incurred during 2020 and 2019. At June 30, 2020 and 2019, the Organization had accounts payable due to the Alliance of $3,450 and $1,000, respectively.

NOTE 9 - 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.

The Organization maintains its medical malpractice coverage under the Federal Tort Claims Act (FTCA). FTCA provides malpractice coverage to eligible public health service-supported programs and applies to the Organization and its employees while providing services within the scope of employment included under grant-related activities. The attorney general, through the United States Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

(Continued)

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

The Organization has contracted with the county, city, and other agencies to perform certain healthcare services and receives Medicaid and Medicare revenue from the State of Illinois and the federal government. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by federal and other governments and agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding amounts in question. As of the report date, there are no pending or scheduled audits related to Medicaid and Medicare reimbursements.

Medicaid and Medicare revenue is reimbursed to the Organization at the net reimbursement rates as determined by the program's cost report. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for such revisions are recognized as of June 30, 2020 and 2019.

NOTE 10 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2020 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended June 30, 2020. Management has performed their analysis through December 16, 2020, the date the financial statements were available to be issued.

NOTE 11 - LIQUIDITY AND AVAILABILITY

The Organization’s financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2020	2019
Cash, less endowment restrictions	$ 60,715,390	$ 44,174,275
Investments	8,841,106	-
Accounts Receivable	16,424,794	12,997,454
Pledges Receivable	891,751	1,222,644
	$ 86,873,041	$ 58,394,373

As part of the Organization’s liquidity management, the Organization invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

(Continued)

NOTE 12 - PAYCHECK PROTECTION PROGRAM LOAN

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, in April 2020, the Organization received a Paycheck Protection Program (PPP) loan in the principal amount of $5,605,800 from the United States Small Business Administration (SBA). The PPP loan has a stated interest rate of 1% per annum and requires equal monthly payments of principal commencing July 30, 2021 through the contractual maturity date of December 30, 2022.

Under the terms of the Paycheck Protection Program, a PPP loan provides for conditional forgiveness if the Organization utilizes the loan proceeds on admissible expenses, including qualifying payroll, rent, and utility expenses, and maintains employment and compensation levels for a specified period of time. Although the Organization believes it is reasonably assured the PPP loan will be forgiven, ultimate forgiveness is conditioned upon the SBA concurring with management's good-faith assessment that the current economic uncertainty made the loan request necessary to support ongoing operations and the loan proceeds were used for admissible expenses. If the Organization is later determined to have violated the provisions of the Payroll Protection Program, the Organization may be required to repay the PPP loan in its entirety and/or be subject to additional penalties.

The Organization has elected to account for its PPP loan in accordance with ASC 470 and ASC 405. Under ASC 470 and ASC 405, the PPP loan proceeds are initially recorded as a financial liability and subsequently recognized as revenue upon repayment of the loan balance or upon legal release. At June 30, 2020, the Organization has not repaid the loan balance and there has been no legal release and, therefore, the loan proceeds have been recorded as a financial liability on the statement of financial position. The Organization expects to meet these conditions and apply for forgiveness during the year ending June 30, 2021.