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

CONSOLIDATED FINANCIAL STATEMENTS
(INCLUDING SINGLE AUDIT)
June 30, 2023 and 2022

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

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

CONTENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Howard Brown Health Center
Chicago, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Howard Brown Health Center ("Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Howard Brown Health Center as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Organization has adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Chicago, Illinois
December 22, 2023

HOWARD BROWN HEALTH CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 6,266,631	$ 17,482,158
Investments	66,304,986	62,317,249
Accounts receivable	22,128,929	15,286,994
Pledges receivable, current portion	2,648,402	1,371,144
Prepaid expenses and other	953,577	1,418,716
Total current assets	98,302,525	97,876,261
Property and equipment, net	78,687,449	47,928,504
Right-of-use assets	13,900,688	-
Investments, noncurrent	734,765	-
Investment in Alliance	1,625,668	1,859,213
Pledges receivable, net, less amounts due within one year	1,478,189	1,636,972
Loan receivable	3,441,759	3,441,759
Interest rate swap agreement	1,685,022	-
Deposits and other assets	669,547	682,376
Total assets	$ 200,525,612	$ 153,425,085
LIABILITIES		
Current maturities of long-term debt	$ 12,703,473	$ 7,658,845
Accounts payable	12,098,079	3,919,351
Accrued expenses	5,280,844	5,969,808
Deferred revenue	-	6,450
Current lease liabilities	2,006,700	-
Total current liabilities	32,089,096	17,554,454
Interest rate swap agreement	-	254,956
Long-term debt, less current maturities and unamortized deferred issuance costs	30,825,898	16,500,263
Long-term lease liabilities, net of current	12,985,020	-
Total liabilities	75,900,014	34,309,673
NET ASSETS		
Without donor restrictions	113,497,479	112,363,608
With donor restrictions	11,128,119	6,751,804
Total net assets	124,625,598	119,115,412
Total liabilities and net assets	$ 200,525,612	$ 153,425,085

See accompanying notes to consolidated financial statements

HOWARD BROWN HEALTH CENTER
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Patient service revenue	$ 171,652,153	$ -	$ 171,652,153
Government contracts	11,214,535	-	11,214,535
Direct support	6,192,165	2,176,016	8,368,181
Donated services	118,180	-	118,180
Net assets released from restrictions	1,389,544	(1,389,544)	-
Other, including Alliance income	529,135	-	529,135
Total operating revenue and support	191,095,712	786,472	191,882,184
Expenses			
Medical	159,588,256	-	159,588,256
Youth services	2,871,433	-	2,871,433
Behavioral health	7,644,451	-	7,644,451
Research	1,584,323	-	1,584,323
Prevention	3,441,467	-	3,441,467
Total program expenses	175,129,930	-	175,129,930
Development	1,068,556	-	1,068,556
Public relations	807,843	-	807,843
Brown elephant	3,418,140	-	3,418,140
General and administrative	21,058,397	-	21,058,397
Total supporting expenses	26,352,936	-	26,352,936
Operating (loss) income	(10,387,154)	786,472	(9,600,682)
Direct Support	-	3,589,843	3,589,843
Capital Grant	5,000,000	-	5,000,000
Change in value of interest rate swap	1,939,978	-	1,939,978
Net investment return	4,581,047	-	4,581,047
Change in net assets	1,133,871	4,376,315	5,510,186
Net assets at beginning of year	112,363,608	6,751,804	119,115,412
Net assets at end of year	$ 113,497,479	$ 11,128,119	$ 124,625,598

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HOWARD BROWN HEALTH CENTER
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Patient service revenue	$ 167,626,952	$ -	$ 167,626,952
Government contracts	17,864,305	-	17,864,305
Direct support	6,284,794	1,264,766	7,549,560
Donated services	128,182	-	128,182
Net assets released from restrictions	1,635,715	(1,635,715)	-
Other, including Alliance income	505,048	-	505,048
Total operating revenue and support	194,044,996	(370,949)	193,674,047
Expenses			
Medical	153,035,371	-	153,035,371
Youth services	3,775,520	-	3,775,520
Behavioral health	8,457,408	-	8,457,408
Research	1,965,543	-	1,965,543
Prevention	4,737,348	-	4,737,348
Total program expenses	171,971,190	-	171,971,190
Development	1,312,819	-	1,312,819
Public relations	957,829	-	957,829
Brown elephant	2,828,996	-	2,828,996
General and administrative	19,365,365	-	19,365,365
Total supporting expenses	24,465,009	-	24,465,009
Total expenses	196,436,199	-	196,436,199
Operating (loss) income	(2,391,203)	(370,949)	(2,762,152)
Direct support	-	2,839,249	2,839,249
Loss on disposal	(1,093,356)	-	(1,093,356)
Gain on loan forgiveness	5,605,800	-	5,605,800
Change in value of interest rate swap	(254,956)	-	(254,956)
Net investment return	(11,746,606)	-	(11,746,606)
Change in net assets	(9,880,321)	2,468,300	(7,412,021)
Net assets at beginning of year	122,243,929	4,283,504	126,527,433
Net assets at end of year	$ 112,363,608	$ 6,751,804	$ 119,115,412

See accompanying notes to consolidated financial statements.

HOWARD BROWN HEALTH CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

	Program Services										
	Medical	Youth Services	Behavioral Health	Research	Prevention	Total Program Services	Development	Public Relations	Brown Elephant	General and Administrative	Total
Salaries	$ 27,916,902	$ 1,056,985	$ 4,665,984	$ 1,022,315	$ 2,015,225	$ 36,677,411	$ 629,179	$ 467,657	$ 1,311,124	$ 11,870,197	$ 50,955,568
Fringe benefits	4,202,336	259,996	720,645	166,375	518,328	5,867,680	88,964	75,086	253,445	2,833,771	9,118,946
Payroll taxes	1,921,472	77,310	323,626	71,636	152,900	2,546,944	47,045	35,739	97,812	782,269	3,509,809
Accounting and legal fees	-	-	-	-	-	-	601	153	-	857,959	858,713
Supplies	696,240	26,356	3,965	4,360	1,471	732,392	1,953	172	17,362	37,443	789,322
Telephone	366,204	67,318	43,737	185	4,035	481,479	1,180	240	93,297	178,610	754,806
Postage and shipping	396	-	-	-	-	396	7,406	-	95	38,828	46,725
Occupancy and utilities	1,379,691	79,045	149,201	-	77,726	1,685,663	-	-	1,147,040	160,404	2,993,107
Repairs and maintenance	1,034,172	227,740	50,275	3,279	39,237	1,354,703	-	-	193,435	219,952	1,768,090
Printing	29,682	3,409	1,386	25	15,287	49,789	28,745	13,819	2,591	97,613	192,557
Travel	39,342	159	11,123	3,095	6,165	59,884	3,677	147	-	35,480	99,188
Seminars and meetings	55,929	1,545	26,461	5,347	2,138	91,420	1,278	-	-	51,083	143,781
Depreciation and amortization	544,468	445,188	143,490	-	-	1,133,146	-	-	46,944	831,466	2,011,556
Outside services	25,050,021	65,774	405,653	42,591	88,945	25,652,984	130,675	31,269	72,307	776,574	26,663,809
Staff services	60,394	3,152	8,846	3,215	3,928	79,535	5,697	184	81,040	35,295	201,751
Pharmaceuticals, outside labs and medical supplies	93,844,453	-	515,196	-	17,687	94,377,336	-	-	-	69,697	94,447,033
Client assistance	253,327	105,249	3,976	-	10,776	373,328	-	-	-	-	373,328
Dues and subscriptions	101,949	297	1,256	125	625	104,252	7,315	16,736	254	41,349	169,906
Advertising	-	-	-	-	-	-	967	65,473	-	4,232	70,672
Client development	69,652	28,207	1,226	31,399	5,829	136,313	-	500	-	-	136,813
Public relations	-	-	-	-	-	-	-	78,480	-	-	78,480
Other	4,678	-	106	20	437	5,241	6,786	924	31,731	33,985	78,667
Benefit expense	-	-	-	-	-	-	59,298	-	-	-	59,298
Donated services	-	-	-	-	-	-	-	-	-	108,180	108,180
Bank fees	49,907	-	1,377	-	-	51,284	19,362	-	-	41,382	112,028
Interest expense	-	375,860	-	-	-	375,860	-	-	-	805,219	1,181,079
Insurance expense	73,953	-	13,206	-	-	87,159	-	-	10,264	297,259	394,682
Subcontractor expense	103,169	-	232,047	182,995	389,433	907,644	-	-	-	311,628	1,219,272
Computer and software expense	1,789,919	47,843	321,669	47,361	91,295	2,298,087	28,428	21,264	59,399	538,522	2,945,700
Total expenses	$ 159,588,256	$ 2,871,433	$ 7,644,451	$ 1,584,323	$ 3,441,467	$ 175,129,930	$ 1,068,556	$ 807,843	$ 3,418,140	$ 21,058,397	$ 201,482,866

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HOWARD BROWN HEALTH CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	Program Services										
	Medical	Youth Services	Behavioral Health	Research	Prevention	Total Program Services	Development	Public Relations	Brown Elephant	General and Administrative	Total
Salaries	$ 24,344,182	$ 1,417,676	$ 5,253,162	$ 1,115,989	$ 2,753,823	$ 34,884,832	$ 660,321	$ 560,125	$ 1,080,475	$ 11,367,967	$ 48,553,720
Fringe benefits	4,199,372	336,822	782,208	215,245	646,849	6,180,496	101,097	94,276	195,303	1,893,839	8,465,011
Payroll taxes	1,694,291	103,351	361,815	80,019	204,437	2,443,913	49,844	40,577	80,667	769,121	3,384,122
Accounting and legal fees	-	-	-	-	-	-	-	-	-	913,690	913,690
Supplies	278,201	182,631	23,388	1,935	8,538	494,693	2,382	1,655	9,317	107,650	615,697
Telephone	656,587	93,134	4,725	425	6,990	761,861	1,185	200	96,674	277,525	1,137,445
Postage and shipping	3,844	1,288	-	56	-	5,188	1,035	-	-	36,121	42,344
Occupancy and utilities	1,270,818	125,894	-	-	75,462	1,472,174	-	-	897,993	55,915	2,426,082
Repairs and maintenance	1,116,324	154,283	-	1,337	33,039	1,304,983	-	-	142,804	253,958	1,701,745
Printing	86,283	25,611	5,987	961	8,073	126,915	41,350	25,518	1,568	167,445	362,796
Travel	26,587	2,495	7,272	1,610	6,512	44,476	2,840	41	250	22,930	70,537
Seminars and meetings	73,748	5,953	92,814	4,366	4,245	181,126	1,271	-	-	61,338	243,735
Depreciation and amortization	506,161	353,501	140,023	-	-	999,685	-	-	30,690	514,827	1,545,202
Outside services	26,102,779	199,986	546,386	220,741	151,686	27,221,578	125,524	54,026	136,259	931,899	28,469,286
Staff services	393,413	21,655	10,807	2,214	4,244	432,333	7,577	1,266	275	91,369	532,820
Pharmaceuticals, outside labs and medical supplies	89,418,339	149	432,725	463	18,569	89,870,245	-	-	-	93,742	89,963,987
Client assistance	707,779	273,987	19,922	3,109	18,330	1,023,127	-	-	-	235	1,023,362
Dues and subscriptions	137,956	1,843	6,696	2,214	1,040	149,749	661	9,151	488	230,213	390,262
Advertising	-	-	-	579	-	579	12,786	92,976	1,822	20,850	129,013
Client development	3,704	39,830	2,029	83,463	31,736	160,762	1,163	1,125	-	-	163,050
Public relations	-	-	-	-	-	-	-	44,900	-	2,500	47,400
Other	19,254	646	564	561	1,805	22,830	7,069	3,558	24,986	43,913	102,356
Benefit expense	-	-	-	-	-	-	224,190	500	-	893	225,583
Donated services	13,818	18,811	-	-	-	32,629	10,000	-	-	85,553	128,182
Bank fees	38,102	-	1,640	-	-	39,742	22,993	39	63,477	70,322	196,573
Interest expense	-	185,766	-	-	-	185,766	-	-	-	277,561	463,327
Insurance expense	111,234	-	46,929	-	-	158,163	-	-	14,158	331,476	503,797
Subcontractor expense	80	112,711	326,449	194,817	668,500	1,302,557	-	-	-	352,287	1,654,844
Computer and software expense	1,832,515	117,497	391,867	35,439	93,470	2,470,788	39,531	27,896	51,790	390,226	2,980,231
Total expenses	$ 153,035,371	$ 3,775,520	$ 8,457,408	$ 1,965,543	$ 4,737,348	$ 171,971,190	$ 1,312,819	$ 957,829	$ 2,828,996	$ 19,365,365	$ 196,436,199

See accompanying notes to consolidated financial statements.

HOWARD BROWN HEALTH CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2023 and 2022

	2023	2022
Operating activities		
Change in net assets	$ 5,510,186	$ (7,412,021)
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation and amortization	2,011,556	1,545,202
Amortization of bond issuance costs	16,178	-
Direct support restricted for long-term investment	(3,589,843)	-
Realized loss (gain) on investment	191,151	(283,160)
Unrealized (gain) loss on investments	(3,841,081)	13,718,933
Gain on loan forgiveness	-	(5,605,800)
Loss on disposal of property and equipment	-	1,093,356
Unrealized (gain) loss on interest rate swap agreement	(1,939,978)	254,956
Equity share of Alliance loss	233,545	25,000
Noncash operating lease expense	1,572,391	-
ROU asset amortization	88,975	-
Changes in assets and liabilities		
Accounts receivable	(6,841,935)	2,655,648
Pledges receivable	(1,118,475)	(1,238,421)
Prepaid expenses and other current assets	465,139	(600,928)
Deposits and other assets	12,829	(94,506)
Accounts payable	665,389	(2,344,528)
Accrued expenses	(134,740)	735,604
Deferred revenue	(6,450)	(1,915,941)
Change in operating lease liabilities	(984,575)	-
Net cash from operating activities	(7,689,738)	533,394
Investing activities		
Purchase of property and equipment	(25,257,162)	(16,983,454)
Purchase of investments	(28,710,770)	(32,663,575)
Proceeds from sale of investments	27,638,198	6,782,656
Issuance of loan receivable	-	(3,441,759)
Net cash from investing activities	(26,329,734)	(46,306,132)
Financing activities		
Direct support restricted for long-term investment	3,589,843	-
Funds received from notes payable	19,556,109	24,041,426
Payment for debt issuance costs	-	(398,129)
Principal payments on notes payable	(202,024)	(4,470,148)
Payments on financing leases	(139,983)	-
Net cash from financing activities	22,803,945	19,173,149
Decrease in cash and cash equivalents	(11,215,527)	(26,599,589)
Cash and cash equivalents at beginning of year	17,482,158	44,081,747
Cash and cash equivalents at end of year	$ 6,266,631	$ 17,482,158
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 1,184,774	$ 463,327
Donated services	118,180	128,182
Property and equipment in accounts payable	8,326,462	813,123
Noncash recognition of new leases	7,525,087	-

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization, Nature of Business: Howard Brown Health Center (the "HBHC") 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, HBHC also conducts behavioral and clinical research in a variety of areas that impact wellness in the LGBTQ community.

Principles of Consolidation: HBHC is the sole corporate member of Broadway Youth Center Service Corporation ("BYCSC"). BYCSC was formed as part of the 2021 New Markets Tax Credit transaction (Note 13). The accompanying consolidated financial statements include the accounts of HBHC and BYCSC. All significant intercompany transactions and balances have been eliminated upon consolidation. HBHC and BYCSC are referred to collectively as the "Organization".

Basis of Presentation: The consolidated 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, 2023 and 2022, respectively. At June 30, 2023 and 2022 net assets with donor restrictions consisted of the following:

	2023	2022
Time	$ 65,000	$ 75,000
Specific programming	11,063,119	6,676,804
Total net assets with donor restrictions	$ 11,128,119	$ 6,751,804

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:

	2023	2022
Time	$ 165,000	$ 75,000
Specific programming	1,224,544	1,560,715
Total releases from restriction	$ 1,389,544	$ 1,635,715

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable: Accounts receivable represents charges to patients, primarily on open account. The Organization reports patient accounts receivable at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. 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 to cover estimated contractual allowances and anticipated losses from patients, third-party payers and others. The net realizable value 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 written off.

Pledges Receivable: Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected within one year do not have a discount that has been applied to the receivable balance. During fiscal year 2022, the Organization began a capital campaign that received pledges spanning multiple years. These pledges have been discounted to net present value and this discount has been applied to this receivable balance. 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 non-operating activities. 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, 2023 and 2022, management believes that no impairments exist.

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.

Investments: Investments are valued at their fair values in the 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.

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 loss in the Alliance was $233,545 and $25,000, respectively, for the years ended June 30, 2023 and 2022, and is included in the statements of activities in other revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized financial information for the Alliance at June 30, 2023 and 2022 is as follows:

	2023	2022
Assets	$ 9,238,250	$ 9,138,034
Liabilities	2,847,636	1,595,192
Equity	6,390,613	7,542,842

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 utilizes the donor's agreement to govern the use of the endowment funds. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. At June 30, 2023 and 2022, endowment net assets funds were deficient by $304,312 and $17,968, respectively. Management believes that these positions are temporary in nature.

Changes in endowment net assets for years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Endowment net assets, beginning balance	$ 982,032	$ 1,167,140
Unrealized loss of endowment investments	(286,344)	(185,108)
Endowment net assets, ending balance	$ 695,688	$ 982,032

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 based on current rates for similar services. Included in the consolidated financial statements are contributions from such donated services and the corresponding expenses of approximately $108,180 and $128,182 for 2023 and 2022.

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 Service Revenue: The Organization reports patient service revenue at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive adjustments due to settlement of audits and reviews. Generally, the Organization bills the patients and third-party after the services are performed. Revenue is recognized as performance obligations are satisfied.

Included in patient service revenue is pharmacy revenue from the 340B program. The 340B program allows the Organization to purchase certain outpatient drugs from manufacturers at discounted rates. The Organization contracts with third-party pharmacies to fill prescriptions for eligible 340 Program patients. The performance obligation for patient care through the 340B program is satisfied when medications are dispensed.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied at a point in time is recognized when patient service is provided, and the Organization does not believe it is required to provide additional services to the patient.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions (i.e. contractual adjustments) provided to third-party payors and implicit price concessions provided to self-pay patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

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

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

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who do not have insurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2023 and 2022, revenue was reduced by $813,242 and $0, respectively, due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in previous periods. This was primarily related to self pay patient service revenue. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue: Patient service revenue, net of contractual allowances, implicit price concessions, and discounts, by major payer sources, is as follows:

	Medicare	Medicaid	Commercial Payers	Self Pay	Total
June 30, 2023					
Gross patient charges	$ 1,185,968	$ 8,909,136	$10,201,280	$ 5,022,143	$ 25,318,527
Less:					
Contractual allowances, implicit price concessions, and discounts	476,941	3,550,307	4,240,909	1,593,097	9,861,254
Charity care	-	-	-	3,516,898	3,516,898
Patient service revenue, excluding 340B pharmacy	$ 709,027	$ 5,358,829	$ 5,960,371	$ (87,852)	$11,940,375
June 30, 2022					
Gross patient charges	$ 836,666	$ 5,870,192	$ 5,024,859	$ 4,417,192	$ 16,148,909
Less:					
Contractual allowances, implicit price concessions, and discounts	242,514	1,555,310	1,883,986	1,339,288	5,021,098
Charity care	-	-	-	1,781,217	1,781,217
Patient service revenue, excluding 340B pharmacy	$ 594,152	$ 4,314,882	$ 3,140,873	$ 1,296,687	$ 9,346,594

The amounts above do not include the 340B pharmacy revenue of approximately $159,712,000 and $158,280,000 for the years ended June 30, 2023 and 2022, respectively.

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 $11,223,000 and $10,965,000 for 2023 and 2022, 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 2023 and 2022, the Organization received grant revenue of approximately $6,303,000 and $6,333,000 to help defray the costs of indigent care, which is included with government contracts on the consolidated statements of activities.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Revenue earned from sale of donated second-hand goods were approximately $3,967,819 and $3,124,639 for 2023 and 2022, respectively.

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 2023 and 2022 was $19,592 and $0, 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.

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 based on either salary expense ratios or individual line item expense ratios.

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 consolidated financial statements as the Organization had no material unrelated business income in fiscal years 2023 and 2022.

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, 2023 or 2022. 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, 2023 or 2022.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated 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 consolidated 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, 2023 and 2022, 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 operating income (loss) as the performance indicator.

Derivatives: The Organization entered into an interest rate swap agreement as part of its interest rate risk management strategy, not for speculation. As a result, related gains and losses are recognized in the change in net assets. The derivative financial instrument is recorded at fair value on the consolidated statements of financial position.

Deferred Issuance Costs: Deferred issuance costs are amortized on the straight-line method, which approximates the effective interest method. These costs are reported net against long-term debt on the consolidated statements of financial position.

Right of Use Assets and Lease Liabilities: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as substantially all leases under previous US GAAP. The Organization has implemented this ASU for the year ended June 30, 2023, effective July 1, 2022, using the alternative transition method. Upon adoption the Organization recorded a right of use (“ROU”) assets of $8,036,967 and lease liabilities of $8,591,191, with deferred rent of $554,224 no longer being recorded. The Organization elected the optional practical expedient package which, among other things, includes retaining the historical classification of leases.

ROU assets represent the Organization’s right to use the underlying assets for the lease term and lease liabilities represent the net present value of the Organization’s obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the Organization’s incremental borrowing rate on the lease commencement date or July 1, 2022 for leases that commenced prior to that date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the Organization will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. As permitted by ASC 842, leases with an initial term of twelve months or less (“short-term leases”) are not recorded on the accompanying consolidated statements of financial position. Variable lease payments consist primarily of common area maintenance, utilities and taxes, which are not included in the recognition of ROU assets and related lease liabilities. The Organization’s lease agreements do not contain material restrictive covenants.

(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. The Organization classifies the interest rate swap agreement liability as Level 2 fair value measurements. These are valued using an income approach based on current information available.

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. At June 30, 2023 and 2022, the Organization's alternative investments had the following redemption periods and unfunded commitments:

Investment	2023	2022	Redepmtion period	Unfunded commitment
Defined Outcome ETF	$ 1,055,053	$ -	2 days	$ -
Multi-Manager Alternative Fund	2,918,870	-	Quarterly liquidation, cash available 45 days after	-
Private Credit Middle Market Lending Fund II	608,949	-	2-3 years	2,304,000
Bernstein Impact Alternatives	125,816	-	No liquidity, 10 year fund term	1,350,000
Dynamic asset allocation	-	20,733,470	On demand	-
	$ 4,708,688	$ 20,733,470		$ 3,654,000

The fair value of the interest rate swap agreement, which was provided directly by the counterparty, was based on the expected cash flows over the life of the instrument and was estimated using the closing mid-market rate at June 30 (Level 2 inputs - income approach).

(Continued)

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table presents information about the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022 and the valuation techniques used by the Organization to determine those fair values:

	June 30, 2023				
Assets	Level 1	Level 2	Level 3	NAV	Total
Investments					
Cash	$ 224,047	$ -	$ -	$ -	$ 224,047
Fixed income mutual funds	22,830,322	-	-	-	22,830,322
US equities	19,670,873	-	-	-	19,670,873
International equities	19,605,821	-	-	-	19,605,821
Alternative Investments	-	-	-	4,708,688	4,708,688
	$ 62,331,063	$ -	$ -	$ 4,708,688	$ 67,039,751
Interest rate swap	$ -	$ 1,685,022	$ -	$ -	$ 1,685,022

	June 30, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Cash	$ 1,252,606	$ -	$ -	$ -	$ 1,252,606
Fixed income mutual funds	12,745,207	-	-	-	12,745,207
US equities	12,224,727	-	-	-	12,224,727
International equities	15,361,239	-	-	-	15,361,239
Dyamic asset allocation overlay	-	-	-	20,733,470	20,733,470
	$ 41,583,779	$ -	$ -	$ 20,733,470	$ 62,317,249
Liabilities					
Interest rate swap	$ -	$ 254,956	$ -	$ -	$ 254,956

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

	2023	2022
Interest	$ 97,494	$ 27,056
Equity method investment loss	(233,545)	(25,000)
Dividends	1,067,168	1,687,111
Realized (loss)/gain	(191,151)	283,160
Unrealized (loss)/gain	3,841,081	(13,718,933)
	$ 4,581,047	$ (11,746,606)

(Continued)

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.

Health Resources and Services Administration: Funded by HRSA, Epidemiology and Laboratory Capacity for Infectious Diseases, the Organization sub-contracted with CDPH to provide Contact Tracing and Technical Assistance to other organizations developing Contact Tracing programs.

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:

	2023	2022
Land	$ 11,322,997	$ 11,322,997
Buildings and improvements	29,851,735	29,851,735
Construction in Progress	37,428,844	7,245,977
Leasehold improvements	4,540,266	4,114,582
Furniture, fixtures and equipment	1,296,972	1,256,406
Software	2,275,035	258,805
Vehicles	279,332	359,239
	86,995,181	54,409,741
Less: accumulated depreciation and amortization	8,307,732	6,481,237
	$ 78,687,449	$ 47,928,504

The Organization has construction projects in progress at June 30, 2023 with estimated costs to complete of approximately $9,000,000.

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 $1,707,419 and $1,535,761 in 2023 and 2022, respectively.

NOTE 6 - NOTES PAYABLE AND LETTER OF CREDIT

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

	2023	2022
Bank mortgage note (IFF) secured by real estate at 4025 N. Sheridan with monthly payments of $18,561, including interest at 5.00%.	$ 304,017	$ 506,041
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 in 2023.	203,918	203,918
Bonds payable (Wintrust Bank, N.A.) for construction of 3501 N Halsted and to refinance mortgages payable on 6500 N Clark with a maximum authorized principal of $37,293,000 and annual payments beginning in November 2023 for interest only and annual principal payments beginning in November 2025	16,528,150	9,259,236

(Continued)

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

	2023	2022
Loan payable (Wintrust Bank, N.A.) for land and building construction of 3501 N Halsted with a maximum authorized principal of $10,000,000 and annual payments of approximately $1,649,000 beginning in November 2023 including interest at a variable rate of 0.9% over the secured overnight financing rate (SOFR).	6,088,042	6,088,042
Margin account extended to HBHC by Bernstein in FY23 and secured against HBHC's investment holdings at Bernstein. Floating interest rate based on balance and federal funds rate. LOC is revolving credit without a set maturity date.	12,287,195	-
Loan payable to Southside Community Optimal Redevelopment Enterprise, LLC for a total of $8,500,000 with monthly payments of interest only at 2.12%.	8,500,000	8,500,000
Total notes payable	43,911,322	24,557,237
Less: current maturities	12,703,473	7,658,845
Less: unamortized deferred issuance costs	381,951	398,129
Total long-term notes payable	$ 30,825,898	$ 16,500,263

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, 2021, the Organization obtained financing through the New Market Tax Credit program with Southside Community Optimal Redevelopment Enterprise, LLC in the amount of $8,500,000 structured in four separate notes payable. Debt proceeds were used to fund the construction of a new facility at 1023 W. Irving Park for the Broadway Youth Center. All of the notes carry an interest rate of 2.12% and require interest-only payments through November 2028. The entire principal of one note for $2,381,341 is due in November 2028. The other three notes are due and payable in full on December 5, 2051; however, two of the notes may be forgiven if all conditions of use of the contract are met. See Note 10 for additional information.

On April 29, 2022, the Organization obtained financing through the Illinois Financing Authority and Wintrust Bank, N.A., for a maximum authorized principal amount of $41,293,000 structured as a tax-exempt bond and loan payable purchased by Wintrust Bank, N.A. with a maturity date of November 1, 2047. Debt proceeds are being used for: 1) the construction of a new medical and dental clinic space at 3501 N Halsted, 2) refinancing of the mortgage notes payable for 6500 N Clark; and 3) costs of the bond issuance. At June 30, 2023, disbursements of $16,528,150 had been made from the bonds to the Organization with the remaining funds to be disbursed contingent on continual covenant adherence through April 29, 2025. The bonds were issued with a variable interest rate based on 80% of one-month CME Term SOFR (4.85% at June 30, 2023) which the Organization entered into a swap agreement with Wintrust Bank in order to have a fixed interest rate of 2.974% through April 2034. See Note 11 for additional information on the swap transaction.

(Continued)

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

On April 29, 2022, the Organization obtained financing through Wintrust Bank, N.A. for a maximum authorized principal amount of $10,000,000 structured as a note payable with a maturity date of November 1, 2029 and interest at a variable rate of 0.90% over SOFR (6.06% at June 30, 20230). Debt proceeds were used to fund the purchase of land and the construction of a new medical and dental clinic space at 3501 N Halsted. At June 30, 2023, disbursements of $6,088,042 had been made from the loan to the Organization.

Subsequent to June 30, 2023, the April 29, 2022 agreements were amended. The maximum authorized principal amount on the tax-exempt bonds was reduced to $37,500,000. The Organization is to repay the outstanding balance on the note payable with available funds and the note payable will be cancelled. Additionally, the required principal payments were modified the financial covenants modified. Interest rate terms remained unchanged.

The Organization is subject to various debt covenants under the arrangements described above. As of June 30, 2023, management believes they are in compliance with or financial covenant requirements or received waivers.

On February 28, 2022, the Organization obtained financing through a margin account extended by AllianceBernstein L.P. and secured against the Organization's investment holdings at AllianceBernstein L.P. The funds were issued with a variable interest rate based on the 30-day average of the Federal Funds rate less 0.75% with a floor to be paid of 0.05% (5.57% at June 30, 2023). The line of credit is revolving without a set maturity date, however, the lender can call the debt if the securities held as collateral decline in value. Therefore, the balance of $12,287,195 as of June 30, 2023 is classified as current.

Future payments on debt are as follows:

2024	$ 12,703,473
2025	543,658
2026	466,000
2027	480,000
2028	494,000
Thereafter	29,224,191
	$ 43,911,322

Interest expense was $1,136,699 and $463,327 for the years ended June 30, 2023 and 2022, 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 $140,757 certificate of deposit held at Fifth Third Bank. The letter of credit remained unused at June 30, 2023 and expires on June 12, 2024.

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 $3,288 certificate of deposit at Fifth Third Bank. The letter of credit remained unused at June 30, 2023 and expires on July 31, 2024.

(Continued)

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

The Organization entered into a letter of credit agreement with Fifth Third Bank on March 4, 2022 in the amount of $500,000 which serves as collateral for an operating lease. The letter of credit is itself collateralized by a $500,000 certificate of deposit held at Fifth Third Bank. The letter of credit remained unused at June 30, 2022 and expires on December 31, 2023. It will not be renewed.

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 $21,549 and $796,139 were incurred during 2023 and 2022, respectively. At June 30, 2023 and 2022, the Organization had accounts payable due to the Alliance of $0 and $74,748, respectively.

NOTE 8 - 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.

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, 2023 and 2022.

(Continued)

NOTE 9 - 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:

	2023	2022
Cash	$ 6,266,631	$ 17,482,158
Investments, available within one year	66,304,986	62,317,249
Accounts receivable	22,128,929	15,286,994
Pledges receivable, current portion	2,398,789	1,371,144
Less: net assets with donor restrictions	(11,128,119)	(6,751,804)
	$ 85,971,216	$ 89,705,741

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.

NOTE 10 - NEW MARKET TAX CREDIT TRANSACTION

On November 30, 2021, the BYCSC, a fully-owned subsidiary of the Organization, entered into loan agreements with SCORE SUB-CDE 29, LLC (Lender). The Lender funded the loans in the original aggregate principal amount of $8,500,000 using the federal New Markets Tax Credits (NMTC) program and the State of Illinois NMTC Credit program. BYCSC developed, constructed, equipped and leased the development project for use as the Broadway Youth Center, located at 1023 W. Irving Park, Chicago, Illinois, which includes a medical clinic, behavioral health services, resource advocacy, and educational, vocational and other program services to support youth experiencing unstable housing. BYCSC constitutes a "qualified active low-income community business" (QALICB) within the meaning of the Illinois New Markets Development Program Act (20 ILCS 663) and related Guidance and Section 45D of the Internal Revenue Code (IRC) and the Treasury Regulations and Guidance.

The NMTC program was established under IRC Section 45D and is administered through the Community Development Financial Institutions ("CDFI") fund, which is a division of the US Department of Treasury. A similar program was established by the State of Illinois under statute 20 ILCS 663 and is administered by the Illinois Department of Commerce and Economic Opportunity. The CDFI provides authority for Community Development Entities ("CDEs") to sell the provided tax credits to qualified investors. The mission of CDEs is to provide capital to low-income communities for eligible projects such as for-profit retail, manufacturing plants, service businesses and nonprofit businesses. Once the tax credits are received by the CDE, investors, such as local corporations, banks or insurance companies, invest (equity) in the CDE, which in turn allows the CDE to invest in qualifying businesses. This investment made into the CDE is called a qualified equity investment ("QEI") and can be made either as an equity investment or a loan. That investment is typically made with a combination of funds contributed by the investor and loaned by a lender, allowing the investor to take tax credits on the combined amount. The investor receives new market tax credits on a portion of that aggregate amount of the QEI and is spread out over 7 years. The investment made by the CDE is typically structured as 7-year, below-market interest rate, interest-only loans. At the end of the 7-year compliance period, there are mechanisms in place that would result in the Organization purchasing all debt related to this transaction via a put option (forgiving the principal), as the investors would have received their financial return on investment via the tax credits.

(Continued)

NOTE 10 - NEW MARKET TAX CREDIT TRANSACTION (Continued)

As part of the transaction, the Organization provided a leveraged loan related to the Federal NMTC to the QEI for $3,441,759 via an interest-bearing note receivable. In addition, Fifth Third Bank provided a leveraged loan related to the State of Illinois NMTC to the QEI for $2,381,341. The Fifth Third loan is collateralized with a certificate of deposit in the amount of the principal from the Organization. Lastly, U.S. Bancorp Community Development Corporation and Advantage Capital 2020 State Tax Credit Investor, LLC made combined investments of $3,244,800 to the QEI. BYCSC then borrowed $8,500,000 from the CDE for the project. There were four separate promissory notes signed (Note A1 for $2,381,341; Note B1 for $1,618,659; Note A2 for $3,441,759; and Note B2 for $1,058,241). Notes B1 and B2 will be eligible for forgiveness upon successful completion of the seven-year tax credit investment period.

Until October 2028, interest only payments will be due quarterly on the 5th day of each March, June, September and December at a rate of 2.12472% for all notes. Principal payments are due beginning November 2028 for Notes B1, A2 and B2 and will be based on the Lender's amortization schedule in the loan agreement. The entire Principal payment for Note A1 is due on November 30, 2028. The loan is secured by a guaranty from the Organization. Loan and regulatory agreements restrict the use of the property to those allowed as a qualified active low-income community business, for the term of the note.

NOTE 11 - DERIVATIVE TRANSACTIONS

In April 2022, the Organization entered into an interest rate swap transaction whereby it pays a fixed rate of 2.254% and receives from the counterparty a floating rate based on 80% of one-month CME Term SOFR on an initial notional amount of $41,293,000, with the cash flows to be exchanged to match the initial par amount and amortization of the Series 2022 Bonds. This swap (the 2022 Swap) hedges the variable interest rate payable on the Series 2022 Bonds by synthetically fixing that interest rate on the notional amount and over the term involved. The effective date for the 2022 Swap is November 1, 2023, and the termination date is April 1, 2034.

The Organization may terminate this transaction at any time with proper notice to the counterparty, in which case settlement would be based on the termination amount at that time, either as a liability or asset to the Organization. The termination value of the Organization's derivative instrument was in an asset position with a fair value of $1,939,978 as of June 30, 2023 and a liability position with a fair value of $254,956 as of June 30, 2022.

Net interest paid or received under the 2022 Swap will be included in interest expense beginning on the effective date, November 1, 2023. Until that date, no interest will accrue on the 2022 Swap. The Organization has not designated the use of hedge accounting; therefore, the change in the fair value of the 2022 Swap is recorded as an unrealized non-operating gain of $1,939,978 and unrealized non-operating loss of $254,956 for the years ended June 30, 2023 and 2022, respectively.

(Continued)

NOTE 12 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2023 and 2022, consisted of the following:

	2023	2022
Pledges receivable	$ 4,376,204	$ 3,009,210
Less: allowance for doubtful accounts	-	(1,093)
	$ 4,376,204	$ 3,008,117

Expected timing of collection of pledges receivable at June 30, 2023, were as follows:

Years ended June 30,	
Less than one year	$ 2,648,402
One to five years	1,727,802
Total expected contributions	4,376,204
Less: discount for net present value	(249,613)
	$ 4,126,591

The Organization has received pledges for current operations and capital projects.

NOTE 13 - LEASES

The Organization is a lessee in several non-cancellable operating leases for office and retail space. Finance leases for the Organization include networking and office equipment. The Organization determines if an arrangement is a lease at inception.

The Organization has obligations as a lessee for office and retail space, networking and office equipment. The networking and office equipment contracts are classified as finance leases while the other leases are classified as operating leases. Payments due under the lease contracts include fixed payments plus variable payments. The Organization's building space require it to make variable payments for the Organization's share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

These leases have remaining lease terms of 1 year to 9 years. Certain leases have options for extensions available and management has only included those options that they are reasonable certain will be extended in the calculation of lease liabilities.

Subsequent to June 30, 2023, the Organization entered into an agreement to assign their right, title and interest, in a lease with a lease liability of approximately $7,300,000 at June 30, 2023 to another party.

(Continued)

NOTE 13 - LEASES (Continued)

The components of lease expense were as follows:

Year Ending June 30	2023
Operating lease cost	$ 1,572,391
Short-term and variable lease cost	654,414
Sublease income	(138,394)
Total operating lease cost	$ 2,088,411
Finance lease cost	
Amortization of right-of-use assets	$ 88,975
Interest on lease liabilities	48,075
Total Finance Lease Cost	$ 137,050

Year Ending June 30	2023
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 1,376,127
Operating cash flows from finance leases	48,075
Financing cash flows from finance leases	139,983
Right-of-use assets obtained in exchange for new operating lease obligations	7,267,699
Right-of-use assets obtained in exchange for new finance lease obligations	257,388
Weighted average remaining lease terms - operating leases (years)	8.32
Weighted average remaining lease terms - finance leases (years)	2.51
Weighted average discount rate - operating leases	2.89%
Weighted average discount rate - finance leases	11.30%

Supplemental statement of net position information related to leases is as follows:

Year Ending June 30	2023
Operating leases	
Right-of-use assets	$ 13,472,067
Lease liabilities	$ 14,566,030
Finance leases	
Right-of-use assets	$ 428,621
Lease liabilities	$ 425,690

(Continued)

NOTE 13 - LEASES (Continued)

Maturities of lease liabilities were as follows:

Year Ending June 30	Operating Leases	Finance Leases	Total
2024	$ 2,207,485	$ 217,780	$ 2,425,265
2025	1,937,774	147,192	2,084,966
2026	1,964,163	94,691	2,058,854
2027	1,979,777	3,001	1,982,778
2028	1,814,834	-	1,814,834
Thereafter	6,532,853	-	6,532,853
Total lease payments	16,436,886	462,664	16,899,550
Less imputed interest	1,870,856	36,974	1,907,830
Total Maturities	$ 14,566,030	$ 425,690	$ 14,991,720

Rent expense for the year ended June 30, 2022, recorded under ASC 840, was approximately $1,702,720.

NOTE 14 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended June 30, 2023. Management has performed their analysis through December 22, 2023, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HOWARD BROWN HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ending June 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title for the Year ended June 30, 2023	Assistance Listing Number	Agency or Pass-through Number	Grant Period	Program or Award Amount	Sub-receipient Pass Through	Federal Expenditures
Department of Health and Human Services						
Health Resources and Services Administration, Dental Residency	93.530	T9B45344	12/01/2021 -11/30/2023	$ 500,000	$ -	$ 241,204
Health Resources and Services Administration, IPHCA Patient Navigator	93.332	NAVCA210404	9/1/2021 - 8/31/2022	95,500	-	91,378
Health Center Cluster						
Health Resources and Services Administration, ACA Expanding COVID-19 Vaccination	93.527	H8G47546	12/01/2022-05/31/2023	321,520	-	234,484
Health Resources and Services Administration, American Rescue Plan Act Funding for Health Centers	93.224	H8FCS41018 01 00	04/01/2021 03/31/2023	6,292,375	-	1,053,205
Health Resources and Services Administration, Section 330 Funding	93.224	H80CS29004	06/01/2022 - 05/31/2023	1,456,962	-	1,288,133
	93.224	H80CS29004	06/01/2023 - 05/31/2024	1,514,076	-	83,316
					-	1,371,449
Total Health Center Cluster					-	2,659,138
Health Resources and Services Administration, HIV/AIDS Bureau, Ryan White Part D	93.153	H12HA24805	08/01/2019-07/31/2022	512,015	-	56,604
	93.153	H12HA24805	08/01/2022-07/31/2023	536,289	-	465,658
					-	522,262
Health Resources and Services Administration, AIDS Foundation of Chicago/HRSA, Ryan White Part A, Medical Case Management Services	93.914	AFC RW A 2022/2023	03/01/2022 - 02/28/2023	238,515	-	210,153
	93.914	AFC RW A 2023/2024	03/01/2023 - 02/29/2024	238,516	-	80,439
					-	290,592
Health Resources and Services Administration, Chicago Department of Public Health - Ryan White Part A Population Centered Health Homes	93.914	PO 116670	03/01/2022 - 02/28/2023	3,029,792	285,002	1,853,538
	93.914	PO 116670	03/01/2023 - 02/29/2024	3,029,792	54,930	931,261
					339,932	2,784,799

(Continued)

HOWARD BROWN HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ending June 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title for the Year ended June 30, 2023	Assistance Listing Number	Agency or Pass-through Number	Grant Period	Program or Award Amount	Sub-receipient Pass Through	Federal Expenditures
Health Resources and Services Administration,						
University of Chicago, Chicago Department of Public Health - Ryan White Part A						
Population Centered Health Homes	93.914	SUB000038AM2	03/01/2022 - 02/28/2023	$ 87,366	$ -	$ 34,098
	93.914	SUB000038AM3	03/01/2023 - 02/29/2024	87,366	-	12,435
					-	46,533
					339,932	3,121,924
Health Resources and Services Administration,						
HIV/AIDS Bureau, Ryan White Part C	93.918	H76HA00184	01/01/2022 - 12/31/2022	787,591	-	367,222
	93.918	H76HA00184	01/01/2023 - 12/31/2023	787,591	-	335,107
					-	702,329
Health Resources and Services Administration,						
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants,						
University of Illinois	93.924	17465	07/01/2022 - 06/30/2023	191,550	-	62,575
Health Resources and Services Administration, Heartland						
Advanced Nursing Education Grant Program	93.247	T14HP33133	07/01/2022 - 06/30/2023	361,648	-	310,513
Department of Health and Human Services						
Illinois Department of Public Health - Syphilis Elimination Initiative	93.977	05180001H	7/1/2022 - 6/30/2023	100,000	-	77,132
Center for Disease Control and Prevention						
Chicago Department of Public Health, Population Centered Health Homes, CDC STI	93.977	PO 116671	01/01/2022 - 12/31/2022	60,000	-	50,897
	93.977	PO 116671	01/01/2023 - 12/31/2023	60,000	-	60,000
					-	110,897
					-	188,029
Center for Disease Control and Prevention						
Chicago Department of Public Health, Population Centered Health Homes, CDC Prevention	93.940	PO 110216	1/1/2022 - 12/31/2022	155,104	54,785	88,403
	93.940	PO 110216	1/1/2023 - 12/31/2023	155,104	35,850	47,217
					90,635	135,620
Centers for Disease Control and Prevention						
Chicago Department of Public Health	93.940	PO 91187	01/01/2022 - 12/31/2022	287,500	99,752	163,946
	93.940	PO 91187	01/01/2023 - 12/31/2023	287,500	38,250	50,851
					138,002	214,797
					228,637	350,417

(Continued)

HOWARD BROWN HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ending June 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title for the Year ended June 30, 2023	Assistance Listing Number	Agency or Pass-through Number	Grant Period	Program or Award Amount	Sub-receipient Pass Through	Federal Expenditures
Department of Health and Human Services						
Rush University Medical Center, Geriatrics Workforce Enhancement Program	93.969	15012901-Sub11	07/01/2022 - 06/30/2023	$ 7,748	$ -	$ 4,299
Department of Health and Human Services						
Chicago Department of Public Health, Capacity Building for Federally Qualified Health Center						
COVID-19 Contact Tracing	93.323	PO 132530	08/01/2020 - 07/31/2022	990,500	27,000	90,152
	93.323	PO199968	08/01/2022 - 07/31/2023	990,550	166,474	479,071
					193,474	569,223
Department of Health and Human Services						
Chicago Department of Public Health, ELC – Contact Tracing	93.323	PO137382	08/01/2021 - 07/31/2022	1,124,729	-	49,841
	93.323	PO200001	08/01/2022 - 07/31/2023	1,124,729	-	622,036
					-	671,877
					193,474	1,241,100
Total U.S. Department of Health and Human Services					**762,043**	**9,495,168**
Research Development and Cluster						
Department of Health and Human Services, National Institute of Health						
Northwestern University, CFAR	93.855	60056410 HBHC	9/1/2021 - 4/30/2023	241,266	-	217,639
	93.855	60062806 HBHC	08/01/2022 - 4/30/2023	87,567	-	28,760
	93.855	60062807 HBHC	08/01/2022 - 04/30/2023	116,409	-	16,411
					-	262,810
Department of Health and Human Services, National Institute of Health						
Northwestern University, Alcohol Disparities in HIV Risk	93.273	60057464 HBHC	9/1/2021 - 8/31/2022	51,551	-	38,617
Department of Health and Human Services, National Institute on Alcohol Abuse and Alcoholism						
Brown University, Alcohol Research Programs	93.273	1659	6/1/2022 - 5/31/2023	39,086	-	29,035
					-	67,652
Department of Health and Human Services, National Institute of Health						
Harnessing the Power of Social Network Support to Improve Retention in Care	93.242	1R01MH125744-01	3/26/2021 - 1/31/2023	224,235	-	155,381
Northwestern University, PrEP Care Continuum	93.242	AWD 102381	09/01/2021 - 6/30/2023	71,075	-	44,589
					-	199,970
Department of Health and Human Services, National Institute of Health						
Developing & Testing a Social Network Data Capture Tool to Improve Partner Services	93.279	60056967 HBHC	07/01/2021-06/30/2023	40,610	-	39,108

(Continued)

HOWARD BROWN HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ending June 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title for the Year ended June 30, 2023	Assistance Listing Number	Agency or Pass-through Number	Grant Period	Program or Award Amount	Sub-receipient Pass Through	Federal Expenditures
Department of Health and Human Services, National Institute of Health						
University of Chicago, Adolescent Medicine Trials Network	93.865	5121719	07/01/2021 - 05/31/2022	$ 31,277	$ -	$ 12,705
Total Research Development and Cluster					**-**	**582,245**
U.S. Department of Treasury						
United State Department of the Treasury, Coronavirus State & Local Fiscal Recovery Funds						
City of Chicago Department of Family & Support Services - COVID-19	21.027	PO 218746	01/01/2023-12/31/2023	431,423	-	118,145
Total Expenditures of Federal Awards					**$ 762,043**	**$ 10,195,558**

See accompanying notes to schedule of expenditures of federal awards.

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, 2023. 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 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Organization provided federal awards to subrecipients for the following programs:

Program	AL Number	Amount Provided
HIV Emergency Relief Project Grants	93.914	$ 339,932
HIV Prevention Activities Health Department Based	93.940	228,637
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	193,474

NOTE 3 - 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.

(Continued)

NOTE 4 - 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.

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 consolidated financial statements of Howard Brown Health Center (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 22, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 LLP

Crowe LLP

Chicago, Illinois
December 22, 2023

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

The Board of Directors
Howard Brown Health Center
Chicago, Illinois

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Howard Brown Health Center's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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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 weaknesses? _____ Yes __X__ None Reported

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 weaknesses? _____ Yes __X__ None Reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes __X__ No

Identification of major programs:

AL or identifying number	Name of federal program or cluster
93.225; 93.527	Health Center Cluster

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

Auditee qualified as low-risk auditee? __X__ Yes ______ No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.