

# ELLIN & TUCKER

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**HEALTH CARE FOR THE HOMELESS, INC. AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**



**HEALTH CARE  
for the HOMELESS INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Health Care for the Homeless, Inc.

### OPINION

We audited the accompanying consolidated financial statements of Health Care for the Homeless, Inc. and Subsidiary (collectively referred to as the Organization) (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of December 31, 2023 and 2022, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Consolidated 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 the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### RESPONSIBILITIES OF MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these 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 within one year after the date that the consolidated financial statements are available to be issued.

### AUDITORS' RESPONSIBILITIES FOR THE AUDITS OF THE CONSOLIDATED 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted 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 the 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 matters regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we also issued our report dated September 13, 2024 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. The 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.



ELLIN & TUCKER  
Certified Public Accountants

Baltimore, Maryland  
September 13, 2024

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**Health Care for the Homeless, Inc. and Subsidiary**  
**December 31, 2023 and 2022**

**ASSETS**

	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 7,231,258	\$ 5,427,443
Accounts Receivable, Net of Allowance of \$4,193,480 and \$2,755,012, Respectively	504,154	762,290
Grants and Other Receivables	4,139,931	7,048,954
Investments, at Fair Value (Notes 2 and 3)	10,209,949	8,923,813
Due From Related Party (Note 4)	2,000,000	2,000,000
Prepaid Expenses	687,801	217,605
Property and Equipment, Net (Note 5)	<u>10,160,086</u>	<u>10,885,612</u>
Total Assets	<u><u>\$ 34,933,179</u></u>	<u><u>\$ 35,265,717</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 1,430,666	\$ 2,945,518
Accrued Salaries and Benefits	1,106,490	1,078,019
Accrued Vacation	459,013	574,987
Deferred Revenue	<u>578,347</u>	<u>434,828</u>
Total Liabilities	<u>3,574,516</u>	<u>5,033,352</u>

**COMMITMENTS AND CONTINGENCIES (Note 7)**

**NET ASSETS**

**Without Donor Restrictions:**

Operating	17,791,097	16,093,113
Net Investment in Plant	8,547,408	9,372,222
Board-Designated Endowment (Note 11)	<u>254,610</u>	<u>203,768</u>
Total Without Donor Restrictions	26,593,115	25,669,103
With Donor Restrictions (Note 10)	<u>4,765,548</u>	<u>4,563,262</u>
Total Net Assets	<u>31,358,663</u>	<u>30,232,365</u>
Total Liabilities and Net Assets	<u><u>\$ 34,933,179</u></u>	<u><u>\$ 35,265,717</u></u>

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**Health Care for the Homeless, Inc. and Subsidiary**  
**For the Year Ended December 31, 2023 (With Comparative Totals for 2022)**

	Without Donor Restrictions						
	Operating	Net Investment in Plant	Board Designated	Total	With Donor Restrictions	2023 Total	2022 Total
<b>SUPPORT AND REVENUE</b>							
<b>Public Support:</b>							
Federal Grants	\$ 11,888,010	\$ -	\$ -	\$ 11,888,010	\$ -	\$ 11,888,010	\$ 12,122,711
State and City Grants and Contracts	1,946,457	-	-	1,946,457	-	1,946,457	1,535,516
Contributions	2,692,714	-	-	2,692,714	200,000	2,892,714	4,900,310
Net Assets Released From Restrictions	26,752	-	-	26,752	(26,752)	-	-
Total Public Support	16,553,933	-	-	16,553,933	173,248	16,727,181	18,558,537
Patient Service Revenue, Net of Contractual Allowances	6,647,791	-	-	6,647,791	-	6,647,791	6,194,580
<b>Other Support and Revenue:</b>							
Non-Government Grants	175,399	-	-	175,399	-	175,399	125,421
Pharmaceutical Rebates	4,638,284	-	-	4,638,284	-	4,638,284	3,968,026
Other Income	2,224,592	-	-	2,224,592	-	2,224,592	776,742
In-Kind Contributions	124,973	-	-	124,973	-	124,973	73,618
Total Other Support and Revenue	7,163,248	-	-	7,163,248	-	7,163,248	4,943,807
Total Support and Revenue	30,364,972	-	-	30,364,972	173,248	30,538,220	29,696,924

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENTS OF ACTIVITIES, CONTINUED**  
**Health Care for the Homeless, Inc. and Subsidiary**  
**For the Year Ended December 31, 2023 (With Comparative Totals for 2022)**

	Without Donor Restrictions						
	Operating	Net Investment in Plant	Board Designated	Total	With Donor Restrictions	2023 Total	2022 Total
EXPENSES							
Program Services	21,765,370	824,814	-	22,590,184	-	22,590,184	23,796,601
Management and General	7,373,649	-	-	7,373,649	-	7,373,649	5,225,602
Fundraising	889,550	-	-	889,550	-	889,550	1,095,565
Total Expenses	30,028,569	824,814	-	30,853,383	-	30,853,383	30,117,768
Change in Net Assets before Investment Income (Loss)	336,403	(824,814)	-	(488,411)	173,248	(315,163)	(420,844)
INVESTMENT INCOME (LOSS)	1,361,581	-	50,842	1,412,423	29,038	1,441,461	(1,245,966)
Change in Net Assets	1,697,984	(824,814)	50,842	924,012	202,286	1,126,298	(1,666,810)
NET ASSETS – BEGINNING OF YEAR	16,093,113	9,372,222	203,768	25,669,103	4,563,262	30,232,365	31,899,175
NET ASSETS – END OF YEAR	\$ 17,791,097	\$ 8,547,408	\$ 254,610	\$ 26,593,115	\$ 4,765,548	\$ 31,358,663	\$ 30,232,365

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Health Care for the Homeless, Inc. and Subsidiary**  
**For the Year Ended December 31, 2022**

	Without Donor Restrictions			With Donor	
	Operating	Net Investment in Plant	Board Designated	Restrictions	Total
<b>SUPPORT AND REVENUE</b>					
<b>Public Support:</b>					
Federal Grants	\$ 12,122,711	\$ -	\$ -	\$ -	\$ 12,122,711
State and City Grants and Contracts	1,535,516	-	-	-	1,535,516
Contributions	2,531,120	-	-	2,369,190	4,900,310
Net Assets Released from Restrictions	195,942	-	-	(195,942)	-
Total Public Support	16,385,289	-	-	2,173,248	18,558,537
Patient Service Revenue, Net of Contractual Allowances	6,194,580	-	-	-	6,194,580
<b>Other Support and Revenue:</b>					
Non-Government Grants	125,421	-	-	-	125,421
Pharmaceutical Rebates	3,968,026	-	-	-	3,968,026
Other Income	776,742	-	-	-	776,742
In-Kind Contributions	73,618	-	-	-	73,618
Total Other Support and Revenue	4,943,807	-	-	-	4,943,807
Total Support and Revenue	27,523,676	-	-	2,173,248	29,696,924

*(See Independent Auditors' Report and Accompanying Notes)*



**CONSOLIDATED STATEMENT OF ACTIVITIES, CONTINUED**  
**Health Care for the Homeless, Inc. and Subsidiary**  
**For the Year Ended December 31, 2022**

	<b>Without Donor Restrictions</b>				
	<b>Operating</b>	<b>Net Investment in Plant</b>	<b>Board Designated</b>	<b>Total</b>	<b>With Donor Restrictions</b>
				<b>Total</b>	
<b>EXPENSES</b>					
Program Services	23,374,607	421,994	-	23,796,601	-
Management and General	5,225,602	-	-	5,225,602	-
Fundraising	1,095,565	-	-	1,095,565	-
Total Expenses	29,695,774	421,994	-	30,117,768	-
Change in Net Assets Before Investment Loss	(2,172,098)	(421,994)	-	(2,594,092)	2,173,248
<b>INVESTMENT LOSS</b>	(1,179,987)	-	(41,994)	(1,221,981)	(23,985)
Change in Net Assets	(3,352,085)	(421,994)	(41,994)	(3,816,073)	2,149,263
<b>NET ASSETS – BEGINNING OF YEAR</b>	19,445,198	9,794,216	245,762	29,485,176	2,413,999
<b>NET ASSETS – END OF YEAR</b>	<u>\$ 16,093,113</u>	<u>\$ 9,372,222</u>	<u>\$ 203,768</u>	<u>\$ 25,669,103</u>	<u>\$ 4,563,262</u>

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**Health Care for the Homeless, Inc. and Subsidiary**  
**For the Year Ended December 31, 2023 (With Comparative Totals for 2022)**

	Program Services	Supporting Services		Total Supporting Services	2023 Total	2022 Total
		Management and General	Fundraising			
Salaries and Related Expenses	\$ 12,946,721	\$ 5,849,489	\$ 531,646	\$ 6,381,135	\$ 19,327,856	\$ 18,839,241
Conferences and Meetings	59,704	6,164	178,208	184,372	244,076	146,881
Dues and Subscriptions	229,303	13,213	330	13,543	242,846	249,875
Equipment	291,774	278,694	10,659	289,353	581,127	544,988
Purchase of Service and Contracts	264,669	64,165	-	64,165	328,834	709,614
Insurance	126,802	89,217	-	89,217	216,019	177,596
In-Kind Expenses	124,973	-	-	-	124,973	74,118
Miscellaneous	289,277	4,335	30,844	35,179	324,456	198,608
Occupancy	971,371	71,033	-	71,033	1,042,404	1,406,302
Office Supplies	62,873	209,656	36,790	246,446	309,319	419,613
Postage and Shipping	7,906	611	3,318	3,929	11,835	26,462
Professional Fees	82,677	445,781	80,861	526,642	609,319	354,031
Program Service Supplies	6,286,401	18,549	16,894	35,443	6,321,844	6,339,070
Telephone	20,919	322,742	-	322,742	343,661	209,375
 Total Expenses Before Depreciation and Amortization Expense	 21,765,370	 7,373,649	 889,550	 8,263,199	 30,028,569	 29,695,774
 Depreciation and Amortization Expense	 824,814	 -	 -	 -	 824,814	 421,994
 Total Expenses	 <u>\$ 22,590,184</u>	 <u>\$ 7,373,649</u>	 <u>\$ 889,550</u>	 <u>\$ 8,263,199</u>	 <u>\$ 30,853,383</u>	 <u>\$ 30,117,768</u>

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Health Care for the Homeless, Inc. and Subsidiary**  
**For the Year Ended December 31, 2022**

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses	\$ 14,013,645	\$ 4,093,280	\$ 732,316	\$ 4,825,596	\$ 18,839,241
Conferences and Meetings	61,558	21,184	64,139	85,323	146,881
Dues and Subscriptions	247,001	2,484	390	2,874	249,875
Equipment	333,526	197,858	13,604	211,462	544,988
Purchase of Service and Contracts	225,890	465,421	18,303	483,724	709,614
Insurance	133,360	44,236	-	44,236	177,596
In-Kind Expenses	74,118	-	-	-	74,118
Miscellaneous	137,154	27,080	34,374	61,454	198,608
Occupancy	1,396,718	9,584	-	9,584	1,406,302
Office Supplies	225,656	145,855	48,102	193,957	419,613
Postage and Shipping	13,612	1,931	10,919	12,850	26,462
Professional Fees	177,563	150,947	25,521	176,468	354,031
Program Service Supplies	6,160,705	30,468	147,897	178,365	6,339,070
Telephone	174,101	35,274	-	35,274	209,375
Total Expenses before Depreciation and Amortization Expense	23,374,607	5,225,602	1,095,565	6,321,167	29,695,774
Depreciation and Amortization Expense	421,994	-	-	-	421,994
Total Expenses	<u>\$ 23,796,601</u>	<u>\$ 5,225,602</u>	<u>\$ 1,095,565</u>	<u>\$ 6,321,167</u>	<u>\$ 30,117,768</u>

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Health Care for the Homeless, Inc. and Subsidiary**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,126,298	\$ (1,666,810)
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Depreciation	824,814	421,994
Realized and Unrealized (Gain) Loss on Investments	(1,085,980)	1,395,374
Loss on Disposal of Property and Equipment	5,652	-
<b>Net Changes in:</b>		
Accounts Receivable	258,136	1,274,240
Grants and Other Receivables	2,909,023	79,295
Prepaid Expenses	(470,196)	145,234
Accounts Payable and Accrued Expenses	(1,514,852)	505,621
Accrued Salaries and Benefits	28,471	(25,068)
Accrued Vacation	(115,974)	15,530
Deferred Revenue	143,519	(603,997)
Net Cash Provided by Operating Activities	<u>2,108,911</u>	<u>1,541,413</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(104,940)	(1,647,017)
Advances to Related Party	-	(41,834)
Purchases of Investments	(250,156)	(6,653,724)
Proceeds From Sale of Investments	<u>50,000</u>	<u>6,552,266</u>
Net Cash Used in Investing Activities	<u>(305,096)</u>	<u>(1,790,309)</u>
Net Change in Cash and Cash Equivalents	1,803,815	(248,896)
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u>5,427,443</u>	<u>5,676,339</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u><u>\$ 7,231,258</u></u>	<u><u>\$ 5,427,443</u></u>

*(See Independent Auditors' Report and Accompanying Notes)*

**NOTE 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES**

Health Care for the Homeless, Inc. (HCH) is a not-for-profit organization that provides health-related services, education, and advocacy to reduce the incidence and burdens of homelessness. Headquartered in Baltimore, HCH delivers adult and pediatric medical care, mental health services, social services and case management, addiction treatment, dental care, outreach, housing, and access to employment for thousands of Marylanders annually at a variety of treatment sites throughout Maryland. HCH is accredited for ambulatory and behavioral health by the Joint Commission.

HCH receives a major portion of its funding from grants from the Department of Health and Human Services, the state of Maryland, and the federal government.

HCH Real Estate Company, Inc. (RE) was formed in 2023 to promote access to affordable housing and sustainable incomes for individuals living in the greater Baltimore area, including the development, renovation and refinancing of affordable and supporting housing projects.

**PRINCIPLES OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of HCH and RE (collectively referred to as the Organization). All significant intercompany transactions and balances were eliminated in consolidation.

**ACCOUNTING STANDARDS CODIFICATION**

All references in the consolidated financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board (FASB). The Codification is the single source of authoritative GAAP in the United States.

**NEW ACCOUNTING STANDARDS ADOPTED**

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 – Financial Instruments – Credit Losses (Topic 326) to modify the model for recognizing credit losses on financial instruments not measured at fair value. The modified model requires the immediate recognition of credit losses on financial instruments based on an estimate of expected losses, replacing the incurred loss method under previous guidance. The Organization adopted the standard effective January 1, 2023. The adoption of ASU 2016-13 did not have a material impact on the Organization’s consolidated financial statements.

*(See Independent Auditors’ Report)*

#### **BASIS OF ACCOUNTING AND PRESENTATION**

The consolidated financial statements were prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, support and revenue are recorded when earned, and expenses are recorded when incurred. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue.

#### **USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **CASH AND CASH EQUIVALENTS**

The Organization maintains its cash in bank deposit and brokerage accounts, which at times may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

#### **INVESTMENTS**

Investments are reported at fair value. Changes in unrealized gains and losses are recognized in the Consolidated Statements of Activities. See Note 3 for a discussion of fair value measurements.

#### **REVENUE RECOGNITION**

Restricted and unrestricted grants and contributions are recorded when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Amounts received under grant agreements are deferred and recognized as revenue when the services are performed. Contributions of assets other than cash, if received, are recorded at fair value. The opening balance of the contract liability deferred revenue was \$1,038,825 at January 1, 2022.

*(See Independent Auditors' Report)*

Grants and contributions received are recorded as support within net assets with or without donor restrictions, depending on the existence and nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in support within net assets with donor restrictions, depending on the nature of the restriction.

#### **PATIENT SERVICE REVENUE**

Patient service revenue is recognized at the time of service. Patients covered under the Section 330 Federal Grant Program receive deeply discounted services, and these discounts are taken at the time of billing. All other contractual adjustments are estimated based on historical percentages by payor and adjusted to the actual amount at the time of cash receipt. The Organization is reimbursed for the cost of providing services by the Medicare program based on the Medicare cost reimbursement principles in effect, and such reimbursements are subject to audit and retroactive adjustment by Medicare.

A provision for estimated Medicare settlements is provided in the period the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded as adjustments to revenue in the Statements of Activities and changes in net assets in the year of settlement.

#### **PHARMACEUTICAL REBATES**

The Organization receives a portion of the rebates paid by pharmacy benefit managers when members in their insurance plans purchase medicine from a facility, doctor, or pharmacy. The Organization also receives an administrative fee for every prescription that is filled at the pharmacy. Pharmacy revenue is recognized on a monthly basis as earned.

#### **ACCOUNTS RECEIVABLE**

Accounts receivable are carried on the basis of total client charges. The allowance for accounts represents management's estimate of probable non-payments and credit losses, as determined based on a review of past-due balances and other specific account data. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Accounts receivable are written off when deemed uncollectable. Recoveries of accounts receivable previously written off are recorded when received. As of January 1, 2023, accounts receivable, net of allowance, totaled \$2,036,350. The opening balance of the contract asset accounts receivable was \$2,036,530 at January 1, 2022.

#### **GRANTS AND OTHER RECEIVABLES**

The Organization records grants and other receivables at cost less an allowance for credit losses, which is based on management's assessment of uncollectable amounts of grants and

*(See Independent Auditors' Report)*

other receivables. The opening balance of grants and other receivables was \$7,128,249 at January 1, 2022.

#### **PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost or, if donated, at the estimated fair value at the date of the donation. Expenditures for property and equipment in excess of \$5,000 are capitalized. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets.

#### **CHARITY CARE**

The Organization is a provider defined by Section 330 of the Public Health Services Act. The Organization provides care to patients with discounts based on patient family size and income in accordance with federal poverty guidelines. The Organization is open to all patients regardless of their ability to pay. The amount not recovered is not reported as revenue because it is not expected to be paid. The Organization maintains records to identify and monitor the level of charity care it provides.

The Codification prescribes that cost be used as the measurement basis for charity care disclosure purposes and identified as the direct and indirect costs of providing charity care. The amount of charity care provided during the years ended December 31, 2023 and 2022 was \$3,125,458 and \$3,457,773, respectively, and estimated by allocating total patient service expenses incurred by the Organization using the ratio of uninsured patient service charges to total patient service charges.

#### **PATIENT RECEIVABLES**

Patient receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for credit losses and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts are exhausted is charged against the allowance for credit losses.

*(See Independent Auditors' Report)*



## INCOME TAXES

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service determined the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

The Organization follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the Organization's evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it took any tax positions that would not meet this threshold.

## FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and activities were summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs were allocated among the benefitting programs and supporting services based upon estimates of actual time or resources devoted to each program.

## NOTE 2 INVESTMENTS

Investments at December 31, 2023 and 2022 consisted of the following:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents	\$ 114,623	\$ 114,623	\$ 83,914	\$ 83,914
Mutual Funds	6,178,010	5,607,252	5,109,840	5,147,467
Exchange Traded Funds	3,111,387	2,415,239	2,488,555	2,281,589
<b>Fixed Income:</b>				
U.S. Treasuries	405,902	399,953	921,357	912,431
Jewish Community Investment Fund	400,027	235,022	320,147	235,022
	<u>\$ 10,209,949</u>	<u>\$ 8,772,089</u>	<u>\$ 8,923,813</u>	<u>\$ 8,660,423</u>

*(See Independent Auditors' Report)*

Investment gain (loss) for the years ended December 31, 2023 and 2022 was comprised of the following:

	<u>2023</u>	<u>2022</u>
Dividends and Interest	\$ 225,605	\$ 149,408
Unrealized Gain (Loss)	1,085,390	(1,395,297)
Realized Gain (Loss)	<u>590</u>	<u>(77)</u>
	1,311,585	(1,245,966)
Less: Investment Fees	<u>43,497</u>	<u>48,361</u>
	<u><u>\$ 1,268,088</u></u>	<u><u>\$ (1,294,327)</u></u>

**NOTE 3 FAIR VALUE MEASUREMENTS**

The Fair Value Measurements and Disclosures Topic of the Codification establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments and other financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Health Care for the Homeless, Inc. and Subsidiary**

Below are descriptions of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used at December 31, 2023 and 2022.

Exchange Traded Funds: Valued at quoted prices in an active market.

Money Market and Mutual Funds: Valued at the net asset value (NAV) of shares held by the Organization at year end. NAV is based on the value of the underlying assets owned by the funds, minus its liabilities, and then divided by the number of shares outstanding. NAV is a quoted price in an active market.

Fixed Income: Valued based on yields currently available or comparable securities of issuers with similar credit ratings.

Jewish Community Investment Fund (JCIF): The Organization holds an interest in JCIF, a fund managed by The Associated: Jewish Federation of Baltimore. JCIF has discretionary investment authority over the Organization's interest and provides periodic value assessments of the fund, which are incorporated into the Organization's consolidated financial statements. The Organization follows the FASB's Fair Value Measurement – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share section of the Codification, which does not require categorization of investments for which fair value is measured using the NAV of the investment as a practical expedient within the fair value hierarchy and the requirement to make certain disclosures for investments that are eligible to be measured at fair value using the NAV practical expedient.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023:

	<b>2023</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Exchange Traded Funds	\$ 3,111,387	\$ -	\$ 3,111,387
<b>Mutual Funds:</b>			
Intermediate-Term Bond Funds	2,473,083	-	2,473,083
Equity Funds	3,704,927	-	3,704,927
<b>Fixed Income:</b>			
U.S. Treasuries	-	405,902	405,902
	<u>\$ 9,289,397</u>	<u>\$ 405,902</u>	9,695,299
Jewish Community Investment Fund			<u>400,027</u>
Total			<u>\$ 10,095,326</u>

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Health Care for the Homeless, Inc. and Subsidiary**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

	<b>2022</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Exchange Traded Funds	\$ 2,488,555	\$ -	\$ 2,488,555
<b>Mutual Funds:</b>			
Intermediate-Term Bond Funds	1,955,550	-	1,955,550
Equity Funds	3,154,290	-	3,154,290
<b>Fixed Income:</b>			
U.S. Treasuries	-	921,357	921,357
	<u>\$ 7,598,395</u>	<u>\$ 921,357</u>	8,519,752
Jewish Community Investment Fund			<u>320,147</u>
Total			<u>\$ 8,839,899</u>

Cash and cash equivalents are excluded from the fair value hierarchy because those items are generally measured at cost. As such, cash and cash equivalents of \$114,623 and \$83,914 held in the Organization's investment portfolio at December 31, 2023 and 2022, respectively, were excluded from this table.

**NOTE 4 DUE FROM RELATED PARTY**

The Organization owns a .0049% interest in Sojourner Place at Preston LLC (Sojourner Place), which was created to develop an affordable and supportive housing project in Baltimore City. The Organization has a loan receivable from Sojourner Place in the principal amount of \$2,000,000 with interest at 7.25% per annum. As of December 31, 2023 and 2022, accrued interest receivable and the allowance for accrued interest receivable on the loan was approximately \$370,000 and \$210,000, respectively. The interest receivable is being fully reserved based on the cash flow projections of the project. As of December 31, 2022, the Organization had a receivable for developer fee revenue in the approximate amount of \$700,000 from Sojourner Place, which was paid during 2023.

*(See Independent Auditors' Report)*

**NOTE 5**    **PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 1	\$ 1
Building and Improvements	14,103,119	14,096,369
Equipment	3,349,283	3,288,295
Furniture and Fixtures	658,396	658,396
Construction in Progress	<u>31,550</u>	<u>-</u>
	18,142,349	18,043,061
Less: Accumulated Depreciation	<u>7,982,263</u>	<u>7,157,449</u>
Total	<u><u>\$ 10,160,086</u></u>	<u><u>\$ 10,885,612</u></u>

**NOTE 6**    **LINE OF CREDIT**

The Organization has a revolving line of credit, which provides for borrowings of up to \$1,000,000, with interest at daily Bloomberg Short-Term Bank Yield Index plus 1.25% and is payable monthly in arrears. The line is collateralized by the assets of the Organization. At December 31, 2023 and 2022, no amounts were outstanding under the line of credit. In May 2024, the line of credit was reduced to \$500,000 in allowed borrowings.

**NOTE 7**    **COMMITMENTS AND CONTINGENCIES**

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used. Certain expenses of these funds are subject to audit by the grantors, and to the extent an audit determines any expenses were disallowed, the amount is subject to refund to the grantor. Management does not believe any refund, if required, would be material. A reduction in funding level could have a significant impact on the Organization.

**NOTE 8**    **CONTRACTED SERVICES**

The Organization entered into agreements with several providers to provide health care services to the homeless. The providers contracted by the Organization were paid \$343,348 and \$217,645 for services provided for the years ended December 31, 2023 and 2022, respectively.

*(See Independent Auditors' Report)*

**NOTE 9 RETIREMENT PLAN**

The Organization maintains a defined-contribution retirement plan (Plan). Each employee is eligible to participate on the anniversary date of the Plan following one year of service and a minimum of 1,000 hours of service. During the years ended December 31, 2023 and 2022, the Organization's annual contribution to the Plan was 2% of the participant's base salary. The Organization's expenses related to the Plan for the years ended December 31, 2023 and 2022 were \$242,039 and \$262,088, respectively.

**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2023 and 2022 were restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Third Floor Building Expansion	\$ 40,131	\$ 66,883
Sojourner Place Project	2,180,000	2,180,000
Supportive Housing Development	2,400,000	2,200,000
Net Appreciation of Endowment Funds	45,417	16,379
<b>Subject to Organization's Spending Policy and Appropriation:</b>		
Investment in Perpetuity Which Once Appropriated is Expendable to Support Any Activities of the Organization	<u>100,000</u>	<u>100,000</u>
Total	<u><u>\$ 4,765,548</u></u>	<u><u>\$ 4,563,262</u></u>

**NOTE 11 ENDOWMENT FUNDS**

The Organization's endowment consists of donor-restricted funds established to provide a source of income for ongoing operating expenses. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**INTERPRETATION OF RELEVANT LAW**

The Organization is subject to the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are

*(See Independent Auditors' Report)*

subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors interprets UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization interprets UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the fund
- (2) Purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation
- (5) Expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) Investment policies of the Organization

**ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2023:**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-Designated Endowment Funds	\$ 254,610	\$ -	\$ 254,610
<b>Donor-Restricted Endowment Funds:</b>			
Original Donor-Restricted Gift			
Required to Be Maintained in			
Perpetuity by Donor	-	100,000	100,000
Accumulated Investment Gains	-	45,417	45,417
	<u>\$ 254,610</u>	<u>\$ 145,417</u>	<u>\$ 400,027</u>

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Health Care for the Homeless, Inc. and Subsidiary**

**ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2022:**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-Designated Endowment Funds	\$ 203,768	\$ -	\$ 203,768
<b>Donor-Restricted Endowment Funds:</b>			
Original Donor-Restricted Gift			
Required to Be Maintained in			
Perpetuity by Donor	-	100,000	100,000
Accumulated Investment Gains	-	16,379	16,379
	<u>\$ 203,768</u>	<u>\$ 116,379</u>	<u>\$ 320,147</u>

**CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022:**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Funds – January 1, 2022	\$ 245,762	\$ 140,364	\$ 386,126
Investment Return, Net	<u>(41,994)</u>	<u>(23,985)</u>	<u>(65,979)</u>
Endowment Funds – December 31, 2022	203,768	116,379	320,147
Investment Return, Net	<u>50,842</u>	<u>29,038</u>	<u>79,880</u>
Endowment Funds – December 31, 2023	<u>\$ 254,610</u>	<u>\$ 145,417</u>	<u>\$ 400,027</u>

**UNDERWATER ENDOWMENT FUNDS**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2023 and 2022.

**RETURN OBJECTIVES AND RISK PARAMETERS**

The Organization adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operating expenses while seeking to

*(See Independent Auditors' Report)*



maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results of a composite index that is a weighted blend of the indices reflecting the Organization's target allocation while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return approximating the spending rate plus the Consumer Price Index annually. Actual returns in any given year may vary from this amount.

**STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES**

To satisfy its long-term rate-of-return objective, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY**

The Organization's endowment allows distributions to the extent that such distributions do not exceed a level that would erode the endowment fund's real assets over time. In establishing this policy, the Organization considers the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average rate approximating the spending rate plus the Consumer Price Index annually. This policy is consistent with the objective to maintain the purchasing power of the endowment assets in perpetuity or for a donor-specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 12 CERTAIN SIGNIFICANT RISKS AND UNCERTAINTIES**

The Organization receives revenue from Medicare, Medicaid, and other third-party payors. The health care industry is experiencing the effects of the federal and state governments' trend toward cost containment, as government and other third-party payors seek to impose lower reimbursement and utilization rates and negotiate reduced payment schedules with providers. These cost containment measures, combined with increasing influence of managed care payors and competition for patients, could result in reduced rates of reimbursement for services provided by the Organization.

It is not possible to fully quantify the effect of recent legislation, interpretation or administration of such legislation, or any other government initiatives of the Organization's business. Accordingly, there can be no assurance that any future health care legislation will

*(See Independent Auditors' Report)*

not adversely affect the Organization's business. There can be no assurance that payments under government and third-party payor programs will be timely, remain at levels comparable to present levels, or, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Organization's financial condition and results of activities may be affected by the reimbursement process, which in the Organization's industry is complex and can involve lengthy delays between the time that revenue is recognized, and reimbursement amounts are settled.

**MALPRACTICE RISK**

The Organization is deemed an employee of the federal government for purposes of malpractice protection and is thus covered under the Federal Tort Claims Act (FTCA). The FTCA provides malpractice coverage to eligible Public Health Service-supported programs, which 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.

**NOTE 13 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization's financial assets available to meet cash needs for general expenditures within one year of the Consolidated Statements of Financial Position date were as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 7,231,258	\$ 5,427,443
Accounts Receivable	504,154	762,290
Grants and Other Receivables	4,139,931	7,048,954
Investments	<u>10,209,949</u>	<u>8,923,813</u>
Total Financial Assets	22,085,292	22,162,500
<b>Contractual or Donor-Imposed Restrictions:</b>		
Endowment Funds	(100,000)	(100,000)
Donor Contributions Restricted to Specific Purposes	<u>(4,665,548)</u>	<u>(4,463,262)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year Before Board Designations	17,319,744	17,599,238

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Health Care for the Homeless, Inc. and Subsidiary**

	<u>2023</u>	<u>2022</u>
Board-Designated Operating Endowment	<u>(254,610)</u>	<u>(203,768)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year After Board Designations	<u>\$ 17,065,134</u>	<u>\$ 17,395,470</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has a committed line of credit, which it could draw upon, of \$500,000. Additionally, the Organization has board-designated net assets without donor restrictions that could be made available for current operations if necessary.

**NOTE 14**   **SUBSEQUENT EVENTS**

The Organization evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through September 13, 2024, the date the consolidated financial statements were available to be issued.

*(See Independent Auditors' Report)*