Equitas Health, Inc. and Subsidiaries

Consolidated Financial Statements

June 30, 2018 and 2017

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Equitas Health, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Equitas Health, Inc. and Subsidiaries (not-for-profit organizations), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Equitas Health, Inc. and Subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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 is 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 12, 2018, on our consideration of Equitas Health, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their 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 the effectiveness of the entity'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 Equitas Health, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
December 12, 2018

Assets

		2018	2017
Current assets:			
Cash	$	9,622,840	5,261,559
Investments		639	718
Receivables:			
Accounts receivable, net of allowance of $122,418 and $25,560, respectively		4,411,981	4,372,548
Grants receivable		2,912,025	2,115,819
Contributions receivable, current portion		355,052	461,064
Inventories		1,741,495	1,423,613
Prepaid expenses		539,202	350,585
		19,583,234	13,985,906
Property and equipment:			
Construction in progress		166,671	-
Computers and equipment		1,441,415	1,252,058
Furniture and fixtures		620,861	576,988
Leasehold improvements		1,704,551	1,671,722
Software		191,825	81,495
		4,125,323	3,582,263
Less accumulated depreciation		1,598,900	1,129,298
		2,526,423	2,452,965
Other assets:			
Contributions receivable, less current portion		29,685	16,508
Beneficial interest in assets held by others		14,065	13,971
		43,750	30,479
	$	22,153,407	16,469,350

Liabilities and Net Assets

		2018	2017
Current liabilities:			
Accounts payable	$	2,000,971	2,982,127
Accrued expenses		1,667,510	1,235,201
Current portion of capital lease		46,024	-
Current portion of long-term debt		324,282	315,467
Unearned revenue		5,025	10,849
		4,043,812	4,543,644
Other liabilities:			
Capital lease, net of current portion		132,326	-
Long-term debt, net of current portion		530,771	855,613
		663,097	855,613
		4,706,909	5,399,257
Net assets:			
Unrestricted		17,353,198	10,965,345
Temporarily restricted		93,300	104,748
		17,446,498	11,070,093
	$	22,153,407	16,469,350

See accompanying notes to the consolidated financial statements.

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Government support revenues:						
HOPWA	$ 1,593,335	-	1,593,335	1,735,319	-	1,735,319
ODH \ Ryan White Part B	6,510,351	-	6,510,351	4,550,515	-	4,550,515
Other programs	4,203,648	-	4,203,648	3,715,286	-	3,715,286
	12,307,334	-	12,307,334	10,001,120	-	10,001,120
Other revenues:						
Donations	780,921	60,000	840,921	1,350,936	-	1,350,936
Special events, net of expenses of $221,397 and $374,593, respectively	403,610	-	403,610	681,760	-	681,760
Medical income	1,956,987	-	1,956,987	1,252,616	-	1,252,616
Pharmacy income	56,954,101	-	56,954,101	51,772,919	-	51,772,919
Prizm	255,415	-	255,415	-	-	-
In-kind donations	332,257	63,615	395,872	73,926	88,240	162,166
Other	210,718	-	210,718	105,442	-	105,442
	60,894,009	123,615	61,017,624	55,237,599	88,240	55,325,839
Release of restricted contributions	135,063	(135,063)	-	216,029	(216,029)	-
	73,336,406	(11,448)	73,324,958	65,454,748	(127,789)	65,326,959
Expenses:						
Program services	60,680,677	-	60,680,677	57,933,901	-	57,933,901
Management and general	5,159,255	-	5,159,255	4,367,195	-	4,367,195
Fundraising	1,108,621	-	1,108,621	1,107,780	-	1,107,780
	66,948,553	-	66,948,553	63,408,876	-	63,408,876
Change in net assets	6,387,853	(11,448)	6,376,405	2,045,872	(127,789)	1,918,083
Net assets - beginning of year	10,965,345	104,748	11,070,093	8,919,473	232,537	9,152,010
Net assets - end of year	$ 17,353,198	93,300	17,446,498	10,965,345	104,748	11,070,093

See accompanying notes to the consolidated financial statements.

	Program Services						Support Services		
	Client Services	Public Education and Information	Public Policy	Medical Center and Pharmacy	Prizm	Program Services Total	Management and General	Fundraising	Total
Salaries	$ 5,874,382	1,499,790	153,647	5,456,502	313,631	13,297,952	2,835,590	633,672	16,767,214
Employee benefits	1,216,320	314,876	6,816	764,753	35,900	2,338,665	415,720	72,326	2,826,711
Payroll taxes	459,476	118,756	8,830	409,694	25,813	1,022,569	187,122	48,831	1,258,522
Contract services	-	39,469	-	191,135	-	230,604	3,848	-	234,452
Direct assistance	1,044,467	186	-	588	-	1,045,241	200	-	1,045,441
Medical expenses	47,770	95,952	-	723,151	-	866,873	990	-	867,863
Pharmaceuticals	-	-	-	36,636,747	-	36,636,747	-	-	36,636,747
Facility costs	736,009	214,252	583	578,647	8,299	1,537,790	267,234	29,483	1,834,507
Professional fees	164,763	65,758	137,972	877,714	189,710	1,435,917	443,830	77,139	1,956,886
Advertising and media	3,108	129,133	-	149,177	2,901	284,319	96,185	15,133	395,637
Community forums	16,850	10,830	670	-	-	28,350	142,707	8,596	179,653
Travel	241,535	43,308	319	45,573	6,544	337,279	43,028	12,976	393,283
Supplies	129,380	193,399	504	92,078	3,611	418,972	170,244	40,043	629,259
Equipment lease	64,196	15,549	78	24,375	-	104,198	14,719	3,211	122,128
Depreciation	20,094	8,129	715	333,057	1,165	363,160	104,689	1,754	469,603
Postage	12,732	40,416	46	146,809	278	200,281	18,846	4,496	223,623
Staff development	22,566	46,728	11,642	70,878	1,566	153,380	46,575	1,525	201,480
Copying/printing	3,004	33,205	-	15,730	92,578	144,517	84,565	14,335	243,417
Miscellaneous	563	-	119	8,143	7,515	16,340	4,974	522	21,836
Interest	-	-	-	27,717	-	27,717	1,987	-	29,704
Bad debt	-	-	-	184,066	5,740	189,806	-	-	189,806
Donated goods and services	-	-	-	-	-	-	-	144,579	144,579
Donated facilities	-	-	-	-	-	-	276,202	-	276,202
	$ 10,057,215	2,869,736	321,941	46,736,534	695,251	60,680,677	5,159,255	1,108,621	66,948,553

See accompanying notes to the consolidated financial statements.

	Program Services					Support Services		
	Client Services	Public Education and Information	Public Policy	Medical Center and Pharmacy	Program Services Total	Management and General	Fundraising	Total
Salaries	$ 3,662,876	1,102,851	139,138	4,234,271	9,139,136	2,498,821	501,701	12,139,658
Employee benefits	894,550	250,728	23,942	729,542	1,898,762	396,086	78,200	2,373,048
Payroll taxes	291,268	87,083	10,987	312,764	702,102	184,262	38,182	924,546
Contract services	-	-	-	213,092	213,092	-	-	213,092
Direct assistance	1,157,920	340	1,918	577	1,160,755	-	-	1,160,755
Medical expenses	27,243	3,078	-	745,333	775,654	251	-	775,905
Pharmaceuticals	-	-	-	40,087,853	40,087,853	-	-	40,087,853
Facility costs	482,499	124,413	13,746	359,034	979,692	147,098	31,636	1,158,426
Professional fees	162,643	60,623	111,971	601,941	937,178	408,229	147,242	1,492,649
Advertising and media	-	559,974	-	141,525	701,499	50,012	22,925	774,436
Community forums	64,045	5,924	-	3,931	73,900	163,110	433	237,443
Travel	184,765	52,944	6,973	46,333	291,015	45,125	13,459	349,599
Supplies	80,326	124,795	2,314	139,984	347,419	104,775	59,266	511,460
Equipment lease	43,925	9,814	1,438	28,537	83,714	14,305	3,541	101,560
Depreciation	-	-	-	79,554	79,554	208,063	-	287,617
Postage	19,902	19,245	1,471	132,257	172,875	16,305	9,872	199,052
Staff development	13,668	23,866	7,434	26,597	71,565	33,493	7,949	113,007
Copying/printing	7,047	48,404	423	28,917	84,791	43,636	29,014	157,441
Miscellaneous	2,185	6,058	108	22,433	30,784	28,997	2,194	61,975
Interest	-	-	-	30,393	30,393	2	-	30,395
Bad debt	-	-	-	72,168	72,168	-	-	72,168
Donated goods and services	-	-	-	-	-	-	162,166	162,166
Donated facilities	-	-	-	-	-	24,625	-	24,625
	$ 7,094,862	2,480,140	321,863	48,037,036	57,933,901	4,367,195	1,107,780	63,408,876

See accompanying notes to the consolidated financial statements.

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 6,376,405	1,918,083
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	469,603	287,617
Bad debt expense	189,806	72,169
Net realized and unrealized (gain) loss on investments and funds held by others	(15)	170
Effects of changes in operating assets and liabilities:		
Accounts receivable, net	(229,239)	(707,605)
Grants receivable	(796,206)	(857,775)
Contributions receivable	92,835	444,261
Inventories	(317,882)	(818,509)
Prepaid expenses	(188,617)	(154,250)
Accounts payable	(981,156)	115,830
Accrued expenses	432,309	214,468
Unearned revenue	(5,824)	(93,793)
Net cash provided by operating activities	5,042,019	420,666
Cash flows from investing activities:		
Purchase of property and equipment	(324,869)	(1,609,839)
Proceeds from sale of investments	-	98,700
Net cash used by investing activities	(324,869)	(1,511,139)
Cash flows from financing activities:		
Net payments on lines of credit	-	(18,295)
Proceeds from long-term debt	-	500,000
Payments on capital lease and long-term debt	(355,869)	(139,677)
Net provided (used) by financing activities	(355,869)	342,028
Change in cash	4,361,281	(748,445)
Cash - beginning of year	5,261,559	6,010,004
Cash - end of year	$ 9,622,840	5,261,559

See accompanying notes to the consolidated financial statements.

		2018	2017
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	29,704	30,395
In-kind donations received and expensed in the same year	$	420,781	186,791
Change in discount for future pledges	$	(746)	(11,745)
Noncash investing and financial activities:			
Property and equipment financed with capital lease	$	218,192	-
Noncash financing activities:			
Refinancing of long-term debt	$	-	800,000

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Equitas Health, Inc. and Subsidiaries are set forth to facilitate the understanding of data presented in the consolidated financial statements:

Nature of activities

Equitas Health, Inc. and Subsidiaries (the Organization) is a not-for-profit, community-based, health-related organization. The Organization's mission is to be the gateway to good health for those at risk of or affected by HIV/AIDS, for the lesbian, gay, bisexual, transgender, and queer/questioning (LGBTQ) community, and for those seeking a welcoming healthcare home.

The Organization's expanded mission has made it one of the nation's largest HIV/AIDS, LGBTQ healthcare organizations. With 17 offices in 10 cities, it serves more than 67,000 individuals in Ohio each year through its diverse healthcare and social service delivery system focused around: primary and specialized medical care, mental/behavioral health, housing assistance and supportive services, HIV/STI testing and prevention (including PrEP), advocacy, Camp Sunrise, and other community health initiatives. Treatment and supportive services are provided to 5,000 HIV-positive Ohioans annually.

The Equitas Health Pharmacy operates as a social enterprise for Equitas Health and is one of the pillars of the healthcare organization's patient-centered care model. The full-service retail pharmacy provides medications to HIV-positive and other Equitas Health patients and is also open to the public. One hundred percent (100%) of pharmacy profits are reinvested back into the Organization's programs and services, providing an earned income revenue line for the Organization while providing a critical service for the community.

During 2018, the Organization started Prizm, LLC. This entity operates as a social enterprise for Equitas Health. It was developed to connect LGBTQ+ people across Ohio to a statewide community, through a magazine that covers news, politics, health, arts, entertainment, fashion and culture.

The Organization's primary funding sources include reimbursements for care, pharmacy earned income; government grants; and charitable donations from corporations, foundations and individuals.

Principles of consolidation

The consolidated financial statements include the accounts of Equitas Health, Inc., AMC Ohio Pharmacy, LLC (dba Equitas Health Pharmacy) and Prizm, LLC (collectively, the Organization). All material inter-company accounts and transactions between the entities have been eliminated in the consolidated financial statements.

Basis of accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation

The Organization is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Donor-imposed restrictions that expire with the passage of time, or can be removed by meeting certain requirements, result in temporarily restricted net assets. The Organization has no permanently restricted net assets at June 30, 2018 or 2017.

Cash

For purposes of the consolidated statements of cash flows, cash is defined as demand deposits including checking and savings accounts, as well as, certificates of deposit.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities. Non-traded real estate investment trusts and limited partnership investments are valued by the initial offering price or by the present value of the lease payments based on anticipated occupancy, which approximates fair value.

Accounts receivable

Accounts receivable represent amounts due from individuals and insurance companies for medical services and pharmaceuticals provided. The receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to the valuation allowance based on assessment of individual accounts. Balances that remain outstanding after management has used reasonable efforts are written off.

Contributions and grants receivable

Unconditional grants and contributions receivable are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional grants and contributions receivable are recognized when the conditions on which they depend are substantially met. Allowances are provided for amounts estimated to be uncollectible, based on management's analysis of specific outstanding pledges at June 30, 2018 and 2017; no allowance for doubtful accounts was deemed necessary.

Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out method and consists of pharmaceuticals held for sale in the pharmacy.

Property and equipment

Property and equipment are recorded at cost, or fair value, if donated. Depreciation on property and equipment is provided using the straight-line method over the estimated useful life, which is three to seven years for computers and equipment, seven years for furniture and fixtures and the lessor of the life of the lease or thirty-nine years for leasehold improvements. Additions and betterments in excess of $500 are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Restricted and unrestricted revenue and support
Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as release of restricted contributions.

Donated goods, services, and facilities
Donated services are recognized as contributions only if the donated services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation to the Organization. Donated materials are recorded at their fair value at the date of donation.

For a number of years, the Organization has occupied office space in Dayton, Ohio (Kuhns Building) for a charge below market value. In the current year, the Organization also received office space in Columbus, Ohio below market value. The amount under fair rental value of the use of the premises has been estimated by management at $276,202 and $24,625 for the years ended June 30, 2018 and 2017, respectively.

Expense allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising expense
The Organization uses advertising to promote its programs. The production costs of advertising are expensed as incurred.

Income taxes
Equitas Health, Inc., AMC Ohio Pharmacy, LLC (dba Equitas Health Pharmacy) and Prizm, LLC, are each exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, donations to the Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and the Organizations have been classified as organizations that are not private foundations under Section 509(a)(2).

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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events
The Organization evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through December 12, 2018, the date on which the consolidated financial statements were available to be issued.

2. CONTRIBUTIONS RECEIVABLE:

Unconditional contributions receivable at June 30, 2018 and 2017 consist of the following:

		2018	2017
Receivable in less than one year	$	355,053	466,434
Receivable in one to five years		36,000	18,200
Total unconditional contributions		391,053	484,634
Less -			
Discounts to net present value		6,316	7,062
Net present value of contributions receivable		384,737	477,572
Less current portion		355,052	461,064
	$	29,685	16,508

Discount rates were 5.00% for the years ending June 30, 2018 and 2017.

3. FAIR VALUE MEASUREMENTS:

The Organization applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access;

- Level 2 – inputs, other than quoted prices in active markets, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 – unobservable inputs for the asset or liability which rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes from the prior year in the methodologies used at June 30, 2018. Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2018 and 2017.

Beneficial interest in assets held by others – The valuation is determined by underlying interest in funds held by various foundations, which are primarily invested in marketable securities with quoted market prices.

Money market account – The valuation of the money market account is the quoted market prices.

Real estate investment trust (REIT) – The valuation of non-traded REIT and limited partnership investments is either the initial offering price or the present value of the lease payments based on anticipated occupancy. Values are determined by the custodian of the trust based on the fair value of the underlying securities in the trust which represents the net asset value of the shares held by the trust at year-end.

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by others	$ 14,065	-	14,065	-
Investments:				
Money market funds	121	121	-	-
Real estate investment trust	518	-	-	518
	$ 14,704	121	14,065	518

The changes in level 3 assets measured at fair value on a recurring basis at June 30, 2018 are summarized as follows:

	Real Estate Investment Trust
Balance - beginning of year	$ 604
Realized and unrealized loss	(93)
Purchases	82
Sales of investments	(75)
Balance - end of year	$ 518

Fair values of assets measured on a recurring basis at June 30, 2017 are as follows:

	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by others	$ 13,971	-	13,971	-
Investments:				
Money market funds	114	114	-	-
Real estate investment trust	604	-	-	604
	$ 14,689	114	13,971	604

The changes in level 3 assets measured at fair value on a recurring basis at June 30, 2017 are summarized as follows:

	Real Estate Investment Trust
Balance - beginning of year	$ 910
Realized and unrealized gain	641
Purchases	5,620
Sales of investments	(6,567)
Balance - end of year	$ 604

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at June 30 consisted of the following:

	2018	2017
Contributions receivable - other	$ 29,685	16,508
Contributions receivable - rent	63,615	88,240
	$ 93,300	104,748

5. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

The Columbus Foundation administers a fund for which the Organization is the beneficiary. All income from this fund is to be reinvested into the fund principal. The Organization may direct the Columbus Foundation as to the distribution of the funds. The fair value of the funds at June 30, 2018 and 2017 was $248 and $246, respectively. In 2017, $98,700 was distributed to the Organization.

The Dayton Foundation administers a fund for which the Organization is the beneficiary. All income from this fund is to be reinvested into the fund principal. The Organization may direct the Dayton Foundation as to the distribution of the funds. The fair value of the funds at June 30, 2018 and 2017 was $13,817 and $13,725, respectively. No income was distributed to the Organization in 2018 or 2017. The change in fair value is primarily attributable to investment income net of investment fees and unrealized gains and losses.

6. OPERATING LEASES:

The Organization leases buildings and equipment under non-cancelable operating lease agreements. Certain leases include escalation clauses and renewal and purchase provisions at the option of the Organization. These leases expire at various dates through 2027. The Organization has additional leases on a month-to-month basis. Total rent expense was approximately $1,333,000 and $882,000 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease obligations subsequent to the year ended June 30, 2018 are as follows:

Year ending June 30	
2019	$ 1,332,535
2020	1,273,698
2021	964,089
2022	407,435
2023	254,785
Thereafter	976,676
	$ 5,209,218

7. CAPITAL LEASE:

Equipment under capital lease as of June 30, 2018 and 2017 consisted of:

	2018	2017
Cost	$ 218,192	-
Less accumulated depreciation	(32,729)	-
	$ 185,463	-

Future minimum lease obligations subsequent to the year ended June 30, 2018 are as follows:

Year ending June 30		
2019	$	50,195
2020		50,195
2021		50,195
2022		50,195
2023		8,366
Total minimum lease payments		209,146
Less amount representing interest (4.75%)		30,796
Present value of minimum lease payments	$	178,350
Current maturities	$	46,024
Noncurrent maturities		132,326
	$	178,350

8. LONG-TERM DEBT:

Long-term debt at June 30, 2018 and 2017 consists of the following:

		2018	2017
Note payable to a bank in monthly installments of $28,645 including interest at a rate of 2.75%. Final payment is due January 2021. The note is secured by all assets of the Organization.	$	855,053	1,171,080
Less current portion		324,282	315,467
	$	530,771	855,613

Maturities of long-term debt for each of the three years succeeding June 30, 2018 are as follows:

Year ending June 30		
2019	$	324,282
2020		333,313
2021		197,458
	$	855,053

9. RETIREMENT PLAN:

The Organization has elected a safe harbor 401(k) plan under the Internal Revenue Code (IRC) and contributed safe harbor matching contributions in the amount of 100% of the first 3% of compensation deferred and 50% of the next 2% of compensation deferred. The Organization is not required to but may make additional profit-sharing contributions under the terms of the plan. The Organization contributed $328,656 and $262,472 to the plan during the years ended June 30, 2018 and 2017, respectively.

10. CONTINGENCIES:

The Organization participates in certain federally assisted programs which are subject to program compliance audits by the grantors or their representatives. The grantor agencies, at their option, may perform economy and efficiency audits, program results audits or conduct monitoring visits. Such audits and visits could lead to reimbursement to the grantor agencies. Management believes such reimbursements, if any, would not be material to the consolidated financial statements.

11. CONCENTRATION OF CREDIT RISK:

The Organization maintains its cash balances in two financial institutions located in Ohio. Cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. As of June 30, 2018 and 2017, the Organization had uninsured cash balances of $9,222,758 and $4,958,723, respectively.

12. SUBSEQUENT EVENTS:

In July 2018, the Organization purchased a building in Columbus, Ohio in the amount of $2,150,000. The building will be used to support the operations. Additionally, in November 2018, the Organization entered into an agreement to purchase a building in the amount of $815,000.

In September 2018, the Organization created a LLC. In October 2018, this LLC entered into an agreement with an unrelated entity to operate a pharmacy in another state.

Federal Grantor Program Title Pass Through	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Supportive Housing Program			
Passed through from the Community Shelter Board:			
SHP	14.267	N/A	$ 23,588
Housing Opportunities for Persons with AIDS Grants:			
Passed through from State of Ohio Department of Development:			
Ohio Development Services Agency - HOPWA Grant	14.241	N/A	893,105
Passed through from City of Columbus:			
Columbus Public Health HOPWA Grant	14.241	N/A	700,230
Total Housing Opportunities for Persons with AIDS Grants Program			1,593,335
Total U.S. Department of Housing and Urban Development			1,616,923
U.S. Department of Health and Human Services:			
HIV Emergency Relief Project Grants (Ryan White Part A):			
Passed through from City of Columbus:			
Medical services	93.914	N/A	1,692,764
HIV Care Formula Grants (Ryan White Part B)			
Passed through from Ohio Department of Health:			
Ryan White Federal HIV Program	93.917	05760012RW0414	2,120,797
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White Part C):			
Early Intervention Services	93.918	N/A	528,029
Capacity	93.918	N/A	88,840
Passed through from Portsmouth City Health Department:			
Early Intervention Services	93.918	N/A	38,229
Total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease			655,098

Federal Grantor Program Title Pass Through	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
U.S. Department of Health and Human Services - continued:			
HIV Prevention Activities - Non-Governmental Organization Based			
Passed through from Centers for Disease Control and Prevention			
High Impact Prevention	93.939	N/A	$ 330,303
Mosaic	93.939	N/A	443,726
Total HIV Prevention Activities - Non-Governmental Organization Based			774,029
HIV Prevention Activities - Health Department Based			
Passed through from City of Columbus:			
Gay/Bisexual Men Program	93.940	N/A	239,119
Passed through from Ohio Department of Health:			
Statewide Initiatives	93.940	N/A	325,106
Passed through from Public Health Dayton/Montgomery County:			
Gay/Bisexual Men & MSMS of Color	93.940	N/A	87,965
Passed through from Toledo Lucas County Health Department:			
Gay/Bisexual Men of Color Program	93.940	N/A	24,876
Passed through from Summit County Health Department:			
MSM and AA MSM	93.940	N/A	14,891
Total HIV Prevention Activities - Health Department Based			691,957
Total U.S. Department of Health and Human Services			5,934,645
U.S. Department of Homeland Security:			
Emergency Food and Shelter National Board Program			
Passed through from United Way of Greater Toledo FEMA:			
Federal Emergency Management Food and Shelter Program	97.024	N/A	2,750
Total Federal Expenditures			$ 7,554,318

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activities of Equitas Health, Inc. and Subsidiaries under programs of the federal government for the year ended June 30, 2018. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 limited as to reimbursement.

3. INDIRECT COST RATE:

The Organization did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' 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*

To the Board of Trustees of
Equitas Health, Inc. and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Equitas Health, Inc. and Subsidiaries (the Organization, a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2018, 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 12, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
December 12, 2018

CLARK SCHAEFER HACKETT
CPAs & Advisors

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
Equitas Health, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited Equitas Health, Inc. and Subsidiaries' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Equitas Health, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
December 12, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with the Uniform Guidance?	none

Identification of major programs:
CFDA 93.917 – Ryan White Part B
CFDA 93.939 – HIV Prevention Activities Non-Governmental Organization Based

Dollar threshold to distinguish between Type A and Type B Programs:	$750,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None