

**COMMUNITY HEALING CENTERS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Years Ended September 30, 2017 and 2016**

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# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Community Healing Centers

### Report on the Financial Statements

We have audited the accompanying financial statements of Community Healing Centers (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Healing Centers as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

### *Other Information*

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, on our consideration of Community Healing Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Healing Center's internal control over financial reporting and compliance.

Seber Tans, PLC  
Kalamazoo, Michigan

*Seber Tans, PLC*

September 24, 2018

**Community Healing Centers**  
**Statements of Financial Position**  
**September 30, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
Current Assets		
Cash	\$ 31,871	\$ 208,853
Accounts receivable, net of allowance for doubtful accounts and revenue adjustments of \$760,000 in 2017 and \$1,313,000 in 2016	605,539	737,346
Grants receivable	152,171	163,480
Promises to give	-	9,480
Prepaid expenses	104,311	97,274
Total Current Assets	<u>893,892</u>	<u>1,216,433</u>
Property and Equipment		
Land	112,426	112,426
Buildings and improvements	2,322,561	2,322,561
Vehicles	19,882	19,882
Leasehold improvements	1,013,304	1,005,948
Equipment	178,751	177,028
Furniture and fixtures	5,154	5,154
	<u>3,652,078</u>	<u>3,642,999</u>
Accumulated depreciation	<u>(1,884,926)</u>	<u>(1,691,273)</u>
Net Property and Equipment	<u>1,767,152</u>	<u>1,951,726</u>
Other Assets		
Cash restricted for capital acquisitions	-	14,504
Beneficial interest in assets held at community foundation	167,189	152,551
Total Other Assets	<u>167,189</u>	<u>167,055</u>
<b>Total Assets</b>	<b><u>\$ 2,828,233</u></b>	<b><u>\$ 3,335,214</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 354,399	\$ 346,337
Funds held for others	29,680	122,310
Note payable - bank	91,345	70,000
Accrued payroll, related withholdings, and compensated absences	283,309	262,193
Deferred revenue	38,698	136,508
Current maturities of long-term debt	41,000	39,000
Total Current Liabilities	<u>838,431</u>	<u>976,348</u>
Long-term debt, net of current maturities	413,832	455,288
Net Assets		
Unrestricted	1,211,928	1,448,282
Temporarily restricted	264,042	355,296
Permanently restricted	100,000	100,000
Total Net Assets	<u>1,575,970</u>	<u>1,903,578</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 2,828,233</u></b>	<b><u>\$ 3,335,214</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Community Healing Centers**  
**Statements of Activities**  
**For the Years Ended September 30, 2017 and 2016**

	2017	2016
<b>Unrestricted Net Assets</b>		
Support and Revenue		
Government agency grants and contracts	\$ 2,093,465	\$ 1,998,420
Service fees:		
Client and insurance	605,715	921,771
Medicaid	2,128,431	2,260,294
Alcohol tax	272,247	287,430
Contributions		
United Way	239,365	112,845
Other	194,239	173,801
Grants	203,936	209,931
Fundraising	203,265	198,103
Miscellaneous	15,386	57,894
Total Support and Revenue	5,956,049	6,220,489
Expiration of time restrictions on funding	308,687	512,813
Total Support and Revenue and Reclassifications	6,264,736	6,733,302
<b>Expenses</b>		
Program services:		
Residential	1,319,081	1,436,597
Detoxification	997,334	1,023,795
Outpatient and group outpatient treatment	1,302,007	1,487,808
EIP	676,394	644,858
Children Advocacy Center	282,510	253,687
Co-occurring adolescent	295,641	313,616
New beginnings	140,838	149,283
Women's specialist	48,905	37,557
COP case management	49,393	80,314
Prevention	86,960	87,621
Street	166,967	135,112
Hope House	64,177	83,065
PA2	14,767	19,418
Parents as teachers	193,553	243,864
Bethany House	108,192	103,513
Berrien Jail Program	33,108	40,761
Berrien Wellness Group	6,638	5,450
Berrien Womens Recovery House	55,418	50,201
Peer Recovery Coach	47,468	33,733
Berrien Peer Support Supervision	9,654	9,973
Berrien Peer Recovery Outreach	36,017	35,858
Early Infant Mental Health	61,036	10,077
Niles Friends and Family	4,534	5,522
Neonatal Specialty Program	30,531	-
Total Program Services Expenses	6,031,123	6,291,683
Supporting services:		
Fundraising expenses	198,475	225,011
Management and general	271,492	243,455
Total Supporting Services Expenses	469,967	468,466
Total Expenses	6,501,090	6,760,149
Change in Unrestricted Net Assets	(236,354)	(26,847)
<b>Temporarily Restricted Net Assets</b>		
Grants and contributions	196,851	280,989
Appreciation (depreciation) in beneficial interest in assets held at community foundation	20,582	15,888
Expiration of restrictions on funding	(308,687)	(512,813)
Change in Temporarily Restricted Net Assets	(91,254)	(215,936)
<b>Change in Net Assets</b>	<b>(327,608)</b>	<b>(242,783)</b>
Net Assets at Beginning of Year	1,903,578	2,146,361
<b>Net Assets at End of Year</b>	<b>\$ 1,575,970</b>	<b>\$ 1,903,578</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Community Healing Centers**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2017 and 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (327,608)	\$ (242,783)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	193,654	191,990
Appreciation in beneficial interest in assets held at community foundation	(20,582)	(15,888)
Bad debts	134,365	794,066
Loss on disposal of property and equipment	-	1,474
Contributions and grants restricted for capital acquisitions	-	(2,229)
Changes in:		
Accounts receivable	(2,558)	(853,471)
Grants receivable	11,309	97,582
Prepaid expenses	(7,037)	(11,242)
Accounts payable	8,062	(14,179)
Funds held for others	(92,630)	(685)
Accrued payroll, related withholdings, and compensated absences	21,116	31,297
Other current liabilities	(97,810)	2,226
Net Cash Used by Operating Activities	<u>(179,719)</u>	<u>(21,842)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(9,079)	(10,686)
Proceeds from sale of property and equipment	-	3,400
Withdrawal from beneficial interest in assets held at community foundation	5,944	5,720
Decrease in cash restricted for capital acquisitions	14,504	24,732
Net Cash Provided by Investing Activities	<u>11,369</u>	<u>23,166</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings on short-term debt	1,784,702	1,408,000
Payments on short-term debt	(1,763,358)	(1,408,000)
Principal payments on long-term debt	(39,456)	(37,569)
Collection of contributions and grants for capital acquisitions	9,480	30,450
Net Cash Used in Financing Activities	<u>(8,632)</u>	<u>(7,119)</u>
Net Change in Cash	(176,982)	(5,795)
Cash at Beginning of Year	<u>208,853</u>	<u>214,648</u>
<b>Cash at End of Year</b>	<u><b>\$ 31,871</b></u>	<u><b>\$ 208,853</b></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Community Healing Centers**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2017 and 2016**

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**NOTE A – Summary of Significant Accounting Policies**

Organization Purpose

Community Healing Centers (the Organization) was established to provide a continuum of child and family counseling, infant services, substance abuse related services to individuals, their families and the community primarily in southwest Michigan. The Organization operates programs in Kalamazoo, Niles, and Sturgis, Michigan.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* are not subject to donor-imposed restrictions.

*Temporarily restricted net assets* are subject to donor-imposed restrictions that may or will be met, either by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* are subject to donor-imposed restrictions and maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization's only permanently restricted net assets are comprised of the beneficial interests in assets held at a community foundation.

Accounts Receivable

Accounts receivable are comprised of amounts owed to the Organization from insurance companies, community mental health agencies, and patients. The Organization continuously monitors the expected realization of its billings and estimates contractual adjustments (reductions in receivables) to provide for differences in realization, as well as providing for allowances for doubtful accounts. The Organization utilizes the reserve method to account for bad debts based on a percentage of the aged receivables, analysis of specific receivable balances, and prior year collection experience. The Organization periodically evaluates patient financial conditions and credit worthiness, and accounts receivable are reviewed periodically to determine amounts which are potentially uncollectible. After all reasonable attempts to collect a receivable have been unsuccessful, the amount is written off. Concentrations of credit risk with respect to accounts receivable exist due to the limited diversity of the Organization's funding base.

Grants Receivable

Grants receivable consist of United Way designations due in less than one year.



**Community Healing Centers**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2017 and 2016**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to give are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their evaluation of the status of individual accounts, past credit history with donors and the donors' current financial condition. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Contributed Services

During the years ended September 30, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method.

Financial Instruments

The Organization's financial instruments consist of cash (current and restricted for capital acquisitions), accounts and grants receivable, promises to give and beneficial interest in assets held at community foundation and current and long-term liabilities. The Organization's estimates of fair value approximate their carrying amounts.

Amounts Held for Others

Amounts held for others consist of consortium grants received that the Organization is acting as the lead agency.

Functional Allocation of Expenses

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

**Community Healing Centers**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2017 and 2016**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management's estimates. These estimates affect the amounts reported in the financial statements and the disclosures provided. Actual results may differ from management's estimates.

Advertising Costs

All advertising costs are expensed in the period in which they are incurred.

Income Taxes

The Internal Revenue Service has determined the Organization to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Management of the Organization considers the likelihood of changes by taxing authorities in its exempt organization returns and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements.

Cash Equivalents

For purposes of the statement of cash flows, cash is defined as cash in checking and savings accounts.

**NOTE B – Promises to Give**

Promises to give at September 30, consists of the following:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ ---	\$ 9,480
Due in one year to five years	---	---
Total Promises to Give	<u>\$ ---</u>	<u>\$ 9,480</u>

Promises to give due in more than one year have not been discounted since management believes any discount earned is insignificant due to the immateriality of the discount if it were to be taken. Uncollectible promises are expected to be insignificant and therefore no allowance has been recorded.

**NOTE C – Restricted Cash**

The Organization segregates cash or other assets received with donor-imposed restrictions that limit their use to long-term purposes. Restricted cash at September 30, 2016 included unexpended balance of grants and contributions received for capital acquisitions/purposes. Restricted cash is not considered cash for purposes of the statements of cash flows and \$14,504 at September 30, 2016. There was no restricted cash at September 30, 2017.

**Community Healing Centers**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2017 and 2016**

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**NOTE D – Beneficial Interest in Assets Held at Community Foundation**

The Organization transferred funds to the Kalamazoo Community Foundation (KCF) under an agency endowment fund. The Organization has granted conditional variance power to KCF, whereas KCF may redirect the assets in the event the Organization ceases to exist. KCF has the ultimate authority and control over the fund and the income derived therefrom. The Organization retains a beneficial interest in the endowment fund held by the KCF.

The beneficial interest in the KCF assets are recorded as permanently restricted net assets and the income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in temporarily restricted net assets. Upon request by the Organization, income from the fund representing an annual return may be distributed to the Organization or to another suggested beneficiary subject to the approval of KCF. Distributions received from the fund are recorded as decreases in beneficial interest in assets held at community foundation.

The changes in the Organization's beneficial interest held at community foundation are as follows:

	2017	2016
Beneficial Interest – Beginning of Year	\$ 152,551	\$ 142,383
Appreciation (Depreciation)	20,582	15,888
Grant making	(5,944)	(5,720)
Beneficial Interest – End of Year	<u>\$ 167,189</u>	<u>\$ 152,551</u>

Additionally, the Organization has been named as a beneficiary organization of two other endowments held at KCF. These endowments do not meet the requirements for the Organization to recognize its rights in a beneficial interest; accordingly, the assets are not recorded in the statements of financial position. These endowments were established to act as a depository for gifts, conveyances, and other transfers received directly from donors intended to benefit the Organization. The fair value of these assets totaled \$1,523,547 and \$1,389,687, at September 30, 2017 and 2016, respectively. No revenue is recorded until the Organization is notified of awarded grants by KCF.

The Organization does not have variance power over either endowment fund.

**NOTE E – Notes Payable - Bank**

The Organization has a \$200,000 line of credit with a bank, bearing interest at prime (effectively 4.25% at September 30, 2017), and is secured by all assets of the Organization. The balance outstanding totaled \$91,345 and \$70,000 at September 30, 2017 and 2016, respectively. This line of credit expires November 30, 2018.

**Community Healing Centers**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2017 and 2016**

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**NOTE F – Long-Term Debt**

Long-term debt consists of the following at September 30:

	2017	2016
Note payable to a bank in monthly installments of \$3,731, including interest at 4.450%. The unpaid principal amount is due July 2023, secured by real estate.	\$ 229,269	\$ 262,877
Note payable to a bank in monthly installments of \$1,030, including interest at 7.0%. The unpaid principal amount is due November 2019, secured by real estate.	122,093	125,647
Note payable to the USDA in annual installments of \$7,319, including interest at 4.75%. The unpaid principal amount is due in 2041, secured by real estate.	103,470	105,764
	454,832	494,288
Current maturities	(41,000)	(39,000)
	<u>\$ 413,832</u>	<u>\$ 455,288</u>

Future maturities for the years ended September 30 are as follows:

2018	\$ 41,000
2019	44,000
2020	155,500
2021	43,600
2022	45,600
Thereafter	125,132
	<u>\$ 454,832</u>

**NOTE G – Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at September 30:

	2017	2016
Restrictions:		
United Way – time restricted	\$ 166,587	\$ 163,480
Earnings on beneficial interest in assets held at community foundation	67,189	52,551
Capital acquisitions	---	23,984
Specific program use	30,266	115,281
	<u>\$ 264,042</u>	<u>\$ 355,296</u>

**Community Healing Centers**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2017 and 2016**

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**NOTE H – Operating Leases**

The Organization leases its Niles office facility under a month-to-month operating lease agreement; an apartment in Kalamazoo under a month-to-month operating lease; and office space in Kalamazoo under a month-to-month operating lease agreement.

The Organization leases its residential and detoxification facility under an operating lease agreement expiring September 1, 2033. In lieu of monthly rent, the Organization is responsible for repairs, maintenance and leasehold Improvements of the leased property.

Rent expense under these leases totaled \$72,449 and \$61,242, during the years ended September 30, 2017 and 2016, respectively.

**NOTE I – Retirement Plan**

The Organization sponsors a retirement plan (the Plan) covering all eligible employees, which contains 401(k) salary reduction provisions. Under the Plan, an employee may elect to make a voluntary salary deferral to the Plan up to amounts allowed under federal law. Employer contributions to the Plan are made annually based on a percentage of eligible employees' gross pay at the discretion of the Board of Directors. No employer contributions to the Plan were made during the fiscal years ended September 30, 2017 and 2016.

**NOTE J – Concentrations**

Grants received from the Michigan Department of Mental Health - Centers for Substance Abuse Services and passed through County of Kalamazoo represented approximately 30% of total revenue and support during the years ended September 30, 2017 and 2016.

**NOTE K – Commitments and Contingencies**

Grants and contributions require the fulfillment of certain conditions as set forth in the instrument of the grant or contribution. Failure to fulfill the conditions may result in the return of the funds to grantors/donors. Although that is a possibility, management deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the Organization to the provisions of the gift.

The Organization has participated in several federally assisted grant programs. These programs are subject to financial and compliance audits by the grantor or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes that any liability for reimbursement that may arise as the result of these audits would not be material.

**Community Healing Centers**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2017 and 2016**

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**NOTE L – Cash Flow Information**

Cash paid for interest totaled \$24,078 and \$26,961 during the years ended September 30, 2017 and 2016, respectively.

**NOTE M – Subsequent Events**

Management has evaluated subsequent events through September 24, 2018, the date which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses**  
**For the Year Ended September 30, 2017**

	Residential	Detoxification	SA Individuals	SA Intensive Outpatient	SA Groups	SA Assessments	MH Individuals	MH Assessments	EIP	Children Advocacy Center	Children 7-17	New Beginnings	Women's Specialist	COP Case Management	Street	Prevention	Hope House
<b>Unrestricted</b>																	
Support and Revenue																	
Government contracts	\$ 299,415	\$ 173,889	\$ 90,681	\$ 46,454	\$ 85,254	\$ 14,765	\$ 53,217	\$ 5,227	\$ 506,159	\$ 222,630	\$ 130,178	\$ 28,091	\$ 9,312	\$ 36,043	\$ 84,583	\$ 86,960	\$ 10,499
Client and insurance	67,077	80,877	146,435	75,016	137,672	23,842	68,314	6,482	-	-	-	-	-	-	-	-	-
Medicaid	977,605	568,588	186,254	95,415	175,108	30,326	86,890	8,245	-	-	-	-	-	-	-	-	-
Alcohol tax	-	-	-	-	-	-	-	-	-	-	-	57,627	-	-	-	-	44,000
Contributions	4,058	2,929	25,457	13,041	23,933	4,145	11,876	1,127	65,023	38,230	-	-	-	-	1,050	-	1,250
United Way	56,375	56,375	-	-	-	-	-	-	23,438	12,750	-	-	-	-	8,750	-	18,000
Grants	25,237	24,780	13,646	6,991	12,830	2,222	6,366	604	14,192	22,919	-	-	-	14,192	29,398	-	-
Miscellaneous	15	-	4,146	2,124	3,898	675	1,934	184	-	-	-	-	-	-	-	-	-
Release of restrictions	21,043	21,043	8,291	4,248	7,795	1,350	3,868	367	28,656	21,813	5,132	-	-	5,132	21,583	-	-
<b>Total Support and Revenue</b>	<b>1,450,825</b>	<b>928,481</b>	<b>474,910</b>	<b>243,289</b>	<b>446,490</b>	<b>77,325</b>	<b>232,465</b>	<b>22,236</b>	<b>637,468</b>	<b>318,342</b>	<b>135,310</b>	<b>85,718</b>	<b>9,312</b>	<b>55,367</b>	<b>145,364</b>	<b>86,960</b>	<b>73,749</b>
<b>Expenses</b>																	
Salaries and wages	736,962	601,266	210,066	107,613	197,495	34,203	97,999	9,299	391,872	195,084	188,287	49,618	25,465	26,683	102,265	57,703	32,310
Employee benefits	132,029	103,920	35,358	18,114	33,242	5,757	16,495	1,565	69,810	26,242	30,714	10,475	5,688	2,544	11,394	11,661	3,090
Contractual	47,670	34,931	29,837	15,285	28,052	4,858	13,919	1,321	3,378	25,799	8,726	25	2	33	13	30	-
Travel	4,093	1,968	2,241	1,148	2,107	365	1,046	99	22,819	5,856	4,509	4,388	5,868	2,771	4,436	1,610	3,205
Client items	1,526	587	9	5	9	2	4	-	495	48	19	-	108	84	14,244	1,317	279
Supplies and materials	127,027	102,920	1,338	685	1,258	218	624	59	4,454	2,746	647	12,725	2,284	262	2,123	4,211	1,351
Facility costs	34,437	10,078	13,338	6,833	12,540	2,172	6,223	590	20,441	6,852	6,454	30,953	3,115	2,329	16,639	1,463	6,491
Liability insurance	4,928	2,895	1,535	786	1,443	250	716	68	3,560	1,286	1,134	1,404	141	431	714	400	715
Equipment costs	1,115	-	-	-	-	-	-	-	25	149	1,430	-	-	117	-	-	-
Repairs and maintenance	32,767	19,253	4,881	2,500	4,589	795	2,277	216	7,046	7,019	1,740	3,613	3,401	593	425	643	510
Depreciation	44,305	17,931	11,523	5,903	10,833	1,876	5,375	510	24,408	9,092	7,894	18,695	1,669	3,024	1,178	2,749	5,613
Bank interest	-	-	3,629	1,859	3,412	591	1,693	161	3,194	1,190	1,033	-	-	396	154	360	4,972
Office costs	12,006	6,579	2,102	1,077	1,977	342	981	93	3,968	3,434	839	4	251	371	650	-	613
Training	1,489	852	1,917	982	1,802	312	894	85	6,613	4,261	750	140	513	108	959	16	578
Indirect costs	103,363	77,245	76,540	39,210	71,960	12,462	35,707	3,388	112,863	(9,585)	24,902	8,513	271	9,539	9,303	4,797	4,447
Bad debt	34,754	16,727	21,299	10,911	20,025	3,468	9,937	943	-	-	16,301	-	-	-	-	-	-
Other	610	182	890	456	836	145	415	39	1,448	3,037	262	285	129	108	2,470	-	3
<b>Total Expenses</b>	<b>1,319,081</b>	<b>997,334</b>	<b>416,503</b>	<b>213,367</b>	<b>391,580</b>	<b>67,816</b>	<b>194,305</b>	<b>18,436</b>	<b>676,394</b>	<b>282,510</b>	<b>295,641</b>	<b>140,838</b>	<b>48,905</b>	<b>49,393</b>	<b>166,967</b>	<b>86,960</b>	<b>64,177</b>
<b>Change in Unrestricted</b>																	
<b>Net Assets</b>	<b>\$ 131,744</b>	<b>\$ (68,853)</b>	<b>\$ 58,407</b>	<b>\$ 29,922</b>	<b>\$ 54,910</b>	<b>\$ 9,509</b>	<b>\$ 38,160</b>	<b>\$ 3,800</b>	<b>\$ (38,926)</b>	<b>\$ 35,832</b>	<b>\$ (160,331)</b>	<b>\$ (55,120)</b>	<b>\$ (39,593)</b>	<b>\$ 5,974</b>	<b>\$ (21,603)</b>	<b>\$ -</b>	<b>\$ 9,572</b>



	PA2	Parents as Teachers	Bethany House	Berrien Jail Program	Berrien Wellness Group	Berrien Womens Recovery House	Peer Recovery Coach	Berrien Peer Support Supervision	Berrien Peer Recovery Outreach	Early Infant Mental Health	Niles Friends and Family	Neonatal Specialty Program	Fund Raising	Management General	Total Agency
<b>Unrestricted</b>															
Support and Revenue															
Government contracts	\$ -	\$ -	\$ 7,067	\$ -	\$ -	\$ 27,989	\$ 47,468	\$ -	\$ 36,017	\$ 61,036	\$ -	\$ 30,531	\$ -	\$ -	\$ 2,093,465
Client and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	605,715
Medicaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,128,431
Alcohol tax	14,767	-	47,000	33,108	6,638	54,919	-	9,654	-	-	4,534	-	-	-	272,247
Contributions	-	235	1,885	-	-	-	-	-	-	-	-	-	203,265	-	397,504
United Way	-	49,442	13,750	-	-	-	-	-	-	-	-	-	485	-	239,365
Grants	-	28,959	1,600	-	-	-	-	-	-	-	-	-	-	-	203,936
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	2,410	-	15,386
Release of restrictions	-	114,518	-	-	-	-	-	-	-	-	-	-	43,848	-	308,687
<b>Total Support and Revenue</b>	<b>14,767</b>	<b>193,154</b>	<b>71,302</b>	<b>33,108</b>	<b>6,638</b>	<b>82,908</b>	<b>47,468</b>	<b>9,654</b>	<b>36,017</b>	<b>61,036</b>	<b>4,534</b>	<b>30,531</b>	<b>250,008</b>	<b>-</b>	<b>6,264,736</b>
<b>Expenses</b>															
Salaries and wages	8,630	140,507	55,202	18,947	2,793	18,964	35,728	6,411	24,035	39,718	2,142	25,186	120,138	559,034	4,121,625
Employee benefits	1,118	28,744	5,215	2,192	403	5,081	3,666	1,081	3,564	8,036	312	3,272	17,876	89,549	688,207
Contractual	3	20	-	270	-	-	-	-	-	5	-	-	10,289	38,803	263,269
Travel	-	6,527	1,634	5,664	19	3,754	197	-	1,688	3,148	37	1,473	741	7,884	101,295
Client items	-	48	300	-	-	177	-	-	-	-	-	-	4,235	3,682	27,178
Supplies and materials	2,339	661	4,474	49	2,118	1,932	-	-	18	166	644	-	1,293	24,062	302,688
Facility costs	295	4,355	25,657	229	382	16,332	616	-	343	763	354	-	1,956	15,847	248,077
Liability insurance	43	806	386	-	-	126	172	-	127	137	-	-	-	5,174	29,377
Equipment costs	11	-	-	785	-	-	-	-	-	27	-	-	-	1,193	4,852
Repairs and maintenance	57	428	4,428	-	-	1,028	-	-	-	209	-	-	1,105	104,909	204,432
Depreciation	295	1,826	-	-	-	-	-	-	-	281	-	-	-	18,674	193,654
Bank interest	39	239	-	-	-	-	-	-	-	-	-	-	-	2,423	25,345
Office costs	-	572	624	212	56	341	823	903	1,371	251	451	-	2,509	4,374	47,774
Training	2	318	500	442	-	500	74	-	163	305	-	600	110	18,398	43,683
Indirect costs	1,926	8,444	9,761	4,318	866	7,163	6,192	1,259	4,698	7,961	593	-	(5,771)	(632,335)	-
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134,365
Other	9	58	11	-	1	20	-	-	10	29	1	-	43,994	9,821	65,269
<b>Total Expenses</b>	<b>14,767</b>	<b>193,553</b>	<b>108,192</b>	<b>33,108</b>	<b>6,638</b>	<b>55,418</b>	<b>47,468</b>	<b>9,654</b>	<b>36,017</b>	<b>61,036</b>	<b>4,534</b>	<b>30,531</b>	<b>198,475</b>	<b>271,492</b>	<b>6,501,090</b>
<b>Change in Unrestricted</b>															
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ (399)</b>	<b>\$ (36,890)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,490</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,533</b>	<b>\$ (271,492)</b>	<b>\$ (236,354)</b>

**Community Healing Centers  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017**

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<u>Federal Grantor/Pass-through Grantor/Program Title/CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:	
Passed through Michigan Department of Community Health:	
Passed through Southwest Michigan Behavioral Health:	
Block Grants for Prevention and Treatment of Substance Abuse, 93.959	\$ 626,216
U.S. Department of Justice:	
Passed through Michigan Department of Health and Human Services:	
Crime Victim Assistance, 16.575	<u>207,762</u>
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>	<b><u>\$ 833,978</u></b>

See Accompanying Note to Schedule of Expenditures of Federal Awards.

**Community Healing Centers**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2017**

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**NOTE A – Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Organization and is prepared using the accrual basis of accounting.

Relationship to Basic Financial Statements

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 and does not present the financial position, changes in net assets or cash flows of the Organization.

Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate for any indirect costs incurred.

**Community Healing Centers  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2017**

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**SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No (None Reported)

Significant deficiency identified that is not considered to be a material weakness? No (None Reported)

Noncompliance material to financial statements noted? No (None Reported)

Federal Awards

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness identified? No (None Reported)

Significant deficiency identified that is not considered to be a material weakness? No (None Reported)

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

**Major programs:**

CFDA Number  
93.959

Name of Federal Program or Cluster  
Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**Community Healing Centers  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2017**

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<b>Audit Finding</b>	<b>Current Status</b>
2016-001 – Payments received on accounts receivable were not posted to client accounts timely.	The Organization has instituted procedures to ensure timely entry and posting of accounts receivable.

# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

**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 Directors  
Community Healing Centers

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Healing Centers (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2018.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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 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.

*Seber Tans, PLC*

Seber Tans, PLC  
Kalamazoo, Michigan

September 24, 2018

# SEBER TANS, PLC

## CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors  
Community Healing Centers

#### Report on Compliance for Each Major Federal Program

We have audited Community Healing Centers' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Healing Centers' major federal programs for the year ended September 30, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

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

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

#### Opinion on Each Major Federal Program

In our opinion, the Organization 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 September 30, 2017.



## 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Seber Tans, PLC

Seber Tans, PLC  
Kalamazoo, Michigan

September 24, 2018