

Community Healing Centers

Financial Statements

September 30, 2019



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Independent Auditors' Report

Management and the Board of Directors
Community Healing Centers
Kalamazoo, Michigan

We have audited the accompanying financial statements of Community Healing Centers which comprise the statement of financial position as of September 30, 2019, the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Going Concern

The accompanying financial statements have been prepared assuming that Community Healing Centers will continue as a going concern. As discussed in Note 13 to the financial statements, the Company has experienced a pattern of yearly net asset decreases, has significant accounts payable in excess of ninety days old, and has an undesignated general deficit at year end (net of amount invested in property and equipment). These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, Community Healing Centers changed its method of accounting for net assets and functional expenses in 2019 as required by the provisions of FASB Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Revenue and Expenses by Activity 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 July 24, 2020 on our consideration of Community Healing Centers' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Healing Centers' 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 Centers' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
July 24, 2020

Community Healing Centers
Statement of Financial Position
September 30, 2019

Assets	
Current Assets	
Cash	\$ 300,128
Accounts receivable, net	452,445
Contributions receivable	86,156
Prepaid expenses	40,334
Total current assets	<u>879,063</u>
Long-term Assets	
Property and equipment, net	1,448,817
Beneficial interest in assets held at community foundation	164,921
Total long-term assets	<u>1,613,738</u>
Total assets	<u><u>\$ 2,492,801</u></u>
Liabilities and Net Assets	
Liabilities	
Current Liabilities	
Accounts payable	\$ 350,728
Funds held for others	2,223
Accrued liabilities	304,755
Deferred revenue	69,757
Line of credit	115,000
Current maturities of long-term debt	44,781
Total current liabilities	<u>887,244</u>
Long-term Liabilities	
Notes payable, net of current portion	325,876
Total liabilities	<u>1,213,120</u>
Net Assets	
Without donor restrictions	
Undesignated - general deficit	(270,663)
Undesignated - property	1,078,160
Total net assets without donor restrictions	<u>807,497</u>
With donor restrictions	
Beneficial interest in assets held at community foundation	164,921
Time-restricted for future periods	86,156
Purpose restrictions	221,107
Total net assets with donor restrictions	<u>472,184</u>
Total net assets	<u>1,279,681</u>
Total liabilities and net assets	<u><u>\$ 2,492,801</u></u>

See Accompanying Notes to the Financial Statements

Community Healing Centers
Statement of Activities
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Government contracts	\$ 2,348,143	\$ -	\$ 2,348,143
Client and insurance service fees	601,567	-	601,567
Medicaid service fees	1,964,064	-	1,964,064
Alcohol tax	270,075	-	270,075
Other contributions	428,478	206,097	634,575
United Way contributions	19,500	114,875	134,375
Grants	-	388,877	388,877
Miscellaneous income	31,491	-	31,491
Total support and revenue	5,663,318	709,849	6,373,167
Net assets released from restrictions	739,247	(739,247)	-
Total support, revenue, and net assets released from restrictions	6,402,565	(29,398)	6,373,167
Expenses			
Program services	5,670,997	-	5,670,997
Supporting services			
Management and general	688,038	-	688,038
Fundraising	177,063	-	177,063
Total supporting services	865,101	-	865,101
Total expenses	6,536,098	-	6,536,098
Change in net assets before other changes	(133,533)	(29,398)	(162,931)
Other changes in net assets			
Change in value of beneficial interest in assets held at community foundation	-	(6,967)	(6,967)
Change in net assets	(133,533)	(36,365)	(169,898)
Net assets - beginning of year	941,030	508,549	1,449,579
Net assets - end of year	\$ 807,497	\$ 472,184	\$ 1,279,681

See Accompanying Notes to the Financial Statements

Community Healing Centers
Schedule of Functional Expenses
Year Ended September 30, 2019

	Program	Management & General	Fundraising	Total
Expenses				
Salaries and wages	\$ 3,516,423	\$ 422,140	\$ 124,294	\$ 4,062,857
Employee benefits	612,903	57,485	17,496	687,884
Contract services	226,393	32,132	16,429	274,954
Travel	66,412	680	44	67,136
Client items	39,067	-	-	39,067
Supplies and materials	262,042	7,318	448	269,808
Facility costs	278,414	18,192	478	297,084
Liability insurance	21,093	10,870	-	31,963
Repairs and maintenance	122,505	72,428	-	194,933
Depreciation	137,375	19,036	-	156,411
Interest expense	19,791	1,832	-	21,623
Office costs	38,510	3,341	3,504	45,355
Training	17,307	17,158	-	34,465
Bad debt	273,188	-	-	273,188
Other	39,574	25,426	14,370	79,370
Total	<u>\$ 5,670,997</u>	<u>\$ 688,038</u>	<u>\$ 177,063</u>	<u>\$ 6,536,098</u>

See Accompanying Notes to the Financial Statements

Community Healing Centers
Statement of Cash Flows
Year Ended September 30, 2019

Cash flows from operating activities	
Change in net assets	\$ (169,898)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	156,411
Change in value of beneficial interest in assets held at community foundation	6,967
Bad debt expense	273,188
Decrease (increase) in current assets	
Accounts receivable	(275,449)
Contributions receivable	55,625
Prepaid expenses	35,250
Increase (decrease) in current liabilities	
Accounts payable	(65,372)
Funds held for others	1,163
Accrued liabilities	5,421
Deferred revenue	51,341
Net cash provided by operating activities	<u>74,647</u>
Cash flows from financing activities	
Net proceeds from line of credit	93,500
Principal payments on long term debt	(42,828)
Net cash provided by financing activities	<u>50,672</u>
Net change in cash	125,319
Cash at beginning of year	<u>174,809</u>
Cash at end of year	<u><u>\$ 300,128</u></u>
Supplemental disclosures of cash flow information	
Cash paid for interest	<u><u>\$ 21,623</u></u>
Supplemental schedule of non-cash investing activities	
Equipment acquired with accounts payable	<u><u>\$ (7,613)</u></u>

See Accompanying Notes to the Financial Statements

Community Healing Centers

Notes to the Financial Statements

September 30, 2019

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

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 Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue

is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash

The Organization considers all highly liquid investments purchased with maturity of three months or less to be cash. At September 30, 2019, \$38,605 of the Organization's bank balance of \$301,822 was uninsured by the FDIC.

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. Based on management's review, an allowance of \$ 557,000 was deemed necessary as of September 30, 2019.

Contributions Receivable

Contributions receivable consists of United Way and similar funding designations due in less than one year.

Community Healing Centers Notes to the Financial Statements September 30, 2019

Property and Equipment

The Organization follows the practice of capitalizing all expenditures in excess of \$ 1,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Beneficial Interest in Assets Held by Community Foundation

The Organization had previously become the beneficiary of an endowment held and managed by the Kalamazoo Community Foundation ("KCF"). The Organization is eligible to receive distributions up to a fixed percentage of a previous time period's average balance in the endowment, not to exceed the available balance. With the exception of the previously mentioned allowable disbursements and an annual fee, KCF cannot make disbursements of the endowment corpus. KCF has variance power of these funds. The beneficial interest in the KCF assets is recorded as net assets without donor restrictions and the change in value of the interest is recognized in the statement of activities as net assets without donor restrictions. Distributions received from the fund are recorded as contributions without donor restrictions.

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 \$1,503,546 at September 30, 2019. 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.

Amounts Held For Others

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

Compensated Absences

Employees of the Organization are entitled to paid vacation and personal days off, depending on length of service. Employees are allowed to accumulate this pay and, upon separation, are paid out any unused pay at a rate of the employees' current pay rate. Employees can also carry over earned vacation.

Donated Services and Goods

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. While a significant amount of volunteered services was received, the Organization did not receive any donated services for the years ended September 30, 2019 that met the criteria to be recorded.

Community Healing Centers
Notes to the Financial Statements
September 30, 2019

Service Fee Revenue and Government Contracts

Revenues are recognized as care is provided. Contractual adjustments and discounts are recorded on an accrual basis and are deducted from the related service revenue to determine net service or contract revenue.

Advertising

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the year ended September 30, 2019 was \$35,646.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All costs are charged directly based on the nature of the expense, except when an allocation is necessary. All costs necessitating an allocation are done on the basis of estimated time and efforts of spent by employees in each functional area.

Income Tax Status

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation, as described in Section 509(a). The Organization files information returns in the U.S. Federal and Michigan jurisdiction.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through July 24, 2020, which is the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Community Healing Centers
Notes to the Financial Statements
September 30, 2019

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019
Cash	\$ 300,128
Accounts receivable, net	452,445
Contributions receivable	86,156
Beneficial interest in assets held at community foundation	<u>164,921</u>
 Total financial assets - end of year	 1,003,650
 Less: Financial assets unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	(307,263)
Beneficial interest in assets held at community foundation - not available for expenditure	<u>(164,921)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 531,466</u>

The Organization has a line of credit of up to \$200,000, which is frequently drawn upon. A large percentage of the Organization's revenues are from third party contracts and grants, which are funded on a reimbursement basis. Therefore, the Organization receives frequent payments throughout the year as expenses are incurred. The Organization is working on improving liquidity measures as described in Note 13.

Note 3 - Property and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	2019
Land	\$ 112,426
Buildings and improvements	2,322,561
Vehicles	19,882
Leasehold improvements	1,025,780
Equipment	180,631
Furniture and fixtures	<u>5,154</u>
 Total cost	 3,666,434
Accumulated depreciation	<u>(2,217,617)</u>
 Net carrying amount	 <u>\$ 1,448,817</u>

Note 4 - Fair Value Measurements

The following table presents information about the Organization's assets measured at fair value on a recurring basis at September 30, 2019, along with the valuation techniques used to determine those fair values.

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly;

Community Healing Centers
Notes to the Financial Statements
September 30, 2019

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Fair Value Measurements at Reporting Date Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019				
Beneficial interest in assets held at community foundation	\$ 164,921	\$ -	\$ -	\$ 164,921

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considered factors specific to each asset or liability.

Changes in level 3 assets and liabilities measured at fair value on a recurring basis are as follows:

	Beneficial Interest in Assets Held at Community Foundation
Balance at September 30, 2018	\$ 171,888
Change in value	(6,967)
Balance at September 30, 2019	\$ 164,921

The fair value of the beneficial interest in assets held by community foundation was determined primarily based on Level 3 inputs. The Organization estimates the fair value of these investments based upon the fair value of the assets in the trust unless the facts and circumstances indicate the fair value would be different from the present value of estimated future distributions.

The change in value of the beneficial interest in assets held by community foundation in the table above is recognized in the statement of activities as an other change in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as level 3 assets. As a result, the unrealized gains and losses for these assets presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

Note 5 - Line of Credit

The Organization has a \$200,000 line of credit with a bank, bearing interest at prime (effectively 5.00% at September 30, 2019), and is secured by all assets of the Organization. The balance outstanding totaled \$ 115,000 at September 30, 2019. Subsequent to year end, the line of credit was renewed through November 30, 2020.

Community Healing Centers
Notes to the Financial Statements
September 30, 2019

Note 6 - Notes Payable

Notes payable consists of the following at September 30:

	<u>2019</u>
Note payable to a bank in monthly installments of \$3,731, including interest at 4.45%. The unpaid principal amount is due July 2023, secured by real estate.	\$ 157,339
Note payable to a bank in monthly installments of \$1,036, including interest at 7.0%. The unpaid principal amount is due December 2024, secured by real estate.	114,771
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.	<u>98,547</u>
Total notes payable	<u><u>\$ 370,657</u></u>

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

2020	\$ 44,781
2021	47,948
2022	50,260
2023	44,733
2024	9,115
Thereafter	<u>173,820</u>
	<u><u>\$ 370,657</u></u>

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30:

	<u>2019</u>
United Way - time restricted	<u>\$ 86,156</u>
Girls of the Heart	25,840
Berrien Engagement Center	175,000
STREET	<u>20,267</u>
Total purpose restrictions	<u>221,107</u>
Beneficial interest in assets held at community foundation	<u>164,921</u>
Total net assets with donor restrictions	<u><u>\$ 472,184</u></u>

Note 8 - Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended September 30, 2019:

	<u>2019</u>
Expiration of time restrictions	\$ 184,003
Satisfaction of purpose restrictions	
Berrien Engagement Center	336,470
STREET	218,534
Girls of the Heart	<u>240</u>
Total net assets released from donor restrictions	<u><u>\$ 739,247</u></u>

Community Healing Centers
Notes to the Financial Statements
September 30, 2019

Note 9 - 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. Employer contributions to the Plan during the fiscal year ended September 30, 2019 totaled \$ 44,821.

Note 10 - Operating Lease

The Organization has operating lease arrangements for both space and equipment. Future lease payments are outlined as follows:

Years Ending September 30,	
2020	\$ 109,564
2021	68,204
2022	54,675
2023	28,875
Total	<u>\$ 261,318</u>

Lease expense for 2019 was \$ 135,680.

Note 11 - Concentrations

A majority of revenue received that is classified as government agency grants and contracts and Medicaid service fees are received under grant and contract arrangements with a small number of providers, including Southwestern Michigan Behavioral Health and the County of Kalamazoo. Additionally, the majority of the net accounts receivable are concentrated among these funders as well.

Note 12 - 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.

Note 13 - Going Concern

The financial statements were prepared on a going concern basis. The going concern basis assumes that the Organization will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Organization experienced a decrease in net assets in the current year as well as the four previous years, for a total cumulative decline of approximately \$ 1.1 million. As of year end, the Organization has an undesignated net asset deficit (net of the amount invested in property and equipment) of approximately \$270,000. Other unfavorable financial conditions exist, such as accounts payable in excess of three months of approximately \$170,000.

The Organization was able to successfully negotiate an extension to a loan with a large balloon payment due in November 2019. The extension is for five years. Additionally, the Organization's decrease in net assets was lowered significantly from the prior year.

Community Healing Centers
Notes to the Financial Statements
September 30, 2019

The Organization will evaluate its options to attempt to reverse the recent decreases in net assets. Factors to be considered include, but are not limited to, evaluating its menu of programs for sustainability, reviewing billing and intake practices, attempting to negotiate service contracts to achieve better fees for service, and performing a thorough expense analysis. The outcome of these matters cannot be predicted at this time.

The ability of the Organization to continue as a going concern is dependent on the Organization's plans as described above. As a result, substantial doubt exists about the Company's ability to continue as a going concern within one year after the date these financial statements are available to be issued, i.e. through July 24, 2020. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

Note 14 - Subsequent Events

As result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. Currently, it is not possible to estimate the extent of any potential net losses or to determine if any of the change in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of this subsequent event.

The Organization did receive a loan under the Paycheck Protection Program of approximately \$1,000,000. The Organization expects all utilized loan proceeds to be forgiven with the unspent portion, if any, being paid back when required.

Supplementary Information

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2019

	Three Rivers	Engagement Center	SOR BEC	SJWS	Hope	Bethany
Support and revenue						
Government contracts	\$ -	\$ 194,829	\$ 74,700	\$ -	\$ 20,894	\$ 27,032
Client and insurance service fees	-	-	-	-	-	-
Medicaid service fees	-	-	-	-	-	-
Alcohol tax	-	-	-	-	29,303	39,187
Other contributions	-	41,891	-	-	-	658
United Way contributions	-	-	-	-	19,500	15,000
Grants	-	50,000	-	-	-	-
Miscellaneous income	-	-	-	-	-	-
Total support and revenue	-	286,720	74,700	-	69,697	81,877
Expenses						
Program expenses						
Salaries and wages	-	150,515	62,791	-	13,757	32,284
Employee benefits	-	20,884	8,844	-	2,203	3,019
Contract services	-	-	-	-	-	514
Travel	213	5,686	-	-	3,670	571
Client items	-	-	-	-	-	-
Supplies and materials	-	4,007	-	-	2,088	3,252
Facility costs	4,097	36,252	-	-	7,560	23,309
Liability insurance	1,421	520	-	-	745	271
Repairs and maintenance	920	7,714	-	2,302	430	2,122
Depreciation	3,150	-	-	-	5,613	-
Interest expense	8,901	-	-	-	4,744	-
Office costs	-	3,577	-	-	212	61
Training	-	1,279	-	-	-	-
Bad debt	-	-	-	-	-	-
Other	-	7,562	-	-	574	533
Total program expenses	18,702	237,996	71,635	2,302	41,596	65,936
Supporting services						
Indirect costs	-	23,749	3,065	-	6,693	7,481
Total expenses	18,702	261,745	74,700	2,302	48,289	73,417
Change in net assets before other changes	(18,702)	24,975	-	(2,302)	21,408	8,460
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	<u>\$ (18,702)</u>	<u>\$ 24,975</u>	<u>\$ -</u>	<u>\$ (2,302)</u>	<u>\$ 21,408</u>	<u>\$ 8,460</u>

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2019

	Healing House	Healthy House	Star of Hope	SOR Housing	4 Niles FSRs	Gilmore Neonatal
Support and revenue						
Government contracts	\$ 25,283	\$ 6,512	\$ 33,599	\$ 55,142	\$ 11,931	\$ 61,905
Client and insurance service fees	-	-	-	-	-	-
Medicaid service fees	-	-	-	-	-	-
Alcohol tax	16,186	-	50,116	-	36,459	-
Other contributions	-	-	-	-	-	-
United Way contributions	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	-	-
Total support and revenue	41,469	6,512	83,715	55,142	48,390	61,905
Expenses						
Program expenses						
Salaries and wages	13,875	-	15,475	42,975	15,307	45,708
Employee benefits	1,282	-	1,664	6,379	2,057	9,433
Contract services	-	-	-	-	19,370	589
Travel	239	20	3,174	-	1,184	1,046
Client items	-	-	-	-	-	-
Supplies and materials	1,025	-	3,736	3,988	881	1,053
Facility costs	16,503	-	17,773	-	1,660	2,271
Liability insurance	173	-	152	-	-	338
Repairs and maintenance	-	-	136	-	-	942
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Office costs	-	-	1,284	-	1,414	229
Training	-	-	-	-	-	25
Bad debt	-	-	-	-	-	-
Other	504	1,000	685	1,800	205	271
Total program expenses	33,601	1,020	44,079	55,142	42,078	61,905
Supporting services						
Indirect costs	3,150	-	6,537	-	6,312	-
Total expenses	36,751	1,020	50,616	55,142	48,390	61,905
Change in net assets before other changes	4,718	5,492	33,099	-	-	-
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	\$ 4,718	\$ 5,492	\$ 33,099	\$ -	\$ -	\$ -

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2019

	KWS	Detox	Residential	Gilmore Peer Co.	Recovery Co. STR	New Beginnings
Support and revenue						
Government contracts	\$ 760	\$ 202,752	\$ 410,832	\$ 47,905	\$ 12,282	\$ 105,579
Client and insurance service fees	-	94,790	54,599	-	-	-
Medicaid service fees	-	536,062	913,208	-	-	-
Alcohol tax	-	-	-	-	-	77,451
Other contributions	313	83,242	4,379	-	-	-
United Way contributions	-	25,000	25,000	-	-	-
Grants	1,200	45,000	45,000	-	-	-
Miscellaneous income	-	1,814	5,454	-	-	2,665
Total support and revenue	2,273	988,660	1,458,472	47,905	12,282	185,695
Expenses						
Program expenses						
Salaries and wages	-	611,215	763,699	35,608	9,826	51,238
Employee benefits	-	112,897	141,972	3,830	924	10,201
Contract services	-	35,808	45,396	-	-	563
Travel	828	1,646	3,249	769	138	1,287
Client items	-	38,885	182	-	-	-
Supplies and materials	-	70,803	130,138	47	-	692
Facility costs	-	9,877	36,040	991	-	18,474
Liability insurance	-	2,258	4,204	133	77	1,393
Repairs and maintenance	-	19,658	37,498	-	-	6,621
Depreciation	-	9,643	36,644	-	-	18,000
Interest expense	-	-	-	-	-	-
Office costs	-	4,239	8,374	53	54	35
Training	577	1,091	2,043	35	-	-
Bad debt	-	60,079	82,199	-	-	-
Other	-	1,007	1,861	190	-	259
Total program expenses	1,405	979,106	1,293,499	41,656	11,019	108,763
Supporting services						
Indirect costs	-	125,795	174,396	6,249	1,263	10,844
Total expenses	1,405	1,104,901	1,467,895	47,905	12,282	119,607
Change in net assets before other changes	868	(116,241)	(9,423)	-	-	66,088
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	<u>\$ 868</u>	<u>\$ (116,241)</u>	<u>\$ (9,423)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,088</u>

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2019

	Niles	EIP	Infant EMH	CAC	DHS	EU OP
Support and revenue						
Government contracts	\$ 40,096	\$ 371,533	\$ 70,663	\$ 225,945	\$ -	\$ 86,312
Client and insurance service fees	124,065	-	-	-	-	275,101
Medicaid service fees	203,977	-	-	-	-	310,817
Alcohol tax	-	-	-	-	-	-
Other contributions	-	69,261	-	66,830	-	103,403
United Way contributions	-	17,500	-	-	-	-
Grants	-	45,000	-	-	20,716	-
Miscellaneous income	3,267	5,624	-	-	-	4,512
Total support and revenue	371,405	508,918	70,663	292,775	20,716	780,145
Expenses						
Program expenses						
Salaries and wages	179,845	324,990	44,782	198,800	4,158	418,151
Employee benefits	30,842	64,540	10,733	27,403	323	70,762
Contract services	96,169	2,580	1,145	225	13,735	3,085
Travel	1,936	15,270	2,342	5,439	-	3,095
Client items	-	-	-	-	-	-
Supplies and materials	1,411	386	453	994	-	494
Facility costs	34,237	15,367	687	6,377	-	13,939
Liability insurance	954	1,905	136	1,028	-	2,235
Repairs and maintenance	9,103	6,977	-	8,742	-	10,670
Depreciation	417	15,057	-	8,055	-	21,486
Interest expense	-	1,452	-	779	-	2,053
Office costs	3,312	1,618	9	3,261	-	3,397
Training	-	-	819	8,722	-	637
Bad debt	31,223	-	-	-	-	93,960
Other	2,885	2,089	340	2,029	2,500	2,184
Total program expenses	392,334	452,231	61,446	271,854	20,716	646,148
Supporting services						
Indirect costs	44,777	66,062	9,217	32,171	-	200,659
Total expenses	437,111	518,293	70,663	304,025	20,716	846,807
Change in net assets before other changes	(65,706)	(9,375)	-	(11,250)	-	(66,662)
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	<u>\$ (65,706)</u>	<u>\$ (9,375)</u>	<u>\$ -</u>	<u>\$ (11,250)</u>	<u>\$ -</u>	<u>\$ (66,662)</u>

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2019

	KP	SOR Prevention	EU Shared	STREET	Girls of Heart	Child 7 - 17
Support and revenue						
Government contracts	\$ 96,157	\$ 4,334	\$ -	\$ 84,583	\$ -	\$ 76,583
Client and insurance service fees	-	-	-	-	-	53,012
Medicaid service fees	-	-	-	-	-	-
Alcohol tax	-	-	-	-	-	-
Other contributions	-	-	-	15,841	500	31,892
United Way contributions	-	-	-	32,375	-	-
Grants	-	-	-	74,490	25,000	-
Miscellaneous income	-	-	15	159	580	-
Total support and revenue	96,157	4,334	15	207,448	26,080	161,487
Expenses						
Program expenses						
Salaries and wages	64,194	1,080	111,017	107,059	-	125,098
Employee benefits	13,414	-	23,796	16,796	-	16,415
Contract services	24	-	-	7,101	-	55
Travel	2,404	-	-	1,980	-	3,788
Client items	-	-	-	-	-	-
Supplies and materials	2,563	3,054	-	18,681	-	54
Facility costs	2,319	-	-	22,613	-	4,774
Liability insurance	348	-	-	1,148	-	790
Repairs and maintenance	1,016	-	-	2,428	-	3,738
Depreciation	2,731	-	-	6,222	-	6,358
Interest expense	264	-	-	600	-	613
Office costs	231	-	-	5,825	65	670
Training	405	200	-	276	-	175
Bad debt	-	-	-	6	-	5,721
Other	497	-	-	500	175	341
Total program expenses	90,410	4,334	134,813	191,235	240	168,590
Supporting services						
Indirect costs	5,747	-	(134,798)	27,298	-	27,897
Total expenses	96,157	4,334	15	218,533	240	196,487
Change in net assets before other changes	-	-	-	(11,085)	25,840	(35,000)
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	\$ -	\$ -	\$ -	\$ (11,085)	\$ 25,840	\$ (35,000)

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2019

	PA2 Ad.	PAT	Wright	Total Program	Fundraising	Management & General	Total
Support and revenue							
Government contracts	\$ -	\$ -	\$ -	\$ 2,348,143	\$ -	\$ -	\$ 2,348,143
Client and insurance service fees	-	-	-	601,567	-	-	601,567
Medicaid service fees	-	-	-	1,964,064	-	-	1,964,064
Alcohol tax	21,373	-	-	270,075	-	-	270,075
Other contributions	2,370	15,901	21,281	457,762	177,063	(250)	634,575
United Way contributions	-	-	-	134,375	-	-	134,375
Grants	-	82,471	-	388,877	-	-	388,877
Miscellaneous income	-	-	-	24,090	-	7,401	31,491
Total support and revenue	23,743	98,372	21,281	6,188,953	177,063	7,151	6,373,167
Expenses							
Program expenses							
Salaries and wages	15,770	57,206	-	3,516,423	124,294	422,140	4,062,857
Employee benefits	2,517	9,773	-	612,903	17,496	57,485	687,884
Contract services	4	30	-	226,393	16,429	32,132	274,954
Travel	17	5,624	797	66,412	44	680	67,136
Client items	-	-	-	39,067	-	-	39,067
Supplies and materials	1,504	96	10,642	262,042	448	7,318	269,808
Facility costs	313	2,981	-	278,414	478	18,192	297,084
Liability insurance	62	448	354	21,093	-	10,870	31,963
Repairs and maintenance	181	1,307	-	122,505	-	72,428	194,933
Depreciation	488	3,511	-	137,375	-	19,036	156,411
Interest expense	47	338	-	19,791	-	1,832	21,623
Office costs	35	345	210	38,510	3,504	3,341	45,355
Training	-	1,023	-	17,307	-	17,158	34,465
Bad debt	-	-	-	273,188	-	-	273,188
Other	18	287	9,278	39,574	14,370	25,426	79,370
Total program expenses	20,956	82,969	21,281	5,670,997	177,063	688,038	6,536,098
Supporting services							
Indirect costs	2,787	15,403	-	672,754	-	(672,754)	-
Total expenses	23,743	98,372	21,281	6,343,751	177,063	15,284	6,536,098
Change in net assets before other changes	-	-	-	(154,798)	-	(8,133)	(162,931)
Other changes in net assets							
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	(6,967)	(6,967)
Change in net assets	\$ -	\$ -	\$ -	\$ (154,798)	\$ -	\$ (15,100)	\$ (169,898)

Community Healing Centers

Single Audit Report

September 30, 2019



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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*

Independent Auditors' Report

To the Board of Directors
Community Healing Centers
Kalamazoo, Michigan

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, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Healing Centers' 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 Community Healing Centers' internal control. Accordingly, we do not express an opinion on the effectiveness of Community Healing Centers' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Healing Centers' 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
July 24, 2020



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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors
Community Healing Centers
Kalamazoo, Michigan

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, 2019. Community Healing Centers' 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Community Healing Centers' 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; 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 Community Healing Centers' 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 Community Healing Centers' compliance.

Opinion on Each Major Federal Program

In our opinion, Community Healing Centers 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, 2019.

Report on Internal Control Over Compliance

Management of Community Healing Centers 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 Community Healing Centers' 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 Community Healing Centers' 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 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Community Healing Centers as of and for the year ended September 30, 2019, and have issued our report thereon dated July 24, 2020, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
July 24, 2020

Community Healing Centers
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Project/Grant Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Passed through Michigan Department of Health and Human Services Victims of Crime Assistance	16.575	E20191917-00	\$ 225,945
<u>U.S. Department of Health & Human Services</u>			
Passed through Southwest Michigan Behavioral Health State Targeted Response to the Opioid Crisis Grants	93.788	2018-2019	146,458
Passed through Kalamazoo Community Mental Health and Substance Abuse Services Block Grants for Community Mental Health Services	93.958	2018-2019	70,663
Passed through Southwest Michigan Behavioral Health Block Grants for Prevention and Treatment of Substance Abuse	93.959	2018-2019	386,661
Total U.S. Department of Health & Human Services			603,782
Total Expenditures of Federal Awards			\$ 829,727

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Community Healing Centers
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Community Healing Centers under programs of the federal government for the year ended September 30, 2019. 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 Community Healing Centers, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Community Healing Centers.

Note 2 – Summary of Significant Accounting Policies

Expenditures

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 where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Community Healing Centers has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Reconciliation to the Financial Statements

Federal expenditures reported on the Schedule reconcile to federal revenues included in grants and contracts in the financial statements as follows:

Government contracts, per financial statements	\$ 2,321,800
Less non-federal portion	<u>(1,492,073)</u>
Equals total federal expenditures per the Schedule	<u>\$ 829,727</u>

Note 4 – Subrecipients

No amounts were provided to subrecipients.

Community Healing Centers
Schedule of Findings and Questioned Costs
September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------|-----|-------------|---------------|
| • Material weakness(es) identified? | _____ | Yes | _____X_____ | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | _____X_____ | None reported |

Noncompliance material to the financial statements noted?

_____	Yes	_____X_____	No
-------	-----	-------------	----

Federal Awards

Internal control over major programs:

- | | | | | |
|---|-------|-----|-------------|---------------|
| • Material weakness(es) identified? | _____ | Yes | _____X_____ | No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ | Yes | _____X_____ | None reported |

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?

_____	Yes	_____X_____	No
-------	-----	-------------	----

Community Healing Centers
Schedule of Findings and Questioned Costs
September 30, 2019

Identification of major programs:

CFDA Numbers

93.959

Name of Federal Program

Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish
between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee:

_____ Yes X No

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

Community Healing Centers
Summary Schedule of Prior Audit Findings
September 30, 2019

There was no single audit required for the year ended September 30, 2018; therefore there were no prior audit findings to report.