

# Community Healing Centers

Financial Statements

September 30, 2021



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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, 2021, 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, 2021, 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.

## 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 May 12, 2022, 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  
May 12, 2022

**Community Healing Centers**  
**Statement of Financial Position**  
**September 30, 2021**

<b>Assets</b>	
Current Assets	
Cash	\$ 884,964
Investments	19,871
Accounts receivable	493,466
Contributions receivable	65,315
Prepaid expenses	195,488
Total current assets	1,659,104
Long-term Assets	
Property and equipment, net	1,148,089
Beneficial interest in assets held at community foundation	196,723
Total long-term assets	1,344,812
<b>Total assets</b>	<b>\$ 3,003,916</b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 63,907
Funds held for others	2,317
Accrued liabilities	191,524
Deferred revenue	89,479
Current maturities of long-term debt	45,000
Total current liabilities	392,227
Long-term Liabilities	
Notes payable, net of current portion	126,793
Total liabilities	519,020
<b>Net Assets</b>	
Without donor restrictions	
Undesignated	674,526
Undesignated - property	976,296
Total net assets without donor restrictions	1,650,822
With donor restrictions	
Beneficial interest in assets held at community foundation	196,723
Time-restricted for future periods	65,315
Purpose restrictions	572,036
Total net assets with donor restrictions	834,074
Total net assets	2,484,896
<b>Total liabilities and net assets</b>	<b>\$ 3,003,916</b>

See Accompanying Notes to the Financial Statements

**Community Healing Centers**  
**Statement of Activities**  
**Year Ended September 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Government contracts	\$ 2,245,207	\$ -	\$ 2,245,207
Client and insurance service fees	458,968	-	458,968
Medicaid service fees	1,975,374	-	1,975,374
Alcohol tax	152,863	-	152,863
Other contributions	718,991	757,622	1,476,613
United Way contributions	29,760	87,087	116,847
Grants	844,222	707,306	1,551,528
Miscellaneous income	3,527	-	3,527
	<u>6,428,912</u>	<u>1,552,015</u>	<u>7,980,927</u>
Total support and revenue			
Net assets released from restrictions	1,337,537	(1,337,537)	-
	<u>7,766,449</u>	<u>214,478</u>	<u>7,980,927</u>
Total support, revenue, and net assets released from restrictions			
<b>Expenses</b>			
Program services	5,485,855	-	5,485,855
Supporting services			
Management and general	834,049	-	834,049
Fundraising	166,932	-	166,932
	<u>1,000,981</u>	<u>-</u>	<u>1,000,981</u>
Total supporting services			
Total expenses	6,486,836	-	6,486,836
	<u>1,279,613</u>	<u>214,478</u>	<u>1,494,091</u>
Change in net assets before other changes			
<b>Other changes in net assets</b>			
Change in value of beneficial interest in assets held at community foundation	-	34,680	34,680
	<u>1,279,613</u>	<u>249,158</u>	<u>1,528,771</u>
Change in net assets			
Net assets - beginning of year	371,209	584,916	956,125
	<u>\$ 1,650,822</u>	<u>\$ 834,074</u>	<u>\$ 2,484,896</u>
Net assets - end of year			

See Accompanying Notes to the Financial Statements

**Community Healing Centers**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2021**

<b>Expenses</b>	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 3,664,696	\$ 479,895	\$ 115,242	\$ <b>4,259,833</b>
Employee benefits	577,082	63,534	17,527	<b>658,143</b>
Contract services	104,336	63,056	17,879	<b>185,271</b>
Travel	23,046	108	57	<b>23,211</b>
Client items	9,620	-	-	<b>9,620</b>
Supplies and materials	236,942	2,796	456	<b>240,194</b>
Facility costs	261,009	21,577	523	<b>283,109</b>
Liability insurance	24,191	17,910	-	<b>42,101</b>
Repairs and maintenance	100,388	101,712	2,946	<b>205,046</b>
Depreciation	143,434	20,497	-	<b>163,931</b>
Interest expense	9,006	649	-	<b>9,655</b>
Office costs	45,488	10,305	1,742	<b>57,535</b>
Training	6,392	19,212	-	<b>25,604</b>
Bad debt	248,421	-	-	<b>248,421</b>
Other	31,804	32,798	10,560	<b>75,162</b>
Total	<u>\$ 5,485,855</u>	<u>\$ 834,049</u>	<u>\$ 166,932</u>	<u>\$ <b>6,486,836</b></u>

See Accompanying Notes to the Financial Statements

**Community Healing Centers**  
**Statement of Cash Flows**  
**Year Ended September 30, 2021**

<b>Cash flows from operating activities</b>	<b>\$ 1,528,771</b>
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	163,931
Gain on disposal of property and equipment	(4,482)
Gain on forgiveness of PPP loan	(998,712)
Donation of stock	(19,871)
Change in value of beneficial interest in assets held at community foundation	(34,680)
Bad debt expense	248,421
Decrease (increase) in current assets	
Accounts receivable	(326,506)
Contributions receivable	9,760
Prepaid expenses	(153,101)
Increase (decrease) in current liabilities	
Accounts payable	(152,533)
Funds held for others	94
Accrued liabilities	(182,448)
Deferred revenue	7,179
<b>Net cash provided by operating activities</b>	<b>85,823</b>
<b>Cash flows used in investing activities</b>	
Proceeds from sale of property and equipment	75,000
Purchase of property and equipment	(81,258)
<b>Net cash used by investing activities</b>	<b>(6,258)</b>
<b>Cash flows from financing activities</b>	
Principal payments on long term debt	(154,419)
<b>Net change in cash</b>	<b>(74,854)</b>
<b>Cash at beginning of year</b>	<b>959,818</b>
<b>Cash at end of year</b>	<b>\$ 884,964</b>
<b>Supplemental disclosures of cash flow information</b>	
Cash paid for interest	\$ 9,655

See Accompanying Notes to the Financial Statements



**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2021**

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**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, 2021, \$749,169 of the Organization's bank balance of \$1,025,244 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.

**Contributions Receivable**

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

**Property and Equipment**

The Organization follows the practice of capitalizing all expenditures in excess of \$ 5,000 for property and equipment at cost; the fair value of

## Community Healing Centers Notes to the Financial Statements September 30, 2021

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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 \$1,793,403 at September 30, 2021. 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.

### **Funds Held For Others**

Funds 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.

### **Paycheck Protection Program (PPP) Loan**

The Organization accounts for the PPP loan as a financial liability in accordance with FASB ASC 470 *Debt*. Interest is accrued throughout the life of the loan, even when no payments are currently due.

### **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, 2021 that met the criteria to be recorded.

**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2021**

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**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.

The Organization derives its patient service revenue from fees charged for encounters with individuals. Patient service revenue is recorded for each encounter at rates adjusted to what the Organization expects to collect from the client or third-party payer. When a client needs financial assistance and is not insured, the rates are determined by the client's ability to pay. Revenue is recognized when earned. Program fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Charity Care**

The Organization provides charity care to patients who are unable or unlikely to pay. Such patients are identified based on household size and income information obtained from the patient and subsequent analysis. Since the Organization does not expect payment, estimated charges for charity care are not included in net revenue. Total charity care for the year is not material to the financial statements. However, the Organization recognized bad debt expense of approximately \$250,000 and contractual write off adjustments for care provided of approximately \$1,325,000.

**Advertising**

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the year ended September 30, 2021 was \$23,190.

**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 May 12, 2022, which is the date the financial statements were available to be issued.

**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2021**

**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:

Cash	\$ 884,964
Investments	19,871
Accounts receivable	493,466
Contributions receivable	65,315
Beneficial interest in assets held at community foundation	<u>196,723</u>
 Total financial assets - end of year	 1,660,339
 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	(637,351)
Beneficial interest in assets held at community foundation - not available for expenditure	<u>(196,723)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 826,265</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.

**Note 3 - Property and Equipment**

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

Land	\$ 98,426	N/A
Buildings and improvements	2,196,561	15-40 years
Vehicles	19,882	5 years
Leasehold improvements	1,087,527	5-40 years
Equipment	199,535	5-10 years
Furniture and fixtures	<u>15,373</u>	7 years
Total cost	3,617,304	
Accumulated depreciation	<u>(2,469,215)</u>	
Net carrying amount	<u>\$ 1,148,089</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, 2021, 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, 2021**

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)
2021				
Beneficial interest in assets held at community foundation	\$ 196,723	\$ -	\$ -	\$ 196,723

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, 2020	\$ 162,043
Change in value	34,680
Balance at September 30, 2021	\$ 196,723

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, and is secured by all assets of the Organization. There was no outstanding balance at September 30, 2021.

**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2021**

**Note 6 - Notes Payable**

Notes payable consists of the following at September 30:

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.	\$ 78,648
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>93,145</u>
Total notes payable	<u><u>\$ 171,793</u></u>

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

2022	\$ 45,000
2023	39,496
2024	3,191
2025	<u>84,106</u>
	<u><u>\$ 171,793</u></u>

**PPP Funding**

During the year, the Organization received notification of full forgiveness of the PPP loan in the amount of \$945,129 plus accrued interest of \$9,924.

**Note 7 - Net Assets With Donor Restrictions**

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

United Way - time restricted	<u>\$ 65,315</u>
Girls of the Heart	80,855
Berrien Engagement Center	111,413
Detox/Residential Programs	150,000
EIP Program	30,000
Stryker - Staffing	37,500
Stryker - EU OP	37,500
Vaccinate the Great Lakes	5,000
Harm Reduction	15,425
STREET	<u>104,343</u>
Total purpose restrictions	<u>572,036</u>
Beneficial interest in assets held at community foundation	<u>196,723</u>
Total net assets with donor restrictions	<u><u>\$ 834,074</u></u>

**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2021**

**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, 2021:

Expiration of time restrictions	\$ 75,075
Satisfaction of purpose restrictions	
United Way	21,770
Girls of the Heart	95,531
Berrien Engagement Center	449,954
Detox/Residential Programs	250,000
EIP Program	50,000
Stryker - Staffing	112,500
Stryker - EU OP	112,500
Harm Reduction	12,947
STREET	<u>157,260</u>
Total net assets released from donor restrictions	<u>\$ 1,337,537</u>

**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, 2021 totaled \$ 41,676.

**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,	
<u>2022</u>	\$ 110,055
2023	61,255
2024	15,852
2025	11,076
2026	<u>11,076</u>
Total	<u>\$ 209,314</u>

The Organization also has leases under month to month arrangements. Lease expense for 2021 was \$ 108,423.

**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 - Revenue From Contracts With Customers**

The following summarizes revenue by type for the year ended September 30, 2021:

Revenue from contracts with customers	\$ 3,499,246
Contribution revenue	4,478,154
Miscellaneous income	<u>38,207</u>
Total revenue	<u>\$ 8,015,607</u>

**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2021**

The revenue from contracts with customers for the year ended September 30, 2021 consists of:

Revenue earned at a point in time	<u>\$ 3,499,246</u>
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Bad debt expense as a result of impairment loss on receivables and contract assets on contracts with customers was \$248,421 for the year ended September 30, 2021.

All revenue from contracts with customers is earned at a point in time. Net patient service revenue is reported at the amounts that reflect the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including managed care payers and government programs) and others, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills patients and third-party payers several days after the services are performed. Revenues are recognized as performance obligations are satisfied. Revenue is recognized for performance obligations satisfied at a point in time, which generally relate to patients receiving services, when the services are provided. The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization's contracts, and implicit price concessions provided primarily to uninsured patients. Estimates of contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. The estimate of implicit price concessions is determined based on the historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach. Gross charges are retail charges. They are not the same as actual pricing, and they generally do not reflect what the Organization is ultimately paid and, therefore, are not displayed in the statement of operations. The Organization is

typically paid amounts that are negotiated with insurance companies or are set by the government. Gross charges are what the Organization charges all patients prior to the application of discounts and allowances.

The following summarizes contract assets and liabilities as of September 30:

	September 30, 2021	October 1, 2020
<b>Contract assets</b>		
Accounts receivable	\$ 493,466	\$ 415,381
<b>Contract liabilities</b>		
Deferred revenue	\$ 89,479	\$ 82,300

**Note 13 - Conditional Contributions**

The Organization receives contract and grant funds that are conditional promises to give and, therefore, are not recognized in the statement of financial position until the barriers are overcome. As of September 30, 2021, conditional promises to give total \$1,967,089 and will be recorded as revenue as the barriers within the grant agreements are overcome. Barriers related to complying with grant regulations, including 2 CFR 200, and incurring eligible costs before reimbursement total approximately \$175,000. The remaining barriers of approximately \$1,790,000 relate to satisfying the funder as to certain qualitative and quantitative measurements over the funding period. The Organization records cash received in advance of meeting conditions as refundable advances on the statement of financial position.

**Note 14 - 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.



**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2021**

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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.

The Organization is currently a defendant in a lawsuit. The lawsuit is in an early stage at this time, and as such, the ultimate outcome of this matter or any potential loss is not presently determinable. It was at least reasonably possible that a change in assessment could occur in the near term.

**Note 15 - 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 six previous years, for a total cumulative decline of approximately \$ 1.4 million. At September 30, 2020, the Organization had an undesignated net asset deficit (net of the amount invested in property and equipment) of approximately \$610,000. Other unfavorable financial conditions existed, such as accounts payable in excess of three months of approximately \$110,000.

During 2021, the Organization secured additional new funding, got accounts payable current, and made other positive changes in the entity to realize a net income for the first time in 7 years.

As a result, the doubts about the Company's ability to continue as a going concern were alleviated at September 30, 2021.

## **Supplementary Information**

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2021**

	Three Rivers	Berrien Engagement Center	SJWS	Hope	Bethany	Healing House
<b>Support and revenue</b>						
Government contracts	\$ -	\$ 355,470	\$ -	\$ 36,872	\$ 50,744	\$ 22,532
Client and insurance service fees	-	-	-	-	-	-
Medicaid service fees	-	-	-	-	-	-
Alcohol tax	-	-	-	20,433	-	-
Other contributions	-	35,534	-	-	-	-
United Way contributions	-	-	-	20,000	-	-
Grants	-	76,950	-	-	-	-
Miscellaneous income	-	-	-	-	-	-
Total support and revenue	<u>-</u>	<u>467,954</u>	<u>-</u>	<u>77,305</u>	<u>50,744</u>	<u>22,532</u>
<b>Expenses</b>						
Program expenses						
Salaries and wages	-	289,384	-	30,968	28,244	10,747
Employee benefits	-	44,691	-	6,005	6,882	2,427
Contract services	-	3,656	-	-	122	-
Travel	214	968	-	411	425	92
Client items	-	-	-	-	-	-
Supplies and materials	236	3,701	-	1,639	1,132	91
Facility costs	1,432	28,403	-	10,325	23,128	8,947
Liability insurance	698	1,397	-	945	331	166
Repairs and maintenance	1,897	32	(180)	3,918	2,535	750
Depreciation	788	-	-	5,613	-	-
Interest expense	1,227	-	-	4,556	-	-
Office costs	-	1,916	-	117	280	-
Training	-	-	-	-	-	-
Bad debt	-	1	-	-	-	-
Other	(4,482)	4,094	-	1,025	840	800
Total program expenses	<u>2,010</u>	<u>378,243</u>	<u>(180)</u>	<u>65,522</u>	<u>63,919</u>	<u>24,020</u>
Supporting services						
Indirect costs	<u>-</u>	<u>71,713</u>	<u>-</u>	<u>7,158</u>	<u>7,759</u>	<u>2,645</u>
Total expenses	<u>2,010</u>	<u>449,956</u>	<u>(180)</u>	<u>72,680</u>	<u>71,678</u>	<u>26,665</u>
Change in net assets before other changes	(2,010)	17,998	180	4,625	(20,934)	(4,133)
<b>Other changes in net assets</b>						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
<b>Change in net assets</b>	<u>\$ (2,010)</u>	<u>\$ 17,998</u>	<u>\$ 180</u>	<u>\$ 4,625</u>	<u>\$ (20,934)</u>	<u>\$ (4,133)</u>

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2021**

	Star of Hope	Harm Reduction	4 Niles FSRs	Gilmore Neonatal	Detox	Residential
<b>Support and revenue</b>						
Government contracts	\$ 45,242	\$ -	\$ 25,795	\$ 57,532	\$ 205,455	\$ 417,811
Client and insurance service fees	-	-	-	-	67,784	55,222
Medicaid service fees	-	-	-	-	527,480	817,925
Alcohol tax	38,006	-	567	-	-	-
Other contributions	-	-	-	-	9,256	9,503
United Way contributions	-	-	-	-	24,188	24,187
Grants	-	28,372	-	-	419,079	329,080
Miscellaneous income	-	-	-	-	2,847	2,010
<b>Total support and revenue</b>	<b>83,248</b>	<b>28,372</b>	<b>26,362</b>	<b>57,532</b>	<b>1,256,089</b>	<b>1,655,738</b>
<b>Expenses</b>						
Program expenses						
Salaries and wages	41,865	6,369	18,618	44,053	705,034	872,815
Employee benefits	4,443	618	1,509	7,545	114,813	130,654
Contract services	-	35	3,946	210	38,044	41,320
Travel	2,279	330	97	342	1,211	2,252
Client items	-	-	-	-	9,620	-
Supplies and materials	1,195	113	241	888	72,676	135,780
Facility costs	16,396	1,896	181	2,210	9,958	37,132
Liability insurance	173	31	71	402	2,876	5,102
Repairs and maintenance	562	-	-	923	13,574	28,281
Depreciation	-	-	-	-	10,806	40,341
Interest expense	-	-	-	-	-	-
Office costs	372	1,871	419	558	7,085	13,583
Training	-	-	-	-	837	1,820
Bad debt	-	-	-	-	58,595	66,055
Other	800	1,067	-	401	1,598	2,098
<b>Total program expenses</b>	<b>68,085</b>	<b>12,330</b>	<b>25,082</b>	<b>57,532</b>	<b>1,046,727</b>	<b>1,377,233</b>
Supporting services						
Indirect costs	10,559	617	1,280	-	155,523	163,229
<b>Total expenses</b>	<b>78,644</b>	<b>12,947</b>	<b>26,362</b>	<b>57,532</b>	<b>1,202,250</b>	<b>1,540,462</b>
Change in net assets before other changes	4,604	15,425	-	-	53,839	115,276
<b>Other changes in net assets</b>						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
<b>Change in net assets</b>	<b>\$ 4,604</b>	<b>\$ 15,425</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,839</b>	<b>\$ 115,276</b>

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2021**

	Gilmore Peer Co.	New Beginnings	Niles	EIP	Infant EMH	CAC
<b>Support and revenue</b>						
Government contracts	\$ 47,925	\$ 69,849	\$ 15,813	\$ 279,509	\$ 67,169	\$ 241,039
Client and insurance service fees	-	-	89,865	-	-	-
Medicaid service fees	-	-	257,312	-	-	-
Alcohol tax	-	75,175	-	-	-	-
Other contributions	-	-	-	28,640	-	60,549
United Way contributions	-	-	-	-	-	-
Grants	-	-	42,950	30,000	-	59,139
Miscellaneous income	-	-	1,451	2,010	-	-
<b>Total support and revenue</b>	<b>47,925</b>	<b>145,024</b>	<b>407,391</b>	<b>340,159</b>	<b>67,169</b>	<b>360,727</b>
<b>Expenses</b>						
<b>Program expenses</b>						
Salaries and wages	40,636	48,029	251,166	226,846	49,289	182,542
Employee benefits	3,884	10,208	42,488	33,228	9,139	28,131
Contract services	-	126	6,285	1,632	3,650	16
Travel	-	317	1,827	5,005	671	2,515
Client items	-	-	-	-	-	-
Supplies and materials	-	689	1,754	962	184	2,960
Facility costs	960	19,340	33,036	10,029	600	8,024
Liability insurance	163	1,676	715	1,802	148	1,399
Repairs and maintenance	-	5,082	10,464	5,875	-	6,859
Depreciation	-	20,891	411	11,961	-	11,509
Interest expense	-	-	-	662	-	524
Office costs	-	119	4,872	1,020	80	3,569
Training	-	-	40	(166)	-	3,886
Bad debt	-	-	49,572	-	-	-
Other	-	300	2,795	1,214	209	10,731
<b>Total program expenses</b>	<b>45,643</b>	<b>106,777</b>	<b>405,425</b>	<b>300,070</b>	<b>63,970</b>	<b>262,665</b>
<b>Supporting services</b>						
Indirect costs	2,282	11,056	61,951	49,382	3,199	37,584
<b>Total expenses</b>	<b>47,925</b>	<b>117,833</b>	<b>467,376</b>	<b>349,452</b>	<b>67,169</b>	<b>300,249</b>
Change in net assets before other changes	-	27,191	(59,985)	(9,293)	-	60,478
<b>Other changes in net assets</b>						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ 27,191</b>	<b>\$ (59,985)</b>	<b>\$ (9,293)</b>	<b>\$ -</b>	<b>\$ 60,478</b>

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2021**

	DHS	EU OP	KP	SOR Prevention	EU Shared	STREET
<b>Support and revenue</b>						
Government contracts	\$ -	\$ 83,280	\$ 72,105	\$ 10,392	\$ -	\$ 84,583
Client and insurance service fees	-	246,097	-	-	-	-
Medicaid service fees	-	344,112	-	-	-	-
Alcohol tax	-	-	-	-	-	-
Other contributions	1,600	21,714	7,403	-	-	35,922
United Way contributions	-	-	-	-	-	31,347
Grants	23,843	175,000	-	-	-	84,341
Miscellaneous income	-	5,441	-	-	-	-
<b>Total support and revenue</b>	<b>25,443</b>	<b>875,644</b>	<b>79,508</b>	<b>10,392</b>	<b>-</b>	<b>236,193</b>
<b>Expenses</b>						
<b>Program expenses</b>						
Salaries and wages	19,594	455,248	56,571	8,159	55,619	76,903
Employee benefits	1,559	75,608	8,140	1,702	8,621	12,450
Contract services	-	4,518	5	-	-	11
Travel	-	-	115	-	-	66
Client items	-	-	-	-	-	-
Supplies and materials	-	223	2,553	-	-	4,118
Facility costs	-	15,571	2,015	-	-	21,662
Liability insurance	-	2,907	445	-	-	1,320
Repairs and maintenance	-	11,020	1,441	-	-	2,950
Depreciation	-	22,671	3,041	-	-	6,533
Interest expense	-	1,235	165	-	-	355
Office costs	-	3,669	301	-	-	4,166
Training	-	63	(15)	-	-	-
Bad debt	-	74,204	-	-	-	(6)
Other	2,600	3,497	283	-	-	(34)
<b>Total program expenses</b>	<b>23,753</b>	<b>670,434</b>	<b>75,060</b>	<b>9,861</b>	<b>64,240</b>	<b>130,494</b>
<b>Supporting services</b>						
Indirect costs	1,690	143,816	4,448	531	(64,240)	26,745
<b>Total expenses</b>	<b>25,443</b>	<b>814,250</b>	<b>79,508</b>	<b>10,392</b>	<b>-</b>	<b>157,239</b>
Change in net assets before other changes	-	61,394	-	-	-	78,954
<b>Other changes in net assets</b>						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ 61,394</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 78,954</b>

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2021**

	Girls of Heart	Child 7 - 17	PA2 Ad.	PAT	Wright	PPP Forgiveness
<b>Support and revenue</b>						
Government contracts	\$ -	\$ 56,090	\$ -	\$ -	\$ -	\$ -
Client and insurance service fees	-	-	-	-	-	-
Medicaid service fees	-	-	-	-	-	-
Alcohol tax	-	-	18,682	-	-	-
Other contributions	4,626	26,118	636	3,036	4,841	945,129
United Way contributions	17,125	-	-	-	-	-
Grants	70,774	9,000	-	48,000	-	-
Miscellaneous income	-	632	-	11,840	-	-
<b>Total support and revenue</b>	<b>92,525</b>	<b>91,840</b>	<b>19,318</b>	<b>62,876</b>	<b>4,841</b>	<b>945,129</b>
<b>Expenses</b>						
<b>Program expenses</b>						
Salaries and wages	57,869	40,754	13,149	34,225	-	-
Employee benefits	7,861	4,396	2,395	7,685	-	-
Contract services	277	4	1	178	300	-
Travel	-	1,450	-	2,459	-	-
Client items	-	-	-	-	-	-
Supplies and materials	2,397	21	5	22	3,362	-
Facility costs	4,844	2,318	453	2,149	-	-
Liability insurance	667	331	84	342	-	-
Repairs and maintenance	1,477	1,719	238	971	-	-
Depreciation	3,695	2,284	561	2,329	-	-
Interest expense	-	124	31	127	-	-
Office costs	1,047	207	43	194	-	-
Training	-	57	-	(130)	-	-
Bad debt	-	-	-	-	-	-
Other	412	250	25	102	1,179	-
<b>Total program expenses</b>	<b>80,546</b>	<b>53,915</b>	<b>16,985</b>	<b>50,653</b>	<b>4,841</b>	<b>-</b>
<b>Supporting services</b>						
Indirect costs	14,987	9,348	1,718	9,534	-	-
<b>Total expenses</b>	<b>95,533</b>	<b>63,263</b>	<b>18,703</b>	<b>60,187</b>	<b>4,841</b>	<b>-</b>
Change in net assets before other changes	(3,008)	28,577	615	2,689	-	945,129
<b>Other changes in net assets</b>						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
<b>Change in net assets</b>	<b>\$ (3,008)</b>	<b>\$ 28,577</b>	<b>\$ 615</b>	<b>\$ 2,689</b>	<b>\$ -</b>	<b>\$ 945,129</b>

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2021**

	Total Program	Fundraising	Management & General	Total
<b>Support and revenue</b>				
Government contracts	\$ 2,245,207	\$ -	\$ -	\$ 2,245,207
Client and insurance service fees	458,968	-	-	458,968
Medicaid service fees	1,946,829	-	28,545	1,975,374
Alcohol tax	152,863	-	-	152,863
Other contributions	1,194,507	240,494	41,612	1,476,613
United Way contributions	116,847	-	-	116,847
Grants	1,396,528	155,000	-	1,551,528
Miscellaneous income	26,231	-	(22,704)	3,527
Total support and revenue	<u>7,537,980</u>	<u>395,494</u>	<u>47,453</u>	<u>7,980,927</u>
<b>Expenses</b>				
Program expenses				
Salaries and wages	3,664,696	115,242	479,895	4,259,833
Employee benefits	577,082	17,527	63,534	658,143
Contract services	104,336	17,879	63,056	185,271
Travel	23,046	57	108	23,211
Client items	9,620	-	-	9,620
Supplies and materials	236,942	456	2,796	240,194
Facility costs	261,009	523	21,577	283,109
Liability insurance	24,191	-	17,910	42,101
Repairs and maintenance	100,388	2,946	101,712	205,046
Depreciation	143,434	-	20,497	163,931
Interest expense	9,006	-	649	9,655
Office costs	45,488	1,742	10,305	57,535
Training	6,392	-	19,212	25,604
Bad debt	248,421	-	-	248,421
Other	31,804	10,560	26,122	68,486
Total program expenses	<u>5,485,855</u>	<u>166,932</u>	<u>827,373</u>	<u>6,480,160</u>
Supporting services				
Indirect costs	734,514	-	(727,838)	6,676
Total expenses	<u>6,220,369</u>	<u>166,932</u>	<u>99,535</u>	<u>6,486,836</u>
Change in net assets before other changes	1,317,611	228,562	(52,082)	1,494,091
<b>Other changes in net assets</b>				
Change in beneficial interest in assets held at community foundation	-	-	34,680	34,680
<b>Change in net assets</b>	<u>\$ 1,317,611</u>	<u>\$ 228,562</u>	<u>\$ (17,402)</u>	<u>\$ 1,528,771</u>