

**Community Healing Centers**

**Financial Statements**

**September 30, 2022**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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## Independent Auditors' Report

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

### Opinion

We have audited the accompanying financial statements of Community Healing Centers, which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Healing Centers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Healing Centers' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Healing Centers' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregated, that raise substantial doubt about Community Healing Centers' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 March 15, 2023 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  
March 15, 2023

**Community Healing Centers**  
**Statement of Financial Position**  
**September 30, 2022**

<b>Assets</b>	
Current Assets	
Cash	\$ 961,406
Accounts receivable	511,499
Contributions receivable	187,133
Prepaid expenses	143,336
Total current assets	1,803,374
Long-term Assets	
Property and equipment, net	1,226,395
Beneficial interest in assets held at community foundation	161,604
Total long-term assets	1,387,999
<b>Total assets</b>	<b>\$ 3,191,373</b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 85,034
Funds held for others	2,317
Accrued liabilities	232,503
Deferred revenue	82,121
Current maturities of long-term debt	44,550
Total current liabilities	446,525
Long-term Liabilities	
Notes payable, net of current portion	81,857
Total liabilities	528,382
<b>Net Assets</b>	
Without donor restrictions	
Undesignated	638,018
Undesignated - property	1,099,988
Total net assets without donor restrictions	1,738,006
With donor restrictions	
Beneficial interest in assets held at community foundation	161,604
Time-restricted for future periods	187,133
Purpose restrictions	576,248
Total net assets with donor restrictions	924,985
Total net assets	2,662,991
<b>Total liabilities and net assets</b>	<b>\$ 3,191,373</b>

See Accompanying Notes to the Financial Statements

**Community Healing Centers**  
**Statement of Activities**  
**Year Ended September 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Government contracts	\$ 1,760,248	\$ 244,216	\$ 2,004,464
Client and insurance service fees	332,121	-	332,121
Medicaid service fees	1,906,110	-	1,906,110
Alcohol tax	179,573	-	179,573
Contributed nonfinancial assets	43,060	-	43,060
Other contributions	204,491	357,109	561,600
United Way contributions	63,500	43,587	107,087
Grants	741,104	1,257,565	1,998,669
Miscellaneous income	109,762	-	109,762
	<u>5,339,969</u>	<u>1,902,477</u>	<u>7,242,446</u>
Net assets released from restrictions	<u>1,776,447</u>	<u>(1,776,447)</u>	<u>-</u>
	<u>7,116,416</u>	<u>126,030</u>	<u>7,242,446</u>
<b>Expenses</b>			
Program services	<u>5,814,681</u>	<u>-</u>	<u>5,814,681</u>
Supporting services			
Management and general	1,059,907	-	1,059,907
Fundraising	154,644	-	154,644
	<u>1,214,551</u>	<u>-</u>	<u>1,214,551</u>
Total supporting services	<u>1,214,551</u>	<u>-</u>	<u>1,214,551</u>
Total expenses	<u>7,029,232</u>	<u>-</u>	<u>7,029,232</u>
Change in net assets before other changes	87,184	126,030	213,214
<b>Other changes in net assets</b>			
Change in value of beneficial interest in assets held at community foundation	<u>-</u>	<u>(35,119)</u>	<u>(35,119)</u>
Change in net assets	87,184	90,911	178,095
Net assets - beginning of year	<u>1,650,822</u>	<u>834,074</u>	<u>2,484,896</u>
Net assets - end of year	<u>\$ 1,738,006</u>	<u>\$ 924,985</u>	<u>\$ 2,662,991</u>

See Accompanying Notes to the Financial Statements

**Community Healing Centers**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2022**

<b>Expenses</b>	Program	Management & General	Fundraising	Total
Salaries and wages	\$ 3,757,451	\$ 624,415	\$ 91,705	\$ 4,473,571
Employee benefits	594,748	72,329	15,080	682,157
Contract services	118,616	55,876	14,594	189,086
Travel	45,487	101	240	45,828
Facility costs	300,741	24,071	-	324,812
Liability insurance	22,495	14,904	-	37,399
Repairs and maintenance	133,842	106,734	-	240,576
Depreciation	153,659	20,413	-	174,072
Interest expense	7,890	-	-	7,890
Supplies and office costs	436,390	20,913	12,094	469,397
Training	13,020	26,227	1,000	40,247
Bad debt	148,394	-	-	148,394
Other	81,948	93,924	19,931	195,803
Total	<u>\$ 5,814,681</u>	<u>\$ 1,059,907</u>	<u>\$ 154,644</u>	<u>\$ 7,029,232</u>

See Accompanying Notes to the Financial Statements



**Community Healing Centers**  
**Statement of Cash Flows**  
**Year Ended September 30, 2022**

<b>Cash flows from operating activities</b>	<b>\$ 178,095</b>
Change in net assets	178,095
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	174,072
Loss on disposal of property and equipment	38,721
Change in value of beneficial interest in assets held at community foundation	35,119
Bad debt expense	148,394
Decrease (increase) in current assets	
Accounts receivable	(166,427)
Contributions receivable	(121,818)
Prepaid expenses	52,152
Increase (decrease) in current liabilities	
Accounts payable	21,127
Accrued liabilities	40,979
Deferred revenue	(7,358)
<b>Net cash provided by operating activities</b>	<b>393,056</b>
<b>Cash flows provided (used) in investing activities</b>	
Sale of investments	19,871
Purchase of property and equipment	(291,099)
<b>Net cash used by investing activities</b>	<b>(271,228)</b>
<b>Cash flows from financing activities</b>	
Principal payments on long term debt	(45,386)
<b>Net change in cash</b>	<b>76,442</b>
<b>Cash at beginning of year</b>	<b>884,964</b>
<b>Cash at end of year</b>	<b>\$ 961,406</b>
<b>Supplemental disclosures of cash flow information</b>	
Cash paid for interest	\$ 7,890

See Accompanying Notes to the Financial Statements

**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2022**

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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, St. Joseph, 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, 2022, \$494,421 of the Organization's bank balance of \$1,027,222 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**  
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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 \$1,494,067 at September 30, 2022. 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.

**Donated Services and Goods**

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization’s policy is to utilize, rather than monetize, donated services and goods.

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.

**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

**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2022**

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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 \$148,000 and contractual write off adjustments for care provided of approximately \$1,309,000.

**Advertising**

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the year ended September 30, 2022 was \$80,566.

**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 March 15, 2023, which is the date the financial statements were available to be issued.

**Adoption of New Accounting Standard**

The Institute adopted FASB Topic, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, as of the beginning of the year ended September 30, 2022. The adoption of the standard had no impact on the financial statement presentation.

**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2022**

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**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	\$ 961,406
Accounts receivable	511,499
Contributions receivable	187,133
Beneficial interest in assets held at community foundation	<u>161,604</u>
 Total financial assets - end of year	 1,821,642
 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	(763,381)
Beneficial interest in assets held at community foundation - not available for expenditure	<u>(161,604)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 896,657</u>

The Organization has a line of credit of up to \$300,000. 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	1,257,578	5-40 years
Equipment	226,370	5-10 years
Furniture and fixtures	<u>42,487</u>	7 years
 Total cost	 3,841,304	
Accumulated depreciation	<u>(2,614,909)</u>	
 Net carrying amount	 <u>\$ 1,226,395</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, 2022, 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**  
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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		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value	(Level 1)	(Level 2)	(Level 3)
2022			
Beneficial interest in assets held at community foundation	\$ 161,604	\$ -	\$ 161,604

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, 2021	\$ 196,723
Change in value	(35,119)
Balance at September 30, 2022	\$ 161,604

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 \$300,000 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, 2022.

**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.	\$ 36,555
Note payable to the Horizon Bank in monthly installments of \$976, including interest at 4.25%. The unpaid principal amount is due in 2032, secured by real estate.	89,852
Total notes payable	\$ 126,407

**Community Healing Centers**  
**Notes to the Financial Statements**  
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Future maturities for the years ended September 30 are as follows:

2023	\$ 44,550
2024	8,384
2025	8,758
2026	9,138
2027	9,535
Thereafter	<u>46,042</u>
	<u>\$ 126,407</u>

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

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

Time restrictions	
Enna Foundation	\$ 50,000
Gilmore Windows	71,818
United Way	<u>65,315</u>
Total time restrictions	187,133
Purpose restrictions	
Girls of the Heart	99,685
Berrien Engagement Center	130,685
Detox/Residential Programs	150,000
EIP Program	20,000
Stryker - Staffing	31,250
Stryker - EU OP	31,250
ISK Endowment	5,000
STREET	<u>108,378</u>
Total purpose restrictions	<u>576,248</u>
Beneficial interest in assets held at community foundation	<u>161,604</u>
Total net assets with donor restrictions	<u>\$ 924,985</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, 2022:

Expiration of time restrictions	
United Way	\$ 65,315
Enna Foundation	<u>25,000</u>
Total expiration of time restrictions	<u>90,315</u>
Satisfaction of purpose restrictions	
United Way	21,772
Girls of the Heart	121,068
Berrien Engagement Center	426,314
Detox/Residential Programs	600,000
EIP Program	30,000
Stryker - Staffing	131,250
Stryker - EU OP	131,250
Harm Reduction	15,425
Vaccinate the Great Lakes	5,000
STREET	<u>204,053</u>
Total satisfaction of purpose restrictions	<u>1,686,132</u>
Total net assets released from donor restrictions	<u>\$ 1,776,447</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, 2022 totaled \$49,018.

**Community Healing Centers**  
**Notes to the Financial Statements**  
**September 30, 2022**

**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,		
2023	\$	85,455
2024		18,052
2025		11,076
2026		11,076
Total	\$	125,659

The Organization also has leases under month to month arrangements. Lease expense for 2022 was \$140,185.

**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, 2022:

Revenue from contracts with customers	\$ 3,409,508
Contribution revenue	3,723,176
Miscellaneous income	74,643
Total revenue	\$ 7,207,327

The revenue from contracts with customers for the year ended September 30, 2022 consists of:

Revenue earned at a point in time	\$ 3,409,508
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Bad debt expense as a result of impairment loss on receivables and contract assets on contracts with customers was \$148,394 for the year ended September 30, 2022.

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



**Community Healing Centers**  
**Notes to the Financial Statements**  
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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, 2022	October 1, 2021
<b>Contract assets</b>		
Accounts receivable	<u>\$ 511,499</u>	<u>\$ 493,466</u>
<b>Contract liabilities</b>		
Deferred revenue	<u>\$ 82,121</u>	<u>\$ 89,479</u>

**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, 2022, conditional promises to give total \$1,120,120 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 \$225,000. The remaining barriers of approximately \$895,000 relate to satisfying the funder as to certain qualitative and quantitative measurements over the funding period. The purpose of the funding is for children and outpatient mental health services, human resource initiatives, STREET and Girls of the Heart programming, and inpatient substance abuse treatment. The Organization records cash received in advance of meeting conditions as refundable advances on the statement of financial position.

**Note 14 - Contributed Nonfinancial Assets**

Contributed nonfinancial assets for the year ended September 30, 2022 were:

Category	Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Holiday donations of diapers, clothing, etc.	\$ 15,000	No designation	None	Contributed goods in support of agency programs, estimated value provided by donor
Tennis event	18,060	CAC/STREET	Serve for Kids event	Contributed services and goods in support of event, estimated value provided by donor
Roof sit event	<u>10,000</u>	Children's Programs	Roof Sit event	Contributed services and goods in support of event, estimated value provided by donor
	<u>\$ 43,060</u>			

**Note 15 - 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.

**Community Healing Centers**  
**Notes to the Financial Statements**  
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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.

## **Supplementary Information**

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2022**

	Berrien Engagement Center	Youth Development	Hope House	Bethany House	Healthy House	Star of Hope House
<b>Support and revenue</b>						
Government contracts	\$ 243,717	\$ -	\$ 44,027	\$ 53,234	\$ 3,159	\$ 49,751
Client and insurance service fees	-	-	-	-	-	-
Medicaid service fees	-	-	-	-	-	-
Alcohol tax	-	-	21,000	-	-	40,000
Contributed nonfinancial assets	-	-	-	-	-	-
Other contributions	80,805	-	2,500	2,500	-	2,500
United Way contributions	-	-	20,000	-	-	-
Grants	120,565	51,398	5,000	-	-	-
Miscellaneous income	500	-	30	-	-	-
	<u>445,587</u>	<u>51,398</u>	<u>92,557</u>	<u>55,734</u>	<u>3,159</u>	<u>92,251</u>
Total support and revenue						
<b>Expenses</b>						
Program expenses						
Salaries and wages	237,247	25,881	47,151	36,865	-	41,986
Employee benefits	33,976	2,025	6,442	7,626	-	4,156
Contract services	-	-	-	1,616	-	-
Travel	7,283	76	1,918	1,518	49	3,524
Facility costs	33,165	-	8,558	26,043	-	18,169
Liability insurance	1,219	-	835	303	-	160
Repairs and maintenance	947	-	3,504	3,240	173	468
Depreciation	-	-	5,613	-	-	-
Interest expense	-	-	5,969	-	-	-
Office costs	10,793	18,694	8,714	2,974	325	3,844
Training	127	-	-	-	-	-
Bad debt	-	-	-	-	-	-
Other	12,138	50	4,197	808	300	800
	<u>336,895</u>	<u>46,726</u>	<u>92,901</u>	<u>80,993</u>	<u>847</u>	<u>73,107</u>
Total program expenses						
Supporting services						
Indirect costs	89,420	4,672	6,056	14,131	-	13,001
	<u>89,420</u>	<u>4,672</u>	<u>6,056</u>	<u>14,131</u>	<u>-</u>	<u>13,001</u>
Total expenses	<u>426,315</u>	<u>51,398</u>	<u>98,957</u>	<u>95,124</u>	<u>847</u>	<u>86,108</u>
Change in net assets before other changes	19,272	-	(6,400)	(39,390)	2,312	6,143
<b>Other changes in net assets</b>						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	<u>\$ 19,272</u>	<u>\$ -</u>	<u>\$ (6,400)</u>	<u>\$ (39,390)</u>	<u>\$ 2,312</u>	<u>\$ 6,143</u>

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2022**

	Harm Reduction	4 Niles FSRs	Gilmore Neonatal	Detox	Residential	Gilmore Peer Coach
<b>Support and revenue</b>						
Government contracts	\$ -	\$ 9,745	\$ 60,557	\$ 235,542	\$ 501,375	\$ 51,453
Client and insurance service fees	-	-	-	30,655	45,987	-
Medicaid service fees	-	-	-	622,544	951,695	-
Alcohol tax	-	21,357	-	-	-	-
Contributed nonfinancial assets	-	-	-	-	-	-
Other contributions	-	-	-	18,822	12,143	-
United Way contributions	-	-	-	21,750	21,750	-
Grants	3,432	-	-	384,633	384,633	-
Miscellaneous income	-	-	-	9,870	2,368	-
<b>Total support and revenue</b>	<b>3,432</b>	<b>31,102</b>	<b>60,557</b>	<b>1,323,816</b>	<b>1,919,951</b>	<b>51,453</b>
<b>Expenses</b>						
<b>Program expenses</b>						
Salaries and wages	9,959	12,708	46,478	754,724	1,005,738	43,405
Employee benefits	814	1,045	2,930	135,387	154,181	4,653
Contract services	-	14,315	1,690	42,105	43,167	-
Travel	684	156	2,352	2,108	3,746	69
Facility costs	3,486	180	2,325	12,912	43,551	410
Liability insurance	64	-	371	2,503	5,082	156
Repairs and maintenance	-	-	847	21,125	41,638	-
Depreciation	-	-	-	12,258	45,762	-
Interest expense	-	-	-	-	-	-
Office costs	628	292	2,594	130,157	176,668	-
Training	-	-	770	1,919	3,564	300
Bad debt	-	-	-	17,414	56,166	-
Other	2,325	-	200	1,271	40,671	10
<b>Total program expenses</b>	<b>17,960</b>	<b>28,696</b>	<b>60,557</b>	<b>1,133,883</b>	<b>1,619,934</b>	<b>49,003</b>
<b>Supporting services</b>						
Indirect costs	898	2,406	-	195,427	242,972	2,450
<b>Total expenses</b>	<b>18,858</b>	<b>31,102</b>	<b>60,557</b>	<b>1,329,310</b>	<b>1,862,906</b>	<b>51,453</b>
Change in net assets before other changes	(15,426)	-	-	(5,494)	57,045	-
<b>Other changes in net assets</b>						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
<b>Change in net assets</b>	<b>\$ (15,426)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,494)</b>	<b>\$ 57,045</b>	<b>\$ -</b>

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2022**

	New Beginnings	Niles Outpatient	Early Intervention Program	Infant Early Mental Health	Hispanic Prevention	Child Advocacy Center
<b>Support and revenue</b>						
Government contracts	\$ 92,016	\$ 13,584	\$ 194,538	\$ 26,296	\$ 6,518	\$ -
Client and insurance service fees	-	52,513	-	-	-	-
Medicaid service fees	-	132,130	-	-	-	-
Alcohol tax	77,627	-	-	-	-	-
Contributed nonfinancial assets	-	-	-	-	-	-
Other contributions	2,500	5,000	42,568	-	-	748
United Way contributions	-	-	-	-	-	-
Grants	-	72,500	20,000	-	-	13,926
Miscellaneous income	-	1,559	-	-	-	-
Total support and revenue	<u>172,143</u>	<u>277,286</u>	<u>257,106</u>	<u>26,296</u>	<u>6,518</u>	<u>14,674</u>
<b>Expenses</b>						
Program expenses						
Salaries and wages	51,712	234,156	169,634	19,645	5,114	8,729
Employee benefits	11,200	34,858	28,299	3,399	1,063	730
Contract services	1,407	3,650	4,076	500	-	3,350
Travel	1,354	5,489	4,875	574	-	-
Facility costs	21,076	36,610	9,274	210	31	-
Liability insurance	1,551	1,048	1,457	71	-	-
Repairs and maintenance	8,406	9,497	5,028	-	-	-
Depreciation	23,698	350	9,935	-	-	-
Interest expense	-	-	313	-	-	-
Office costs	7,622	6,615	3,239	395	-	-
Training	-	-	2,090	80	-	-
Bad debt	50	34,092	-	-	-	-
Other	300	3,126	1,068	170	-	599
Total program expenses	<u>128,376</u>	<u>369,491</u>	<u>239,288</u>	<u>25,044</u>	<u>6,208</u>	<u>13,408</u>
Supporting services						
Indirect costs	<u>15,141</u>	<u>88,937</u>	<u>56,491</u>	<u>1,252</u>	<u>310</u>	<u>1,266</u>
Total expenses	<u>143,517</u>	<u>458,428</u>	<u>295,779</u>	<u>26,296</u>	<u>6,518</u>	<u>14,674</u>
Change in net assets before other changes	28,626	(181,142)	(38,673)	-	-	-
<b>Other changes in net assets</b>						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
<b>Change in net assets</b>	<u>\$ 28,626</u>	<u>\$ (181,142)</u>	<u>\$ (38,673)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2022**

	EU Outpatient	Prevention	CAC VOCA	EU Shared Costs	STREET	Girls of the Heart
<b>Support and revenue</b>						
Government contracts	\$ 47,050	\$ 83,603	\$ 244,923	\$ 3,250	\$ -	\$ -
Client and insurance service fees	202,966	-	-	-	-	-
Medicaid service fees	199,741	-	-	-	-	-
Alcohol tax	-	-	-	-	-	-
Contributed nonfinancial assets	-	-	-	-	-	-
Other contributions	5,010	8,586	83,615	-	37,400	-
United Way contributions	-	-	-	-	28,188	15,399
Grants	150,000	-	-	-	142,500	124,500
Miscellaneous income	19,390	-	-	-	-	-
Total support and revenue	<u>624,157</u>	<u>92,189</u>	<u>328,538</u>	<u>3,250</u>	<u>208,088</u>	<u>139,899</u>
<b>Expenses</b>						
Program expenses						
Salaries and wages	444,831	66,081	196,643	56,862	71,462	67,754
Employee benefits	79,017	9,149	27,164	9,915	12,511	8,067
Contract services	2,575	-	-	-	-	165
Travel	350	320	3,959	-	190	-
Facility costs	18,152	2,587	10,816	-	41,039	6,513
Liability insurance	2,853	448	1,659	-	1,292	638
Repairs and maintenance	11,678	1,403	10,853	-	10,320	1,355
Depreciation	23,120	3,171	13,532	-	7,059	3,631
Interest expense	733	101	374	-	224	-
Office costs	11,982	3,277	6,871	3,250	20,339	13,468
Training	1,450	715	1,816	18	171	-
Bad debt	40,672	-	-	-	-	-
Other	3,960	150	2,069	-	1,265	1,037
Total program expenses	<u>641,373</u>	<u>87,402</u>	<u>275,756</u>	<u>70,045</u>	<u>165,872</u>	<u>102,628</u>
Supporting services						
Indirect costs	185,470	4,787	66,264	(66,795)	38,182	18,442
Total expenses	<u>826,843</u>	<u>92,189</u>	<u>342,020</u>	<u>3,250</u>	<u>204,054</u>	<u>121,070</u>
Change in net assets before other changes	(202,686)	-	(13,482)	-	4,034	18,829
<b>Other changes in net assets</b>						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
<b>Change in net assets</b>	<u>\$ (202,686)</u>	<u>\$ -</u>	<u>\$ (13,482)</u>	<u>\$ -</u>	<u>\$ 4,034</u>	<u>\$ 18,829</u>

**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2022**

	Children 7 - 17	PA2 Adolescent Program	Parents As Teachers	Wright	Gilmore Capital
<b>Support and revenue</b>					
Government contracts	\$ 40,126	\$ -	\$ -	\$ -	\$ -
Client and insurance service fees	-	-	-	-	-
Medicaid service fees	-	-	-	-	-
Alcohol tax	-	19,589	-	-	-
Contributed nonfinancial assets	-	-	-	-	-
Other contributions	23,385	1,116	25,460	7,433	-
United Way contributions	-	-	-	-	-
Grants	35,000	-	28,750	-	321,818
Miscellaneous income	5,808	-	14,620	-	-
Total support and revenue	<u>104,319</u>	<u>20,705</u>	<u>68,830</u>	<u>7,433</u>	<u>321,818</u>
<b>Expenses</b>					
Program expenses					
Salaries and wages	51,662	14,168	36,856	-	-
Employee benefits	5,337	2,267	8,537	-	-
Contract services	-	-	-	-	-
Travel	1,874	-	2,969	50	-
Facility costs	2,709	499	2,426	-	-
Liability insurance	377	73	335	-	-
Repairs and maintenance	2,245	193	922	-	-
Depreciation	2,664	486	2,380	-	-
Interest expense	85	16	75	-	-
Office costs	714	122	582	2,231	-
Training	-	-	-	-	-
Bad debt	-	-	-	-	-
Other	146	24	112	5,152	-
Total program expenses	<u>67,813</u>	<u>17,848</u>	<u>55,194</u>	<u>7,433</u>	<u>-</u>
Supporting services					
Indirect costs	15,324	2,857	13,636	-	-
Total expenses	<u>83,137</u>	<u>20,705</u>	<u>68,830</u>	<u>7,433</u>	<u>-</u>
Change in net assets before other changes	21,182	-	-	-	321,818
<b>Other changes in net assets</b>					
Change in beneficial interest in assets held at community foundation	-	-	-	-	-
<b>Change in net assets</b>	<u>\$ 21,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,818</u>



**Community Healing Centers**  
**Schedule of Functional Revenue and Expenses by Activity**  
**Year Ended September 30, 2022**

	Total Program	Fundraising	Management & General	Total
<b>Support and revenue</b>				
Government contracts	\$ 2,004,464	\$ -	\$ -	\$ 2,004,464
Client and insurance service fees	332,121	-	-	332,121
Medicaid service fees	1,906,110	-	-	1,906,110
Alcohol tax	179,573	-	-	179,573
Contributed nonfinancial assets	-	43,060	-	43,060
Other contributions	362,091	199,509	-	561,600
United Way contributions	107,087	-	-	107,087
Grants	1,858,655	140,000	14	1,998,669
Miscellaneous income	54,145	-	55,617	109,762
	<u>6,804,246</u>	<u>382,569</u>	<u>55,631</u>	<u>7,242,446</u>
Total support and revenue				
	<u>6,804,246</u>	<u>382,569</u>	<u>55,631</u>	<u>7,242,446</u>
<b>Expenses</b>				
Program expenses				
Salaries and wages	3,757,451	91,705	624,415	4,473,571
Employee benefits	594,748	15,080	72,329	682,157
Contract services	118,616	14,594	55,876	189,086
Travel	45,487	240	101	45,828
Facility costs	300,741	-	24,071	324,812
Liability insurance	22,495	-	14,904	37,399
Repairs and maintenance	133,842	-	106,734	240,576
Depreciation	153,659	-	20,413	174,072
Interest expense	7,890	-	-	7,890
Office costs	436,390	12,094	20,913	469,397
Training	13,020	1,000	26,227	40,247
Bad debt	148,394	-	-	148,394
Other	81,948	19,931	86,247	188,126
	<u>5,814,681</u>	<u>154,644</u>	<u>1,052,230</u>	<u>7,021,555</u>
Total program expenses				
	<u>5,814,681</u>	<u>154,644</u>	<u>1,052,230</u>	<u>7,021,555</u>
Supporting services				
Indirect costs	1,012,997	-	(1,005,320)	7,677
	<u>1,012,997</u>	<u>-</u>	<u>(1,005,320)</u>	<u>7,677</u>
Total expenses	<u>6,827,678</u>	<u>154,644</u>	<u>46,910</u>	<u>7,029,232</u>
Change in net assets before other changes	(23,432)	227,925	8,721	213,214
<b>Other changes in net assets</b>				
Change in beneficial interest in assets held at community foundation	-	-	(35,119)	(35,119)
	<u>-</u>	<u>-</u>	<u>(35,119)</u>	<u>(35,119)</u>
<b>Change in net assets</b>	<u>\$ (23,432)</u>	<u>\$ 227,925</u>	<u>\$ (26,398)</u>	<u>\$ 178,095</u>