Community Healing Centers

Financial Statements

September 30, 2023

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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, 2023, 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, 2023, 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.

Adoption of New Accounting Standards
As described in Note 1 to the financial statements, Community Healing Centers changed its method of accounting for leases in 2023 as required by the provisions of FASB Accounting Standards Updates relating to FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter.

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 20, 2024 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 20, 2024

Community Healing Centers
Statement of Financial Position
September 30, 2023

Assets		
Current Assets		
Cash	$	1,635,768
Accounts receivable		580,967
Contributions receivable, current portion		957,500
Prepaid expenses		119,841
Total current assets		3,294,076
Long-term Assets		
Property and equipment, net		1,168,177
Contributions receivable, net of current portion		848,341
Right of use asset - operating lease, net		123,249
Beneficial interest in assets held at community foundation		175,381
Total long-term assets		2,315,148
Total assets	$	5,609,224

See Accompanying Notes to the Financial Statements

Community Healing Centers
Statement of Financial Position
September 30, 2023

Liabilities and Net Assets	
Liabilities	
Current Liabilities	
Accounts payable	$ 107,916
Funds held for others	2,317
Accrued liabilities	254,423
Deferred revenue	86,326
Operating lease obligation, current portion	37,379
Notes payable, current portion	8,400
Total current liabilities	496,761
Long-term Liabilities	
Operating lease obligation, net of current portion	86,481
Notes payable, net of current portion	73,454
Total long-term liabilities	159,935
Total liabilities	656,696
Net Assets	
Without donor restrictions	
Undesignated	698,375
Undesignated - property	1,086,323
Total net assets without donor restrictions	1,784,698
With donor restrictions	
Perpetual in nature	175,381
Time-restricted for future periods	1,805,841
Purpose restrictions	1,186,608
Total net assets with donor restrictions	3,167,830
Total net assets	4,952,528
Total liabilities and net assets	$ 5,609,224

See Accompanying Notes to the Financial Statements

Community Healing Centers
Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Government contracts	$ 2,633,823	$ 303,789	**$ 2,937,612**
Client and insurance service fees	288,474	-	**288,474**
Medicaid service fees	1,487,366	-	**1,487,366**
Alcohol tax	172,473	-	**172,473**
Contributed nonfinancial assets	51,442	-	**51,442**
Other contributions	318,820	118,389	**437,209**
United Way contributions	8,876	88,940	**97,816**
Grants	514,710	3,738,341	**4,253,051**
Miscellaneous income	108,430	1,500	**109,930**
Total support and revenue	5,584,414	4,250,959	**9,835,373**
Net assets released from restrictions	2,021,891	(2,021,891)	**-**
Total support, revenue, and net assets released from restrictions	7,606,305	2,229,068	**9,835,373**
Expenses			
Program services	6,099,458	-	**6,099,458**
Supporting services			
Management and general	1,285,973	-	**1,285,973**
Fundraising	174,182	-	**174,182**
Total supporting services	1,460,155	-	**1,460,155**
Total expenses	7,559,613	-	**7,559,613**
Change in net assets before other changes	46,692	2,229,068	**2,275,760**
Other changes in net assets			
Change in value of beneficial interest in assets held at community foundation	-	13,777	**13,777**
Change in net assets	46,692	2,242,845	**2,289,537**
Net assets - beginning of year	1,738,006	924,985	**2,662,991**
Net assets - end of year	$ 1,784,698	$ 3,167,830	**$ 4,952,528**

Community Healing Centers
Statement of Functional Expenses
Year Ended September 30, 2023

	Program	Management & General	Fundraising	**Total**
Expenses				
Salaries and wages	$ 4,120,157	$ 737,291	$ 116,003	**$ 4,973,451**
Employee benefits	619,046	109,191	11,409	**739,646**
Contract services	155,051	89,804	18,608	**263,463**
Travel	64,843	3,310	106	**68,259**
Facility costs	280,527	27,904	300	**308,731**
Liability insurance	34,158	18,443	-	**52,601**
Repairs and maintenance	152,100	147,052	-	**299,152**
Depreciation	159,098	24,057	-	**183,155**
Interest expense	4,219	796	-	**5,015**
Office costs	358,129	30,949	6,224	**395,302**
Training	20,744	21,878	-	**42,622**
Bad debt	87,092	-	-	**87,092**
Other	44,294	75,298	21,532	**141,124**
Total	$ 6,099,458	$ 1,285,973	$ 174,182	**$ 7,559,613**

Community Healing Centers
Statement of Cash Flows
Year Ended September 30, 2023

Cash flows from operating activities	
Change in net assets	$ 2,289,537
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	183,155
Change in present value of discount on contributions receivable	46,659
Change in value of beneficial interest in assets held at community foundation	(13,777)
Bad debt expense	87,092
Changes in operating assets and liabilities	
Accounts receivable	(156,560)
Contributions receivable	(1,665,367)
Prepaid expenses	23,495
Operating lease assets and liabilities	611
Accounts payable	22,882
Accrued liabilities	21,920
Deferred revenue	4,205
Net cash provided by operating activities	843,852
Cash flows used in investing activities	
Purchase of property and equipment	(124,937)
Net cash used by investing activities	(124,937)
Cash flows used in financing activities	
Principal payments on long term debt	(44,553)
Net change in cash	674,362
Cash at beginning of year	961,406
Cash at end of year	$ 1,635,768
Supplemental disclosures of cash flow information	
Cash paid for interest	$ 5,015

See Accompanying Notes to the Financial Statements

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, 2023, $1,168,778 of the Organization's bank balance of $1,685,014 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 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.

Leases

The Organization leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Finance leases are contracts that have characteristics that make them similar to the purchase of the underlying asset. Operating leases are contracts that allow for the use of the underlying asset but there is no ownership transfer at the end of the lease.

Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building and office equipment classes of assets.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance lease expense is allocated between the amortization of the right of use asset and interest expense.

Some of the building lease agreements include provisions for variable rent payments, which are adjusted periodically for inflation. None of the lease agreements contain any material residual value guarantees.

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 $1,622,611 at September 30, 2023. 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 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 $87,000 and contractual write off adjustments for care provided of approximately $1,473,000.

Advertising
The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the year ended September 30, 2023 was $79,859.

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 20, 2024, which is the date the financial statements were available to be issued.

Adoption of New Accounting Standard

The Organization adopted FASB Topic 842, *Leases,* as of the beginning of the year ended September 30, 2023. This has been adopted using the modified retrospective approach, which restates the balances as of the date of adoption. Since the right to use assets equaled operating lease liabilities at adoption, no restatement of beginning net assets was required.

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. In addition, the Organization elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain.

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	$ 1,635,768
Accounts receivable	580,967
Contributions receivable	1,805,841
Beneficial interest in assets held at community foundation	175,381
Total financial assets - end of year	4,197,957
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	(2,992,449)
Beneficial interest in assets held at community foundation - not available for expenditure	(175,381)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,030,127

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	1,353,930	5-40 years
Equipment	254,924	5-10 years
Furniture and fixtures	42,487	7 years
Total cost	3,966,210	
Accumulated depreciation	(2,798,033)	
Net carrying amount	$ 1,168,177	

Note 4 - Leases

The Organization leases certain office facilities and equipment at various terms under long-term non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2027 and provide for renewal options ranging from three year to five years. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Organization to pay real estate taxes, insurance, and repairs.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. The short-term lease costs do not reflect the ongoing short-term lease commitments as the Organization entered into several short-term lease commitments in the current fiscal year, which increased short-term lease costs by approximately $38,000 in 2023.

Total lease costs for the year ended September 30, 2023 are as follows:

	2023
Operating lease cost	$ 67,014

The following table summarizes the supplemental cash flow information for the year ended September 30, 2023:

	2023
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 66,402

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	2023
Weighted-average remaining lease term in years:	
Operating leases	3.20
Weighted-average discount rate:	
Operating leases	2.56%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of September 30, 2023:

	Operating
2024	$ 40,033
2025	40,331
2026	39,812
2027	8,726
Total lease payments	128,902
Less interest	(5,042)
Present value of lease liabilities	$ 123,860

Note 5 - Contributions Receivable

The contributions receivables are expected to be collected as follows:

2024	$ 957,500
2025	895,000
	1,852,500
Less present value discount	(46,659)
Net contributions receivable	$ 1,805,841

The promises to give are recorded use the original discount rate of 5.48%.

Note 6 - Fair Value Measurements

The following table presents information about the Organization's assets measured at fair value on a recurring basis at September 30, 2023, 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;

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)
2023				
Beneficial interest in assets held at community foundation	$ 175,381	$ -	$ -	$ 175,381

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, 2022	$ 161,604
Change in value	13,777
Balance at September 30, 2023	$ 175,381

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 7 - 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, 2023.

Note 8 - Notes Payable

Notes payable consists of the following at September 30:

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.	$ 81,854

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

2024	$ 8,400
2025	8,758
2026	9,138
2027	9,535
2028	9,944
Thereafter	36,079
	$ 81,854

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30, 2023:

Time restrictions	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due:	
2024	$ 957,500
2025	848,341
Total time restrictions	1,805,841
Purpose restrictions	
Girls of the Heart	29,429
Berrien Engagement Center	18,762
Detox/Residential Programs	750,000
KCF	23,182
Stryker - Staffing	156,250
Stryker - EU OP	156,250
ISK Endowment	1,000
STREET	51,735
Total purpose restrictions	1,186,608
Perpetual restrictions	
Beneficial interest in assets held at community foundation	175,381
Total net assets with donor restrictions	$ 3,167,830

Note 10 - 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, 2023:

Expiration of time restrictions	
United Way	$ 77,815
Gilmore Windows	71,818
Enna Foundation	25,000
Total expiration of time restrictions	174,633
Satisfaction of purpose restrictions	
Girls of the Heart	205,430
Berrien Engagement Center	498,975
Detox/Residential Programs	600,000
EIP Program	20,000
KCF	16,818
Stryker - Staffing	125,000
Stryker - EU OP	125,000
ISK Endowment	5,000
STREET	251,035
Total satisfaction of purpose restrictions	1,847,258
Total net assets released from donor restrictions	$ 2,021,891

Note 11 - 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, 2023 totaled $53,494.

Note 12 - 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 13 - Revenue From Contracts With Customers

The following summarizes revenue by type for the year ended September 30, 2023:

Revenue from contracts with customers	$ 3,685,626
Contribution revenue	6,039,817
Miscellaneous income	123,707
Total revenue	$ 9,849,150

The revenue from contracts with customers for the year ended September 30, 2023 consists of:

Revenue earned at a point in time	$ 3,685,626

Bad debt expense as a result of impairment loss on receivables and contract assets on contracts with customers was $87,092 for the year ended September 30, 2023.

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:

	2023	2022
Contract assets		
Accounts receivable	$ 580,967	$ 511,499
Contract liabilities		
Deferred revenue	$ 86,326	$ 82,121

Note 14 - Conditional Contributions

During the fiscal year, the Organization received conditional promises to give related to local, state and federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with 2 CFR 200. The conditional contributions consisted of the following as of September 30, 2023:

Condition/Grant Purpose	Total Contract/ Grant Amount	Spent to Date	Conditional Contribution
Client assistance	$ 2,102,111	$ 1,600,355	$ 501,756

Note 15 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended September 30, 2023 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	19,892	CAC/STREET	Serve for kids event	Contributed services and goods in support of event, estimated value provided by donor.
Volunteers	-	No designation	None	Community Healing Centers has 13 board members that contribute roughly 1 hour of their time each month. The total donated time is 156 hours a year.
Roof sit event	16,550	Children's Programs	Roof sit event	Contributed services and goods in support of event, estimated value provided by donor.
	$ 51,442			

Note 16 - Commitments and Contingencies

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

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

Supplementary Information

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2023

	Berrien Engagement Center	COVID Telehealth	Hope House	Bethany House	Healthy House	MAT Program
Support and revenue						
Government contracts	$ 303,321	$ 19,195	$ 47,556	$ 45,677	$ 1,539	$ 81,872
Client and insurance service fees	-	-	-	-	-	-
Medicaid service fees	-	-	-	-	-	-
Alcohol tax	-	-	27,325	26,154	-	-
Contributed nonfinancial assets	-	-	-	-	-	-
Other contributions	35,263	-	2,500	2,767	-	-
United Way contributions	-	-	20,000	-	-	-
Grants	48,000	-	-	-	-	-
Miscellaneous income	468	-	257	257	-	-
Total support and revenue	387,052	19,195	97,638	74,855	1,539	81,872
Expenses						
Program expenses						
Salaries and wages	266,277	-	40,706	31,239	-	64,297
Employee benefits	30,993	-	5,234	6,420	-	5,050
Contract services	-	-	-	146	-	800
Travel	9,737	-	1,258	4,627	-	-
Facility costs	34,756	-	9,021	27,317	-	350
Liability insurance	1,514	-	1,000	313	-	4,878
Repairs and maintenance	1,384	-	1,387	2,377	-	346
Depreciation	423	-	5,613	-	-	30
Interest expense	-	-	3,696	-	-	-
Office costs	7,965	-	2,103	2,871	-	-
Training	1,333	-	330	83	-	-
Bad debt	-	-	-	-	-	-
Other	3,679	-	970	1,213	-	2,252
Total program expenses	358,061	-	71,318	76,606	-	78,003
Supporting services						
Indirect costs	124,988	914	15,036	14,881	-	3,899
Total expenses	483,049	914	86,354	91,487	-	81,902
Change in net assets before other changes	(95,997)	18,281	11,284	(16,632)	1,539	(30)
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	$ (95,997)	$ 18,281	$ 11,284	$ (16,632)	$ 1,539	$ (30)

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2023

	Star of Hope House	Harm Reduction	CAC Supplemental	4 Niles FSRs	Gilmore Neonatal	Detox
Support and revenue						
Government contracts	$ 43,357	$ -	$ -	$ -	$ 59,178	$ 339,212
Client and insurance service fees	-	-	-	-	-	28,025
Medicaid service fees	-	-	-	-	-	525,992
Alcohol tax	30,000	-	-	20,197	-	-
Contributed nonfinancial assets	-	-	-	-	-	-
Other contributions	2,500	-	922	-	-	1,673
United Way contributions	-	-	-	-	-	16,313
Grants	-	-	41,138	-	-	1,400,554
Miscellaneous income	257	-	-	-	-	18,772
Total support and revenue	76,114	-	42,060	20,197	59,178	2,330,541
Expenses						
Program expenses						
Salaries and wages	44,045	10,629	29,793	11,276	46,533	797,235
Employee benefits	4,347	823	6,244	881	4,277	131,188
Contract services	-	-	650	2,815	189	77,716
Travel	3,200	-	1,559	19	301	2,426
Facility costs	21,453	3,485	-	-	2,652	13,151
Liability insurance	165	-	-	-	418	4,744
Repairs and maintenance	1,043	-	-	-	1,793	26,260
Depreciation	-	-	-	-	-	13,475
Interest expense	-	-	-	-	-	-
Office costs	1,869	989	78	2,213	3,018	106,765
Training	83	-	-	-	-	4,357
Bad debt	-	-	-	-	-	12,850
Other	910	-	-	1,157	262	4,173
				-		
Total program expenses	77,115	15,926	38,324	18,361	59,443	1,194,340
Supporting services						
Indirect costs	17,385	-	3,736	1,836	-	279,881
Total expenses	94,500	15,926	42,060	20,197	59,443	1,474,221
Change in net assets before other changes	(18,386)	(15,926)	-	-	(265)	856,320
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	$ (18,386)	$ (15,926)	$ -	$ -	$ (265)	$ 856,320

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2023

	Residential	Gilmore Peer Coach	New Beginnings	Niles Outpatient	Early Intervention Program	Infant Early Mental Health
Support and revenue						
Government contracts	$ 1,094,093	$ 52,899	$ 132,047	$ -	$ 212,175	$ 58,659
Client and insurance service fees	59,611	-	-	2,520	-	-
Medicaid service fees	678,636	-	-	259	-	-
Alcohol tax	-	-	47,627	-	-	-
Contributed nonfinancial assets	-	-	-	-	-	-
Other contributions	2,325	-	2,500	-	34,988	-
United Way contributions	16,313		-	-	3,125	-
Grants	1,157,029	-	-	-	9,375	-
Miscellaneous income	28,088	-	-	30,840	-	-
Total support and revenue	3,036,095	52,899	182,174	33,619	259,663	58,659
Expenses						
Program expenses						
Salaries and wages	1,221,796	46,267	51,289	7,866	185,233	44,058
Employee benefits	175,321	5,195	11,024	1,311	36,544	8,881
Contract services	59,963	-	201	-	4,500	93
Travel	4,796	-	1,567	253	9,660	2,084
Facility costs	45,800	665	22,705	566	10,808	353
Liability insurance	9,691	158	1,733	-	1,505	-
Repairs and maintenance	50,912	-	10,116	840	8,628	-
Depreciation	50,305	-	26,051	-	10,344	-
Interest expense	-	-	-	-	89	-
Office costs	163,052	83	825	48	5,962	235
Training	6,773	-	-	-	660	-
Bad debt	38,903	-	-	-	-	-
Other	9,760	10	443	1,404	4,415	162
Total program expenses	1,837,072	52,378	125,954	12,288	278,348	55,866
Supporting services						
Indirect costs	347,026	521	19,221	-	67,926	2,793
Total expenses	2,184,098	52,899	145,175	12,288	346,274	58,659
Change in net assets before other changes	851,997	-	36,999	21,331	(86,611)	-
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	$ 851,997	$ -	$ 36,999	$ 21,331	$ (86,611)	$ -

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2023

	Hispanic Prevention	Child Advocacy Center	EU Outpatient	Prevention	CAC VOCA	EU Shared Costs
Support and revenue						
Government contracts	$ 10,359	$ -	$ 60,764	$ 72,363	$ 265,862	$ -
Client and insurance service fees	-	-	198,013	-	-	-
Medicaid service fees	-	-	282,479	-	-	-
Alcohol tax	-	-	-	-	-	-
Contributed nonfinancial assets	-	-	-	-	-	-
Other contributions	-	600	2,347	14,513	69,183	-
United Way contributions	-	-	3,125	-	-	-
Grants	-	1,525	685,038	-	40,000	-
Miscellaneous income	-	-	26,973	-	-	-
Total support and revenue	10,359	2,125	1,258,739	86,876	375,045	-
Expenses						
Program expenses						
Salaries and wages	6,138	1,313	553,598	54,375	215,157	60,564
Employee benefits	1,011	99	94,459	6,091	35,370	10,108
Contract services	2,598	-	3,726	1,628	-	-
Travel	-	-	1,019	904	14,415	27
Facility costs	119	-	18,961	3,602	11,343	-
Liability insurance	-	-	2,801	630	1,754	-
Repairs and maintenance	-	-	21,617	3,088	11,371	-
Depreciation	-	-	22,108	4,330	13,881	-
Interest expense	-	-	191	37	104	-
Office costs	-	-	7,677	2,975	3,891	-
Training	-	-	1,430	1,420	3,895	20
Bad debt	-	-	35,339	-	-	-
Other	-	600	4,182	1,065	1,618	-
Total program expenses	9,866	2,012	767,108	80,145	312,799	70,719
Supporting services						
Indirect costs	493	113	202,261	6,731	76,068	(70,719)
Total expenses	10,359	2,125	969,369	86,876	388,867	-
Change in net assets before other changes	-	-	289,370	-	(13,822)	-
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	$ -	$ -	$ 289,370	$ -	$ (13,822)	$ -

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2023

	STREET	Girls of the Heart	Children 7 - 17	PA2 Adolescent Program	Parents As Teachers	Wright
Support and revenue						
Government contracts	$ -	$ -	$ 37,484	$ -	$ -	$ -
Client and insurance service fees	-	-	305	-	-	-
Medicaid service fees	-	-	-	-	-	-
Alcohol tax	-	-	-	21,170	-	-
Contributed nonfinancial assets	-	-	-	-	-	-
Other contributions	33,626	500	32,992	1,231	5,361	5,143
United Way contributions	24,266	14,674	-	-	-	-
Grants	145,733	140,326	-	-	8,333	-
Miscellaneous income	1,500	-	237	-	9,280	-
Total support and revenue	205,125	155,500	71,018	22,401	22,974	5,143
Expenses						
Program expenses						
Salaries and wages	89,155	105,180	50,145	15,164	12,325	-
Employee benefits	14,162	9,155	5,378	2,547	2,457	-
Contract services	-	26	-	-	-	-
Travel	715	630	1,766	-	832	87
Facility costs	45,126	4,344	2,655	512	783	-
Liability insurance	1,633	650	385	70	116	-
Repairs and maintenance	6,004	1,046	3,103	341	444	-
Depreciation	7,217	1,441	2,646	481	753	-
Interest expense	62	-	23	4	13	-
Office costs	16,240	18,387	840	78	168	971
Training	-	-	75	-	285	-
Bad debt	-	-	-	-	-	-
Other	528	280	1,082	23	21	4,085
Total program expenses	180,842	141,139	68,098	19,220	18,197	5,143
Supporting services						
Indirect costs	47,693	41,791	17,495	3,181	4,777	-
Total expenses	228,535	182,930	85,593	22,401	22,974	5,143
Change in net assets before other changes	(23,410)	(27,430)	(14,575)	-	-	-
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	$ (23,410)	$ (27,430)	$ (14,575)	$ -	$ -	$ -

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2023

	Wellness Program	Total Program	Fundraising	Management & General	Total
Support and revenue					
Government contracts	$ -	$ 2,937,612	$ -	$ -	$ 2,937,612
Client and insurance service fees	-	288,474	-	-	288,474
Medicaid service fees	-	1,487,366	-	-	1,487,366
Alcohol tax	-	172,473	-	-	172,473
Contributed nonfinancial assets	-	-	51,442	-	51,442
Other contributions	-	250,934	164,918	21,357	437,209
United Way contributions	-	97,816	-	-	97,816
Grants	75,000	3,752,051	501,000	-	4,253,051
Miscellaneous income	-	116,929	-	(6,999)	109,930
Total support and revenue	75,000	9,103,655	717,360	14,358	9,835,373
Expenses					
Program expenses					
Salaries and wages	58,504	4,120,157	116,003	737,291	4,973,451
Employee benefits	4,476	619,046	11,409	109,191	739,646
Contract services	-	155,051	18,608	89,804	263,463
Travel	2,961	64,843	106	3,310	68,259
Facility costs	-	280,527	300	27,904	308,731
Liability insurance	-	34,158	-	18,443	52,601
Repairs and maintenance	-	152,100	-	147,052	299,152
Depreciation	-	159,098	-	24,057	183,155
Interest expense	-	4,219	-	796	5,015
Office costs	8,826	358,129	6,224	30,949	395,302
Training	-	20,744	-	21,878	42,622
Bad debt	-	87,092	-	-	87,092
Other	-	44,294	21,532	73,240	139,066
			-	-	
Total program expenses	74,767	6,099,458	174,182	1,283,915	7,557,555
Supporting services					
Indirect costs	-	1,229,927	-	(1,227,869)	2,058
Total expenses	74,767	7,329,385	174,182	56,046	7,559,613
Change in net assets before other changes	233	1,774,270	543,178	(41,688)	2,275,760
Other changes in net assets					
Change in beneficial interest in assets held at community foundation	-	-	-	13,777	13,777
Change in net assets	$ 233	$ 1,774,270	$ 543,178	$ (27,911)	$ 2,289,537