

Community Healing Centers

Financial Statements

September 30, 2024



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, 2024, 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, 2024, 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 accounting policies related to credit losses in 2024 as required by the provisions of FASB Accounting Standards Updates relating to FASB ASC 326, *Financial Instruments – Credit Losses*. 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 25, 2025 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 25, 2025

Community Healing Centers
Statement of Financial Position
September 30, 2024

Assets	
Current Assets	
Cash	\$ 917,793
Accounts receivable, net of allowance for credit losses of \$78,400	331,228
Contributions receivable, current portion	949,676
Prepaid expenses	<u>76,412</u>
Total current assets	<u>2,275,109</u>
Long-term Assets	
Property and equipment, net	1,008,126
Right of use asset - operating lease, net	85,357
Beneficial interest in assets held at community foundation	<u>207,973</u>
Total long-term assets	<u>1,301,456</u>
Total assets	<u>\$ 3,576,565</u>

See Accompanying Notes to the Financial Statements

Community Healing Centers
Statement of Financial Position
September 30, 2024

Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable	\$ 110,045
Accrued liabilities	299,435
Deferred revenue	93,212
Refundable advance	18,750
Operating lease obligation, current portion	38,651
Notes payable, current portion	8,725

Total current liabilities	568,818
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Long-term Liabilities

Operating lease obligation, net of current portion	47,831
Notes payable, net of current portion	64,790

Total long-term liabilities	112,621
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Total liabilities	681,439
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Net Assets

Without donor restrictions

Undesignated	235,276
Undesignated - property	934,611

Total net assets without donor restrictions	1,169,887
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With donor restrictions

Perpetual in nature	207,973
Time-restricted for future periods	949,676
Purpose restrictions	567,590

Total net assets with donor restrictions	1,725,239
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Total net assets	2,895,126
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Total liabilities and net assets	\$ 3,576,565
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Community Healing Centers
Statement of Activities
Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Government contracts	\$ 2,102,841	\$ 342,954	\$ 2,445,795
Client and insurance service fees	152,643	-	152,643
Medicaid service fees	1,394,288	-	1,394,288
Alcohol tax	160,603	-	160,603
Other contributions	412,350	73,751	486,101
United Way contributions	2,767	76,872	79,639
Grants	432,254	599,665	1,031,919
Miscellaneous income	50,224	-	50,224
Total support and revenue	4,707,970	1,093,242	5,801,212
Net assets released from restrictions	2,568,425	(2,568,425)	-
Total support, revenue, and net assets released from restrictions	7,276,395	(1,475,183)	5,801,212
Expenses			
Program services	6,482,264	-	6,482,264
Supporting services			
Management and general	1,217,308	-	1,217,308
Fundraising	191,634	-	191,634
Total supporting services	1,408,942	-	1,408,942
Total expenses	7,891,206	-	7,891,206
Change in net assets before other changes	(614,811)	(1,475,183)	(2,089,994)
Other changes in net assets			
Change in value of beneficial interest in assets held at community foundation	-	32,592	32,592
Change in net assets	(614,811)	(1,442,591)	(2,057,402)
Net assets - beginning of year	1,784,698	3,167,830	4,952,528
Net assets - end of year	\$ 1,169,887	\$ 1,725,239	\$ 2,895,126

See Accompanying Notes to the Financial Statements

Community Healing Centers
Statement of Functional Expenses
Year Ended September 30, 2024

	Program	Management & General	Fundraising	Total
Expenses				
Salaries and wages	\$ 4,392,847	\$ 736,630	\$ 135,322	\$ 5,264,799
Employee benefits	662,864	117,696	21,131	801,691
Incentives	46,836	14,835	317	61,988
Contract services	126,106	61,600	17,022	204,728
Travel	102,751	3,271	65	106,087
Facility costs	289,156	31,088	598	320,842
Liability insurance	41,895	19,745	-	61,640
Repairs and maintenance	152,344	115,616	316	268,276
Depreciation	153,781	22,729	-	176,510
Interest expense	3,353	514	-	3,867
Office costs	49,358	13,693	1,003	64,054
Other supplies	88,415	2,734	230	91,379
Medical supplies	32,945	27	-	32,972
Meals	181,827	-	-	181,827
Training	20,487	21,878	-	42,365
Bad debt	71,033	-	-	71,033
Other	66,266	55,252	15,630	137,148
Total	\$ 6,482,264	\$ 1,217,308	\$ 191,634	\$ 7,891,206

See Accompanying Notes to the Financial Statements

Community Healing Centers
Statement of Cash Flows
Year Ended September 30, 2024

Cash flows from operating activities	
Change in net assets	\$ (2,057,402)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	176,510
Change in present value of discount on contributions receivable	(46,659)
Change in value of beneficial interest in assets held at community foundation	(32,592)
Bad debt expense	71,033
Changes in operating assets and liabilities	
Accounts receivable	178,706
Contributions receivable	902,824
Prepaid expenses	43,429
Operating lease assets and liabilities	514
Accounts payable	2,129
Funds held for others	(2,317)
Accrued liabilities	45,012
Deferred revenue	6,886
Refundable advance	18,750
Net cash used by operating activities	(693,177)
Cash flows used in investing activities	
Purchase of property and equipment	(16,459)
Cash flows used in financing activities	
Principal payments on long term debt	(8,339)
Net change in cash	(717,975)
Cash at beginning of year	1,635,768
Cash at end of year	\$ 917,793
Supplemental disclosures of cash flow information	
Cash paid for interest	\$ 3,867

See Accompanying Notes to the Financial Statements

Community Healing Centers

Notes to the Financial Statements

September 30, 2024

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, 2024, \$446,284 of the Organization's bank balance of \$947,620 was uninsured by the FDIC.

Accounts Receivable

Trade accounts receivable are stated net of an allowance for credit losses. The Organization estimates the allowance based on an analysis of specific accounts, taking into consideration the age of past due accounts, an assessment of ability to pay, current conditions, and reasonable and supportable forecasts. Individual receivables are written off as a charge to the allowance for credit losses when, in management's estimation, it is probable that the receivable is worthless.

Contributions Receivable

Contributions receivable consists of United Way, Stryker Foundation, 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.

Community Healing Centers
Notes to the Financial Statements
September 30, 2024

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.

Community Healing Centers

Notes to the Financial Statements

September 30, 2024

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 \$1,925,314 at September 30, 2024. 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 \$71,000 and contractual write off adjustments for care provided of approximately \$1,193,000.

Advertising

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the year ended September 30, 2024 was \$54,182.

Community Healing Centers
Notes to the Financial Statements
September 30, 2024

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 25, 2025, which is the date the financial statements were available to be issued.

Adoption of New Accounting Standard

The Organization adopted FASB Topic 326, *Financial Instruments – Credit Losses*, as of the beginning of the year ended September 30, 2024. FASB Topic 326 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. This has been adopted prospectively using the modified retrospective approach, which restates the balances as of the date of adoption. Beginning net assets for the year ended September 30, 2024 did not change as a result of this standard.

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	\$ 917,793
Accounts receivable	331,228
Contributions receivable	949,676
Beneficial interest in assets held at community foundation	<u>207,973</u>
Total financial assets - end of year	2,406,670
Less: Financial assets unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	
Restricted by donor with purpose restrictions	(567,590)
Beneficial interest in assets held at community foundation - not available for expenditure	<u>(207,973)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,631,107</u>

Community Healing Centers
Notes to the Financial Statements
September 30, 2024

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 - Accounts Receivable

Accounts receivable at September 30, 2024 consist of:

	2024
Accounts receivable	
Client fee receivables	\$ 162,527
FSR receivables	202,135
Employee receivables	1,195
Other receivables	43,771
	409,628
Less: allowance for credit losses	(78,400)
	<u>\$ 331,228</u>

Changes in the allowance for credit losses during the year September 30, 2024 consist of:

	2024
Beginning allowance	\$ (174,000)
Current provision	21,439
Write-offs	71,033
Recoveries collected	3,128
	Ending allowance
	<u>\$ (78,400)</u>

Note 4 - Contributions Receivable

The contributions receivables are expected to be collected as follows:

2025	<u>\$ 949,676</u>
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For the year ended September 30, 2024, no discount was recorded due to all amounts expected to be received within 1 year.

Note 5 - 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	1,370,390	5-40 years
Equipment	254,924	5-10 years
Furniture and fixtures	42,487	7 years
	<u>3,982,670</u>	
Total cost	3,982,670	
Accumulated depreciation	<u>(2,974,544)</u>	
	<u>\$ 1,008,126</u>	
Net carrying amount		

Community Healing Centers
Notes to the Financial Statements
September 30, 2024

Note 6 - 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 \$70,356 in 2024.

Total lease costs for the year ended September 30, 2024 are as follows:

	<u>2024</u>
Operating lease cost	<u>\$ 40,545</u>

The following table summarizes the supplemental cash flow information for the year ended September 30, 2024:

	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 40,033

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

	<u>2024</u>
Weighted-average remaining lease term in years:	
Operating leases	2.20
Weighted-average discount rate:	
Operating leases	2.55%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of September 30, 2024:

	<u>Operating</u>
2025	\$ 40,331
2026	39,812
2027	<u>8,726</u>
Total lease payments	88,869
Less interest	<u>(2,387)</u>
Present value of lease liabilities	<u>\$ 86,482</u>

Note 7 - Fair Value Measurements

The following table presents information about the Organization's assets measured at fair value on a recurring basis at September 30, 2024, along with the valuation techniques used to determine those fair values.

Community Healing Centers
Notes to the Financial Statements
September 30, 2024

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)
2024				
Beneficial interest in assets held at community foundation	\$ 207,973	\$ -	\$ -	\$ 207,973

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, 2023	\$ 175,381
Change in value	32,592
Balance at September 30, 2024	<u>\$ 207,973</u>

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 8 - 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, 2024.

Community Healing Centers
Notes to the Financial Statements
September 30, 2024

Note 9 - 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.

\$ 73,515

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

2025	\$	8,725
2026		9,138
2027		9,535
2028		9,944
2029		10,380
Thereafter		<u>25,793</u>
		<u>\$ 73,515</u>

Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30, 2024:

Time restrictions

Promises to give that are not restricted by donors, but which are unavailable for expenditure until due: 2025

\$ 949,676

Purpose restrictions

Girls of the Heart	18,750
United Way	10,137
Detox/Residential Programs	351,059
Wellness Grant	14,616
Stryker - Staffing	73,139
Stryker - EU OP	73,139
ISK Endowment	8,000
STREET	<u>18,750</u>

Total purpose restrictions

567,590

Perpetual restrictions

Beneficial interest in assets held at community foundation

207,973

Total net assets with donor restrictions

\$ 1,725,239

Community Healing Centers
Notes to the Financial Statements
September 30, 2024

Note 11 - 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, 2024:

Expiration of time restrictions	
United Way	\$ 37,500
Stryker Foundation	895,000
Enna Foundation	<u>25,000</u>
Total expiration of time restrictions	<u>957,500</u>
Satisfaction of purpose restrictions	
Girls of the Heart	140,878
Berrien Engagement Center	472,025
Detox/Residential Programs	398,942
United Way	16,388
KCF	23,182
Stryker - Staffing	83,111
Stryker - EU OP	83,111
Wellness Grant	135,384
ISK Endowment	1,000
STREET	<u>256,904</u>
Total satisfaction of purpose restrictions	<u>1,610,925</u>
Total net assets released from donor restrictions	<u>\$ 2,568,425</u>

Note 12 - 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, 2024 totaled \$58,921.

Note 13 - 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 14 - Revenue From Contracts With Customers

The following summarizes revenue by type for the year ended September 30, 2024:

Revenue from contracts with customers	\$ 2,966,190
Contribution revenue	2,784,798
Miscellaneous income	<u>82,816</u>
Total revenue	<u>\$ 5,833,804</u>

The revenue from contracts with customers for the year ended September 30, 2024 consists of:

Revenue earned at a point in time	<u>\$ 2,966,190</u>
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Bad debt expense as a result of impairment loss on receivables and contract assets on contracts with customers was \$71,033 for the year ended September 30, 2024.

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

Community Healing Centers
Notes to the Financial Statements
September 30, 2024

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:

	<u>2024</u>	<u>2023</u>
Contract assets		
Accounts receivable	<u>\$ 331,228</u>	<u>\$ 580,967</u>
Contract liabilities		
Deferred revenue	<u>\$ 93,212</u>	<u>\$ 86,326</u>

Note 15 - 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, 2024:

<u>Condition/Grant Purpose</u>	<u>Total Contract/ Grant Amount</u>	<u>Spent to Date</u>	<u>Conditional Contribution</u>
Client assistance	<u>\$ 605,527</u>	<u>\$ 438,410</u>	<u>\$ 167,117</u>

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Notes to the Financial Statements

September 30, 2024

Note 16 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended September 30, 2024 were:

Category	Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Holiday donations of diapers, clothing, etc.	\$ 10,000	No designation	None	Contributed goods in support of agency programs, estimated value provided by donor.
Tennis event	19,414	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	14,850	Children's Programs	Roof sit event	Contributed services and goods in support of event, estimated value provided by donor.
	<u>\$ 44,264</u>			

Management has elected to not record contributed nonfinancial assets for the year ended September 30, 2024, due to the adjustment not being material to the financial statements.

Note 17 - 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, 2024

	Berrien Engagement Center	SOR Housing GPRA	Hope House	Bethany House	CAC Sustainability	MAT Program
Support and revenue						
Government contracts	\$ 341,209	\$ 4,535	\$ 52,260	\$ 60,293	\$ -	\$ 62,145
Client and insurance service fees	-	-	-	-	-	-
Medicaid service fees	-	-	-	-	-	-
Alcohol tax	-	-	27,325	26,154	-	-
Other contributions	16,473	-	-	-	-	-
United Way contributions	-	-	25,750	-	-	-
Grants	90,073	-	18,984	10,000	48,264	-
Miscellaneous income	1,745	1,390	-	-	-	-
Total support and revenue	449,500	5,925	124,319	96,447	48,264	62,145
Expenses						
Program expenses						
Salaries and wages	280,445	-	59,575	46,740	32,275	65,077
Employee benefits	32,312	-	7,477	10,296	11,604	9,902
Incentives	403	905	569	147	-	-
Contract services	-	-	-	71	-	4,920
Travel	9,554	4,708	4,011	2,794	-	-
Facility costs	34,459	-	7,866	27,306	-	607
Liability insurance	1,475	-	1,171	316	-	1,602
Repairs and maintenance	2,798	-	16,424	3,184	-	-
Depreciation	233	-	5,613	-	-	-
Interest expense	-	-	3,353	-	-	-
Office costs	1,732	46	261	361	-	1,469
Other supplies	2,566	62	1,882	2,120	-	2,569
Medical supplies	477	-	-	-	-	1,694
Meals	1,737	-	43	-	-	-
Training	810	-	1,244	49	-	-
Bad debt	-	-	-	-	-	-
Other	1,276	-	1,070	1,383	-	1,049
Total program expenses	370,277	5,721	110,559	94,767	43,879	88,889
Supporting services						
Indirect costs	111,884	-	13,996	13,851	4,385	2,959
Total expenses	482,161	5,721	124,555	108,618	48,264	91,848
Change in net assets before other changes	(32,661)	204	(236)	(12,171)	-	(29,703)
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	<u>\$ (32,661)</u>	<u>\$ 204</u>	<u>\$ (236)</u>	<u>\$ (12,171)</u>	<u>\$ -</u>	<u>\$ (29,703)</u>

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2024

	Star of Hope House	Harm Reduction	CAC Supplemental	3 Niles FSRs	Gilmore Neonatal	Detox
Support and revenue						
Government contracts	\$ 43,908	\$ -	\$ -	\$ -	\$ 70,332	\$ 235,968
Client and insurance service fees	-	-	-	-	-	16,222
Medicaid service fees	-	-	-	-	-	353,317
Alcohol tax	30,000	-	-	9,418	-	-
Other contributions	-	-	-	-	-	3,465
United Way contributions	-	-	-	-	-	-
Grants	-	30,428	29,559	-	-	170,267
Miscellaneous income	-	-	-	-	-	10,419
Total support and revenue	73,908	30,428	29,559	9,418	70,332	789,658
Expenses						
Program expenses						
Salaries and wages	53,691	19,439	19,200	7,802	51,332	898,503
Employee benefits	5,453	1,618	3,214	611	4,923	140,027
Incentives	130	2,185	-	149	372	3,397
Contract services	-	-	1,400	-	84	52,868
Travel	3,027	1,051	-	-	3,127	1,205
Facility costs	25,568	844	-	-	2,798	12,769
Liability insurance	347	86	-	-	486	9,623
Repairs and maintenance	973	220	-	-	1,465	23,173
Depreciation	-	-	-	-	-	14,078
Interest expense	-	-	-	-	-	-
Office costs	699	32	1,703	-	2,051	7,516
Other supplies	676	377	1,359	-	123	22,243
Medical supplies	-	-	-	-	3	18,368
Meals	-	-	-	-	-	54,835
Training	19	-	-	-	476	864
Bad debt	-	-	-	-	-	7,303
Other	830	1,876	-	-	182	6,542
Total program expenses	91,413	27,728	26,876	8,562	67,422	1,273,314
Supporting services						
Indirect costs	17,157	2,700	2,683	856	-	261,375
Total expenses	108,570	30,428	29,559	9,418	67,422	1,534,689
Change in net assets before other changes	(34,662)	-	-	-	2,910	(745,031)
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	\$ (34,662)	\$ -	\$ -	\$ -	\$ 2,910	\$ (745,031)

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2024

	Residential	Gilmore Peer Coach	New Beginnings	STREET	Early Intervention Program	Infant Early Mental Health
Support and revenue						
Government contracts	\$ 647,736	\$ 52,899	\$ 136,952	\$ -	\$ 233,640	\$ 66,257
Client and insurance service fees	9,328	-	-	-	-	-
Medicaid service fees	856,896	-	-	-	-	-
Alcohol tax	-	-	47,627	-	-	-
Other contributions	3,161	-	30	42,178	33,445	-
United Way contributions	-	-	-	18,160	11,910	-
Grants	33,030	-	-	106,325	7,158	-
Miscellaneous income	12,257	-	-	-	4,500	-
Total support and revenue	1,562,408	52,899	184,609	166,663	290,653	66,257
Expenses						
Program expenses						
Salaries and wages	1,249,302	48,776	54,174	103,346	215,448	51,039
Employee benefits	181,798	17,480	12,178	20,075	36,308	7,865
Incentives	6,398	-	38	13,602	2,375	7
Contract services	43,826	-	79	-	4,125	-
Travel	2,238	1,510	1,736	21,837	10,136	2,340
Facility costs	48,058	905	23,834	42,358	12,157	597
Liability insurance	13,506	139	1,928	1,030	1,841	146
Repairs and maintenance	47,432	-	9,969	1,427	7,565	-
Depreciation	52,558	-	27,217	106	9,461	-
Interest expense	-	-	-	-	-	-
Office costs	16,484	189	136	179	1,425	116
Other supplies	41,216	70	388	1,345	1,094	53
Medical supplies	10,814	-	-	1,229	11	-
Meals	101,870	-	-	9,659	-	-
Training	742	1,075	-	830	1,707	814
Bad debt	32,537	-	-	-	-	-
Other	19,578	60	8,373	1,040	2,909	291
Total program expenses	1,868,357	70,204	140,050	218,063	306,562	63,268
Supporting services						
Indirect costs	320,739	2,519	17,891	43,309	64,192	3,492
Total expenses	2,189,096	72,723	157,941	261,372	370,754	66,760
Change in net assets before other changes	(626,688)	(19,824)	26,668	(94,709)	(80,101)	(503)
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	<u>\$ (626,688)</u>	<u>\$ (19,824)</u>	<u>\$ 26,668</u>	<u>\$ (94,709)</u>	<u>\$ (80,101)</u>	<u>\$ (503)</u>

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2024

	Hispanic Prevention	Child Advocacy Center	EU Outpatient	Prevention	CAC VOCA	EU Shared Costs
Support and revenue						
Government contracts	\$ 6,893	\$ -	\$ 73,600	\$ 93,468	\$ 209,308	\$ -
Client and insurance service fees	-	-	127,093	-	-	-
Medicaid service fees	-	-	184,075	-	-	-
Alcohol tax	-	-	-	-	-	-
Other contributions	-	2,710	11,049	8,901	93,681	-
United Way contributions	-	-	11,909	-	-	-
Grants	-	14,607	88,462	-	-	-
Miscellaneous income	-	-	40,891	-	-	-
Total support and revenue	6,893	17,317	537,079	102,369	302,989	-
Expenses						
Program expenses						
Salaries and wages	-	100	561,596	66,471	175,429	62,951
Employee benefits	-	7	89,885	6,385	24,686	10,005
Incentives	-	-	12	1,271	69	-
Contract services	6,445	-	4,348	1,870	5,895	-
Travel	120	7,239	3,172	4,304	10,290	-
Facility costs	-	-	26,763	3,626	11,520	-
Liability insurance	-	-	4,532	555	1,975	-
Repairs and maintenance	-	-	23,280	1,883	9,343	-
Depreciation	-	-	25,350	2,854	13,456	-
Interest expense	-	-	-	-	-	-
Office costs	-	-	7,320	4,146	1,567	-
Other supplies	-	2,832	1,749	3,413	1,769	-
Medical supplies	-	-	30	3	12	-
Meals	-	-	-	-	-	-
Training	-	3,397	4,077	105	59	-
Bad debt	-	-	31,193	-	-	-
Other	-	2,712	3,660	3,151	4,822	-
Total program expenses	6,565	16,287	786,967	100,037	260,892	72,956
Supporting services						
Indirect costs	328	1,326	194,609	6,322	63,640	(72,956)
Total expenses	6,893	17,613	981,576	106,359	324,532	-
Change in net assets before other changes	-	(296)	(444,497)	(3,990)	(21,543)	-
Other changes in net assets						
Change in beneficial interest in assets held at community foundation	-	-	-	-	-	-
Change in net assets	<u>\$ -</u>	<u>\$ (296)</u>	<u>\$ (444,497)</u>	<u>\$ (3,990)</u>	<u>\$ (21,543)</u>	<u>\$ -</u>

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2024

	Girls of the Heart	Children 7 - 17	PA2 Adolescent Program	NCA Core	Wright
Support and revenue					
Government contracts	\$ -	\$ 54,392	\$ -	\$ -	\$ -
Client and insurance service fees	-	-	-	-	-
Medicaid service fees	-	-	-	-	-
Alcohol tax	-	-	20,079	-	-
Other contributions	7,100	23,826	1,025	-	3,980
United Way contributions	11,910	-	-	-	-
Grants	76,240	20,000	-	30,524	-
Miscellaneous income	-	632	-	-	-
	<u>95,250</u>	<u>98,850</u>	<u>21,104</u>	<u>30,524</u>	<u>3,980</u>
Expenses					
Program expenses					
Salaries and wages	63,187	54,984	13,917	19,821	-
Employee benefits	6,345	6,329	2,913	4,124	-
Incentives	8,659	7	-	-	-
Contract services	-	-	-	-	175
Travel	4,237	2,425	47	-	-
Facility costs	3,019	3,569	533	-	-
Liability insurance	602	453	82	-	-
Repairs and maintenance	70	2,859	279	-	-
Depreciation	106	2,326	423	-	-
Interest expense	-	-	-	-	-
Office costs	1,581	255	43	-	47
Other supplies	237	129	23	-	120
Medical supplies	300	3	1	-	-
Meals	13,683	-	-	-	-
Training	30	689	-	3,500	-
Bad debt	-	-	-	-	-
Other	877	287	27	304	3,638
	<u>102,933</u>	<u>74,315</u>	<u>18,288</u>	<u>27,749</u>	<u>3,980</u>
Total program expenses					
	102,933	74,315	18,288	27,749	3,980
Supporting services					
Indirect costs	38,692	16,400	2,983	2,775	-
	<u>141,625</u>	<u>90,715</u>	<u>21,271</u>	<u>30,524</u>	<u>3,980</u>
Total expenses					
	141,625	90,715	21,271	30,524	3,980
Change in net assets before other changes	(46,375)	8,135	(167)	-	-
Other changes in net assets					
Change in beneficial interest in assets held at community foundation	-	-	-	-	-
	<u>\$ (46,375)</u>	<u>\$ 8,135</u>	<u>\$ (167)</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net assets					
	<u>\$ (46,375)</u>	<u>\$ 8,135</u>	<u>\$ (167)</u>	<u>\$ -</u>	<u>\$ -</u>

Community Healing Centers
Schedule of Functional Revenue and Expenses by Activity
Year Ended September 30, 2024

	Wellness Program	Total Program	Fundraising	Management & General	Total
Support and revenue					
Government contracts	\$ -	\$ 2,445,795	\$ -	\$ -	\$ 2,445,795
Client and insurance service fees	-	152,643	-	-	152,643
Medicaid service fees	-	1,394,288	-	-	1,394,288
Alcohol tax	-	160,603	-	-	160,603
Other contributions	-	251,024	194,908	40,169	486,101
United Way contributions	-	79,639	-	-	79,639
Grants	150,000	923,921	107,998	-	1,031,919
Miscellaneous income	-	71,834	4,064	(25,674)	50,224
Total support and revenue	150,000	5,479,747	306,970	14,495	5,801,212
Expenses					
Program expenses					
Salaries and wages	118,227	4,392,847	135,322	736,630	5,264,799
Employee benefits	9,044	662,864	21,131	117,696	801,691
Incentives	6,141	46,836	317	14,835	61,988
Contract services	-	126,106	17,022	61,600	204,728
Travel	1,643	102,751	65	3,271	106,087
Facility costs	-	289,156	598	31,088	320,842
Liability insurance	-	41,895	-	19,745	61,640
Repairs and maintenance	-	152,344	316	115,616	268,276
Depreciation	-	153,781	-	22,729	176,510
Interest expense	-	3,353	-	514	3,867
Office costs	-	49,358	1,003	13,693	64,054
Other supplies	-	88,415	230	2,734	91,379
Medical supplies	-	32,945	-	27	32,972
Meals	-	181,827	-	-	181,827
Training	-	20,487	-	21,878	42,365
Bad debt	-	71,033	-	-	71,033
Other	329	66,266	15,630	55,252	137,148
Total program expenses	135,384	6,482,264	191,634	1,217,308	7,891,206
Supporting services					
Indirect costs	-	1,138,107	-	(1,138,107)	-
Total expenses	135,384	7,620,371	191,634	79,201	7,891,206
Change in net assets before other changes	14,616	(2,140,624)	115,336	(64,706)	(2,089,994)
Other changes in net assets					
Change in beneficial interest in assets held at community foundation	-	-	-	32,592	32,592
Change in net assets	<u>\$ 14,616</u>	<u>\$ (2,140,624)</u>	<u>\$ 115,336</u>	<u>\$ (32,114)</u>	<u>\$ (2,057,402)</u>