



**DETROIT COMMUNITY HEALTH CONNECTION, INC.
Financial Statements and Single Audit Report
January 31, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Detroit Community Health Connection, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Detroit Community Health Connection, Inc. (the "Center"), which comprise the statement of financial position as of January 31, 2019 and the related statements of activities functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Detroit Community Health Connection, Inc. as of January 31, 2019 and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018 the Center adopted a new accounting standard, (ASU) 2016-14 Presentation of Financial Statements of Not- for-Profit Entities . Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

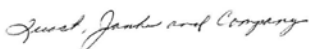
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the 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 June 25, 2019, on our consideration of Detroit Community Health Connection, Inc.'s 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 Detroit Community Health Connection, Inc.'s 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 Detroit Community Health Connection, Inc.'s internal control over financial reporting and compliance.

Sincerely,

Quast, Janke and Company



Bay City, Michigan

June 25, 2019

Basic Financial Statements

Detroit Community Health Connection, Inc.
Statements of Financial Position
As of January 31, 2019 and 2018

	January 31, 2019	January 31, 2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 6,611,432	\$ 6,607,860
Accounts Receivable, Net of Allowance	413,109	308,660
Grants Receivable	772,043	1,065,653
Medicaid and Medicare Cost Settlements	-	-
Other Receivables	107,403	105,591
Prepaid Expenses	119,025	155,726
Inventory	36,877	38,903
Other Current Assets	-	-
Total Current Assets	8,059,889	8,282,393
Property and Equipment		
Land and Improvements	749,295	749,295
Buildings and Improvements	5,214,546	5,275,523
Equipment and Furniture	589,957	2,677,139
Total Property and Equipment	6,553,798	8,701,957
Less: Accumulated Depreciation	(3,196,717)	(5,341,067)
Property and Equipment, Net	3,357,081	3,360,890
Total Assets	\$ 11,416,970	\$ 11,643,283
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 208,254	\$ 369,538
Accrued Expenses	516,527	509,343
Grants Payable	44,000	44,000
Compensated Absences	142,932	143,315
Medicaid Cost Report Payable	786,769	1,009,387
Total Current Liabilities	1,698,482	2,075,583
Long Term Liabilities		
Notes Payable,	35,897	-
Total Long Term Liabilities	35,897	-
Total Liabilities	1,734,379	2,075,583
Net Assets		
Without Donor Restrictions		
Designated for Future Financial Reserves	3,472,511	3,472,511
Undesignated	6,210,080	6,095,189
	9,682,591	9,567,700
With Donor Restrictions	-	-
Total Net Assets	9,682,591	9,567,700
Total Liabilities and Net Assets	\$ 11,416,970	\$ 11,643,283

The accompanying notes are an integral part of the financial statements.

Detroit Community Health Connection, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended January 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Support and Revenues			
Patient Service Revenue, Net	\$ 3,629,318	\$ -	\$ 3,629,318
Federal Grant Revenue	5,418,024	-	5,418,024
State and Local Grants	185,287	-	185,287
Capitated Health Care Premium Revenue	1,717,144	-	1,717,144
Pharmacy Revenue	2,901,717	-	2,901,717
Other Revenue	123,088	-	123,088
Total Support and Revenues	13,974,578	-	13,974,578
Program Expenses			
Medical	8,505,411	-	8,505,411
Dental	1,189,658	-	1,189,658
Pharmacy	2,027,248	-	2,027,248
Behavioral Health	93,099	-	93,099
Other	135,476	-	135,476
Total Program Expenses	11,950,892	-	11,950,892
Supporting Services Expense			
Administration	1,911,068	-	1,911,068
Fundraising	49,668	-	49,668
Total Supporting Expenses	1,960,736	-	1,960,736
Total Expenses	13,911,628	-	27,823,256
Support and Revenues in Excess of Expenses	62,950	-	62,950
Nonoperating Revenue (Expense)			
Interest/Investment Income	51,941	-	51,941
Other Nonoperating Revenue(Expense)	-	-	-
Total Nonoperating Revenue (Expense)	51,941	-	51,941
Change in Net Assets	114,891	-	114,891
Net Assets, Beginning of Year	9,567,700	-	9,567,700
Net Assets, End of Year	\$ 9,682,591	\$ -	\$ 9,682,591

The accompanying notes are an integral part of the financial statements.

Detroit Community Health Connection, Inc.
Statement of Functional Expenses
For the Year Ended January 31, 2019

	PROGRAM SERVICES					SUPPORTING SERVICES			2019 TOTAL	
	MEDICAL	DENTAL	PHARMACY	BEHAVIORAL HEALTH	OTHER	TOTAL	ADMINISTRATIVE	FUNDRAISING		TOTAL
Salaries and Wages	\$ 4,426,392	\$ 731,152	\$ 281,311	\$ 68,880	\$ 127,288	\$ 5,635,023	\$ 889,190	\$ 0	\$ 889,190	\$ 6,524,213
Payroll Taxes	342,782	54,779	21,596	6,221	7,120	432,498	68,247	0	68,247	500,745
Fringe Benefits	920,743	140,232	39,547	12,683	0	1,113,205	175,661	0	175,661	1,288,866
Pharmacy	0	0	1,633,523	0	0	1,633,523	0	0	0	1,633,523
Contractual Services	844,392	1,395	0	0	0	845,787		28,652	28,652	874,439
Purchased Services	23,621	326	0	0	1,069	25,017	27,802	0	27,802	52,819
Payroll Service	0	0	0	0	0	0	36,453	0	36,453	36,453
Legal & Audit	0	0	0	0	0	0	18,899	0	18,899	18,899
Supplies	223,507	52,311	1,577	0	0	277,395	8,798	0	8,798	286,193
Office Supplies	56,086	7,868	3,402	1,080	0	68,437	21,026	2,281	23,307	91,744
Travel	41,775	0	2,376	0	0	44,151	49,521	0	49,521	93,672
Computer Service Fees	100,753	14,134	5,574	1,940	0	122,401	37,771	0	37,771	160,171
Consulting Fees	0	0	0	0	0	0	119,300	0	119,300	119,300
Profession Licenses Permits	0	0	0	0	0	0	0	0	0	-
Security	298,120	42,077	8,051	0	0	348,248	30,023	0	30,023	378,270
Education & Training	7,102	2,061	1,799	0	0	10,962	36,995	0	36,995	47,957
Miscellaneous	42,116	1,352	0	0	0	43,467	38,976	0	38,976	82,443
Minor Equipment	29,770	641	0	0	0	30,410	1,586	0	1,586	31,996
Rent	88,633	51,998	0	0	0	140,632	0	0	0	140,632
Storage	0	0	0	0	0	0	18,459	0	18,459	18,459
Equipment Rental	136,789	3,422	10,788	0	0	150,998	47,384	7,872	55,256	206,254
Repairs and Maintenance	60,641	5,107	0	0	0	65,748	9,556	0	9,556	75,304
Board Expenses	0	0	0	0	0	0	0	0	0	-
Professional Dues	5,585	0	0	0	0	5,585	41,089	0	41,089	46,674
Bank Credit Card Charges	0	0	0	0	0	0	14,657	0	14,657	14,657
Property Taxes	0	0	0	0	0	0	0	0	0	-
Bad Debt Expense	0	0	0	0	0	0	0	0	0	-
Utilities	103,010	14,539	2,782	0	0	120,331	10,374	0	10,374	130,705
Recruiting	6,989	0	0	0	0	6,989	1,103	0	1,103	8,092
In-Kind Dental Donation	0	0	0	0	0	0	0	0	0	-
Outreach & Promotions	48,140	0	0	0	0	48,140	19,272	0	19,272	67,412
Interest	0	0	0	0	0	0	0	0	0	-
Insurance	44,568	0	0	0	0	44,568	7,033	0	7,033	51,601
Internet	72,287	10,140	4,385	1,392	0	88,204	27,099	0	27,099	115,303
Publications & Printing	7,450	1,293	0	59	0	8,803	32,269	10,863	43,132	51,935
Telephone	43,722	6,133	2,652	842	0	53,350	16,391	0	16,391	69,740
Postage & Shipping	4,476	1,296	2,632	0	0	8,404	42,689	0	42,689	51,093
Waste Removal	161,871	5,547	0	0	0	167,418	11,683	0	11,683	179,102
Janitorial	137,035	19,341	3,701	0	0	160,076	13,800	0	13,800	173,877
Outside Maintenance	45,630	6,440	1,232	0	0	53,302	4,595	0	4,595	57,898
Depreciation	181,426	16,073	319	0	0	197,818	33,370	0	33,370	231,188
Total expenses included in the expense section on the statement of activities	<u>\$ 8,505,411</u>	<u>\$ 1,189,658</u>	<u>\$ 2,027,248</u>	<u>\$ 93,099</u>	<u>\$ 135,476</u>	<u>\$ 11,950,892</u>	<u>\$ 1,911,068</u>	<u>\$ 49,668</u>	<u>\$ 1,960,736</u>	<u>\$ 13,911,628</u>

The accompanying notes are an integral part of the financial statements.

Detroit Community Health Connection, Inc.
Statements of Cash Flows
For the Year Ended January 31, 2019

January 31, 2019

Net Cash Flows from Operating Activities		114,891
Change in Net Assets	\$	114,891
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Depreciation		231,188
Capital Grant Revenue		-
(Increase) Decrease in:		
Accounts Receivable		(104,449)
Grants Receivable		293,610
Other Receivables		(1,812)
Other Current Assets		38,727
Increase (Decrease) in:		
Accounts Payable		(161,284)
Third Party Cost Settlements		(222,618)
Unearned Revenue		-
Accrued Expenses		6,801
Net Cash Provided (Used) by Operating Activities		195,054
 Cash Flows from Investing Activities		
Purchase of Property and Equipment		(227,379)
 Cash Flows from Financing Activities		
New Borrowings		35,897
Net Cash Provided (Used) by Financing Activities		35,897
 Net Change in Cash for Year		3,572
 Cash and Cash Equivalents, Beginning of Year		6,607,860
 Cash and Cash Equivalents, End of Year	\$	6,611,432
 Supplemental Information		
Cash Paid During Year for Interest	\$	-
Interest Income	\$	51,941

The accompanying notes are an integral part of the financial statements.

Detroit Community Health Connection, Inc.
Notes to the Financial Statements
January 31, 2019

Note 1. Description of the Center

Detroit Community Health Connection, Inc. (the "Center"), is a not-for-profit and federally qualified health center ("FQHC") providing health services to persons in the Detroit, Michigan area with six locations. The Center provides a broad range of health services to a largely medically underserved population at numerous locations. These services are provided to area residents, regardless of ability to pay. The United States Department of Health and Human Services ("DHHS") provides substantial support to the Center for providing health services. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements as set forth by the grantor.

Medical Services

DCHC's medical team provides its patients with cutting-edge preventative medicine and comprehensive disease treatment and management. The Center treats teens and adults who suffer from asthma, diabetes, hypertension, arthritis, and cardiovascular disease, but is also equipped to treat infectious diseases such as hepatitis, venereal diseases, and TB. Obstetrics and Gynecological staff of DCHC provides primary care services in addition to prenatal and nutritional counseling. Risk assessment, exams, a full range of tests and screenings, culposcopy and other gynecological procedures are provided on-site. OB/GYN staff is highly trained and available to deliver competent, sensitive care. The DCHC HIV/AIDS team provides comprehensive primary care, confidential screening, diagnosis, and treatment of patients with HIV/AIDS. The HIV/AIDS program is guided, in part, by the advice of the DCHC HIV/AIDS Community Advisory Board, which includes DCHC clients. Family planning service excluding abortion is offered at all DCHC health centers.

Dental Services

In addition to standard medical care services, DCHC also offers comprehensive dental care to its patients. At three different locations equipped with the latest technology, DCHC patients can receive a wide range of dental services starting from routine Oral Exams and Teeth Cleanings to more complex dental procedures such as Restoration of Teeth, Installation of Crowns, and Bridges, Endodontics- root canal surgery and cosmetic caps for broken or chipped tooth.

Pharmacy

To enable DCHC patients to follow doctor's orders with ease, an on-site pharmacy offering discounted prescriptions is available. This service allows patients to receive medications from the same facility they receive medical care. DCHC provides prescription delivery to all health centers 3 times daily for patient convenience.

Behavioral Health

The highly trained and experienced social workers offer assistance to adults and teens living with depression, mental illness and drug-addiction. All DCHC care providers approach each patient as a care partner, offering respect and understanding along with quality treatment. In addition, DCHC has affiliations with pediatric and adult behavioral health institutions for more serious health issues.

Detroit Community Health Connection, Inc.
Notes to the Financial Statements
January 31, 2019

Other Services

Nutritional Counseling, Lab Services and Patient Education: In addition to essential health services, DCHC also provides nutritional counseling, health screenings, counseling in an array of subjects and specialty areas, lab services, referrals and access to educational information.

Interpretation and Transportation: English, Spanish and Farsi are spoken at our health centers to cover 95% of our patient population. 1-2% of patients speaking other languages are provided with interpretative services through an outside party. In special circumstances Center offers transportation vouchers as well.

Medical Education: DCHC actively participates in medical education at all levels. Center precepts medical students from Wayne State University School of Medicine, Resident doctors in primary care specialty programs from Authority Health/ Michigan State University, Preventative Medicine residents from University of Michigan, RN and master's degree RN students from Wayne State University and University of Detroit Mercy. DCHC also provides healthcare internships to students from Wayne State University, University of Michigan, Berkley, Cornell, etc.

Note 2. Significant Accounting Policies

Financial Statement Presentation

The Center prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Center's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Center's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

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:

Detroit Community Health Connection, Inc.
Notes to the Financial Statements
January 31, 2019

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Center did not have any net asset with donor restrictions for the year ended 2019.

Cash and Cash Equivalents

Cash equivalents are short term, highly liquid investments with original maturities of three months or less. The Center maintains cash balances at several financial institutions. Deposits at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) or related agencies up to \$250,000 per institution, unless otherwise noted. Balances in depository accounts frequently exceed those limits.

Accounts Receivable

The Center records patient service receivables at the time of service, according to fees charged. These amounts are often reduced because of a patient's inability to pay or because of contractual adjustments from third party payors. Accounts receivable are stated at unpaid balances, net of an allowance for doubtful accounts. The allowance for doubtful accounts is established on an aggregate basis by using historical loss rate factors applied to unpaid accounts based on an aging schedule. Loss rate factors are based upon historical loss experience and are adjusted for macroeconomic trends affecting the Center's ability to collect outstanding amounts. All adjustments to the gross accounts receivable are recorded upon receipt of related information and bad debts are periodically written off throughout the year. An estimated provision for contractual adjustments is included in the current year; however, any difference in the estimated provision recorded and actual settlement is recorded in the year of settlement.

Inventory

Inventory represents pharmaceuticals in inventory, which are stated at the lower of cost or market as determined by the first-in, first-out method of inventory valuation.

Detroit Community Health Connection, Inc.
Notes to the Financial Statements
January 31, 2019

Property and Equipment

Property and equipment acquired by the Center are considered to be owned by Detroit Community Health Connection, Inc. However, Federal and State funding sources may maintain equitable interest in property purchased with grant monies as well as the right to determine the use of any proceeds derived from the sale or disposal of said property. The Federal government maintains reversionary interest in those assets purchased with Federal funds, with an aggregate cost of \$5,000 or more and an estimated useful life of at least one year. Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated.

The Center capitalizes property and equipment provided it has a cost or fair value of \$5,000 or greater. Repair and maintenance that do not significantly increase the useful life of an asset are expensed as incurred. Depreciation is computed on a straight-line basis over the useful life of property, which is generally determined as follows:

Buildings and Improvements	5 to 40 years
Furniture and Equipment	3 to 20 years
Leasehold Improvements	10 to 30 years

Property and equipment are reviewed for impairment when a significant change in an asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Support and Revenues

The Center is the recipient of federal grants from the Department of Health and Human Services providing grant revenue of \$ 5,418,024 and \$ 5,557,292 for the fiscal years ended January 31, 2019 and 2018, respectively.

Functional Allocation of 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. Functionalized expenses - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and interest which are allocated on a square footage basis, as well as wages, fringes and other services which are allocated on the basis of time and effort.

Detroit Community Health Connection, Inc.
Notes to the Financial Statements
January 31, 2019

Income Taxes

The Center is incorporated as a not-for-profit corporation under the laws of the State of Michigan. The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other taxing authorities. Management has analyzed the tax positions taken by the Center and has concluded that as of January 31, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Additionally, the Center has been determined by the Internal Revenue Service not to be a private foundation within the meaning as described in Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended January 31, 2019.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no effect on net assets.

Management Review

In preparing the accompanying financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to January 31, 2019, the most recent statement of financial position presented herein, through June 25, 2019, the date these financial statements were available to be issued. No such significant events or transactions were identified.

Note 3. Liquidity and Availability

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

Cash and cash equivalents	\$ 3,717,913
Grants receivable	772,043
Accounts receivable	413,109
	<hr/>
	\$ 4,903,065
	<hr/>

As of January 31, 2019, the Center did not have any donor-restricted funds.

Detroit Community Health Connection, Inc.
Notes to the Financial Statements
January 31, 2019

Note 4. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Center's deposits may not be returned. The Center maintains its cash balances at a variety of financial institutions. At January 31, 2019, the Center's total cash balance on deposit was \$ 6,611,432. Depository accounts are insured through certain agencies at up to \$250,000 per institution and the Center's cash balance is composed of the following:

	January 31, 2019	January 31, 2018
Total cash held at financial institutions	\$ 6,611,432	\$ 6,607,860
Total insured cash balance	3,851,903	3,299,313
Uninsured portion of cash balance	\$ 2,759,529	\$ 3,308,547

Note 5. Accounts Receivable

Accounts receivable as of January 31, 2019 and 2018 consist of patient and third party payor balances for medical and dental services provided. The detail of accounts receivable is as follows:

	January 31, 2019	January 31, 2018
Total medical and dental receivables	\$ 3,783,784	\$ 3,288,079
Less: allowance for uncollectible accounts	3,370,675	2,979,419
Accounts receivable, net of allowance	\$ 413,109	\$ 308,660

Note 6. Cost Report Receivable/Contingent Liability

The cost settlement receivable (payable) is recorded at the estimated amount that management expects to receive as reimbursement for eligible Medicaid or Medicare services. The Medicaid and Medicare settlements are based on retrospective adjustments and the amounts may not be known until a considerable period of time has elapsed from when the services were rendered. The calculations involve highly complex judgements based on assumptions. The process is further complicated by the complexities and ambiguities of billing and reimbursement regulations, and is subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Center deems Medicare settlements as immaterial and therefore no receivable (payable) is recorded. The Center has Medicaid cost settlements pending for the years ended January 31, 2016 through January 31, 2019. The Center had a net total Medicaid cost settlement payable pending of \$ 786,769 and \$ 1,009,387 for the years ended January 31, 2019 and 2018, respectively.

Detroit Community Health Connection, Inc.
Notes to the Financial Statements
January 31, 2019

Note 7. Property and Equipment

Property and equipment at January, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land	\$ 749,295	\$ 749,295
Capital assets being depreciated		
Buildings and improvements	5,214,546	5,275,523
Equipment and furniture	<u>589,957</u>	<u>2,677,139</u>
Total capital assets being depreciated	5,804,503	7,952,662
Accumulated depreciation	<u>(3,196,717)</u>	<u>(5,341,067)</u>
Net capital assets being depreciated	2,607,786	2,611,595
Net property and equipment	<u>\$ 3,357,081</u>	<u>\$ 3,360,890</u>

Note 8. Risk Management

The Center is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Center is covered under the Federal Tort Claims Act and maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant loss.

Note 9. Retirement Plan

The Center established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The defined contribution plan covers substantially all employees who work more than 20 hours a week, excluding student employees. Employees may defer a portion of their salary up to IRS limits for such plans. The Center may make a discretionary contribution to the plan for participants who have at least a year of service. The Center's portion of contributions to the plan for years ended January 31, 2019 and 2018 were \$ 281,590 and \$ 226,821 respectively.

Note 10. Compensated Absences

Employees receive Personal Time Off (PTO) in lieu of sick leave and vacation pay. They may carryover a maximum of 80 hours each year. Any unused hours in excess will be forfeited. Upon retirement, resignation, death or termination, with proper notification, payment for unused PTO will be made to the employee.

Detroit Community Health Connection, Inc.
Notes to the Financial Statements
January 31, 2019

Note 11. Leases

The Center has several non-cancelable operating leases, primarily for buildings and office equipment that expire over the next five (5) years. Lease expense totaled \$ 357,471 and \$ 342,405 for the years ended January 31, 2019 and 2018, respectively. Operating leases expire at various dates through September 30, 2021.

Future minimum lease payments under these non-cancelable leases for facilities and equipment are as follows:

2020	129,996
2021	129,996
2022	86,664
Thereafter	-
	\$ 346,656

Note 12. Charity Care

Charges excluded from revenue under the Center's charity care policy were \$ 1,829,649 and \$ 2,014,800 for the years ended January 31, 2019 and 2018, respectively.

Note 13. Internally Designated Net Asset

The Board of Directors of Detroit Community Health Connection, Inc. has designated at January 31, 2019 and 2018, \$ 3,472,511 and \$ 3,472,511 respectively to be used for future financial reserves.

Note 14. Major Funding Sources

The Center receives a substantial portion of funding and support from governmental agencies. If government funding of the Center's services was significantly decreased or eliminated, the Center would need to substantially reduce service offerings and eliminate costs and/or find alternative funding sources. For the year ended January 31, 2019 and 2018, the Center received funding from the Department of Health and Human services totaling \$ 5,418,024 and \$ 5,557,292 or approximately 38.8% and 40.0% of the Center's total net revenue.

Supplementary Information

**Detroit Community Health Connection, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2019**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Period</u>	<u>Pass Through To Others</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services					
Health Centers Cluster of Programs					
Direct programs					
Consolidated Health Centers Program	2-1-18 to 1-31-19	0	93.224	H80CS00398	\$ 1,745,872
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Centers Program	2-1-18 to 1-31-19	0	93.527	H80CS00398	<u>3,038,905</u>
Total Health Center Cluster					4,784,777
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	5-1-18 to 4-30-19	0	93.918	H76A00117	243,345
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	5-1-17 to 4-30-18	0	93.918	H76A00117	<u>386,214</u>
Total Early HIV Intervention					629,559
Grants to provide Nurse, Education, Practice Quality and retention of Registered Nurses in Primary Care	7-1-18 to 6-30-19	0	93.359	UK1HP31702	<u>3,688</u>
Total U.S. Department of Health and Human Services					5,418,024
Total Federal Expenditures					\$ <u>5,418,024</u>

Detroit Community Health Connection, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Detroit Community Health Connection, Inc. and is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The expenditures in the Schedule of Expenditures of Federal Awards are in agreement with the amounts reported in the Center's accounting system and reports submitted to the Department of Health and Human Services. Although some grant awards are for different periods than the Center's fiscal year, all expenditures in the schedule are for the year ended January 31, 2019.

Note 2. Indirect Costs

Detroit Community Health Connection, Inc. has not elected to use the 10% de minimus indirect costs rate.



CERTIFIED PUBLIC ACCOUNTANTS

1010 N. JOHNSON STREET
BAY CITY, MICHIGAN 48708
Phone: (989) 892-4549
Fax: (989) 892-4030

Partners:

*Timothy J. Quast, C.P.A.
David G. Gwizdala, C.P.A.*

Members:

*American Institute of C.P.A.'s
Michigan Association of C.P.A.'s*

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Detroit Community Health Connection, Inc.

We have audited, 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, the financial statements of Detroit Community Health Connection, Inc. ("the Center") (a nonprofit organization), which comprise the statement of financial position as of January 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Detroit Community Health Connection, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Detroit Community Health Connection, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

Compliance and Other Matters

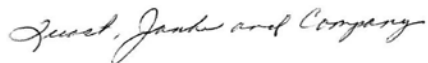
As part of obtaining reasonable assurance about whether Detroit Community Health Connection, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Quast, Janke and Company



Bay City, Michigan

June 25, 2019



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BAY CITY, MICHIGAN 48708
Phone: (989) 892-4549
Fax: (989) 892-4030

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Directors
Detroit Community Health Connection, Inc.

Report on Compliance for Each Major Federal Program

We have audited Detroit Community Health Connection, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Detroit Community Health Connection, Inc.'s major federal programs for the year ended January 31, 2019. Detroit Community Health Connection, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Detroit Community Health Connection, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Detroit Community Health Connection, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Detroit Community Health Connection, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Detroit Community Health Connection, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2019.

Report on Internal Control Over Compliance

Management of Detroit Community Health Connection, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Detroit Community Health Connection, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Detroit Community Health Connection, Inc.'s internal control over compliance.

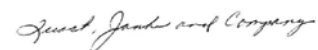
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Sincerely,

Quast, Janke and Company



Bay City, Michigan
June 25, 2019

Detroit Community Health Connection, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended January 31, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified:	_____ YES	_____ X _____	NO
Significant deficiencies identified that are not considered to be material weaknesses:	_____ YES	_____ X _____	NO

Noncompliance material to financial statements noted: YES X NO

Federal Awards

Internal control over major programs:

Material weakness(es) identified:	_____ YES	_____ X _____	NO
Significant deficiencies identified that are not considered to be material weaknesses:	_____ YES	_____ X _____	NO

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

Any audit findings disclosed that are required to be reported with Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Requirements: YES X NO

Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
93.224 Health Center Cluster	Consolidated Health Centers
93.527	Affordable Care Act for Health Centers
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee: X YES _____ NO

Detroit Community Health Connection, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended January 31, 2019

Section II. Financial Statement Audit Findings

None. There were no findings related to the financial statements, which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America for the year ended January 31, 2019.

Section III. Major Federal Award Findings

None. Our audit disclosed no findings required to be reported related to Federal programs under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Requirements* for the year ended January 31, 2019.



Summary Schedule of Prior Year Findings For the Year Ended January 31, 2018

Section II. Financial Statement Audit Findings

None. There were no findings related to the financial statements, which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America for the year ended January 31, 2018.

Section III. Major Federal Award Findings

None. Our audit disclosed no findings required to be reported related to Federal programs under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Requirements* for the year ended January 31, 2018.