

CHRISTIAN COMMUNITY HEALTH CENTER

Financial Statements
With Independent Auditors' Report
and
Federal Awards
In Accordance with the Uniform Guidance

Year Ended June 30, 2019 and 2018

CHRISTIAN COMMUNITY HEALTH CENTER

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Community Health Centers
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Christian Community Health Center (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Christian Community Health Centers
Chicago, Illinois

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Community Health Center as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Christian Community Health Center has adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This had a material effect on the presentation of the June 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were 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* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), 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 27, 2020, on our consideration of Christian Community Health Center'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 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 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 Christian Community Health Center's internal control over financial reporting and compliance.

Capin Crouse LLP

Naperville, Illinois
March 27, 2020

CHRISTIAN COMMUNITY HEALTH CENTER

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 7,017,154	\$ 4,079,216
Patient fees receivable, less allowance for contractual adjustments, discounts and uncollectible accounts of \$999,702 and \$1,252,111, respectively.	925,478	933,041
Grants receivable	1,569,371	1,172,635
Prescriptions receivable	275,385	424,265
Prepaid expenses and other assets	74,220	6,800
	9,861,608	6,615,957
Property and equipment, net	8,700,911	9,472,421
 Total Assets	 \$ 18,562,519	 \$ 16,088,378
 LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 519,298	\$ 366,589
Accrued payroll, payroll taxes, and benefits	326,913	300,165
Line of credit payable	77,887	80,787
Current portion of notes payable	252,995	1,073,387
	1,177,093	1,820,928
Notes payable, net of current portion	3,412,746	2,821,482
	4,589,839	4,642,410
 Net assets:		
Without donor restrictions	13,972,680	11,445,968
 Total Liabilities and Net Assets	 \$ 18,562,519	 \$ 16,088,378

See notes to financial statements

CHRISTIAN COMMUNITY HEALTH CENTER

Statements of Activities

Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Without Donor Restrictions	With Donor Restrictions	2018 Total
SUPPORT AND REVENUE:						
Grants and awards	\$ 8,385,198	\$ -	\$ 8,385,198	\$ 7,768,945	\$ -	\$ 7,768,945
Patient service fees, net	5,086,655	-	5,086,655	4,902,906	-	4,902,906
Prescription revenue	5,073,465	-	5,073,465	4,752,592	-	4,752,592
Capitation and wrap payments	219,701	-	219,701	21,131	-	21,131
Program fees	188,134	-	188,134	190,821	-	190,821
Contributions	19,288	-	19,288	20,264	-	20,264
Other income	41,280	-	41,280	37,625	-	37,625
Net assets released from restrictions	-	-	-	75,704	(75,704)	-
Total support and revenue	19,013,721	-	19,013,721	17,769,988	(75,704)	17,694,284
EXPENSES:						
Program services:						
Medical services	10,415,548	-	10,415,548	9,200,523	-	9,200,523
Housing and housing case management	4,873,257	-	4,873,257	4,697,781	-	4,697,781
Behavioral health services	285,813	-	285,813	169,829	-	169,829
Supporting activities:						
Management and general	595,515	-	595,515	908,124	-	908,124
Fundraising	316,876	-	316,876	109,598	-	109,598
Total expenses	16,487,009	-	16,487,009	15,085,855	-	15,085,855
Change in Net Assets	2,526,712	-	2,526,712	2,684,133	(75,704)	2,608,429
Net Assets, Beginning of Year	11,445,968	-	11,445,968	8,761,835	75,704	8,837,539
Net Assets, End of Year	\$ 13,972,680	\$ -	\$ 13,972,680	\$ 11,445,968	\$ -	\$ 11,445,968

See notes to financial statements

CHRISTIAN COMMUNITY HEALTH CENTER

Statement of Functional Expenses Year Ended June 30, 2019

	Program Services			Supporting Activities		Total
	Medical services	Housing and housing case management	Behavioral health services	Management and general	Fundraising	
Wages and salaries	\$ 3,727,033	\$ 1,657,629	\$ 193,686	\$ 133,360	\$ 231,792	\$ 5,943,500
Employee benefits	320,641	160,991	8,122	16,388	23,057	529,199
Payroll taxes	285,118	102,521	14,817	10,202	17,732	430,390
Total personnel costs	4,332,792	1,921,141	216,625	159,950	272,581	6,903,089
Insurance	138,106	70,427	4,695	28,891	-	242,119
Patient supplies and fees	109,537	-	-	-	-	109,537
Patient labs and pharmacy costs	3,612,570	-	-	-	-	3,612,570
Occupancy - housing program	-	1,983,295	-	-	-	1,983,295
Office rent	-	59,142	-	-	-	59,142
Utilities	75,156	45,247	2,692	17,169	9,085	149,349
Building maintenance and services	86,249	62,573	3,382	16,912	-	169,116
Equipment and vehicle repairs and maintenance	60,268	44,336	10,418	10,150	7,427	132,599
Depreciation and amortization	549,520	362,684	-	186,838	-	1,099,042
Telephone and communication	123,744	46,072	15,390	22,005	17,607	224,818
Professional fees	622,983	176,779	28,429	52,844	8,853	889,888
Office supplies	21,140	20,371	1,332	15,090	1,066	58,999
Advertising and promotion	1,419	207	-	-	-	1,626
Real estate taxes	-	7,127	-	-	-	7,127
Interest	76,446	68,181	-	58,983	-	203,610
Bad debt	568,271	-	-	-	-	568,271
Other	37,347	5,675	2,850	26,683	257	72,812
Total	\$ 10,415,548	\$ 4,873,257	\$ 285,813	\$ 595,515	\$ 316,876	\$ 16,487,009

See notes to financial statements

CHRISTIAN COMMUNITY HEALTH CENTER

Statement of Functional Expenses Year Ended June 30, 2018

	Program Services			Supporting Activities		Total
	Medical services	Housing and housing case management	Behavioral health services	Management and general	Fundraising	
Wages and salaries	\$ 3,397,347	\$ 1,764,625	\$ 91,761	\$ 132,228	\$ 65,186	\$ 5,451,147
Employee benefits	259,897	128,040	6,656	9,783	4,734	409,110
Payroll taxes	184,471	144,573	7,379	45,367	11,068	392,858
Total personnel costs	3,841,715	2,037,238	105,796	187,378	80,988	6,253,115
Insurance	84,423	58,046	3,296	18,935	4,945	169,645
Patient supplies and fees	76,920	-	-	-	-	76,920
Patient labs and pharmacy costs	3,200,185	-	-	-	-	3,200,185
Seminars and meetings	1,143	768	-	3,928	-	5,839
Occupancy - housing program	-	1,860,847	-	37	-	1,860,884
Office rent	-	60,165	-	-	-	60,165
Utilities	58,395	76,322	2,472	44,017	4,287	185,493
Building maintenance and services	54,383	46,207	2,357	57,302	2,510	162,759
Equipment and vehicle repairs and maintenance	42,413	42,757	1,746	14,379	2,619	103,914
Depreciation and amortization	497,840	313,856	43,290	227,275	-	1,082,261
Telephone and communication	117,146	73,469	4,025	23,310	6,316	224,266
Professional fees	641,627	75,389	3,484	76,261	5,226	801,987
Office supplies	16,496	17,601	1,638	7,221	1,649	44,605
General office	7,649	7,649	1,530	7,904	765	25,497
Real estate taxes	-	14,776	-	-	-	14,776
Interest	2,162	8,647	-	205,364	-	216,173
Bad debt	515,556	-	-	-	-	515,556
Other	42,470	4,044	195	34,813	293	81,815
Total	\$ 9,200,523	\$ 4,697,781	\$ 169,829	\$ 908,124	\$ 109,598	\$ 15,085,855

See notes to financial statements

CHRISTIAN COMMUNITY HEALTH CENTER

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,526,712	\$ 2,608,429
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,099,042	1,082,261
Changes in operating assets and liabilities:		
Patient fees receivable	7,563	199,648
Grants receivable	(396,736)	(485,165)
Prescriptions receivable	148,880	118,882
Prepaid expenses and other	(67,420)	89,159
Accounts payable and accrued expenses	152,709	(26,892)
Accrued payroll, payroll taxes, and benefits	26,748	27,149
Net Cash Provided by Operating Activities	3,497,498	3,613,471
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(327,532)	(262,935)
Net Cash Used by Investing Activities	(327,532)	(262,935)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payment on line of credit	(2,900)	(139,875)
Payments on notes payable	(229,128)	(297,490)
Net Cash Used by Financing Activities	(232,028)	(437,365)
Change in Cash and Cash Equivalents	2,937,938	2,913,171
Cash and Cash Equivalents, Beginning of Year	4,079,216	1,166,045
Cash and Cash Equivalents, End of Year	\$ 7,017,154	\$ 4,079,216
SUPPLEMENTAL DISCLOSURE OF CASH FLOW ACTIVITY:		
Cash paid for interest	\$ 203,610	\$ 216,173

See notes to financial statements

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

1. NATURE OF ORGANIZATION:

Christian Community Health Center (CCHC) was incorporated in the State of Illinois on December 18, 1991. CCHC was organized to increase access to basic health care for the medically underserved population who live in and around the Roseland area on Chicago's Far South Side. In July 1993, CCHC began providing primary care health services at the Roseland Christian Health Center (d/b/a Christian Community Health Center). Other program services include community health education, the establishment of volunteer health workers for health promotion, supporting housing and case management, behavioral health services, and outreach. Program services also include a clerkship in community medicine for medical students and medical residents designed to encourage these physicians to eventually work in a medically underserved area. CCHC has a policy of providing care at reduced charges for patients who are unable to pay the full cost of services. Such patients are identified based on financial information they provide. For these patients, only the amount expected to be received is included in net patient revenue. CCHC receives a significant portion of its operating funds from grants and awards along with the patient fees. For the years ended June 30, 2019 and 2018, two grantors gave approximately 75% and 78% of total grants and awards, respectively.

CCHC provides the following program and supporting services:

Medical Services – CCHC was established to provide quality, affordable health care to the local community. It provides primary health care and health screening to adults and children. The full continuum of care includes family medicine, internal medicine, obstetrics/gynecology and pediatrics. Referral arrangements have been established for subspecialty care. The dental clinic provides preventive, restorative, and emergency oral health care.

Housing and Housing Case Management – CCHC has a supportive housing program with more than 280 units, serving individuals with identified health, mental health, or chronic homeless needs and individuals living with HIV/AIDS. It provides intensive case management services to the residents and offers support services such as employment readiness and behavioral and substance abuse counseling.

Behavioral Health Services – CCHC operates the Healthy Choices Wellness Center, which provides services to persons living with a serious and persistent mental illness, and those experiencing a significant impairment in their role functioning via individual/group therapy, and recreational activities. Using a multidisciplinary team approach, the program is community based. The services are designed to provide a supportive and therapeutic social environment where consumers can achieve individual rehabilitative, resiliency, and recovery goals.

Management and General – This includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of CCHC's program strategy through the executive director; secure proper administrative functioning of the board of directors; maintain component legal services for the program administration of CCHC; and manage its financial and budgetary responsibilities.

Fundraising – As needed, this provides for future structure necessary and encourages and secures private financial support from individuals, foundations, and corporations.

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

1. NATURE OF ORGANIZATION, continued:

CCHC is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law, and has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. Contributions to CCHC are tax deductible within the limitations prescribed by the Code.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of CCHC have been prepared on the accrual basis of accounting. 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. The significant accounting policies followed are described below.

CASH AND CASH EQUIVALENTS

CCHC considers cash and cash equivalents to consist of highly liquid depository accounts with an original maturity of three months or less. These include checking accounts, money market accounts, and petty cash. At June 30, 2019 and 2018, CCHC's cash balances exceeded federally insured limits by \$6,428,165 and \$3,719,748, respectively. CCHC has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

PATIENT FEES RECEIVABLE

Patient fees receivable for which a third-party payer is responsible for paying are recorded at a net amount, which is determined by reducing the original charge for the service provided by an estimate of contractual fee adjustments or discounts provided to third-party payers.

Patient fees receivable due directly from the patients are recorded at a net amount, which is determined by reducing the original charge for the service provided by amounts covered by third-party payers and an estimated allowance for uncollectible receivables. Management determines the allowance for contractual adjustments, discounts, and uncollectible accounts by identifying troubled accounts and by historical experience applied to an aging of the patient accounts. Patient receivables are written off as adjustments to patient service revenue when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of the patient service revenue adjustment account when received. CCHC determines when an account is past due based upon the classification of payers. CCHC does not charge interest on past-due accounts.

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

GRANTS RECEIVABLE

Grants are recognized as revenue when earned. Grants receivable include unconditional promises to give. These promises are recognized as revenues or gains in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Grant funding received in advance of related eligible expenditures is recognized as the related expenditures are incurred. Expense-driven reimbursement grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. Grant funds received prior to the incurrence of the qualifying expenses are deferred.

PRESCRIPTIONS RECEIVABLE

The 340B Drug Pricing Program allows CCHC as a health care provider (“covered entity”) to obtain discounted prices on “covered outpatient drugs” (prescription drugs and biologics other than vaccines) from drug manufacturers. The program was created in 1992 after the adoption of the Medicaid Drug Rebate Program and is named for the provision in the Public Health Service Act that authorizes it. According to the Health Resources and Services Administration (HRSA), which administers the program, the intent of the 340B program is to allow covered entities to stretch scarce federal resources as far as possible to provide more care to more patients (Health Resources and Services Administration 2014e). CCHC entered a contractual relationship with SJA Community Pharmacy (in-house Pharmacy) to dispense all medicines for its patients along with Walgreens. Patients have a choice to receive the medicines in-house or other pharmacies.

PROPERTY AND EQUIPMENT

Purchased property and equipment in excess of \$5,000 are recorded at cost or, if donated, at fair market value on the date of the donation. Buildings and equipment are depreciated on a straight-line basis over their estimated useful lives, ranging from 5 to 40 years. Property donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from net asset with donor restrictions to net assets without donor restrictions at that time.

CCHC has purchased certain furniture in connection with grant agreements which stipulate that CCHC must continue to comply with the grant terms. CCHC believes it is probable that it will be permitted to keep the assets when the grant term expires and has, accordingly, capitalized these assets that may revert to the grantor at the conclusion of the grant. At June 30, 2019 and 2018, there was no capitalized furniture for the resident program.

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets as follows:

Net assets without donor restrictions are currently available at the discretion of the Board of Directors for use in the organization's operations, those designated by the Board for specific purposes and those resources invested in property and equipment.

Net assets with donor restrictions are those contributed with donor stipulations for specific operating purposes or programs, or those with timing restrictions. They are not currently available for use in donor-restricted contributions whose restrictions are met in the same accounting period as unrestricted support. CCHC did not have any funds with donor restrictions at June 30, 2019 and 2018.

SUPPORT AND REVENUE

Contributions are reported as income when made, which may be when cash is received, unconditional promises are made or ownership of donated assets is transferred. Bequests are recorded as income at the time when CCHC has an established right to the bequest and the proceeds are measurable. Contributions that have restrictions are reported as net asset with donor restrictions if the restrictions are not met in the same reporting period. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Interest income and other revenues are recorded when earned.

NET PATIENT SERVICE FEES

CCHC has agreements with third-party payers that provide for payments to CCHC at amounts other than established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, case rates, discounted charges, per diem payments, and enhancements. Net patient service fees are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payers as final settlements are determined. Contractual adjustments, discounts, and uncollectible accounts for the years ended June 30, 2019 and 2018, was approximately \$4,966,000 and \$4,446,000, respectively.

Contractual adjustments under third-party reimbursement programs principally represent the differences between CCHC's billings at list price and the amounts reimbursed by Medicare, Medicaid, and certain other third-party payers. They also include any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements.

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET PATIENT SERVICE FEES, continued

A summary of the basis of reimbursement with major third-party payers is as follows:

Medicare – CCHC is paid for inpatient acute care and outpatient services rendered to Medicare program beneficiaries under prospectively determined rates. The rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. CCHC's classification of patients under the prospective payment systems, as well as the appropriateness of patient admissions, is subject to validation reviews by the Medicare peer review center, which is under contract with CCHC to perform such reviews. Net amounts received under these arrangements approximated \$226,000 and \$199,000 for the years ended June 30, 2019 and 2018, respectively. For services rendered to Medicare beneficiaries for outpatient services and psychiatric services, CCHC was reimbursed based upon prospectively determined rates. The rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors.

Medicaid – CCHC is paid for inpatient acute care services rendered to Medicaid program beneficiaries based on a fee for service. The prospectively determined rates are not subject to retroactive adjustment. CCHC also receives Medicaid reimbursement for specific programs and services at the discretion of the State of Illinois Medicaid program. Net amounts received under these arrangements approximated \$3,174,000 and \$2,819,000 for the year ended June 30, 2019 and 2018, respectively. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in annual reimbursement rates.

Managed Care/Private Insurance Organizations – CCHC also participates as a provider of health care services under various agreements with health maintenance organizations (HMOs) and preferred provider organizations (PPOs). The terms of each contract will vary, but typically will include a negotiated discount offered by CCHC for services provided to contracted HMO and PPO patients. Net amounts received under these arrangements approximated \$1,115,000 and \$433,000 for the years ended June 30, 2019 and 2018, respectively.

Charity Care – CCHC is a nonprofit health care provider established to meet the health care needs of its community and provides care to patients who meet certain criteria under its charity care policy without charge, or at amounts less than established rates. For the year ended June 30, 2019 and 2018, CCHC provided charity care of approximately \$1,297,000 and \$589,000, respectively. The estimated cost of charity care has been estimated based on a cost per encounter developed from CCHC's Medicare cost report applied to the number of self-pay and sliding fee scale encounters.

SLIDING FEE ADJUSTMENTS (CHARITY CARE)

CCHC has a policy of providing care to uninsured patients who meet certain criteria under its policy at amounts less than its established rates or without charge. However, all patients are requested to pay a minimum fee for each visit, although no patient is denied services because of inability to pay. Since management does not expect payment for this care, the fees for services that are discounted from the established rates are excluded from revenue.

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DONATED SERVICES

Donated services are recognized as contributions at their estimated values at the time of receipt or performance, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CCHC. Volunteers provided services that are not recognized as contributions in the financial statements since the recognition criteria noted above were not met.

FUNCTIONAL ALLOCATION OF EXPENSES

All expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been allocated on a functional basis, determined by use of the facilities, level of support effort and relative program benefited. The expenses that are allocated include depreciation and occupancy-related costs, which are allocated on a square footage basis, as well as salaries and benefits, and certain office-related expenses, which are allocated on the basis of estimates of time and effort.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. CCHC adopted the provisions of this new standard in the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources (Note 10) and disclosures related to functional allocation of expenses were expanded (statements of functional expenses).

3. GRANTS RECEIVABLE:

Grants receivable consist of the following:

	June 30,	
	2019	2018
HRSA	\$ 568,742	\$ -
Department of Housing and Urban Development	482,721	602,263
City of Chicago	228,588	-
AIDS Foundation of Chicago	126,227	43,997
SBIRT	108,655	-
Health Resources and Services Administration AIMS	33,364	487,182
Illinois Housing Department Service	21,074	-
Department of Health and Human Services	-	39,193
	<u>\$ 1,569,371</u>	<u>\$ 1,172,635</u>

All amounts are due, and expected to be collected, within one year. All government contracts are subject to audit by the grantor. No allowance has been recorded for uncollectible balances as, based on historical experience, uncollectible amounts have not been material to the financial statements.

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

4. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consists of the following:

	June 30,	
	2019	2018
Land	\$ 1,171,313	\$ 1,171,313
Buildings and improvements	12,082,051	11,780,837
Furniture, fixtures and equipment	2,725,047	2,703,502
Vehicles	393,949	389,173
	16,372,360	16,044,825
Less accumulated depreciation	(7,671,449)	(6,572,404)
	\$ 8,700,911	\$ 9,472,421

5. NOTES PAYABLE:

Notes payable consists of the following:

	June 30,	
	2019	2018
<p>\$2,119,757 note payable to a bank, with monthly interest and principal installments of \$11,986. The interest rate is fixed at 4.61% through the due date of the loan. The note is due in May 2022 and is secured by substantially all CCHC assets, real property, and assignment of rents and leases relating to property owned.</p>	\$ 2,019,302	\$ 2,068,116
<p>\$1,200,000 note payable to a bank, with monthly interest and principal installments requiring monthly payments \$9,647. The interest rate was fixed at 5.25% through the due date of the loan. The note was refinanced in December 2018, resulting in an adjusted interest rate of 6% and monthly payment of \$9,992 until December 31, 2023, at which time the rate converts to a fixed rate determined by lender through maturity of January 1, 2029. The loan is secured by substantially all CCHC assets, real property and assignment of rents and leases relating to property owned.</p>	836,034	899,094
<p>\$1,500,000 note payable to a bank, with monthly interest and principal installments currently totaling \$12,344. The interest rate is currently fixed at 5.5%, with subsequent rate changes commencing on January 31, 2020 and February 15, 2025. The note is due in February 2025 and is secured by real property and assignment of rents and leases relating to property owned.</p>	720,844	790,094

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

5. NOTES PAYABLE, continued:

	June 30,	
	2019	2018
\$240,000 note payable to a bank, with monthly interest and principal installments of \$1,975. The interest rate is fixed at 5.5% through the due date of the loan. The note is due in June 2021 and is secured by real property and assignment of rents and leases relating to property owned.	89,561	137,565
	\$ 3,665,741	\$ 3,894,869

Notes payable matures as follows for the year ending June 30:

2020	\$ 252,995
2021	356,357
2022	2,119,675
2023	218,457
2024	231,226
Thereafter	487,031
	\$ 3,665,741

Total interest costs incurred, including amounts incurred on the line of credit was \$203,610 and \$216,173 for the years ended June 30, 2019 and 2018, respectively.

Long-term debt agreements contain certain administrative covenants. CCHC was in compliance with all covenants as of the date of this report.

6. LINE OF CREDIT:

CCHC has a revolving line of credit with a bank, allowing for maximum borrowings of \$500,000, of which \$77,887 and \$80,787 was outstanding at June 30, 2019 and 2018, respectively. Interest on the line of credit is paid monthly at the prime rate less 0.5%, with a floor of 3.75% (rate was 4.5% at June 30, 2018). This line of credit is secured by real property of CCHC, and expires in May 2020.

7. OPERATING LEASES:

CCHC leases approximately 184 apartments under operating leases with monthly lease payments ranging from \$600 to \$1,350 for its housing program with various expiration dates. As of June 30, 2019 and 2018, future minimum lease payments under these leases are approximately \$1,900,000 and \$1,800,000, respectively. CCHC is not responsible for operating expenses under these lease agreements. Apartment rental expense was approximately \$1,900,000 and \$1,800,000 for the year ended June 30, 2019 and 2018, respectively.

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

7. OPERATING LEASES, continued:

CCHC also leases a facility under an operating lease for use in its program services delivery. The lease expired on December 31, 2015. The lease was extended and expires on December 31, 2021. This lease requires monthly lease payments of \$4,693, plus CCHC's proportionate share of operating expenses, taxes, and insurance. For the year ended June 30, 2019 and 2018, facility lease expense was approximately \$60,000 and \$60,000, respectively, excluding operating costs.

8. RETIREMENT PLAN:

CCHC has established a defined contribution retirement plan. Participation in the plan is voluntary. Participants are eligible to contribute salary reductions on their first day of employment. Participants are eligible for employer contributions when they have completed 90 days of service, work at least 37.5 hours per week, and have attained age 21.

9. COMMITMENTS AND CONTINGENCIES:

Medical malpractice insurance coverage and claims – CCHC is covered for malpractice under the provisions of the Federal Tort Claims Act (“FTCA”), which is a government-funded program providing coverage to qualified health centers.

Risk management – CCHC 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Grants – CCHC has received grant funding for specific purposes that are subject to review and audit by the grantor agencies. These resources are generally conditional upon compliance with the terms and conditions of grant agreements and regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit by the grantor may become a contingent liability. Management believes any such liabilities would be immaterial if they occurred, and accordingly, no provision has been accrued for the return of grant funding. Any such amounts would be recognized as a liability in the period they become probable of occurrence.

Health care legislation and regulation – The health care industry is subject to compliance with the requirements of laws and regulations of federal, state, and local governments. These include laws and regulations regarding, but not necessarily limited to, matters such as licensure, accreditation, program participation, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management of CCHC believes that it is in substantial compliance with government laws and regulations including fraud and abuse. While regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, and no material actions or unasserted claims are known at this time.

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Financial Statements

June 30, 2019 and 2018

10. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. As part of CCHC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets:

Cash and cash equivalents	\$ 7,017,154
Patient fees receivables	925,478
Grant receivables	1,569,371
Prescription receivables	275,385
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,787,388</u>

As part of CCHC's liquidity management, it has established guidelines for making decisions related to managing short term cash reserves in a prudent manner. Additionally, CCHC has \$422,113 available on their line of credit, these funds can be drawn upon to meet other, unforeseen liquidity events.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 27, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

In March of 2020, the President of the United States declared a national emergency concerning the Novel Coronavirus Disease (COVID-19). The federal government, along with state and local government, have taken preventative and proactive measures to slow down the spread of the virus and treat those affected. Community health centers are a vital component of the nation's health care safety net and are well positioned to play an important role in delivering critical services and assisting the most vulnerable in our community during this emergency crisis. We are considered by many within the industry as being a first responder for the underserved and marginalized communities. The Governor of Illinois has classified health care and human services organizations as essential businesses. We remain open and ready to serve. The extent to which COVID-19 may impact our financial condition or results of operations cannot be reasonably estimated at this time.

FEDERAL AWARDS

CHRISTIAN COMMUNITY HEALTH CENTER

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
CDBG-Entitlement Grants Cluster:					
City of Chicago Department of Family and Support Services:					
Community Development Block Grants/Entitlement Grants	14.218				
Amani Basic Outreach & Engagement			PO 67647	\$ -	\$ 41,849
Amani Basic Outreach & Engagement			PO 85346	-	31,292
Amani Interim Housing			PO 67646	-	6,808
Domestic Violence Counseling			PO 68321	-	19,081
Total CDBG-Entitlement Grants Cluster					<u>99,030</u>
City of Chicago Department of Family and Support Services:					
Emergency Solutions Grant Program	14.231				
Amani Interim Shelter			PO 90438	-	139,075
Amani Interim Shelter			PO 103380	-	72,860
Total Emergency Solutions Grant Program					<u>211,935</u>
AIDS Foundation of Chicago:					
Housing Opportunities for Persons with AIDS	14.241				
CHHP - SPNS			N/A	-	28,049
RCN SPNS			N/A	-	118,598
RHHP Re-entry			N/A	-	47,513
					<u>194,160</u>

See notes to schedule of expenditures of federal awards

CHRISTIAN COMMUNITY HEALTH CENTER

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, continued:					
City of Chicago Department of Public Health:					
Housing Opportunities for Persons with AIDS	14.241				
Facility Based Housing Assistance			PO 31766	-	77,919
Facility Based Housing Assistance			PO 92322	-	42,420
					120,339
Total Housing Opportunities for Persons with AIDS					314,499
Continuum of Care Program*:					
Low Income Housing Trust Fund	14.267	IL0390L5T101607		-	53,222
Low Income Housing Trust Fund		IL0390L5T101708		-	191,931
Long Term Rental Assistance		IL0190L5T101609		-	29,258
Long Term Rental Assistance		IL0190L5T101710		-	111,655
EnHarmony Bonus Project		IL0373L5T101709		-	1,428,024
EnHarmony Bonus Project		IL0373L5T101608		-	1,114,056
					2,928,146
AIDS Foundation of Chicago:					
Continuum of Care Program	14.267				
HUD Safe Start I			N/A	-	80,314
Total Continuum of Care Program					3,008,460
Total U.S. Department of Housing & Urban Development					3,633,924

See notes to schedule of expenditures of federal awards

CHRISTIAN COMMUNITY HEALTH CENTER

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Health Center Program Cluster*:					
Health Center Program	93.224	H80CS00594		-	2,579,841
Total Health Center Program Cluster					<u>2,579,841</u>
Affordable Care Act Grants for Capital Development	93.526	C8DCS29601		-	<u>311,244</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease					
Ryan White Title III Funding Early Intervention Services	93.918	H76HA00685		-	357,284
Ryan White Title III Capacity Development and Planning Grants		P06HA32333		-	96,971
					<u>454,255</u>
AIDS Foundation of Chicago:					
HIV Related Training and Technical Assistance	93.145		N/A	-	<u>22,573</u>
Access Community Health Network:					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		1H79T1081134-01	-	<u>113,039</u>

See notes to schedule of expenditures of federal awards

CHRISTIAN COMMUNITY HEALTH CENTER

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES, continued:					
City of Chicago Department of Family and Support Services:					
Community Services Block Grant	93.569				
Amani Interim Housing			PO 67646	-	130,795
Amani Interim Housing			PO 67648	-	66,645
Amani Interim Housing			PO 68164-4	-	57,927
Total Community Services Block Grant					<u>255,367</u>
HIV Emergency Relief Project Grants					
	93.914				
City of Chicago Department of Public Health:					
Ryan White Part A Oral Ops			PO 72908	-	91,941
Ryan White Part A Oral Ops			PO 102851	-	38,472
AIDS Foundation of Chicago:					
Ryan White Part A Transportation			N/A	-	6,624
Total HIV Emergency Relief Project Grants					<u>137,037</u>
HIV Care Formula Grants					
	93.917				
AIDS Foundation of Chicago			N/A	-	198,088
Public Health Institute of Metropolitan Chicago			N/A	-	102,078
Total HIV Care Formula Grants					<u>300,166</u>

See notes to schedule of expenditures of federal awards

CHRISTIAN COMMUNITY HEALTH CENTER

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES, continued:					
Special Projects of National Significance	93.928				
BSM		H97HA31804		-	151,267
AIDS Foundation of Chicago:					
Safe and Sound			N/A	-	22,573
Total Special Projects of National Significance					173,840
Total U.S. Department of Health and Human Services					4,347,362
Total Expenditures of Federal Awards					\$ 7,981,286

*major federal program

See notes to schedule of expenditures of federal awards

CHRISTIAN COMMUNITY HEALTH CENTER

Notes to Schedule of Expenditures of Federal Awards

June 30, 2019

1. **BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Christian Community Health Center (CCHC) under programs of the federal government for the year ending June 30, 2019. The information in the schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. If CCHC is required to match certain federal assistance, as defined by the grant agreements, no such matching has been included as expenditures in the schedule.

2. **INDIRECT COST RATE:**

CCHC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. **RELATIONSHIP TO FINANCIAL STATEMENTS:**

The amount of total expenditures of federal awards reconciles to the revenue in the statement of activities as follows:

Total expenditures of federal awards	\$ 7,981,286
Plus:	
State, local and private grants	<u>403,912</u>
Grants and awards per statement of activities	<u><u>\$ 8,385,198</u></u>

4. **SUBRECIPIENTS, NON-CASH ASSISTANCE, FEDERAL INSURANCE, LOANS, AND LOAN GUARANTEES:**

CCHC did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, loans, or loan guarantees.

**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
Christian Community Health Centers
Chicago, Illinois

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 Christian Community Health Centers (CCHC), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered CCHC'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 CCHC's internal control. Accordingly, we do not express an opinion on the effectiveness of CCHC'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.

Board of Directors
Christian Community Health Centers
Chicago, Illinois

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCHC's financial statements are free of 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*.

We noted certain other matters that we reported to management of the CCHC in a separate letter dated March 27, 2020.

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 CCHC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCHC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Capin Crouse LLP

Naperville, Illinois
March 27, 2020

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

Board of Directors
Christian Community Health Centers
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Christian Community Health Center's (CCHC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of CCHC's major federal programs for the year ended June 30, 2019. CCHC'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 CCHC'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 of America; 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 CCHC'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 CCHC's compliance.

Opinion on Each Major Federal Program

In our opinion, Christian Community Health Center 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 June 30, 2019.

Board of Directors
Christian Community Health Centers
Chicago, Illinois

Report on Internal Control Over Compliance Required by the Uniform Guidance

Management of CCHC 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 CCHC’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 CCHC’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, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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.

Capin Crouse LLP

Naperville, Illinois
March 27, 2020

CHRISTIAN COMMUNITY HEALTH CENTER

Schedule of Findings and Questioned Costs

June 30, 2019

Section I - Summary of Audit Results

Financial Statements:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered a material weakness? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered a material weakness? yes none reported

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

Any audit findings that are required to be reported in accordance with 2 CFR Part 200.516(a)? yes no

Identification of major program(s):

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program
93.224	Health Center Program Cluster

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

Auditee qualified as low-risk auditee? yes no

CHRISTIAN COMMUNITY HEALTH CENTER

Schedule of Findings and Questioned Costs

June 30, 2019

Section II - Financial Statement Findings

There are no current findings in internal control over financial reporting required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Auditee Summary Status of Prior Year Findings

June 30, 2019

Financial Statement Findings

Finding Number: 2018-001 Application of Generally Accepted Accounting Principles

Condition: A deficiency of controls over the final reporting process was noted with respect to accrual accounting.

Recommendation: It was recommended that we enhance the month end closing procedures to ensure accruals are recorded.

Current Status:

CCHC has progress with the month end closing procedures by tracking the work status and workflow of each Accountant and the Controller. CCHC's Month End Closing Process involves a 2-phase process.

Month End Closing

Phase 1: Standard Journal Entries and Adjustments: Journal Entries and Adjustments (Loans, depreciation, and other permanent accounts) are performed by each Staff Accountant designated to their areas. A vendor review is completed to ensure that the historical principle is consistently applied. When the designee has entered the journal entries and or adjustments, the entries must be reviewed and posted by an individual other than the preparer.

Phase 2: Reconciliations: are performed by each Staff Accountant designated to their areas. These include merchant accounts, credit cards, operating bank accounts, operating, reserve, and other checking accounts. These accounts are reconciled by the controller and then reviewed and approved by the Director of Finance. All credit card & bank charges are posted in the relevant month and discrepancies with bank are

where everyone is welcome



Financial Statement Review

Phase 1: CCHC's Month Financial Statement Review Process involves a 2-phase process.

Variance Analysis: There are two levels. The Grant Staff Accountant(s) review line items monthly an only allocated allowable cost to program. The Controller reviews all general ledger line item variances for tracking purposes.

Phase 2: Financial Review

The Controller presents the financial statements to the Director of Finance (DOF) for review, and the DOF reviews financials for completion. Once the affirmation of the financial statements is reviewed the DOF prepares the financial narrative and presents to CEO. Who then if necessary, discuss, any changes that are needed and then the financial statements are presented to the Board Finance Committee? Any changes and or additions after corrected within 24 hours and submitted to the board for the Monthly Board meeting.



Auditee Summary Status of Prior Year Findings

June 30, 2019

Federal Award Findings

Finding Number: 2018-002 Procurement Policies

Condition: We had some basic purchase policies which are not consistently followed. The written purchase policies have not been updated to conform to Uniform Guidance requirements.

Recommendation: It was recommended that we update the purchase policies to conform to federal requirements. It was also recommended that procedures be put in place to ensure that procurement policies are consistently followed.

Current Status: Implemented

Reason for Reoccurring Finding and Planned Corrective Action:

CCHC has progressed in the area of Procurement by following protocols for Procurement.

1. Departmental and Program Supervisory level approval is required on all purchases.
2. Simple and informal purchases all over (\$1,000-3,000) do not require competitive bids or price analysis.
3. All new vendors, and or contractors are verified in the SAM database.

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