

***MULTI-CULTURAL HEALTH EVALUATION
DELIVERY SYSTEM, INC.
ERIE, PENNSYLVANIA***

AUDITED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Multi-Cultural Health Evaluation Delivery System, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Multi-Cultural Health Evaluation Delivery System, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, 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.

Auditor's 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Multi-Cultural Health Evaluation Delivery System, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, on our consideration of Multi-Cultural Health Evaluation Delivery System, 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 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 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 Multi-Cultural Health Evaluation Delivery System, Inc.'s internal control over financial reporting and compliance.

Restriction of Use

Our report is intended solely for the information and use of the Board of Directors and management of the Multi-Cultural Health Evaluation Delivery System, Inc., and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Monahan & Monahan". The signature is written in a cursive, flowing style.

Monahan & Monahan, P.C.
Certified Public Accountants

Erie, Pennsylvania
October 25, 2018

AUDITED FINANCIAL STATEMENTS

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	<u>2018</u>	<u>2017</u>
Assets:		
Cash	\$ 115,192	\$ 180,927
Unconditional promises to give:		
United Way funding for the next fiscal year	—	45,300
Accounts receivable:		
Government grants	32,326	79,526
Program fees	54,283	54,251
Program fees	2,960	—
Property and equipment, net	160,367	155,608
Investments	<u>15,738</u>	<u>—</u>
 Total assets	 <u>\$ 380,866</u>	 <u>\$ 515,612</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 192	\$ 3,582
Accrued payroll and related amounts	<u>9,519</u>	<u>15,550</u>
Total liabilities	<u>9,711</u>	<u>19,132</u>
 Net assets:		
Unrestricted	371,155	451,180
Temporarily restricted	<u>—</u>	<u>45,300</u>
Total net assets	<u>371,155</u>	<u>496,480</u>
 Total liabilities and net assets	 <u>\$ 380,866</u>	 <u>\$ 515,612</u>

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

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30,

	<u>2018</u>			<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:						
Government grants	\$ —	\$ 79,470	\$ 79,470	\$ —	\$ 164,414	\$ 164,414
Private Grants	—	21,000	21,000	—	—	—
United Way	—	—	—	—	45,300	45,300
Contributions	3,623	2,499	6,122	3,416	11,999	15,415
Donated services	—	—	—	10,000	—	10,000
Purchase of service fees	632,606	—	632,606	1,001,969	—	1,001,969
Investment income, net	476	—	476	—	—	—
Net assets released from restrictions	<u>148,269</u>	<u>(148,269)</u>	<u>—</u>	<u>221,713</u>	<u>(221,713)</u>	<u>—</u>
 Total support and revenue	 <u>784,974</u>	 <u>(45,300)</u>	 <u>739,674</u>	 <u>1,237,098</u>	 <u>—</u>	 <u>1,237,098</u>
Expenses:						
Program services:						
Community services	819,083	—	819,083	847,038	—	847,038
Supporting services:						
Management and general	<u>46,178</u>	<u>—</u>	<u>46,178</u>	<u>47,829</u>	<u>—</u>	<u>47,829</u>
Total expenses	<u>865,261</u>	<u>—</u>	<u>865,261</u>	<u>894,867</u>	<u>—</u>	<u>894,867</u>
 Sub-total (loss)	 <u>(80,287)</u>	 <u>(45,300)</u>	 <u>(125,587)</u>	 <u>342,231</u>	 <u>—</u>	 <u>342,231</u>
 Unrealized gain (loss) on investments	 <u>262</u>	 <u>—</u>	 <u>262</u>	 <u>—</u>	 <u>—</u>	 <u>—</u>
 Increase (decrease) in net assets	 <u>(80,025)</u>	 <u>(45,300)</u>	 <u>(125,325)</u>	 <u>342,231</u>	 <u>—</u>	 <u>342,231</u>
Net assets - beginning of year	<u>451,180</u>	<u>45,300</u>	<u>496,480</u>	<u>108,949</u>	<u>45,300</u>	<u>154,249</u>
Net assets - end of year	<u>\$ 371,155</u>	<u>\$ —</u>	<u>\$ 371,155</u>	<u>\$ 451,180</u>	<u>\$ 45,300</u>	<u>\$ 496,480</u>

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

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30,

	2018			2017		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Community Services	Management and General		Community Services	Management and General	
Salaries and wages	\$ 402,429	\$ 25,687	\$ 428,116	\$ 434,395	\$ 27,727	\$ 462,122
Employee benefits	10,929	698	11,627	4,347	277	4,624
Payroll taxes	37,646	2,403	40,049	38,925	2,485	41,410
Contract services	—	—	—	870	—	870
Professional services	—	9,428	9,428	—	8,654	8,654
Advertising	1,568	—	1,568	600	—	600
Printing	150	150	300	—	—	—
Postage and shipping	546	546	1,092	375	374	749
Telephone	4,903	313	5,216	6,731	430	7,161
Travel and conferences	11,083	—	11,083	10,056	—	10,056
Physician services	260,295	—	260,295	240,512	—	240,512
Utilities	6,687	427	7,114	6,225	397	6,622
Office supplies	12,158	776	12,934	17,683	1,129	18,812
Emergency food	859	—	859	451	—	451
Medical supplies and services	11,936	—	11,936	29,107	—	29,107
Insurance	11,036	2,759	13,795	7,742	1,936	9,678
Repairs and maintenance	22,919	1,463	24,382	8,624	550	9,174
Equipment rental	9,939	634	10,573	10,964	700	11,664
Depreciation	14,000	894	14,894	11,260	719	11,979
Interest	—	—	—	4,715	301	5,016
Bad debt	—	—	—	13,456	—	13,456
Penalties	—	—	—	—	2,150	2,150
 Total functional expenses	 <u>\$ 819,083</u>	 <u>\$ 46,178</u>	 <u>\$ 865,261</u>	 <u>\$ 847,038</u>	 <u>\$ 47,829</u>	 <u>\$ 894,867</u>

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

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30,

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (125,325)	\$ 342,231
Adjustments to reconcile net increase (decrease) to net cash provided (used) by operating activities:		
Depreciation	14,894	11,979
Unrealized (gain) loss on investments	(262)	—
Changes in operating assets and liabilities:		
(Increase) decrease in United Way funding	45,300	—
(Increase) decrease in accounts receivable-government grants	47,200	(44,948)
(Increase) decrease in accounts receivable-program fees	(32)	(35,440)
(Increase) decrease in prepaid expenses	(2,960)	—
Increase (decrease) in accounts payable	(3,390)	(14,772)
Increase (decrease) in accrued payroll and related amounts	(6,031)	13,126
Increase (decrease) in deferred revenue	—	(4,840)
Total adjustments	94,719	(74,895)
Net cash provided (used) by operating activities	(30,606)	267,336
Cash flows from investing activities:		
Sale (purchase) of investments, net	(15,476)	—
Purchase of equipment	(19,653)	(31,739)
Net cash provided (used) by investing activities	(35,129)	(31,739)
Cash flows from financing activities:		
Payments on long-term debt	—	(107,071)
Net cash provided (used) by financing activities	—	(107,071)
Net increase (decrease) in cash and cash equivalents	(65,735)	128,526
Cash and cash equivalents - beginning of year	180,927	52,401
Cash and cash equivalents - end of year	\$ 115,192	\$ 180,927
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ —	\$ 5,016

The accompany notes are an integral part of these financial statements.

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Activities

The Multi-cultural Health Evaluation Delivery System, Inc. (the Organization) is a non-profit corporation that was organized to provide health and education services to minorities and migrant minorities in northwestern Pennsylvania.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements of Not-For-Profit-Organizations*, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets as of June 30, 2018 and 2017.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization recognizes United Way funding as an unconditional promise to give. Therefore, funding allocated for the next fiscal year is recognized in the current year as temporarily restricted revenue. Once the funding is received, the revenue is released as unrestricted. The amount restricted was \$ -0- and \$45,300 for June 30, 2018 and 2017, respectively.

Donated Goods and Services

Donated services, materials and equipment are recorded as contributions at their estimated fair market value at the date of the gift. During the years ended June 30, 2018 and 2017, the value of contributed services, materials and equipment was \$ -0- and \$10,000, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of one year or less to be cash equivalents.

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies...(continued)

Property, Equipment and Depreciation

Property and equipment when purchased, are recorded at cost. Donated property and equipment are recorded at their estimated fair market value at the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Expenditures for additions, replacements and major improvements are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Tax Status

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been determined to be an organization which is not a private foundation. Contributions to it qualify for deduction under the Internal Revenue Code.

Accounting for Uncertain Tax Positions

Based on its review, management does not believe the Organization has taken any material uncertain tax positions that would place the Organization's exempt status in jeopardy. However, the three most recent tax years remain open for examination by federal and state tax authorities.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$1,568 and \$600 as of June 30, 2018 and 2017, respectively.

Subsequent Events

The Organization has evaluated subsequent events through October 25, 2018, the date the financial statements were available to be issued.

Reclassification

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation. The reclassifications have no effect on net assets for the year ended June 30, 2017.

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2 - Investments

Investments are recorded at fair value (see Note 3 - Fair Value Measurement) and consist principally of a share of a consolidated investment account administered by the Erie Community Foundation. The consolidated account consists of a diversified portfolio. The cost of these investments is either the original price, or, if donated securities, the market value on the date of donation.

Investment income consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 175	\$ —
Realized gain (loss)	379	—
Fees	<u>(78)</u>	<u>—</u>
Investment income, net	<u>\$ 476</u>	<u>\$ —</u>

Note 3 - Fair Value Measurement

FASB ASC 820 establishes a framework for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described in the table below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 3 - Fair Value Measurement...(continued)

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair value for assets and/or liabilities that are measured at fair value on a recurring basis in accordance with FASB ASC 820:

	<u>2018</u>	<u>2017</u>
Currents assets -		
Investments - Level 1	\$ 15,738	\$ —

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30,:

	<u>2018</u>	<u>2017</u>
Land	\$ 24,000	\$ 24,000
Building and improvements	252,229	238,279
Furniture and equipment	<u>174,816</u>	<u>169,113</u>
	451,045	431,392
Less: accumulated depreciation	<u>290,678</u>	<u>275,784</u>
	<u>\$ 160,367</u>	<u>\$ 155,608</u>

Depreciation expense for the year ended June 30, 2018 and 2017 was \$14,894 and \$11,979, respectively.

Note 5 - Related Party

Included among the Organization's board members and officers are volunteers from the professional community who provide valuable assistance to the Organization in the development of its programs and management policies. The Organization has adopted a policy whereby Board members are disqualified from participation in the final decisions regarding any action affecting their related organization.

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 6 - Lease Commitments

The Organization has two operating leases. One lease requires monthly payments of \$299 and expires in May 2022 and the other lease requires an annual minimum payment of \$180 and expires in September 2019. The minimum future lease payments are for the years ending June 30, are as follows:

<u>Fiscal Year</u>	
2019	\$ 3,768
2020	3,588
2021	3,588
2022	<u>2,990</u>
	<u>\$ 13,934</u>

Note 7 - Significant Commitments and Contingencies

The Organization participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. Furthermore, a significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities. No provision has been recorded in the accompanying financial statements for such contingencies.

Note 8 - Contingent Liability

In 2014, the Organization owed approximately \$45,000 to the Internal Revenue Service (IRS) and the Pennsylvania Department of Revenue resulting from the failure to file and/or pay employment tax returns and related obligations. In order to help alleviate this tax burden, United Way agreed to approve a loan of \$23,466 to the Organization. Additionally, in November 2015 the IRS granted a request for abatement of all interest and penalties from these charges. The Organization satisfied its remaining outstanding IRS tax liability on December 1, 2015 and was notified by the federal government that there were no further outstanding debts owed. In 2017, the Organization paid off the remaining balance on its United Way loan.

INDEPENDENT AUDITOR’S 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

To the Board of Directors
Multi-cultural Health Evaluation Delivery System, Inc.

We have audited, in accordance with the 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 Multi-cultural Health Evaluation Delivery System, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, 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 October 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Multi-cultural Health Evaluation Delivery System, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Multi-cultural Health Evaluation Delivery System, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Multi-cultural Health Evaluation Delivery System, Inc.’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 the Multi-cultural Health Evaluation Delivery System, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Monahan & Monahan".

Monahan & Monahan, P.C.
Certified Public Accountants

October 25, 2018
Erie, Pennsylvania