

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

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 August 25, 2017, 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 cursive script that reads "Monahan & Monahan".

Monahan & Monahan, P.C.
Certified Public Accountants

Erie, Pennsylvania
August 25, 2017

AUDITED FINANCIAL STATEMENTS

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	<u>2017</u>	<u>2016</u>
Assets:		
Cash	\$ 180,927	\$ 52,401
Unconditional promises to give:		
United Way funding for the next fiscal year	45,300	45,300
Accounts receivable:		
Government grants	79,526	34,578
Program fees	54,251	18,811
Property and equipment, net	<u>155,608</u>	<u>135,848</u>
 Total assets	 <u>\$ 515,612</u>	 <u>\$ 286,938</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 3,582	\$ 18,354
Accrued payroll and related amounts	15,550	2,424
Deferred revenue	—	4,840
Loans payable	—	107,071
Total liabilities	<u>19,132</u>	<u>132,689</u>
 Net assets:		
Unrestricted	451,180	108,949
Temporarily restricted	45,300	45,300
Total net assets	<u>496,480</u>	<u>154,249</u>
 Total liabilities and net assets	 <u>\$ 515,612</u>	 <u>\$ 286,938</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,

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Government grants	\$ —	\$ 164,414	\$ 164,414	\$ —	\$ 77,550	\$ 77,550
United Way	—	45,300	45,300	—	45,300	45,300
Contributions	3,416	11,999	15,415	14,732	5,000	19,732
Donated services	10,000	—	10,000	19,775	—	19,775
Purchase of service fees	1,001,969	—	1,001,969	862,740	—	862,740
Interest income	—	—	—	23	—	23
Net assets released from restrictions	<u>221,713</u>	<u>(221,713)</u>	<u>—</u>	<u>127,840</u>	<u>(127,840)</u>	<u>—</u>
Total support and revenue	<u>1,237,098</u>	<u>—</u>	<u>1,237,098</u>	<u>1,025,110</u>	<u>10</u>	<u>1,025,120</u>
Expenses:						
Program services:						
Community services	847,554	—	847,554	932,613	—	932,613
Supporting services:						
Management and general	<u>47,313</u>	<u>—</u>	<u>47,313</u>	<u>71,567</u>	<u>—</u>	<u>71,567</u>
Total expenses	<u>894,867</u>	<u>—</u>	<u>894,867</u>	<u>1,004,180</u>	<u>—</u>	<u>1,004,180</u>
Increase (decrease) in net assets	342,231	—	342,231	20,930	10	20,940
Net assets - beginning of year (deficit)	<u>108,949</u>	<u>45,300</u>	<u>154,249</u>	<u>88,019</u>	<u>45,290</u>	<u>133,309</u>
Net assets - end of year (deficit)	<u>\$ 451,180</u>	<u>\$ 45,300</u>	<u>\$ 496,480</u>	<u>\$ 108,949</u>	<u>\$ 45,300</u>	<u>\$ 154,249</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,

	2017			2016		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Community Services	Management and General		Community Services	Management and General	
Salaries and wages	\$ 434,395	\$ 27,727	\$ 462,122	\$ 520,070	\$ 33,196	\$ 553,266
Employee benefits	7,808	498	8,306	4,851	310	5,161
Payroll taxes	38,925	2,485	41,410	52,821	3,372	56,193
Contract services	870	—	870	—	—	—
Professional services	—	8,654	8,654	—	27,694	27,694
Advertising	600	—	600	250	—	250
Printing	—	—	—	36	35	71
Postage and shipping	375	374	749	268	267	535
Telephone	6,731	430	7,161	8,039	513	8,552
Travel and conferences	10,056	—	10,056	11,211	—	11,211
Physician services	240,512	—	240,512	232,276	—	232,276
Utilities	6,225	397	6,622	6,879	439	7,318
Office supplies	17,683	1,129	18,812	13,079	835	13,914
Emergency food	451	—	451	793	—	793
Medical supplies and services	29,107	—	29,107	27,561	—	27,561
Insurance	4,797	1,199	5,996	8,668	2,167	10,835
Repairs and maintenance	8,624	550	9,174	7,855	501	8,356
Equipment rental	10,964	700	11,664	12,516	799	13,315
Depreciation	11,260	719	11,979	7,189	459	7,648
Interest	4,715	301	5,016	5,947	380	6,327
Bad debt	13,456	—	13,456	8,304	—	8,304
Penalties	—	2,150	2,150	—	600	600
Donated services	—	—	—	4,000	—	4,000
Total functional expenses	<u>\$ 847,554</u>	<u>\$ 47,313</u>	<u>\$ 894,867</u>	<u>\$ 932,613</u>	<u>\$ 71,567</u>	<u>\$ 1,004,180</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,

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	<u>\$ 342,231</u>	<u>\$ 20,940</u>
Adjustments to reconcile net increase (decrease) to net cash provided (used) by operating activities:		
Depreciation	11,979	7,648
Changes in operating assets and liabilities:		
(Increase) decrease in United Way funding	—	(10)
(Increase) decrease in accounts receivable-government grants	(44,948)	(16,276)
(Increase) decrease in accounts receivable-program fees	(35,440)	50,224
(Increase) decrease in prepaid expenses	—	1,981
Increase (decrease) in accounts payable	(14,772)	(18,337)
Increase (decrease) in accrued payroll and related amounts	13,126	(15,938)
Increase (decrease) in accrued expenses	—	(1,937)
Increase (decrease) in deferred revenue	(4,840)	4,840
Total adjustments	<u>(74,895)</u>	<u>12,195</u>
Net cash provided (used) by operating activities	<u>267,336</u>	<u>33,135</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(31,739)</u>	<u>(16,482)</u>
Net cash provided (used) by investing activities	<u>(31,739)</u>	<u>(16,482)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	—	211,729
Payments on long-term debt	<u>(107,071)</u>	<u>(205,987)</u>
Net cash provided (used) by financing activities	<u>(107,071)</u>	<u>5,742</u>
Net increase (decrease) in cash and cash equivalents	128,526	22,395
Cash and cash equivalents - beginning of year	<u>52,401</u>	<u>30,006</u>
Cash and cash equivalents - end of year	<u>\$ 180,927</u>	<u>\$ 52,401</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 5,016</u>	<u>\$ 6,327</u>

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

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017 and 2016.

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 \$45,300 for June 30, 2017 and 2016.

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, 2017 and 2016, the value of contributed services, materials and equipment was \$10,000 and \$19,775, 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, 2017

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 \$600 and \$250 as of June 30, 2017 and 2016, respectively.

Subsequent Events

The Organization has evaluated subsequent events through August 25, 2017, the date the financial statements were available to be issued.

Reclassification

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation. The reclassifications have no effect on net assets for the year ended June 30, 2016.

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 2 - Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Land	\$ 24,000	\$ 24,000
Building and improvements	238,279	238,279
Furniture and equipment	<u>169,113</u>	<u>137,374</u>
	431,392	399,653
Less: accumulated depreciation	<u>275,784</u>	<u>263,805</u>
	<u>\$ 155,608</u>	<u>\$ 135,848</u>

Depreciation expense for the year ended June 30, 2017 and 2016 was \$11,979 and \$7,648, respectively.

Note 3 - 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.

Note 4 - Long-term Debt

Long-term debt consisted of the following at June 30,:

	<u>2017</u>	<u>2016</u>
Loan payable - capital lender, requiring monthly payments of \$1,366, at 7% interest. The loan matures April 2021 and is secured by personal property and real estate.	\$ —	\$ 66,907
Loan payable - capital lender, requiring monthly payments of \$4,802, at 5% interest. The loan matures January 2017 and is secured by personal property and real estate.	\$ —	\$ 33,198
Loan payable - United Way, includes monthly reductions in funding by approximately \$825. The loan matures January 2017.	<u>—</u>	<u>6,966</u>
	<u>\$ —</u>	<u>\$ 107,071</u>

MULTI-CULTURAL HEALTH EVALUATION DELIVERY SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 5 - 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>	
2018	\$ 3,768
2019	3,768
2020	3,588
2021	3,588
2022	<u>3,289</u>
	<u>\$ 18,001</u>

Note 6 - 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 7 - 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.

On July 18, 2013 a complaint was filed in the Court of Common Pleas of Erie County, Pennsylvania for a breach of contract and violation of the Pennsylvania Wage Payment and Collection Law. On June 25, 2015, the parties entered into a confidential Settlement Agreement. Certain payments were made by the Organization's insurance carrier, and the Organization itself became obligated under the Settlement Agreement to make eight installment payments in the amount of \$250 each. As of February 2016, the Organization made its final installment payment. On March 14, 2016, the plaintiff filed a Praecipe and Power of Attorney for Satisfaction and/or Termination, providing confirmation and docket evidence that this matter now is completed, resolved and discontinued of record, with prejudice.

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, 2017 and 2016, 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 August 25, 2017.

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

August 25, 2017
Erie, Pennsylvania