# CHURCH HEALTH CENTER OF MEMPHIS, INC.

Combined Financial Statements
and Supplementary Information
For the Years Ended June 30, 2024 and 2023

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

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June 30, 2024

CBIZ CPAs

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Board of Trustees
Church Health Center of Memphis, Inc.
Memphis, Tennessee

### Report on the Audit of the Financial Statements

***Opinion***

We have audited the combined financial statements of Church Health Center of Memphis, Inc. and its related entity, Empowering Community Healthcare Outreach, (collectively, the "Organization") which comprise the combined statements of financial position as of June 30, 2024 and 2023, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Organization as of June 30, 2024 and 2023, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

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### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

***Other Information***

Management is responsible for the other information. The other information comprises the Roster of Board of Trustees and Management but does not include the combined financial statements and our auditors' report thereon. Our opinion on the combined financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CBIZ CPAs P.C.[1]

Memphis, Tennessee
November 5, 2024

[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

## CHURCH HEALTH CENTER OF MEMPHIS, INC.

Combined Statements of Financial Position
June 30, 2024 and 2023

### Assets

| | 2024 | 2023 |
|---|---|---|
| Assets | | |
| Cash | $ 9,974,487 | $ 10,535,567 |
| Accounts and other receivables, net | 614,352 | 413,418 |
| Contributions receivable, net | 1,026,793 | 1,671,034 |
| Grants receivable | 817,433 | 1,124,726 |
| Investments | 24,194,649 | 22,843,046 |
| Restricted investments | 11,167,913 | 11,001,801 |
| Prepaid expenses | 5,680 | 25,848 |
| Property and equipment, net | 14,312,649 | 13,813,143 |
| Operating lease right-of-use assets, net | 11,907,614 | 13,887,853 |
| Finance lease right-of-use assets, net | 190,468 | 286,520 |
| Total assets | $ 74,212,038 | $ 75,602,956 |

### Liabilities and Net Assets

| | 2024 | 2023 |
|---|---|---|
| Liabilities | | |
| Lines of credit | $ 257,321 | $ - |
| Accounts payable | 418,151 | 340,382 |
| Accrued payroll and related benefits | 875,870 | 767,051 |
| Other accrued expenses | 97,709 | 68,381 |
| Deferred revenue | 126,225 | 114,475 |
| Operating lease liabilities | 14,909,967 | 17,338,742 |
| Finance lease liabilities | 198,838 | 281,910 |
| Total liabilities | 16,884,081 | 18,910,941 |
| Commitments and contingencies | | |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 31,453,433 | 30,834,674 |
| Designated by the Board for endowment | 2,033,763 | 2,033,763 |
| | 33,487,196 | 32,868,437 |
| With donor restrictions | 23,840,761 | 23,823,578 |
| Total net assets | 57,327,957 | 56,692,015 |
| | $ 74,212,038 | $ 75,602,956 |

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

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

Combined Statement of Activities
For the Year Ended June 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Totals |
|---|---|---|---|
| Support and other revenues | | | |
| Contributions and grants - CHC | $ 12,381,171 | $ 2,362,615 | $ 14,743,786 |
| State financial assistance | 2,416,192 | - | 2,416,192 |
| Federal grants | 1,027,536 | - | 1,027,536 |
| Contributions of nonfinancial assets | 779,791 | - | 779,791 |
| MEMPHIS Plan | 1,235,379 | - | 1,235,379 |
| Patient and member receipts | 2,377,300 | - | 2,377,300 |
| Third-party reimbursements | 646,216 | - | 646,216 |
| Dividend and interest income | 10,345 | 233,609 | 243,954 |
| Net realized and unrealized investment gain | 863,607 | 1,228,080 | 2,091,687 |
| Special events | 126,525 | - | 126,525 |
| Outreach | 1,250 | - | 1,250 |
| Nutrition Hub | 60,172 | - | 60,172 |
| Other | 773,581 | - | 773,581 |
| | 22,699,065 | 3,824,304 | 26,523,369 |
| Net assets released from restrictions | 3,807,121 | (3,807,121) | - |
| Total support and other revenues | 26,506,186 | 17,183 | 26,523,369 |
| Functional expenses | | | |
| Program services | | | |
| Clinic | 19,693,948 | - | 19,693,948 |
| Health Advisory Team | 674,533 | - | 674,533 |
| Community Services Programs | 2,933,737 | - | 2,933,737 |
| Spiritual Care | 309,495 | - | 309,495 |
| ECHO Program | 752 | - | 752 |
| Total program services | 23,612,465 | - | 23,612,465 |
| Fundraising | 1,522,122 | - | 1,522,122 |
| General and administrative | 752,840 | - | 752,840 |
| Total functional expenses | 25,887,427 | - | 25,887,427 |
| Increase in net assets | 618,759 | 17,183 | 635,942 |
| Net assets at beginning of year | 32,868,437 | 23,823,578 | 56,692,015 |
| Net assets at end of year | $ 33,487,196 | $ 23,840,761 | $ 57,327,957 |

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

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

Combined Statement of Activities
For the Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Totals |
|---|---|---|---|
| Support and other revenues | | | |
| Contributions and grants - CHC | $ 10,727,578 | $ 1,747,472 | $ 12,475,050 |
| State financial assistance | 2,822,426 | - | 2,822,426 |
| Federal grants | 3,846,764 | - | 3,846,764 |
| Contributions of nonfinancial assets | 638,631 | - | 638,631 |
| MEMPHIS Plan | 1,480,863 | - | 1,480,863 |
| Patient and member receipts | 1,968,582 | - | 1,968,582 |
| Third-party reimbursements | 582,643 | - | 582,643 |
| Dividend and interest income | 260,713 | 277,544 | 538,257 |
| Net realized and unrealized investment gain | 306,328 | 1,581,835 | 1,888,163 |
| Special events | 208,682 | - | 208,682 |
| Outreach | 4,878 | - | 4,878 |
| Nutrition Hub | 57,947 | - | 57,947 |
| Other | 538,984 | - | 538,984 |
| | 23,445,019 | 3,606,851 | 27,051,870 |
| Net assets released from restrictions | 3,422,607 | (3,422,607) | - |
| Total support and other revenues | 26,867,626 | 184,244 | 27,051,870 |
| Functional expenses | | | |
| Program services | | | |
| Clinic | 18,543,808 | - | 18,543,808 |
| Health Advisory Team | 553,176 | - | 553,176 |
| Community Services Programs | 2,413,603 | - | 2,413,603 |
| Spiritual Care | 181,618 | - | 181,618 |
| Total program services | 21,692,205 | - | 21,692,205 |
| Fundraising | 1,570,065 | - | 1,570,065 |
| General and administrative | 770,736 | - | 770,736 |
| Total functional expenses | 24,033,006 | - | 24,033,006 |
| Increase in net assets | 2,834,620 | 184,244 | 3,018,864 |
| Net assets at beginning of year | 30,033,817 | 23,639,334 | 53,673,151 |
| Net assets at end of year | $ 32,868,437 | $ 23,823,578 | $ 56,692,015 |

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

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

Combined Statement of Functional Expenses
For the Year Ended June 30, 2024

| | Program Services | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Integrated Health | | Outreach | | | | | | |
| | Clinic | Health Advisory Team | Community Services Programs | Spiritual Care | ECHO Program | Total Program Services | Fundraising | General and Administrative | Totals |
| Salaries | $ 10,259,544 | $ 395,200 | $ 1,195,626 | $ 211,644 | $ - | $ 12,062,014 | $ 837,019 | $ 361,571 | $ 13,260,604 |
| Contributed services | 611,556 | 11,370 | 74,422 | 3,270 | - | 700,618 | 57,388 | 21,785 | 779,791 |
| Payroll taxes | 720,635 | 27,435 | 85,826 | 13,991 | - | 847,887 | 59,268 | 24,356 | 931,511 |
| Employee benefits | 1,496,972 | 68,969 | 175,063 | 27,352 | - | 1,768,356 | 112,725 | 48,495 | 1,929,576 |
| Insurance | 56,951 | 2,138 | 9,866 | 713 | - | 69,668 | 4,519 | 12,575 | 86,762 |
| Staff development and recruitment | 86,437 | 2,371 | 8,533 | 1,171 | - | 98,512 | 4,228 | 7,252 | 109,992 |
| Licenses and dues | 39,160 | 1,569 | 7,313 | 173 | - | 48,215 | 1,191 | 1,291 | 50,697 |
| Supplies | 1,084,200 | 1,724 | 161,081 | 1,602 | - | 1,248,607 | 4,295 | 8,908 | 1,261,810 |
| Printing and publications | 20,501 | 1,884 | 25,985 | 201 | - | 48,571 | 16,725 | 2,847 | 68,143 |
| Postage | 17,454 | 659 | 2,108 | 216 | - | 20,437 | 12,641 | 3,820 | 36,898 |
| Publicity and promotions | 76,298 | 3,160 | 155,839 | 937 | - | 236,234 | 7,614 | 16,528 | 260,376 |
| Rent expense | 1,459,282 | 54,157 | 175,988 | 18,053 | - | 1,707,480 | 114,609 | 47,210 | 1,869,299 |
| Utilities | (11,575) | (435) | 8,344 | (145) | - | (3,811) | (918) | (2,556) | (7,285) |
| Telephone | 46,285 | 2,499 | 15,256 | 993 | - | 65,033 | 3,734 | 9,055 | 77,822 |
| Repairs and maintenance | 905,609 | 13,233 | 55,413 | 2,883 | 632 | 977,770 | 85,215 | 50,877 | 1,113,862 |
| Conferences and travel | 99,561 | 725 | 40,957 | 4,296 | - | 145,539 | 6,377 | 4,192 | 156,108 |
| Professional services | 1,021,189 | 15,667 | 480,734 | 5,297 | 120 | 1,523,007 | 33,325 | 92,157 | 1,648,489 |
| Special events | 7,120 | 159 | 2,169 | 510 | - | 9,958 | 50,152 | 187 | 60,297 |
| Bad debt expense | 245,450 | 24,528 | 1,100 | - | - | 271,078 | 5,000 | - | 276,078 |
| Other | 30,563 | 588 | 103,105 | 178 | - | 134,434 | 2,684 | 3,124 | 140,242 |
| Total before depreciation and amortization | 18,273,192 | 627,600 | 2,784,728 | 293,335 | 752 | 21,979,607 | 1,417,791 | 713,674 | 24,111,072 |
| Depreciation and amortization | 1,420,756 | 46,933 | 149,009 | 16,160 | - | 1,632,858 | 104,331 | 39,166 | 1,776,355 |
| Total functional expenses | $ 19,693,948 | $ 674,533 | $ 2,933,737 | $ 309,495 | $ 752 | $ 23,612,465 | $ 1,522,122 | $ 752,840 | $ 25,887,427 |

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

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

Combined Statement of Functional Expenses
For the Year Ended June 30, 2023

| | Program Services | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Integrated Health | | Outreach | | | | | | |
| | Clinic | Health Advisory Team | Community Services Programs | Spiritual Care | ECHO Program | Total Program Services | Fundraising | General and Administrative | Totals |
| Salaries | $ 9,518,478 | $ 304,102 | $ 981,696 | $ 96,907 | $ - | $ 10,901,183 | $ 870,976 | $ 359,800 | $ 12,131,959 |
| Contributed services | 494,119 | 11,000 | 76,055 | 1,497 | - | 582,671 | 32,785 | 23,175 | 638,631 |
| Payroll taxes | 666,129 | 21,310 | 69,832 | 6,408 | - | 763,679 | 62,075 | 23,556 | 849,310 |
| Employee benefits | 1,329,719 | 38,981 | 132,624 | 21,548 | - | 1,522,872 | 89,868 | 43,650 | 1,656,390 |
| Insurance | 63,606 | 2,403 | 6,928 | 801 | - | 73,738 | 5,420 | 13,969 | 93,127 |
| Staff development and recruitment | 61,936 | 1,618 | 8,472 | 635 | - | 72,661 | 4,825 | 7,007 | 84,493 |
| Licenses and dues | 50,560 | 712 | 7,107 | 164 | - | 58,543 | 982 | 1,232 | 60,757 |
| Supplies | 934,615 | 1,988 | 142,278 | 1,168 | - | 1,080,049 | 13,476 | 11,034 | 1,104,559 |
| Printing and publications | 20,549 | 3,193 | 13,578 | 573 | - | 37,893 | 17,078 | 2,584 | 57,555 |
| Postage | 17,775 | 648 | 1,870 | 216 | - | 20,509 | 9,388 | 3,769 | 33,666 |
| Publicity and promotions | 101,814 | 6,867 | 185,146 | 1,243 | - | 295,070 | 8,976 | 21,674 | 325,720 |
| Rent expense | 1,462,933 | 55,129 | 159,709 | 18,377 | - | 1,696,148 | 124,480 | 46,381 | 1,867,009 |
| Utilities | 45,997 | 1,738 | 13,981 | 579 | - | 62,295 | 3,919 | 10,102 | 76,316 |
| Telephone | 57,267 | 2,411 | 12,121 | 1,137 | - | 72,936 | 5,045 | 11,456 | 89,437 |
| Repairs and maintenance | 951,684 | 15,517 | 54,353 | 3,525 | - | 1,025,079 | 88,634 | 61,492 | 1,175,205 |
| Conferences and travel | 81,275 | 1,196 | 25,665 | 5,342 | - | 113,478 | 6,904 | 4,818 | 125,200 |
| Professional services | 971,438 | 13,935 | 367,736 | 4,745 | - | 1,357,854 | 31,434 | 81,015 | 1,470,303 |
| Special events | 2,730 | 13 | 36 | 4 | - | 2,783 | 78,314 | 74 | 81,171 |
| Bad debt expense | 206,700 | 21,750 | 1,800 | - | - | 230,250 | 5,000 | - | 235,250 |
| Other | 75,091 | 1,568 | 5,065 | 528 | - | 82,252 | 5,261 | 6,389 | 93,902 |
| Total before depreciation and amortization | 17,114,415 | 506,079 | 2,266,052 | 165,397 | - | 20,051,943 | 1,464,840 | 733,177 | 22,249,960 |
| Depreciation and amortization | 1,429,393 | 47,097 | 147,551 | 16,221 | - | 1,640,262 | 105,225 | 37,559 | 1,783,046 |
| Total functional expenses | $ 18,543,808 | $ 553,176 | $ 2,413,603 | $ 181,618 | $ - | $ 21,692,205 | $ 1,570,065 | $ 770,736 | $ 24,033,006 |

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

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

Combined Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| Cash flows from operating activities: | | |
| Increase in net assets | $ 635,942 | $ 3,018,864 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 1,680,303 | 1,597,930 |
| Non-cash operating lease expense | 2,050,736 | 1,857,791 |
| Amortization of finance lease right-of-use assets | 96,052 | 185,116 |
| Net realized and unrealized investment gain | (2,091,687) | (1,888,163) |
| Reinvested interest and dividends | (243,954) | (314,960) |
| Contributions restricted for long-term purposes (financing activities) | (1,475,799) | (965,532) |
| Bad debt expense | 276,078 | 235,250 |
| Gain on disposal of property and equipment | (231,888) | - |
| Changes in assets and liabilities | | |
| Accounts and other receivables | (477,012) | (204,170) |
| Contributions receivable | 644,241 | 697,611 |
| Grants receivable | 307,293 | (444,384) |
| Prepaid expenses | 20,168 | (16,010) |
| Accounts payable | 77,769 | 128,167 |
| Accrued expenses and other liabilities | 149,897 | (154,098) |
| Operating lease liabilities, net | (2,499,272) | (2,267,071) |
| Net cash provided by (used in) operating activities | (1,081,133) | 1,466,341 |
| Cash flows from investing activities: | | |
| Purchases of investments | (6,488,226) | (6,503,291) |
| Purchases of property and equipment | (2,197,321) | (366,909) |
| Proceeds from sale of investments | 7,306,152 | 7,440,637 |
| Proceeds from sale of property and equipment | 249,400 | - |
| Net cash provided by (used in) investing activities | (1,129,995) | 570,437 |
| Cash flows from financing activities: | | |
| Proceeds from contributions restricted for: | | |
| Investment in endowment | 25,299 | 12,050 |
| Term or performance | 1,450,500 | 953,482 |
| Net borrowings (principal payments) on lines of credit | 257,321 | (554,835) |
| Principal payments on finance lease liabilities | (83,072) | (86,765) |
| Net cash provided by financing activities | 1,650,048 | 323,932 |
| Net increase (decrease) in cash | (561,080) | 2,360,710 |
| Cash at beginning of year | 10,535,567 | 8,174,857 |
| Cash at end of year | $ 9,974,487 | $ 10,535,567 |

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

## Note 1 - Summary of significant accounting policies

### Organization and activities

The Church Health Center of Memphis, Inc. (the "Center") was incorporated on October 15, 1986. The Center, a 501(c)(3) not-for-profit entity, is an ecumenical healthcare ministry which seeks to reclaim the biblical and historical commitment of the church to care for the working uninsured that are sick and to promote healthy bodies and spirits for all. With the volunteer services of health professionals, along with the Center staff, the Center provides on-site, affordable healthcare for the working uninsured and their families. The Center cares for the whole person by providing medical, dental, and eye care, as well as counseling, social work, and health education. It reaches out to the entire community by promoting and encouraging healthy lifestyles and disease prevention and utilizing congregations as the focal point of education. The Center took over control of Empowering Community Healthcare Outreach (ECHO), a separate 501(c)(3) not-for-profit entity, at no cost on May 1, 2015 to expand its mission to provide consulting services to start and develop effective charitable community healthcare clinics. ECHO was terminated as an entity effective February 21, 2024.

The Center is governed by a Board of Trustees (the "Board"), which includes a broad range of representatives from the Memphis community. ECHO was governed by a Board of Directors separate from the Center's Board.

### Principles of combination

The combined financial statements include the accounts of Church Health Center of Memphis, Inc. and Empowering Community Healthcare Outreach (collectively, the "Organization"), which shared common supervision and control until the Termination of ECHO. All significant intercompany balances and transactions have been eliminated in the combination.

### Basis of accounting

The combined financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America.

### Support and revenues

To execute its mission, the Organization has developed a broad funding base. The most significant sources of funding are individuals, faith communities, hospitals, corporations, foundations, federal grants, and state financial assistance.

Contributions and grants received are recorded as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Donor restrictions can be modified only by written request from the original donor or other authorized party. Support that is restricted by the donor is reported as an increase in net assets without

Note 1 - Summary of significant accounting policies (continued)

Support and revenues (continued)

donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. Expirations of donor-imposed restrictions on net assets, that is, when a stipulated time restriction ends or purpose restriction is accomplished, are reported in the statement of activities and changes in net assets as net assets released from restrictions between the classes of net assets. Unconditional promises to give greater than $5,000 are recognized upon receipt of the pledge contract or other credible confirmation.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their estimated future cash flows, using risk-adjusted interest rates applicable to the years in which the promises are to be received. The unconditional promises to give are reflected as contributions receivable in the accompanying combined statements of financial position.

Conditional contributions received and conditional promises to give are not included as revenue until the conditions or barriers are substantially met. There were no unearned contributions related to conditional contributions received as of June 30, 2024 or June 30, 2023.

MEMPHIS Plan participant revenue and patient and member receipts revenue are exchange transactions and are recognized as revenue as performance obligations are satisfied. A performance obligation is a promise in the contract with a customer to transfer a distinct good or service to a customer. The contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied, either at a point in time or over time.

The Organization's performance obligation for MEMPHIS Plan participant revenue is providing coverage on a monthly basis, and it recognizes revenue over time as the performance obligation is satisfied.

The Organization's performance obligation for patient and member receipts revenue is providing services to the patient. Revenue is recognized at a point in time when the services are provided. Net patient revenues are recorded at the estimated net realizable amounts received or expected to be received. Changes in the estimated net realizable amounts to be received are reflected as a reduction in net revenues at the time of the change in estimate.

Contributed nonfinancial assets

Contributed nonfinancial assets recognized within support and other revenues in the combined statements of activities consists of contributed services of $779,791 and $638,631 for the years ended June 2024 and 2023, respectively. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Note 1 - Summary of significant accounting policies (continued)

Contributed nonfinancial assets (continued)

The Center has an extensive volunteer network. Medical and dental professionals, counselors, social workers, and non-professional volunteers donate time and services to support the operations of the Center. A core staff is maintained to provide services, coordinate the network, and manage the Center.

Contributed services are valued and are reported at their estimated fair value in the combined financial statements. The Center uses data from the United States Bureau of Labor Statistics to estimate fair values. Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed professional services recognized in the combined financial statements include medical and non-medical services that were provided on-site.

Numerous primary care providers, specialists, and professional organizations, including hospital systems, see patients off-site free of charge in their own offices. Off-site services are not recorded even though they are a significant resource because historically there has been no objective or efficient basis to measure the value of these services.

Other medical and non-medical services and various operating supplies are donated regularly. These include, but are not limited to, lab, diagnostic and medical services, grounds maintenance, computer consulting, fundraising, and pharmaceuticals. While very important to the success of the Center, these services and supplies are not recorded because historically there has been no objective or efficient means of doing so.

Receivables

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-adjusted interest rate, and amortization of the discount is included in contribution revenue.

The Organization reports accounts and other receivables at their estimated net realizable value. An allowance for credit losses is provided based upon management's estimate of uncollectible accounts determined by the analysis of specific balances, assessment of historical collection activity, the nature of the receivables, and current and forecasted financial conditions of its debtors. Past due balances and delinquent receivables are charged against the allowance when they are determined to be uncollectible by management.

Note 1 - Summary of significant accounting policies (continued)

Investments

The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date. See note 6 for discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded when earned and dividends are recorded on the ex-dividend date. Net realized and unrealized gains (losses) on investments include the Organization's gains and losses on investments bought and sold as well as held during the year. Net realized and unrealized gains (losses) are reported in the combined statements of activities as increases or decreases in net assets without donor restrictions, unless restricted by the donor or by law.

Property and equipment

Purchased property and equipment are recorded at cost. The cost of property and equipment purchased in excess of $5,000 is capitalized. Donated property and equipment are recorded at estimated fair value. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally thirty years for buildings and improvements, fifteen years for leasehold improvements, and five to ten years for furniture and equipment. Depreciation and amortization expense totaled $1,680,303 and $1,597,930 in 2024 and 2023, respectively.

Long-lived assets

The Organization recognizes impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired. There were no such losses recognized for the years ended June 30, 2024 and 2023.

Leases

The Organization accounts for leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. Leases are classified as either operating leases or finance leases at lease inception. Whether a lease is classified as an operating lease or finance lease, the Organization records a right-of-use (ROU) asset and a lease liability at the commencement date of the lease, other than for leases with an initial term of 12 months or less. The Organization does not recognize ROU assets or lease liabilities for leases with an initial term of 12 months or less under the short-term lease exemption. Lease liabilities are initially and subsequently reported at the present value of the outstanding lease payments determined by discounting those lease payments over the remaining lease term. As the Organization's leases do not provide an implicit rate, management uses the applicable risk-free rate available at commencement of the lease to determine the present value of the lease

Note 1 - Summary of significant accounting policies (continued)

Leases (continued)

payments. ROU assets are initially reported at the present value of the corresponding lease liability plus any prepaid lease payments and initial direct costs of entering into the lease, and reduced by any lease incentives. Management evaluates for possible impairment of ROU assets annually or more frequently whenever events or changes in circumstances indicate that the carrying value of ROU assets exceeds their fair value. There was no impairment of ROU assets for the year ended June 30, 2024 or 2023.

Lease terms include options to extend or terminate the lease when it is reasonably certain that those options will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Certain lease agreements may include rental payments based on changes in the consumer price index or market values over the lease term. Lease liabilities are not remeasured as a result of these changes, instead these are treated as variable lease payments and are excluded from the measurement of ROU assets and lease liabilities.

The Organization's lease agreements do not contain material residual value guarantees or material restrictive covenants.

Endowment funds

The Organization classifies net assets of donor-restricted endowment funds in accordance with FASB ASC 205, *Presentation of Financial Statements*. ASC 205 provides guidance on net asset classification of donor-restricted endowment funds and required disclosures related to an organization's donor-restricted and board-designated endowment funds. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) establishes guidelines for prudent management of costs and expenditures of funds in relation to the whole economic situation of the charitable institution. An organization, whether or not it is subject to an enacted version of UPMIFA, shall disclose information to enable users of financial statements to understand net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds. See note 14 for required disclosures of endowment funds.

Functional allocation of expenses

Program services, fundraising, and general and administrative expenses have been allocated by function based upon management's estimate of the costs relating to each function. Directly identifiable expenses are classified as program services, fundraising, or general and administrative. Expenses related to more than one function are allocated on the basis of management's estimates. General and administrative expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Note 1 - Summary of significant accounting policies (continued)

Income taxes

The Center and ECHO are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are similarly exempt from Tennessee and Texas state income taxes under the provisions of the Tennessee and Texas tax regulations. Accordingly, no provision for income taxes is included in the accompanying combined financial statements.

The Organization files informational returns with the Internal Revenue Service and the States of Tennessee and Texas. The Organization is generally no longer subject to examinations by tax authorities for tax years prior to 2021.

Events occurring after the reporting date

Management has evaluated events and transactions that have occurred between June 30, 2024 and November 5, 2024, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Significant estimates used include the estimated fair value of contributed services, contributions receivable discounts, fair value of investments, and the estimated allowance for credit losses and uncollectible contributions receivable. Accordingly, actual results could differ from those estimates.

New accounting pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The update provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Organization adopted the new accounting standard on July 1, 2023. Management used the current expected credit loss model in evaluating the allowance for credit losses on the portfolio of applicable financial instruments, which consist of accounts and other receivables. The adoption of the new accounting standard did not have a material impact on the Organization's combined statement of activities or results of its operations.

Note 1 - Summary of significant accounting policies (continued)

New accounting pronouncements (continued)

In February 2016, the FASB issued guidance (ASC 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 finance lease liabilities at the carrying amount of the capital lease obligations on June 30, 2022 of $368,675 and right-of-use assets at the carrying amount of the capital lease asset of $376,806. The Organization also recognized on July 1, 2022 operating lease liabilities of $19,605,813, which represents the present value of the remaining operating lease payments of $22,456,945, discounted using the applicable risk-free rates, and right-of-use assets totaling $15,745,644, which represents the operating lease liability adjusted for deferred lease incentives of $3,860,169 recognized prior to the adoption of ASC 842.

The adoption of ASC Topic 842 had a material impact on the Organization's combined statements of financial position but did not have a material impact on the combined statements of activities, combined statements of functional expenses, nor the combined statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

## Note 2 - Accounts and other receivables

Accounts and other receivables consist of the following as of June 30, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Accounts receivable - patients | $ 391,993 | $ 321,580 |
| Note receivable | 198,277 | - |
| MEMPHIS Plan | 188,426 | 186,543 |
| Accounts receivable - insurers | 168,282 | 189,902 |
| Other receivables | 26,833 | 37,947 |
| | 973,811 | 735,972 |
| Less allowance for credit losses | 359,459 | 322,554 |
| Accounts and other receivables, net | $ 614,352 | $ 413,418 |

## Note 3 - Contributions receivable

Contributions receivable are summarized as follows as of June 30, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Within one year | $ 475,500 | $ 881,000 |
| One to five years | 661,000 | 961,000 |
| Total contributions receivable | 1,136,500 | 1,842,000 |
| Less present value component | 109,707 | 170,966 |
| Contributions receivable, net | $ 1,026,793 | $ 1,671,034 |

Contributions receivable have been discounted to their net present value using an annual rate of 4.33% in 2024 and 4.13% in 2023.

Each contributions receivable balance is assessed for collectability based on management's knowledge of and relationship with the donor and the age of the pledge. No allowance for uncollectible contributions receivable was recorded as of June 30, 2024 or 2023.

## Note 4 - Liquidity and availability of resources

As of June 30, 2024 and 2023, the following represents the Organization's financial assets which are available to meet expenditures over the next twelve (12) months:

| | 2024 | 2023 |
|---|---|---|
| Cash | $ 9,974,487 | $ 10,535,567 |
| Accounts and other receivables, net | 614,352 | 413,418 |
| Contributions receivable, net | 475,500 | 881,000 |
| Grants receivable | 817,433 | 1,124,726 |
| Net assets restricted to Crosstown | 31,262 | 68,837 |
| Total financial assets available to meet expenditures over the next twelve months | $ 11,913,034 | $ 13,023,548 |

In addition to the financial assets available to meet general expenditures over the next twelve (12) months, the Organization operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures over the next twelve (12) months. As more fully described in note 9, the Organization has an available revolving line of credit of $3,000,000, which it could draw upon in the event of an unanticipated liquidity need. Additionally, Board designated net assets could be appropriated for liquidity needs.

Financial assets not available in the next twelve (12) months include those with contractual or donor-imposed restrictions limiting availability to future years and those designated by the Board for endowment.

## Note 5 - Investments

The fair value of investments as of June 30, 2024 and 2023 is summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| Mutual funds | $ 1,141,721 | $ 1,745,459 |
| Mutual funds - restricted | 11,167,913 | 11,001,801 |
| Hedge funds | 10,026,896 | 9,702,749 |
| Exchange-traded funds | 2,985,128 | 2,696,427 |
| Money market funds | 10,040,904 | 8,698,411 |
| Total | $ 35,362,562 | $ 33,844,847 |

Investments as of June 30, 2024 and 2023 include restricted endowment funds of $19,514,807 and $19,489,507, respectively. As of June 30, 2024 and 2023, mutual and money market funds totaling $11,167,913 and $11,001,801, respectively, had been restricted by the donor as to the type of investment (see note 7).

Note 5 - Investments (continued)

The Organization utilizes professional investment advisors to assist in fulfilling its investment objectives. The Organization's investment advisory committee is responsible for the oversight of the Organization's selection of investments and investment advisors. The Organization's investment committee and its advisors review the asset allocation on a quarterly basis and work to ensure all strategies outlined are within the investment policy.

Note 6 - Fair value measurements

FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. ASC 820 defines fair value as the exchange price that would be received for an asset or liability in an orderly transaction between market participants on the measurement date. This framework also 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 the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described 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 and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based upon 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2024 and 2023.

*Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Note 6 - Fair value measurements (continued)

*Exchange traded funds*: Valued using the latest closing sales price or official closing price taken from the market in which the security trades.

*Money market funds*: Valued at cost, which approximates fair value.

*Hedge funds*: Hedge funds include investments in various Cayman Islands multi-strategy hedge funds and domestic hedge funds that invest in other investment entities and individual domestic and foreign debt and equity securities. The Organization's investments in hedge funds are valued at the NAV of units held by the Organization at year end based upon the fair value of the underlying assets as reported by the respective fund managers. The NAV, as provided by the fund managers, is used as a practical expedient to estimating fair value. The NAV is based upon the fair value of the underlying investments held by the fund less its liabilities. The estimated fair value is determined by the investment managers based upon, among other things, the type of investments, purchase price, marketability, current financial condition, operating results, and other information. The estimated fair values of substantially all of the investments of the underlying investment entities, which may include securities for which prices are not readily available, are determined by the investment managers or management of the respective underlying investment entities and may not reflect amounts that could be realized upon immediate sale. Accordingly, estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. This practical expedient is not used when it is determined to be probable that the investment will transact at an amount different than the reported NAV.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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 as of the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis as of June 30, 2024 and 2023.

| | **Investments at Fair Value as of June 30, 2024** | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | | | | |
| Bonds | $ 1,141,721 | $ - | $ - | $ 1,141,721 |
| Mutual funds - restricted | | | | |
| International | 5,625,175 | - | - | 5,625,175 |
| Small cap | 2,686,212 | - | - | 2,686,212 |
| Large cap | 2,856,526 | - | - | 2,856,526 |
| Total mutual funds - restricted | 11,167,913 | - | - | 11,167,913 |

Note 6 - Fair value measurements (continued)

| | Investments at Fair Value as of June 30, 2024 | | | |
|---|---|---|---|---|
| (continued) | Level 1 | Level 2 | Level 3 | Total |
| Exchange-traded funds | $ 2,985,128 | $ - | $ - | $ 2,985,128 |
| Money market funds | 10,040,904 | - | - | 10,040,904 |
| Total | $ 25,335,666 | $ - | $ - | 25,335,666 |
| Hedge funds measured at net asset value* | | | | 10,026,896 |
| | | | | $ 35,362,562 |

| | Investments at Fair Value as of June 30, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | | | | |
| Bonds | $ 1,162,840 | $ - | $ - | $ 1,162,840 |
| International | 289,153 | - | - | 289,153 |
| Small cap | 144,768 | - | - | 144,768 |
| Large cap | 148,698 | - | - | 148,698 |
| Total mutual funds | 1,745,459 | - | - | 1,745,459 |
| Mutual funds - restricted | | | | |
| International | 5,710,495 | - | - | 5,710,495 |
| Small cap | 2,384,473 | - | - | 2,384,473 |
| Large cap | 2,906,833 | - | - | 2,906,833 |
| Total mutual funds - restricted | 11,001,801 | - | - | 11,001,801 |
| Exchange-traded funds | 2,696,427 | - | - | 2,696,427 |
| Money market funds | 8,698,411 | - | - | 8,698,411 |
| Total | $ 24,142,098 | $ - | $ - | 24,142,098 |
| Hedge funds measured at net asset value* | | | | 9,702,749 |
| | | | | $ 33,844,847 |

Note 6 - Fair value measurements (continued)

* In accordance with ASC 820, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying combined statements of financial position.

The following table provides information related to the investments that are valued based on NAV:

| | Fair Value June 30, 2024 | Fair Value June 30, 2023 | Unfunded Commitments as of June 30, 2023 | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| Hedge funds: | | | | | |
| Cayman Islands | $ 8,632,026 | $ 8,462,200 | $ - | Annually | 90 Days |
| Domestic | 1,394,870 | 1,240,549 | - | None | N/A |

a. Hedge fund - Cayman Islands - This investment is an open-ended "umbrella" fund in the Cayman Islands with multiple classes of shares. Each class of shares is separately valued and pursues its own investment objectives and strategies. The fund's overall objective is to achieve capital appreciation through direct and indirect investments in securities, derivative instruments, and commodities. The Organization's investment consists of class shares invested in an underlying investment fund that invests in other multi-strategy and global equity long/short funds.

b. Hedge fund - domestic - This investment is a limited partnership organized as a parallel fund to pool and invest funds contributed by the partners in managed investment vehicles, securities, managed or segregated accounts with money managers, or other investments as may be deemed appropriate by the General Partner. This investment is illiquid and no limited partner may withdraw any capital from the partnership without consent of the General Partner.

Note 7 - Restricted investments

During fiscal year 2011, an anonymous donor advanced mutual funds into the Organization's endowment account totaling $10,000,000 under a conditional challenge gift arrangement. Under the terms of the challenge gift, the Organization agreed to raise an additional $20,000,000 by December 31, 2015, to not spend any of the principal of or earnings on the mutual funds advance until the challenge was met in full, and to reinvest any earnings in the prefunded mutual funds. The Organization was entitled to the earnings on the mutual funds upon either raising the additional contributions or the end of the challenge period. The Organization earned $1 of the challenge gift

Note 7 - Restricted investments (continued)

for every $2 in qualifying contributions. Upon meeting the terms of the challenge or the end of the challenge period, the Organization was entitled to the total value of the principal and reinvested earnings or the earned value of the principal and reinvested earnings, respectively. The challenge gift was met and fully earned as of June 30, 2013. As of June 30, 2024 and 2023, the prefunded mutual funds plus the earnings thereon totaling $11,167,913 and $11,001,801, respectively, are included in restricted investments in the accompanying combined statements of financial position.

Note 8 - Property and equipment

Property and equipment as of June 30, 2024 and 2023 consists of the following:

| | 2024 | 2023 |
|---|---|---|
| Building and leasehold improvements | $ 20,792,794 | $ 20,968,987 |
| Furniture and equipment | 6,159,801 | 5,624,211 |
| Building and land | - | 73,289 |
| Construction in progress | 1,698,111 | 39,980 |
| | 28,650,706 | 26,706,467 |
| Less accumulated depreciation and amortization | 14,338,057 | 12,893,324 |
| Property and equipment, net | $ 14,312,649 | $ 13,813,143 |

Note 9 - Lines of credit

The Center had a $4,500,000 line of credit with a financial institution. Interest was payable monthly at the three-month LIBOR Rate plus 2.3%. The principal balance was due in annual payments of $900,000, with the final payment due March 2023. The line of credit was unsecured.

In March 2018, the Center entered into a $3,000,000 revolving credit agreement with a financial institution. In January 2024, the terms of the agreement were modified to extend the maturity date of the line to March 2025. Interest is payable at the Wall Street Journal Prime Rate less 0.3% (8.2% as of June 30, 2024). The principal balance plus all accrued interest is due March 2025. Borrowings outstanding under the line of credit totaled $257,321 as of June 30, 2024. There were no borrowings outstanding under the line of credit as of June 30, 2023. The line of credit is unsecured.

In August 2019, the Center entered into a $2,500,000 line of credit agreement with a financial institution. Interest is payable at the three-month LIBOR Rate plus 2.3% (7.9% as of June 30, 2024). Principal and interest is payable monthly in the amount of $32,313. The remaining principal balance plus all remaining accrued interest is due December 2024. There were no borrowings under this line of credit as of June 30, 2024 or 2023. The line of credit is unsecured.

Note 10 - Leases

The Organization leases office and storage space under operating lease agreements which expire at various dates through March 2032 with remaining lease terms ranging from 0.8 to 7.8 years as of June 30, 2024. The Organization also leases certain equipment under finance lease agreements which expire at various dates through November 2026 with remaining lease terms ranging from 1.9 to 2.4 years as of June 30, 2024.

In 2014, the Organization signed on to become one of the founding tenants in the Crosstown Concourse building. On April 1, 2017, the Organization moved its operations into the renovated Crosstown Concourse under the terms of a fifteen year operating lease. The lease provides for annual rental payments of approximately $1,800,000. Additionally, the lease agreement stipulates the landlord will provide a tenant allowance of approximately $6,000,000 to reimburse the Organization for a portion of its tenant improvements. In accordance with ASC-840-20, the tenant allowance was recorded as a deferred lease incentive liability and was recognized as a reduction of rental expense prior to the adoption of ASC 842, *Leases*, effective July 1, 2022. The Organization also recorded a leasehold improvement of $6,000,000, which is being amortized over the term of the lease. The Organization has two options to renew the lease for additional terms of thirty months each at rates and terms mutually agreed upon with the landlord.

The components of lease expense recognized for the years ended June 30, 2024 and 2023 were as follows:

| | 2024 | 2023 |
|---|---|---|
| Operating lease cost | $ 1,869,874 | $ 1,887,862 |
| Sublease income | $ (22,795) | $ (23,777) |
| Finance lease cost | | |
| Amortization of right-of-use assets | $ 90,875 | $ 185,116 |
| Interest on lease liabilities | 5,677 | 7,555 |
| Total finance lease cost | $ 96,552 | $ 192,671 |

Other information related to leases for the years ended June 30, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Supplemental cash flows information: | | |
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | $ 2,609,331 | $ 2,283,777 |
| Operating cash flows from finance leases | 5,677 | 7,555 |
| Financing cash flows from finance leases | 83,072 | 86,764 |

Note 10 - Leases (continued)

| | 2024 | 2023 |
|---|---|---|
| Supplemental cash flows information: (continued) | | |
| Right-of-use assets obtained in exchange for lease obligations: | | |
| Operating leases | $ 70,497 | $ - |
| Weighted average remaining lease term: | | |
| Operating leases | 7.73 years | 8.74 years |
| Finance leases | 2.23 years | 1.15 years |
| Weighted average discount rate: | | |
| Operating leases | 2.89% | 2.88% |
| Finance leases | 2.27% | 2.34% |

Future minimum lease payments due under non-cancelable lease agreements as of June 30, 2024 are as follows:

| Fiscal Year | Operating Leases | Finance Leases |
|---|---|---|
| 2025 | $ 2,111,792 | $ 91,074 |
| 2026 | 2,321,460 | 91,074 |
| 2027 | 2,321,460 | 21,944 |
| 2028 | 2,321,460 | - |
| 2029 | 2,302,332 | - |
| Thereafter | 6,263,269 | - |
| | 17,641,773 | 204,092 |
| Less amount representing interest | (2,731,806) | (5,254) |
| | $ 14,909,967 | $ 198,838 |

Note 11 - Net assets

Net assets without donor restriction are those assets available for use for program services, management and general, and fundraising expenses. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Note 11 - Net assets (continued)

The following table summarizes net assets as of June 30, 2024.

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Operating funds: | | | |
| Undesignated | $ 31,453,433 | $ - | $ 31,453,433 |
| Subject to expenditure for specified purpose: | | | |
| Endowment fund earnings - | | | |
| Programs & Services | - | 4,213,113 | 4,213,113 |
| Crosstown project | - | 31,262 | 31,262 |
| Outreach | - | 6,140 | 6,140 |
| Integrated Health | - | 75,439 | 75,439 |
| Endowment funds | 2,033,763 | 19,514,807 | 21,548,570 |
| Total net assets | $ 33,487,196 | $ 23,840,761 | $ 57,327,957 |

The following table summarizes net assets as of June 30, 2023.

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Operating funds: | | | |
| Undesignated | $ 30,834,674 | $ - | $ 30,834,674 |
| Subject to expenditure for specified purpose: | | | |
| Endowment fund earnings - | | | |
| Programs & Services | - | 4,001,217 | 4,001,217 |
| Crosstown project | - | 68,837 | 68,837 |
| Integrated Health | - | 264,017 | 264,017 |
| Endowment funds | 2,033,763 | 19,489,507 | 21,523,270 |
| Total net assets | $ 32,868,437 | $ 23,823,578 | $ 56,692,015 |

Note 12 - Net assets released from restrictions

The following table summarizes net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors for the years ended June 30, 2024 and 2023.

Note 12 - Net assets released from restrictions (continued)

| | 2024 | 2023 |
|---|---|---|
| Integrated health | $ 1,465,829 | $ 999,176 |
| Endowment fund earnings - Programs and services | 1,250,550 | - |
| Crosstown project | 1,077,575 | 2,423,211 |
| Outreach | 13,167 | 220 |
| Total | $ 3,807,121 | $ 3,422,607 |

Note 13 - Unrestricted net assets - board designated for endowment

By resolution, the Board has designated certain amounts of the Center's net assets without donor restrictions to be maintained as an endowment. The Board designated endowment may be spent with Board approval. The Board designated endowment was $2,033,763 as of June 30, 2024 and 2023.

Note 14 - Endowment funds

The Center's endowment accounts consist of three donor-restricted endowment funds established for the purpose of funding the programs and services of the Organization, two of which were established in accordance with individual gifts, and one of which was established as a general endowment fund for individual contributions that do not designate a specific purpose. In addition to the three donor-restricted endowment funds, the Board has also designated certain net assets to be maintained as an endowment (see note 13). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of the Organization has interpreted the Tennessee Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the permanent endowment funds and (b) the original value of subsequent gifts to the permanent endowment funds. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 14 - Endowment funds (continued)

Interpretation of relevant law (continued)

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund as of June 30, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 23,727,920 | $ 23,727,920 |
| Board-designated endowment funds | 2,033,763 | - | 2,033,763 |
| Total funds | $ 2,033,763 | $ 23,727,920 | $ 25,761,683 |

Changes in endowment net assets for the fiscal year ended June 30, 2024 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Beginning of year | $ 2,033,763 | $ 23,490,724 | $ 25,524,487 |
| Investment gain | - | 1,948,445 | 1,948,445 |
| Contributions | - | 25,301 | 25,301 |
| Sale of endowment investments | - | (486,000) | (486,000) |
| Appropriation of endowment assets for expenditure | - | (1,250,550) | (1,250,550) |
| End of year | $ 2,033,763 | $ 23,727,920 | $ 25,761,683 |

Note 14 - Endowment funds (continued)

Endowment net asset composition by type of fund as of June 30, 2023:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 23,490,724 | $ 23,490,724 |
| Board-designated endowment funds | 2,033,763 | - | 2,033,763 |
| Total funds | $ 2,033,763 | $ 23,490,724 | $ 25,524,487 |

Changes in endowment net assets for the fiscal year ended June 30, 2023 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Beginning of year | $ 2,033,763 | $ 21,619,296 | $ 23,653,059 |
| Investment gain | - | 1,859,378 | 1,859,378 |
| Contributions | - | 12,050 | 12,050 |
| End of year | $ 2,033,763 | $ 23,490,724 | $ 25,524,487 |

The portion of the endowment funds subject to time and purpose restrictions was $4,213,113 and $4,001,217 as of June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, endowment funds totaling $1,783,789 and $2,103,678, respectively, were only subject to time restrictions.

Funds with deficiencies

Fair value of assets associated with individual donor-restricted endowment funds may, at times, fall below the level that the donor requires the Organization to retain in a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in assets without donor restrictions. These deficiencies result from allowed withdrawals from endowment funds and unfavorable market fluctuations that occur after the investment of donor restricted contributions and/or continued appropriation for fees and previously approved budgeted expenditures. There were no such deficiencies as of June 30, 2024 and 2023.

Note 14 - Endowment funds (continued)

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce consistent long-term growth of capital without undue exposure to risk.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a significant emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and relationship to investment objectives

The Organization has a policy of budgeting for expenditure each year a percentage of its endowment funds' average fair value over the prior three calendar years preceding the fiscal year in which the expenditure is planned. For fiscal years 2024 and 2023, this percentage was five percent (5%). Appropriations of endowment earnings totaled $1,250,550 in 2023. There were no appropriations of endowment earnings during fiscal year 2023. In establishing this policy, the Organization considered the long-term expected return on its endowment funds.

Accordingly, over the long-term, the Organization expects the current spending policy to allow for endowment growth. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 15 - Retirement plan

The Organization sponsors a 401(k) defined contribution plan (the "plan"). All employees of the Organization are eligible for the plan and may elect to defer up to 100% of their compensation, subject to Internal Revenue Service limitations. Once an employee completes twelve months of service and 1,000 hours, and works at least 20 hours per week, the Organization contributes 3% of each employee's compensation to the plan. After one year of service, the Organization contributes a discretionary match up to 1% of each employee's compensation to the plan, based on the employee's contribution. Assets of the plan are held by a custodial trustee. The plan is administered by a committee selected by Organization management. The Organization's contributions to the plan totaled $381,700 and $345,300 for the years ended June 30, 2024 and 2023, respectively.

## Note 16 - Risks and uncertainties

The Organization has concentrated its credit risk for cash by maintaining deposits in a financial institution which may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to significant risk to cash.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the combined statements of financial position.

## Note 17 - Supplemental cash flow information

Cash paid for interest totaled $5,600 in 2024 and $25,500 in 2023.

## Note 18 - Employee retention tax credit

The Organization has elected to account for its participation in programs deemed to be government grants as conditional contributions under Subtopic 958-605, *Not-for-Profit Entities: Revenue Recognition*, which requires that all program conditions be substantially met before recognition into income.

The Organization has claimed refundable credits under the Employee Retention Credit program totaling $2,818,327 for eligible quarters in fiscal years 2020 and 2021, as provided under the CARES Act and subsequently amended by the Consolidated Appropriations Act, 2021. Under the terms of the program, the Organization must incur qualifying wage or healthcare costs and have either suspended operations under government orders or experience a specified decline in gross receipts. If conditions are not met, any amount of credit is refundable to the government and the Organization may be subject to fines and penalties.

During the year ended June 30, 2023, the Organization received the refunds, and it recognized income related to the employee retention credit of $2,818,327 upon completion of an analysis providing reasonable assurance that the Organization met the conditions set forth in the program. The employee retention credit is included in federal grants revenue in the combined statement of activities for the year ended June 30, 2023.

## SUPPLEMENTARY INFORMATION

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2024

| Federal Agency/ Pass Through Agency | Assistance Listing Number | Contract/ Agreement Number | Expenditures |
|---|---|---|---|
| Federal Awards | | | |
| U.S. Department of Health and Human Services | | | |
| Substance Abuse and Mental Health Services Administration/ Tennessee Department of Mental Health and Substance Abuse Services | | | |
| Federal Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 74871 | $ 253,956 |
| Ending HIV Epidemic (EHE) Pillars | N/A | N/A | 72,854 |
| Opioid State Targeted Response (STR) Community Response | 93.788 | CE147147 | 246,546 |
| Opioid State Targeted Response (STR) Coalition | 93.788 | N/A | 104,084 |
| Subtotal Program 93.788 | 93.788 | | 350,630 |
| Tennessee Department of Health/ Health Resources and Services Administration | | | |
| Congressional Directives | 93.493 | CE147147 | 140,953 |
| Tennessee Department of Health/ Centers for Disease Control and Prevention | | | |
| TN Breast and Cervical Screening Program Community Patient Navigators | 93.898 | 34347-77223 | 30,050 |
| Tennessee Department of Health/ State and Community Based Programs | | | |
| Shelby County Safe Syringe Program (SSP) | 93.136 | 34301-36923 | 99,687 |
| University of Washington/ Fred Hutch Center for AIDS | N/A | UWSC15013 | 79,406 |
| Total Federal Awards | | | $ 1,027,536 |

The accompanying notes are an integral part of this schedule.

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
For the Year Ended June 30, 2024

| State Agency/ Pass Through Agency | Assistance Listing Number | Contract/ Agreement Number | Expenditures |
|---|---|---|---|
| State Financial Assistance | | | |
| Tennessee Department of Health | | | |
| Safety Net Grant - Primary Care Services for Uninsured Adult Tennesseans | N/A | 34352-22022 | $ 1,446,584 |
| Safety Net Grant - Emergency Dental Services for Uninsured Adult Tennesseans (as amended) | N/A | 34352-23622 | 855,187 |
| Project Diabetes Initiative Services | N/A | 34347-87823 | 15,000 |
| Substance Abuse Prevention Coalitions | N/A | N/A | 27,200 |
| Tennessee Department of Mental Health and Substance Abuse Services | | | |
| Lifeline Peer Project | N/A | N/A | 72,221 |
| Total State Financial Assistance | | | $ 2,416,192 |

The accompanying notes are an integral part of this schedule.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Note A - Basis of presentation

The schedule of expenditures of federal awards and state financial assistance (the "Schedule") summarizes the expenditures of the Organization under programs of the federal and state governments for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B - Grants receivable

Grants receivable totaling $817,433 and $1,124,726 as of June 30, 2024 and 2023, respectively, are included in the accompanying combined statements of financial position.

Note C - Summary of Significant Accounting Policies

1. Expenditures reported in the Schedule are on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

2. The Organization elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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***

**Independent Auditors' Report**

To the Board of Trustees
Church Health Center of Memphis, Inc.
Memphis, Tennessee

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 combined financial statements of Church Health Center of Memphis, Inc. and its related entity, Empowering Community Healthcare Outreach (collectively, the "Organization"), which comprise the combined statement of financial position as of June 30, 2024 and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated November 5, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's combined 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.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined 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 combined financial statements. 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.

CBIZ CPAs P.C.[1]

Memphis, Tennessee
November 5, 2024

[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

# Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

## Independent Auditors' Report

To the Board of Trustees
Church Health Center of Memphis, Inc.
Memphis, Tennessee

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the compliance of Church Health Center of Memphis, Inc. and its related entity, Empowering Community Healthcare Outreach (collectively, the "Organization") with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2024. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

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***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

CBIZ CPAs P.C.[1]

Memphis, Tennessee
November 5, 2024

[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

## Section I - Summary of Independent Auditor's Results

*Financial Statements*

| | |
|---|---|
| Type of report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | ____Yes __X__ No |
| Significant deficiency(ies) identified? | ____Yes __X__ None reported |
| Noncompliance material to financial statements noted? | ____Yes __X__ No |

*Federal Awards*

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | ____Yes __X__ No |
| Significant deficiency(ies) identified? | ____Yes __X__ None reported |
| Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a). | ____Yes __X__ No |

Identification of major programs:

| Assistance Listing Numbers | Name of Federal Program or Cluster |
|---|---|
| 93.788 | Opioid State Targeted Response (STR) |
| 93.493 | Congressional Directives |

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

Auditee qualified as low-risk auditee: ____Yes __X__ No

## Section II - Financial Statement Findings

None reported.

## Section III - Federal Award Findings and Questioned Costs

None reported.

**CHURCH HEALTH CENTER OF MEMPHIS, INC.**

Schedule of Prior Year Findings
Year Ended June 30, 2024

There were no prior year findings reported.