Detroit Wayne County Health Authority d/b/a Authority Health

Financial Statements

September 30, 2019

YEO & YEO
CPAs & BUSINESS CONSULTANTS

Table of Contents

YEO & YEO
CPAs & BUSINESS CONSULTANTS
800.968.0010 | yeoandyeo.com

Independent Auditors' Report

Board of Directors
Detroit Wayne County Health Authority d/b/a Authority Health
Detroit, Michigan

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Detroit Wayne County Health Authority d/b/a Authority Health, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Detroit Wayne County Health Authority d/b/a Authority Health, as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2020 on our consideration of Detroit Wayne County Health Authority d/b/a Authority Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Detroit Wayne County Health Authority d/b/a Authority Health's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Wayne County Health Authority d/b/a Authority Health's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Southgate, Michigan
March 18, 2020

Management's Discussion and Analysis
For The Fiscal Year Ended September 30, 2019

Using this Annual Report

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplemental information. The basic financial statements include information that presents two different views of the Detroit Wayne County Authority Health (d/b/a Authority Health).

The General Fund is presented on a modified accrual basis of accounting; a short-term view to tell how the resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full accrual basis to present a long-term view of Authority Health as a whole. The long-term view uses the accrual accounting basis, which measures the cost of providing services during the current year and whether the full cost of providing government services has been funded.

The Proprietary Fund is presented on an accrual basis of accounting and is used to report functions presented as business-type activities in the government-wide financial statements.

The General Fund modified accrual basis financial statements provide detailed information about the current financial resources. This is important as it demonstrates compliance with various state laws and shows the stewardship of Authority Health's revenue.

Authority Health's full accrual statements present information about the organization's total economic resources, including long-lived assets and any long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by Authority Health on an ongoing basis.

The financial statements also include notes that explain some of the information in the statements with more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below compares key financial information in a condensed format.

Comparison of Net Position

	September 30, 2019	September 30, 2018
Current assets	$ 2,736,835	$ 3,039,171
Capital assets	345,435	65,130
Total assets	3,082,270	3,104,301
Total liabilities	1,824,199	2,263,437
Net Position		
Invested in capital assets	340,171	55,091
Unrestricted	917,900	785,773
Total net position	$ 1,258,071	$ 840,864

Governmental Activities

	September 30, 2019	September 30, 2018
Revenue		
Contractual and operating grants	$ 12,699,967	$ 12,966,980
Contributions and foundation grants	151,395	46,992
Total revenue	12,851,362	13,013,972
Expenses - operations/other	12,738,755	12,344,702
Change in net position	112,607	669,270
Net position, beginning of year	840,864	171,594
Net position, end of year	$ 953,471	$ 840,864

	Business-type Activities	
	September 30, 2019	**September 30, 2018**
Revenue		
Charges for services	$ 85,146	$ -
Contributions and foundation grants	301,170	-
Total revenue	386,316	-
Expenses - operations/other	81,716	-
Change in net position	304,600	-
Net position, beginning of year	-	-
Net position, end of year	$ 304,600	$ -

Authority Health as a whole

Authority Health had an increase in net position of $417,207. A significant portion of this increase, $304K, is largely due to the medical practice donation while the balance is from operating revenue. The Authority Health's primary source of revenue is from federal grants, specifically the U.S. Department of Health and Human Services (HRSA) and through the MDCH Interdepartmental Agreement-Medicaid Outreach Services, and Contractual and Contributions and Donations. Salaries and fringe benefits are a significant expense representing 57 percent and 12.5 percent, respectively, of the Authority Health's total expenses. There was a no significant percent change from the prior year which reflects stable growth for the organization and the Authority Health GME Teaching Health Center program operating at its base stable capacity of 71 residents each year.

The Authority Health General Fund

Authority Health's Board of Directors has the capacity to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities. The organization's major fund consists solely of the general fund.

Consistent with the increase in net position and the use of funds for their intended purpose, the fund balance increased by $182,615. This change is $70,008 more than the change in net position. This difference is the result of how governmental accounting recognizes depreciation and capital outlays, and how compensated absences and other long-term items are reported along with the availability of revenues based on current financial resources.

Authority Health's Operational and Budgetary Highlights

Authority Health was created to "coordinate efforts to meet the health needs of the uninsured and underinsured residents in the City of Detroit and Wayne County by assuring access and improving the health status of all people." The original goals of Authority Health are as follows:

- Expand the number and location of primary care access points throughout Detroit and Wayne County.
- Assign each enrolled client a primary care medical home.
- Coordinate the delivery of health care between and among health providers to eliminate fragmentation and reduce costs.
- Provide care management and referral services as a core component of the delivery system.
- Facilitate access to a full range of culturally competent, preventive, medical and non-medical services.
- Design a delivery system that is able to enhance federal and other funding and reduce duplication.
- Significantly expand preventive health services for at-risk populations.
- Increase provider-base workforce in the health care safety net.

To help accomplish these goals, Authority Health has developed advisory committees, councils, and collaborations, as well as programs to fill gaps in service delivery. Authority Health underwent a realignment of staff resources and functions that are anticipated to provide greater resource efficiency and effectiveness. All of the convening bodies will be integrated into a population health collaborative.

- Community Advisory Committee: Co-chaired by Dr. David Law and Voncile Brown Miller, this committee is comprised of representatives from community-based health and human service organizations throughout Wayne County. Its charge has been to advise the organization on health issues from their perspective, respond to initiatives proposed by the organization, help communicate Authority Health objectives, and serve as a liaison to community health initiatives
- Provider Advisory Committee: Co-chaired by Dick Bohrer, of the National Association of Community Health Centers and Dr. Mouhanad Hammami, VP Safety Net Transformation and Community Health, this committee is comprised of representatives of organizations that serve as providers of health services within the community. With the understanding that social factors greatly impact health, this committee has been expanded in scope to include not only primary care organizations and physicians, but other community health and human service leaders.

Major programmatic accomplishments during the period of this audit include, but are not limited to, the following:

Community-Based Teaching Health Center

The DWCHA (Authority Health) GME Consortium is a community-based graduate medical education consortium in partnership with Michigan State University, College of Osteopathic Medicine and four local federally-qualified community health centers. The consortium developed a Teaching Health Center (THC) funded by the Health Resources and Services Administration (HRSA) for the purpose of training primary care residents in medically underserved and community-based settings. This type of training sensitizes the clinicians to the community dynamics affecting the health of their patients and ideally increases the physician workforce in those areas. Studies show that more than a third of physicians who train in community settings remain and establishes their careers in similar settings. The DWCHA GME Consortium, known as Authority Health GME Consortium, is currently funded and approved for 71 slots in four specialties: internal medicine, family medicine, pediatrics, and psychiatry. Training occurs in a variety of settings including community health centers, private physicians and small group practice offices, area hospitals and community mental health agencies. Authority Health GME consortium is currently rotating residents within ten community mental health agencies, three hospitals/health systems, the Detroit VA, and over 40 community health centers and private physician offices.

A total of 22 residents completed training in June 2019 in Family Medicine, Internal Medicine, Pediatrics and Psychiatry. One psychiatry resident left the program to enter a child psychiatry fellowship. Of the 22 residents who completed the programs, 2 (9%) entered a fellowship, 15 (68%) entered practice in an ambulatory setting, and 5 (23%) entered into an inpatient setting. Fourteen (64%) practice locations were in a medically underserved area, 2 (9%) entered into a FQHC, and 13 (59%) remained in the State of Michigan.

Now in our 7th academic year of operation, Authority Health welcomed to its orientation program 22 new residents in July 2019, bringing the total number of all trainees to 71. We filled all available positions, and as we prepare for our 8th training year, we received in excess of 3,300 applicants for approximately 21 positions for the 2020-21 academic year.

Authority Health GME Consortium's required two-year Certificate in Population Health and Health Equity (CPHHE) continues to produce positive accolades for its approach of preparing our residents for the work and understanding of population health. Now in our third cohort, it's formal structured course presented by the University of Michigan School of Public Health and jointly sponsored by Authority Health and U of M, is the only GME program in Michigan which offers this program and certification upon completion of the 2-year, 42 hour didactic and workshop program. It has been very well accepted by the residents and is the core of Scholarly Activity and Quality Improvement.

All programs require residents to actively participate in scholarly activity prior to program completion. Resident projects explore topics in biomedical research, quality and safety, population and public health, and patient education in the ambulatory care setting, inpatient setting, educational environment, and the community. In the last academic year all graduating residents completed at least one scholarly/CQI project. Multiple faculty members engaged with residents in CQI projects. Of these projects, 11 were peer-reviewed presentations or

publications of scholarly work, 58 conference presentations, 4 peer-reviewed publications, 9 book chapters, and participated in or led 17 grants.

The GME Consortium continues positive progression in our transition from an AOA accredited program to ACGME accreditation. To date, the Institution has received full continue accreditation through 2027; Internal Medicine has full continued accreditation through 2027; Pediatrics has full continued accreditation through 2028; Psychiatry has full continued accreditation through 2029, and Family Medicine has continued accreditation with its 10-year review to be conducted this June, 2020. Our AOA accreditation ends at the conclusion of this academic year (June 30, 2020).

MOTION Coalition (Michigan Organizations to Impact Obesity & Nutrition)

MOTION emerged from the Authority Health's Childhood Obesity Task Force which was convened to address the urgent issue of childhood obesity. This coalition has benefitted from the leadership of Dr. William Dietz, a national pediatric obesity expert from George Washington University, and Diane Valade, a health policy and legislative analyst with Henry Ford Hospital. Childhood obesity is viewed by the Coalition as not just a medical problem but a population health issue requiring a collaborative solution, requiring attention given to parents and families. Reflecting this dynamic, the coalition is comprised of stakeholders representing a multitude of sectors from youth organizations and community organizations, to health care providers and educators. The coalition meets quarterly and as with other convening functions has assumed a population health orientation. Its work will feed into the newly aligned population health process, influencing school health policy, as well as state and logical legislation and promoting concepts leading to improved nutrition and more active living.

Clinical Operations

Authority Health exited the partnership with Behavioral Health Professionals, Inc. and Development Centers, Inc. to focus on the development of a solely owed continuity site for our family practice residents.

Authority Health assumed ownership of the Popoff Family Health Center, on July 1, 2019. The physical location has been a cornerstone in the community, for over 50 years. It will serve as a continuity site for our Family practice residents and provide an integrated training experience.

Health Insurance Navigation and Outreach

Authority Health has been a leader in providing enrollment and navigation services, including training for providers, in the region. Most recently, the division has provided redetermination services for Medicaid health plans. At the core of this function's capabilities is the deep knowledge of services available to improve access to health care services and other programs that positively influence health.

- Access to Health Care – The Authority Health facilitates access to health care services for uninsured and underinsured residents. Through an Interdepartmental Agreement with the Michigan Department of Community Health, Authority Health conducts Medicaid outreach activities in partnership with area health systems, safety net providers, and faith-based community organizations (FBCOs).

- Authority Health is a certified navigation organization with emphasis on Affordable Care Act and Healthy Michigan/Medicaid enrollment, as well as assistance with Medicare and other health and human service programs. The Authority Health's outreach staff also provide routine presentations in the community and regularly exhibit at health fairs.

- Enrollment Contracts – Authority Health has affiliations with organizations to provide onsite Medicaid enrollment services.

Nurse-Family Partnership (NFP)

NFP funded by the Michigan Department of Health and Human Service to implement a program for first time pregnant mothers. NFP is an evidence-based community health nursing program staffed with bachelors prepared nurses. Its three main goals include: improved pregnancy outcomes, improved child health and development, and improved economic self-sufficiency. This program was especially unique because there were multiple randomized controlled trials showing positive outcomes in multiple populations nationwide.

The Nurse-Family Partnership grant ended in June 2019. The program had posted significant achievements that gave the Detroit program notoriety in Michigan and among other NFP programs nationwide. Some of those achievements include:

- Pregnancy Retention: 50.80% (49% national)
- Infancy Retention: 34.50% (36% national)
- Toddler Retention: 58.30% (57% national)
- Graduation Completion: 27.10% (27.6 national)
- Breastfeeding at six months: 31.3%, compared with (22.1% statewide)
- Well child visits: 59.8%, compared with (52.1% statewide)
- Depression screening: 85.2%, compared with (77.7% statewide)
- Tobacco cessation: 100 %, compared with (42% statewide)
- Rate of injury related visits: 2.5% compared with (2.9 percent statewide)
- Early literacy reading, telling stories, singing: 57.5%, compared with (59.7% statewide)

Authority Health closed two programs in the fiscal year.

Funding Sources

For fiscal year 2019, the Authority Health's sources of funding came from the community at large and various stakeholders, including: Michigan Department of Community Health/Federal Government, the Department of Health and Human Services - County of Wayne, and the U.S. Department of Health & Human Services – Health Resources and Services Administration (HRSA), The Children's Hospital of Michigan Foundation, The Michigan State University Foundation, Metro Health Foundation, Black Family Development, patient revenue and private and public insurers, individual donors and other.

At the end of the fiscal year, the Authority Health had $47,143 invested in furniture and equipment and a donated depreciable building asset was added during the year with a value of $241,808. Authority Health also received a donation of land value at $56,484.

Interdepartmental Agreement - Medicaid Outreach Services

The Authority Health entered into a new agreement with the State of Michigan Department of Community Health for fiscal year 2019.

Contacting the Authority Health's Management

This financial report is intended to provide our stakeholders, benefactors, etc. with a general overview of Authority Health's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the President and CEO, Loretta V. Bush, MSHA at (313) 871-3751.

Detroit Wayne County Health Authority
d/b/a Authority Health
Statement of Net Position
September 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 2,387,841	$ -	$ 2,387,841
Accounts receivable	145,666	66,851	212,517
Prepaid items	136,128	349	136,477
Capital assets, net of accumulated depreciation	47,143	241,808	288,951
Capital assets not being depreciated	-	56,484	56,484
Total assets	2,716,778	365,492	3,082,270
Liabilities			
Accounts payable	933,388	10,344	943,732
Checks written against future deposits	-	48,868	48,868
Accrued and other liabilities	393,331	1,680	395,011
Unearned revenue	256,196	-	256,196
Supplemental employee retirement plan (SERP)	100,000	-	100,000
Noncurrent liabilities			
Debt due within one year	9,020	-	9,020
Debt due in more than one year	71,372	-	71,372
Total liabilities	1,763,307	60,892	1,824,199
Net Position			
Net investment in capital assets	41,879	298,292	340,171
Unrestricted	911,592	6,308	917,900
Total net position	$ 953,471	$ 304,600	$ 1,258,071

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Statement of Activities
For the Year Ended September 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Contractual and Operating Grants	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Governmental activities						
Operations	$ 12,738,755	$ -	$ 12,699,967	$ (38,788)	$ -	$ (38,788)
Business-type activities						
Medical Clinic	81,716	386,316	-	-	304,600	304,600
Total primary government	$ 12,820,471	$ 386,316	$ 12,699,967	(38,788)	304,600	265,812
General revenues						
Contributions and foundation grants				151,395	-	151,395
Change in net position				112,607	304,600	417,207
Net position - beginning of year				840,864	-	840,864
Net position - end of year				$ 953,471	$ 304,600	$ 1,258,071

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Governmental Funds
Balance Sheet
September 30, 2019

	General Fund
Assets	
Cash and cash equivalents	$ 2,387,841
Accounts receivable	145,666
Prepaid items	136,128
Total assets	$ 2,669,635
Liabilities	
Accounts payable	$ 933,388
Accrued and other liabilities	393,331
Unearned revenue	256,196
Total liabilities	1,582,915
Fund Balances	
Non-spendable	
Prepaid items	136,128
Assigned for	
Graduate Medical Education	625,000
Unassigned	325,592
Total fund balances	1,086,720
Total liabilities and fund balances	$ 2,669,635

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities
September 30, 2019

Total fund balances for governmental funds	$	1,086,720
Total net position for governmental activities in the statement of net position is different because:		
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.		47,143
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Compensated absences		(75,128)
Supplemental employee retirement plan (SERP)		(100,000)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		(5,264)
Net position of governmental activities	$	953,471

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

	General Fund
Revenues	
Contributions and foundation grants	$ 151,395
Federal grants - Graduate Medical Education	10,362,915
State grants	1,379,363
Indirect revenue	593,727
Contractual	681,245
Total revenues	13,168,645
Expenditures	
Salaries	7,409,482
Employee benefits	1,612,695
Supplies and materials	155,272
Meetings	442,101
Transportation and travel	62,132
Training	154,634
Contracted services - Medicaid Outreach Services	67
Telephone	32,343
Communications and marketing	49,040
Equipment, repairs and maintenance	106,752
Contracted and consulting services	1,787,088
Legal and professional	49,106
Business insurance	257,609
Occupancy	273,982
Indirect expense	593,727
Total expenditures	12,986,030
Net change in fund balance	182,615
Fund balance - beginning of year	904,105
Fund balance - end of year	$ 1,086,720

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balances - Total governmental funds	$ 182,615
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(17,987)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Grants	(317,283)
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	9,487
Supplemental employee retirement plan (SERP)	251,000
Loan proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Capital lease	4,775
Change in net position of governmental activities	$ 112,607

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Proprietary Fund
Statement of Net Position
September 30, 2019

	Enterprise Fund Medical Clinic
Assets	
Current Assets	
Accounts receivable	$ 66,851
Prepaid items	349
Total current assets	67,200
Noncurrent Assets	
Capital assets, net of accumulated depreciation	241,808
Capital assets not being depreciated	56,484
Total noncurrent assets	298,292
Total assets	365,492
Liabilities	
Accounts payable	10,344
Checks written against future deposits	48,868
Accrued and other liabilities	1,680
Total liabilities	60,892
Net Position	
Unrestricted	$ 304,600

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2019

	Enterprise Fund Medical Clinic
Revenues	
Contributions and foundation grants	$ 301,170
Contractual	85,146
Total revenues	386,316
Expenditures	
Salaries	24,106
Employee benefits	4,711
Supplies and materials	5,817
Meetings	16,960
Transportation and travel	809
Contracted services - Medicaid Outreach Services	350
Telephone	3,663
Communications and marketing	4,480
Equipment, repairs and maintenance	6,963
Contracted and consulting services	6,305
Legal and professional	4,076
Occupancy	1,916
Depreciation expense	1,560
Total expenditures	81,716
Operating income	304,600
Net position - beginning of year	-
Net position - end of year	$ 304,600

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Proprietary Fund
Statement of Cash Flows
For the Year Ended September 30, 2019

	Enterprise Fund Medical Clinic
Cash flows from operating activities	
Receipts from customers	$ 19,613
Payments to suppliers	9,204
Payments to employees	(28,817)
Net decrease in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income	$ 304,600
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization expense	1,560
Donated capital assets	(299,852)
Changes in assets and liabilities	
Receivables (net)	(66,851)
Prepaid items	(349)
Accounts payable	59,212
Accrued and other liabilities	1,680
Net cash provided by operating activities	$ -

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting entity

Detroit Wayne County Health Authority d/b/a Authority Health (Health Authority) is a public body corporate established by an inter-local agreement among the City of Detroit, the County of Wayne and the State of Michigan on June 4, 2004. The Health Authority's mission is to coordinate efforts to improve population health of residents of the City of Detroit and Wayne County by assuring access to care.

The accounting policies of the Health Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies used by the Health Authority:

Reporting Entity

A nine-member Board, appointed by state and local governments, governs the Health Authority. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Health Authority's reporting entity, and which organizations are legally separate, component units of the Health Authority. Based on the application of the criteria, the Health Authority has no component units.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Government activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting, as do the proprietary fund statements.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are

both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The General Fund is the Health Authority's primary operating fund. It accounts for all financial resources of the Health Authority.

The Proprietary Fund accounts for activities of the medical clinic that was donated to the Authority during the year ended September 30, 2019.

Amounts reported as *program revenues* include 1) operating grants, and 2) federal grants for Medicaid outreach administrative expenses.

Assets, liabilities, and net position or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Receivables – Accounts receivable are comprised of the contributions receivable from stakeholders and federal grant monies earned but not yet collected. The Authority uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, $0 of allowance was deemed necessary as of September 30, 2019.

Prepaids – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Health Authority follows the purchase method, and they therefore are expenses when paid in both government-wide and fund financial statements.

Capital assets – The Health Authority defines capital assets as assets with an initial cost of more than $1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	3 to 20 years
Buildings	30 to 40 years

Deferred Inflow – A deferred inflow of resources is an acquisition of net position by the Health Authority that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by the Health Authority itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Health Authority takes the same highest level action to remove or change the constraint.

Assigned – amounts the Health Authority intends to use for a specific purpose. Intent can be expressed by the Board of Directors by an official or body to which the Board of Directors delegates the authority.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Health Authority's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Health Authority's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a

single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending September 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending September 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending September 30, 2020.
Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending September 30, 2022.

The Authority is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information
Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at fiscal year end. Annual operating budgets are adopted each fiscal year through approval of an annual budget and amended as required. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principle basis.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Health Authority to have its budget in place by October 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits authorities to amend their budgets during the year. The last amendment to the budget was adopted prior to year end.

Note 3 - Cash and Equivalents

The captions on the statement of net position and balance sheet relating to cash and cash equivalents are summarized below by deposit type. These deposits, in varying amounts, are in financial institutions in the County of Wayne in the State of Michigan. At year-end, the balance (without recognition of outstanding checks or deposits in transit) was $2,608,076 and of which $250,000 was covered by FDIC insurance and $2,358,076 was uninsured. The full balance of cash on the statement of net position was $2,387,841 and was all held in demand accounts.

Note 4 - Capital Assets

Capital assets activity of the Health Authority's governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Furniture and equipment	$ 235,146	$ -	$ -	$ 235,146
Less accumulated depreciation for				
Furniture and equipment	170,016	17,987	-	188,003
Governmental activities capital assets, net	$ 65,130	$ (17,987)	$ -	$ 47,143

Capital assets activity of the Health Authority's business-type activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ -	$ 56,484	$ -	$ 56,484
Capital assets being depreciated				
Buildings	-	243,368	-	243,368
Less accumulated depreciation for				
Buildings	-	1,560	-	1,560
Business-type activities capital assets, net	$ -	$ 298,292	$ -	$ 298,292

Note 5 - Capital Leases

The Health Authority has a capital lease for a phone system. The future minimum lease payments are as follows:

Year Ending September 31,	
2020	$ 5,790
Total minimum lease payments	5,790
Less amount representing interest	526
Present value of minimum lease payments	$ 5,264

Asset	
Machinery and equipment	$ 31,590
Less accumulated depreciation	26,325
Total	$ 5,265

Note 6 - Operating Leases

The Health Authority entered into a 5-year lease agreement, effective January 1, 2007 and amended it in 2008 to allow for more square footage and again in 2012 to move to a different suite. In July 2019, the Health Authority amended the lease again to move to a different suite within the same building and extended the lease for a further five years. The amended monthly payment is $21,838 - $26,205 per month through January 31, 2025. Lease expense and related parking costs included in Occupancy Costs totaled $275,898.

Expected future lease payments are as follows:

Year Ending September 30,	
2020	$ 262,947
2021	270,203
2022	282,432
2023	294,661
2024 and thereafter	414,039
	$ 1,524,282

The Health Authority has a one-time right to terminate this lease after the 41st month in the event the HRSA grants are reduced or terminated.

Note 7 - Long Term Debt

Long-term activity for the year ended September 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease	$ 10,039	$ -	$ 4,775	$ 5,264	$ 5,264
Compensated absences	84,615	47,482	56,969	75,128	3,756
Total	$ 94,654	$ 47,482	$ 61,744	$ 80,392	$ 9,020

Compensated absences are not paid according to a set schedule, but when employees meet certain criteria upon leaving the Health Authority.

Note 8 - Unearned Revenues

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, all $256,196 of unearned revenue was related to grant funds.

Note 9 - Line of Credit

The Health Authority has an available bank line of credit of $1,000,000, expiring July 27, 2020, secured by all Health Authority assets. The outstanding balance on the line as of September 30, 2019 was $0.

Note 10 - Employee Benefits Plans

The Health Authority adopted a 401(a) Defined Contribution Plan under the Municipal Employees' Retirement System of Michigan (MERS) effective September 1, 2008. The plan covers all Health Authority employees based on employment classifications which are eligible for MERS membership. The plan provides a four percent base employer contribution which participating employees receive. Employer contributions vest over a four year period. The plan allows prior years' service consistent with Public Sectors. Contributions expensed during the year ended September 30, 2019 totaled $144,111 and are included in Employee Benefits expense. The employer does not match contributions under the plan agreement at this time.

Note 11 - Employee Benefits Plans – Supplemental Employee Retirement Plan (SERP)

The Health Authority has a supplemental employee retirement plan. The plan established two new plans through MERS for the Chief Executive Officer and the Chief Financial Officer to allow for additional contributions beyond those defined in note 10.

The total amount of additional compensation was $750,000 of which $30,000 had been paid and expensed in prior fiscal years and $18,000 was accrued as of 9/30/18. During 2019, the plan was amended and the remaining unpaid balance of $720,000 was reduced to $450,000. Of this amount, $350,000 was accrued as of 9/30/19 and $332,000 was expensed in the governmental fund. Of this amount, $300,000 was paid in October 2019. The remaining current liability of $50,000 along with a long-term liability of $100,000 will be paid in monthly installments over the next three years.

These expenditures were made from excess unassigned fund balance.

Note 12 - Litigation, Contingencies and Risk Management

The Health Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees and natural disasters. For the year ended September 30, 2019, the Health Authority purchased commercial insurance policies to satisfy any claims related to general liability, property and casualty, employee life, health and accident and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The activities of the Health Authority are subject to review or audit by funding agencies to determine compliance with grant award documents. Reviews or audits could result in repayment of grant revenues.

Note 13 - Concentration of Revenue

Virtually all of the Health Authority's revenue is derived from federal and state grants and contributions and grants from foundations and health care organizations located in Southeastern Michigan.

Note 14 - Interdepartmental Agreement - Medicaid Outreach Services

Effective October 1, 2019, the Health Authority renewed its Interdepartmental Agreement with the State of Michigan for Medicaid Outreach. Essentially all state agreements must be renewed on an annual basis.

Note 15 - Joint Venture

The Authority was a member of "Partners in Wellness", along with two other organizations, Behavioral Health Professionals, Inc. and Development Centers, Inc. The purpose of this joint venture was to operate a health clinic, the McKenney Center, which provided3 patients with access to health practices on-site. The joint venture did not involve an explicit, measurable equity interest; hence it was not recorded as an asset in the financial statements.

According to the joint venture agreement, the Authority was responsible for contributing the medical equipment and the electronic medical records system to the McKenney Center. There were no profit distributions from the McKenney Center to the Authority. However, the Board of Directors of the McKenney Center had the right to allocate excess income to the Authority. The Authority resigned from this joint venture June 2019.

Note 16 - Subsequent Events

On October 1, 2019, the Authority entered into an agreement with Anne-Maré Ice M.D. P.C., a professional medical corporation engaged in the business of providing health care services to patients. According to the agreement, the Authority is responsible for managing all existing services, personnel, facilities, equipment and furnishings. Anne-Maré Ice M.D. P.C. is required to pay the Authority thirty percent of their monthly net revenues earned during the preceding 30 days.

Detroit Wayne County Health Authority
d/b/a Authority Health
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts			Actual Over (Under) Final
	Original	Final	Actual	Budget
Revenues				
Contributions and foundation grants	$ 975,655	$ 147,744	$ 151,395	$ 3,651
Federal grants - Graduate Medical Education	10,231,014	11,243,727	10,362,915	(880,812)
State grants	970,198	1,183,702	1,379,363	195,661
Indirect revenue	533,438	593,727	593,727	-
Contractual	258,041	175,006	681,245	506,239
Total revenues	12,968,346	13,343,906	13,168,645	(175,261)
Expenditures				
Compensation	8,974,111	9,056,651	9,022,177	(34,474)
Occupancy	240,318	275,241	273,982	(1,259)
Other expenses	3,475,299	3,378,797	3,096,144	(282,653)
Indirect expense	533,438	593,727	593,727	-
Loan payments	15,970	11,756	-	(11,756)
Total expenditures	13,239,136	13,316,172	12,986,030	(330,142)
Net change in fund balance	(270,790)	27,734	182,615	154,881
Fund balance - beginning of year	904,105	904,105	904,105	-
Fund balance - end of year	$ 633,315	$ 931,839	$ 1,086,720	$ 154,881