

DISTINCTIVE HEALTH SOLUTIONS, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2024

DISTINCTIVE HEALTH SOLUTIONS, INC.
AND SUBSIDIARY

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ROBERT BAKER
& ASSOCIATES, CPAs

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Distinctive Health Solutions, Inc. and Subsidiary
Brunswick, Georgia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Distinctive Health Solutions, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Distinctive Health Solutions, Inc. and Subsidiary as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated Financial Statements section of our report. We are required to be independent of Distinctive Health Solutions, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Distinctive Health Solutions, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 consolidated financial statements. In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated 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 Distinctive Health Solutions, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Distinctive Health Solutions, Inc. and Subsidiary'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.

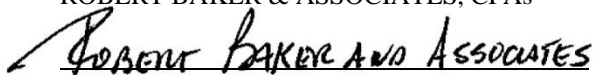
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 16), as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. The accompanying Consolidating Statement of Financial Position (page 14) and Consolidating Statement of Activities (page 15) are presented for purposes of additional analysis, and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Consolidating Statement of Financial Position, and Consolidating Statement of Activities are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024, on our consideration of Distinctive Health Solutions, Inc. and Subsidiary'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 Distinctive Health Solutions, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Distinctive Health Solutions, Inc. and Subsidiary's internal control over financial reporting and compliance.

ROBERT BAKER & ASSOCIATES, CPAs



Certified Public Accountants

Albany, Georgia

November 18, 2024

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS

CURRENT ASSETS

Cash	\$ 372,255
Cash - Restricted	2,500
Certificate of Deposit	500,000
Accounts Receivable	29,295
Due from Gateway Community Service Board	1,953,674
Prepaid Insurance	300,971
Total Current Assets	\$ 3,158,695

PROPERTY AND EQUIPMENT, NET

\$ 2,048,132

OTHER ASSETS

Reserve Deposits	\$ 162,051
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TOTAL ASSETS

\$ 5,368,878

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 31,665
Accrued Payroll Liabilities	1,358,193
Due to Gateway Community Service Board	1,362
Compensated Absences	271,051
Current Portion of Notes Payable	26,757
Total Current Liabilities	\$ 1,689,028

NON-CURRENT LIABILITIES

Compensated Absences	\$ 327,668
Notes Payable	3,209,399
Tenant Security Deposits	2,500
Total Non-Current Liabilities	\$ 3,539,567

TOTAL LIABILITIES

\$ 5,228,595

NET ASSETS

Without Donor Restrictions	\$ 140,283
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TOTAL LIABILITIES AND NET ASSETS

\$ 5,368,878

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2024

	<u>WITHOUT DONOR RESTRICTIONS</u>
SUPPORT AND REVENUE	
Rental Income	\$ 251,500
Contract Revenue	23,021,770
Other Income	109,096
Interest Income	<u>14,822</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 23,397,188</u>
EXPENSES	
Functional Expenses:	
Program Services	\$ 23,155,532
Support Services	29,215
Total Functional Expenses	<u>\$ 23,184,747</u>
TOTAL EXPENSES	<u>\$ 23,184,747</u>
INCREASE IN NET ASSETS	\$ 212,441
NET ASSETS - BEGINNING OF YEAR	<u>(72,158)</u>
NET ASSETS - END OF YEAR	<u><u>\$ 140,283</u></u>

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended June 30, 2024

	PROGRAM SERVICES	SUPPORT SERVICES	TOTAL
Personnel:			
Salaries	\$ 17,112,655	\$ -	\$ 17,112,655
Payroll Taxes	1,314,105	-	1,314,105
Fringe Benefits	3,557,644	-	3,557,644
Total Personnel	\$ 21,984,404	\$ -	\$ 21,984,404
Other Expenses:			
Contracted Services	\$ 30,181	\$ 3,353	\$ 33,534
Depreciation	80,318	8,924	89,242
Insurance	339,702	5,223	344,925
Licenses/Fees	31	-	31
Other Expenses	174	-	174
Professional Fees	459,333	-	459,333
Repairs and Maintenance	93,200	10,355	103,555
Travel	155,952	-	155,952
Utilities	12,237	1,360	13,597
Total Expenses	\$ 23,155,532	\$ 29,215	\$ 23,184,747

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 212,441
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:	
Depreciation	89,242
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(29,295)
Increase in Due from Gateway Community Service Board	(1,156,039)
Increase in Prepaid Expenses	(145,235)
Increase in Accounts Payable	31,665
Increase in Accrued Payroll Liabilities	1,056,830
Increase in Due to Gateway Community Service Board	1,362
Increase in Compensated Absences	102,447
	102,447
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 163,418
CASH FLOWS FROM FINANCING ACTIVITIES:	
Purchase of Certificate of Deposit	\$ (500,000)
Principle Payments	(17,155)
	(17,155)
NET CASH USED IN FINANCING ACTIVITIES	\$ (517,155)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in Reserve Deposits	\$ (23,015)
	(23,015)
NET CASH USED IN INVESTING ACTIVITIES	\$ (23,015)
NET DECREASE IN CASH	\$ (376,752)
CASH - BEGINNING OF YEAR	751,507
CASH - END OF YEAR	\$ 374,755
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION:	
Cash	\$ 372,255
Cash - Restricted	2,500
	2,500
TOTAL CASH	\$ 374,755

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2024

	ASSETS		
	DISTINCTIVE HEALTH SOLUTIONS, INC.	GATEWAY CSB PEO, LLC	TOTAL
CURRENT ASSETS			
Cash	\$ 372,255	\$ -	\$ 372,255
Cash - Restricted	2,500	-	2,500
Certificate of Deposit	500,000	-	500,000
Accounts Receivable	29,295	-	29,295
Due from Gateway Community Service Board	-	1,953,674	1,953,674
Prepaid Insurance	50,697	250,274	300,971
Total Current Assets	<u>\$ 954,747</u>	<u>\$ 2,203,948</u>	<u>\$ 3,158,695</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 2,048,132</u>	<u>\$ -</u>	<u>\$ 2,048,132</u>
OTHER ASSETS			
Reserve Deposits	<u>\$ 162,051</u>	<u>\$ -</u>	<u>\$ 162,051</u>
TOTAL ASSETS	<u>\$ 3,164,930</u>	<u>\$ 2,203,948</u>	<u>\$ 5,368,878</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 29,845	\$ 1,820	\$ 31,665
Accrued Payroll Liabilities	-	1,358,193	1,358,193
Due to Gateway Community Service Board	1,362	-	1,362
Compensated Absences	-	271,051	271,051
Current Portion of Notes Payable	26,757	-	26,757
Total Current Liabilities	<u>\$ 57,964</u>	<u>\$ 1,631,064</u>	<u>\$ 1,689,028</u>
NON-CURRENT LIABILITIES			
Compensated Absences	\$ -	\$ 327,668	\$ 327,668
Notes Payable	3,209,399	-	3,209,399
Tenant Security Deposits	2,500	-	2,500
Total Non-Current Liabilities	<u>\$ 3,211,899</u>	<u>\$ 327,668</u>	<u>\$ 3,539,567</u>
TOTAL LIABILITIES	<u>\$ 3,269,863</u>	<u>\$ 1,958,732</u>	<u>\$ 5,228,595</u>
NET ASSETS			
Without Donor Restrictions	<u>\$ (104,933)</u>	<u>\$ 245,216</u>	<u>\$ 140,283</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,164,930</u>	<u>\$ 2,203,948</u>	<u>\$ 5,368,878</u>

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2024

	<u>DISTINCTIVE HEALTH SOLUTIONS, INC.</u>	<u>GATEWAY CSB PEO, LLC</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Rental Income	\$ 251,500	\$ -	\$ 251,500
Contract Revenue	-	23,021,770	23,021,770
Other Income	109,096	-	109,096
Interest Income	14,822	-	14,822
TOTAL SUPPORT AND REVENUE	<u>\$ 375,418</u>	<u>\$ 23,021,770</u>	<u>\$ 23,397,188</u>
EXPENSES			
Functional Expenses:			
Program Services	\$ 271,598	\$ 22,883,934	\$ 23,155,532
Support Services	29,215	-	29,215
Total Functional Expenses	<u>\$ 300,813</u>	<u>\$ 22,883,934</u>	<u>\$ 23,184,747</u>
TOTAL EXPENSES	<u>\$ 300,813</u>	<u>\$ 22,883,934</u>	<u>\$ 23,184,747</u>
INCREASE IN NET ASSETS	\$ 74,605	\$ 137,836	\$ 212,441
NET ASSETS - BEGINNING OF YEAR	<u>(179,538)</u>	<u>107,380</u>	<u>(72,158)</u>
NET ASSETS - END OF YEAR	<u>\$ (104,933)</u>	<u>\$ 245,216</u>	<u>\$ 140,283</u>

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF OPERATIONS

Distinctive Health Solutions, Inc. (“DHS”) was organized in January 2008 for the purpose of creating a non-profit corporation, which was approved by the Internal Revenue Service (“IRS”) as a 501(c)(3) organization. The Organization was established for the purpose of improving the quality of life for low-income persons with behavioral health and developmental disabilities by providing services that promote individual and economic self-sufficiency.

Gateway CSB PEO, LLC (“PEO”) was incorporated in Georgia as a wholly-owned subsidiary of Distinctive Health Solutions, Inc. in January of 2022. Gateway CSB PEO, LLC submitted a request for non-profit status under Code Section 501(c)(3) to the IRS and was awarded such in January 2022. The Organization was established to provide contract employees to Gateway Community Service Board to meet the needs of improving the quality of life for low-income persons with behavioral health and developmental disabilities by providing services that promotes individual and economic self-sufficiency.

Distinctive Health Solutions, Inc. and Subsidiary is presented as a discretely presented component unit of Gateway Community Service Board.

The following significant accounting policies have been followed in the preparation of these consolidated financial statements:

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Distinctive Health Solutions, Inc. and its wholly-owned subsidiary, Gateway CSB PEO, LLC. All material intra-entity transactions have been eliminated.

BASIS OF ACCOUNTING

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements for Not-for-Profit Organizations*, as updated by the Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This standard requires classification of net assets and revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of these two classes of net assets, with donor restrictions and without donor restrictions, be displayed in the Consolidated Statement of Activities and Changes in Net Assets. The accounting standards provide that if a governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as net assets without donor restrictions.

NET ASSETS

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor- (or certain grantor) imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The Organization maintains all cash in bank deposit accounts, which at times may exceed federally insured limits. These deposit accounts have been placed with financial institutions that the Organization believes to be creditworthy. The Organization has not experienced, nor does it anticipate any losses in relation to such accounts. The Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

CERTIFICATES OF DEPOSIT

Certificates of deposit are recorded at their face value, offset by the appropriate discount or premium, which approximates fair value. The premium or discount, if any, is amortized on a straight-line basis through the maturity date of the certificate.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased and at estimated fair value if received as a contribution. Distinctive Health Solutions, Inc. and Subsidiary follow the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Buildings	30 years
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REVENUE RECOGNITION

The Organization has earned revenues and public support. Earned revenues represent fees earned, revenue generated through the performance or provision of services or revenue generated through investment. These revenues are recorded when earned, which occurs when the service is performed or the funds are expended. Public support represents unconditional gifts in a voluntary nonreciprocal transfer. The Organization recognizes all contributed public support received as income in the period pledged.

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MANAGEMENT ESTIMATES

The preparation of consolidated 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 and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMPENSATED ABSENCES

Paid Time Off (PTO)

1. Paid Time Off is earned on a semi-monthly basis by salaried employees in permanent, working test or provisional status.
2. A full-time employee will earn one-half of their monthly PTO at the end of each pay period if the employee works forty (40) hours or more in each pay period.
3. PTO is accrued and carried over at the following rates:
 - a. 0-35 months inclusive.....10 hours at end of each month; 40 hours carried over at year-end.
 - b. 36-59 months inclusive.....12 hours at the end of each month; 80 hours carried over at year-end.
 - c. 60 months and over.....14 hours at end of each month; 120 hours carried over at year-end.The sick leave balances of staff hired prior to September 1, 2010 will be available for use under the terms of Family and Medical Leave.
4. Eligible employees begin accruing PTO at the appropriate increased rate on the first day of the month following the completion of the required months of service.
5. Part-time hourly employees are not eligible to earn leave.
6. A full-time employee in pay status for less than forty (40) hours during a pay period earns no PTO for that pay period.
7. PTO is not earned by employees on emergency, hourly, temporary, or intermittent appointments.
8. PTO may accumulate to a total of 480 hours (60 work days).
9. Any PTO earned in excess of 480 hours will be forfeited.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is intended to reflect only receipt and payment activities arising from cash transactions. The consolidated statement of cash flows does not reflect immaterial non-cash investing activities.

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

INCOME TAXES

The Organization's activities are generally exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense.

Income tax benefits are recognized for income tax positions taken, or expected to be taken, in a tax return only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any tax assets or liabilities, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2024. The Organization would recognize interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax-exempt entities are subject to review and audit by federal, state, and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualifications of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. There currently are no audits of the Organization's returns in progress. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations for the tax years before 2016.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326), related to the impairment of certain financial instruments. This guidance, which is commonly referred to as current expected credit losses (CECL), changes impairment recognition to an expected loss model rather than the previous model, which is based on incurred losses. The measurement of expected credit losses using the CECL methodology is applicable to financial assets measured at amortized cost. The Organization adopted the new guidance effective July 1, 2023. The adoption of the new guidance did not have an impact on the Organization's net assets.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 18, 2024, the date on which the consolidated financial statements were available to be issued. As of this date, there are no material subsequent events that require adjustment to or disclosure in the consolidated financial statements for the year ended June 30, 2024.

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

Cash	\$	372,255
Accounts Receivable		29,295
Due from Gateway Community Service Board		1,953,674
		<u>\$ 2,355,224</u>
Less:		
Amounts for Accounts Payable	\$	31,665
Amounts for Accrued Payroll Liabilities		1,358,193
Amounts for Due to Gateway Community Service Board		1,362
Amounts for Compensated Absences		271,051
Amounts for Current Portion of Long-Term Debt		26,757
		<u>\$ 1,689,028</u>
		<u>\$ 666,196</u>

The Organization provides services under grants. The income is available for general expenditure at the discretion of the Organization based on the budgeted amounts.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2024 was as follows:

Land	\$	345,085
Buildings		3,034,250
		<u>\$ 3,379,335</u>
Accumulated Depreciation		(1,331,203)
Property and Equipment, Net		<u>\$ 2,048,132</u>

Depreciation expense for the year ending June 30, 2024 was \$89,242.

NOTE 4 - RESERVE DEPOSITS

As part of the construction loan agreement with the Georgia Housing and Finance Authority, the Organization was required to set up reserve accounts with an escrow agent and fund the reserve accounts as indicated:

1. Operating Deficit Reserve - A one-time deposit of \$50,000 was required and deposited on June 1, 2011.
2. Replacement Reserve - Monthly deposits of \$1,017 are required.
3. Insurance/Tax Reserve - Monthly deposits of \$1,455.52 are required. This amount will be adjusted annually based on actual insurance and property tax costs.

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - NOTES PAYABLE

Notes payable consist of the following as of June 30, 2024:

Note payable to Georgia Housing and Finance Authority, due in monthly installments of \$2,883, interest at 0%, matures in January 2031, collateralized by real property.	\$ 3,186,156
Note payable to State Housing Trust Fund, due in monthly installments of \$625, interest at 0%, matures in January 2031, collateralized by real property.	50,000
	\$ 3,236,156
Less: Current Maturities	(26,757)
	\$ 3,209,399

The long-term debt matures as follows:

Year Ending June 30	
2025	\$ 26,757
2026	26,757
2027	26,757
2028	26,757
2029	26,757
Thereafter	3,102,371
Total	\$ 3,236,156

The note payable to Georgia Housing and Finance Authority has a final payment of all unpaid principal and accrued and unpaid interest on the Maturity Date (the “Balloon Payment”). The estimated Balloon Payment that will be due at the Maturity Date is \$3,001,547. Notwithstanding the foregoing, however, if the appraised value of the Property at the Maturity Date (the “FMV”) is less than the Balloon Payment, Borrower’s final payment shall be equal to the FMV, which shall be due and payable on the Maturity Date. If Borrower believes that the FMV will be less than the Balloon Payment, at Borrower’s sole cost, it shall obtain an appraisal of the Property as of the Maturity Date, using a qualified, independent appraiser satisfactory to Lender and provide Lender with a copy of such appraisal at least 30 days in advance of the Maturity Date.

NOTE 6 - COMPENSATED ABSENCES

At termination, employees are paid for any accumulated annual leave. The liability for accumulated annual leave at June 30, 2024, is estimated by management to be \$598,719. This amount includes \$91,330 for tax liabilities and benefits related to the accrued leave.

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - COMPENSATED ABSENCES - CONTINUED

The following is a schedule of changes in annual leave for the fiscal year ending June 30, 2024:

June 30, 2023	Additions	Deletions	June 30, 2024
\$ 496,272	\$ 102,447	\$ -	\$ 598,719
		Current	\$ 271,051
		Long-Term	327,668
		Total	\$ 598,719

NOTE 7 - SECURITY DEPOSITS

Distinctive Health Solutions, Inc. and Subsidiary holds \$2,500 in rental deposits from current tenants for damages incurred during their lease period.

NOTE 8 - RELATED PARTY TRANSACTIONS

Distinctive Health Solutions, Inc. and Subsidiary is under a management agreement with Gateway Community Service Board for accounting services and management of rental properties.

SUPPLEMENTARY INFORMATION

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2024

FEDERAL GRANTOR\ PASS-THROUGH GRANTOR\ PROGRAM TITLE	ASSISTANCE LISTING NUMBER	PROGRAM NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through the Georgia Department of Community Affairs:			
Home Investment Partnerships Program	14.239	N/A	\$ 3,186,156
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,186,156</u>

Notes to Schedule:

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal award activity of Distinctive Health Solutions, Inc. and Subsidiary under programs of the federal government 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 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 Distinctive Health Solutions, Inc. and Subsidiary, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of Distinctive Health Solutions, Inc. and Subsidiary.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported 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 are limited as to reimbursement.

Note C - Indirect Cost Rate

Distinctive Health Solutions, Inc. and Subsidiary did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Construction Loan

The Home Investment Partnerships Program’s balance of \$3,186,156 represents loan principal only.

OTHER REPORTS



ROBERT BAKER
— & ASSOCIATES, CPAs —

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Board of Directors of
Distinctive Health Solutions, Inc. and Subsidiary
Brunswick, Georgia

We have audited, in accordance with the auditing standard 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 consolidated financial statements of Distinctive Health Solutions, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 18, 2024.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Distinctive Health Solutions, Inc. and Subsidiary’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Distinctive Health Solutions, Inc. and Subsidiary’s internal control. Accordingly, we do not express an opinion on the effectiveness of Distinctive Health Solutions, Inc. and Subsidiary’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 consolidated 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 or significant deficiencies may exist that were not identified.

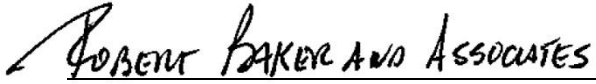
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Distinctive Health Solutions, Inc. and Subsidiary’s consolidated 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 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.

ROBERT BAKER & ASSOCIATES, CPAs

A handwritten signature in black ink that reads "ROBERT BAKER AND ASSOCIATES". The signature is written in a cursive style and is underlined.

Certified Public Accountants

Albany, Georgia

November 18, 2024



ROBERT BAKER
— & ASSOCIATES, CPAs —

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To The Board of Directors of
Distinctive Health Solutions, Inc. and Subsidiary
Brunswick, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Distinctive Health Solutions, Inc. and Subsidiary's compliance 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 Distinctive Health Solutions, Inc. and Subsidiary's major federal programs for the year ended June 30, 2024. Distinctive Health Solutions, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Distinctive Health Solutions, Inc. and Subsidiary 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 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 Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Distinctive Health Solutions, Inc. and Subsidiary and to meet our 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 Distinctive Health Solutions, Inc. and Subsidiary'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 Distinctive Health Solutions, Inc. and Subsidiary's federal programs.

Auditor's 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 Distinctive Health Solutions, Inc. and Subsidiary'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 generally accepted auditing standards, *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 Distinctive Health Solutions, Inc. and Subsidiary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Distinctive Health Solutions, Inc. and Subsidiary'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 Distinctive Health Solutions, Inc. and Subsidiary'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 Distinctive Health Solutions, Inc. and Subsidiary'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 Auditor's 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.

ROBERT BAKER & ASSOCIATES, CPAs

Handwritten signature of Robert Baker and Associates in black ink, written in a cursive style.

Certified Public Accountants

Albany, Georgia

November 18, 2024

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516? yes no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program

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

Auditee qualified as low-risk auditee? yes no

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For The Fiscal Year Ended June 30, 2024

Section II – Financial Statement Findings

-NONE-

Section III – Federal Awards Findings and Questioned Costs

-NONE-

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

SCHEDULE OF PRIOR AUDIT FINDINGS

For The Fiscal Year Ended June 30, 2024

Section II – Financial Statement Findings

-NONE-

Section III – Federal Awards Findings and Questioned Costs

-NONE-