



601 Morris St. Suite 401
Charleston, WV 25301
304.344.2213

Re: Audit report for June 30, 2019
First Choice Services, Inc.

To whom it may concern,

Please find enclosed the audit report for First Choice Services, Inc. for the fiscal year ended June 30, 2019. This is being filed pursuant to exhibit F of all state grants.

Sincerely,

A handwritten signature in blue ink, appearing to read 'David K. Sheppard'.

David K. Sheppard, CPA
Director of Finance
First Choice Services, Inc.

DHHR - Finance

MAR 12 2020

Date Received

FIRST CHOICE SERVICES, INC.

Financial and Compliance Report June 30, 2019

DHHR - Finance

MAR 12 2020

Date Received



CONTENTS

SECTION I – FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses – 2019	5
Statement of Functional Expenses – 2018	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 12
Supplementary Information:	
Schedule of Expenditures of Federal Awards	13
Notes to Schedule of Expenditures of Federal Awards	14
Schedule of Expenditures of State Awards	15
Notes to Schedule of Expenditures of State Awards	16

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATTERS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18
Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	19 - 20
Schedule of Findings and Questioned Costs	21 - 22
Summary Schedule of Prior Audit Findings	23



INDEPENDENT AUDITOR'S REPORT

Board of Directors
First Choice Services, Inc.
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of First Choice Services, Inc., (Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Choice Services, Inc. as of June 30, 2019 and 2018, and the results of operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and expenditures of state awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of West Virginia, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 February 14, 2020, on our consideration of First Choice Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering First Choice Services, Inc.'s internal control over financial reporting and compliance.

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
February 14, 2020

DHHR - Finance

MAR 12 2020

Date Received

FIRST CHOICE SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 525,481	\$ 153,898
Grants receivable	406,073	371,681
Other receivables	584,476	164,774
Prepaid assets	26,625	15,080
	<hr/>	<hr/>
Total current assets	1,542,655	705,433
FURNITURE AND EQUIPMENT		
Furniture and equipment	347,399	329,480
Less accumulated depreciation	246,580	213,444
	<hr/>	<hr/>
Net furniture and equipment	100,819	116,036
	<hr/>	<hr/>
Total assets	\$ 1,643,474	\$ 821,469
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable, related party	\$ 784,503	\$ 329,393
Deferred revenue	17,578	-
Accounts payable	217,032	118,392
Accrued salaries and benefits	167,460	107,225
	<hr/>	<hr/>
Total current liabilities	1,186,573	555,010
	<hr/>	<hr/>
NET ASSETS	456,901	266,459
	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,643,474	\$ 821,469
	<hr/>	<hr/>

See Notes to Financial Statements

FIRST CHOICE SERVICES, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2019 and 2018

	2019	2018
CHANGE IN NET ASSETS		
Revenue and support:		
Federal grants, direct awards	\$ 1,095,702	\$ 254,284
Federal grants, subrecipient	141,550	142,126
Contract income - West Virginia Lottery	1,371,183	-
State grants	725,304	660,040
Contract income	774,836	1,633,096
Other income	8,485	-
	<u>4,117,060</u>	<u>2,689,546</u>
Total revenue and support	4,117,060	2,689,546
Operating expense:		
Salaries and wages	2,267,996	1,515,486
Contracted services	544,352	521,822
Payroll taxes and employee benefits	251,155	209,244
Advertising	242,570	20,960
Facilities and equipment	150,024	115,249
Telephone and utilities	111,290	67,523
Training and education	97,275	5,462
Indirect costs	69,677	3,902
Insurance	34,801	22,986
Depreciation	33,136	40,364
Travel	25,469	11,628
Other costs	98,873	47,960
	<u>3,926,618</u>	<u>2,582,586</u>
Total operating expense	3,926,618	2,582,586
Change in net assets	190,442	106,960
Net asset:		
Beginning	<u>266,459</u>	<u>159,499</u>
Ending	<u>\$ 456,901</u>	<u>\$ 266,459</u>

See Notes to Financial Statements

FIRST CHOICE SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Activities	Administrative and General	Total Operating Expense
OPERATING EXPENSE			
Salaries and wages	\$ 1,809,885	\$ 458,111	\$ 2,267,996
Contracted services	509,406	34,946	544,352
Payroll taxes and employee benefits	200,924	50,231	251,155
Advertising	240,765	1,805	242,570
Facilities and equipment	105,018	45,006	150,024
Telephone and utilities	77,903	33,387	111,290
Training and education	97,275	-	97,275
Indirect costs	-	69,677	69,677
Insurance	26,101	8,700	34,801
Depreciation	24,852	8,284	33,136
Travel	24,101	1,368	25,469
Other costs	98,873	-	98,873
Total operating expense	\$ 3,215,103	\$ 711,515	\$ 3,926,618

See Notes to Financial Statements

FIRST CHOICE SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Activities	Administrative and General	Total Operating Expense
OPERATING EXPENSE			
Salaries and wages	\$ 1,085,239	\$ 430,247	\$ 1,515,486
Contracted services	497,094	24,728	521,822
Payroll taxes and employee benefits	150,655	58,589	209,244
Advertising	20,597	363	20,960
Facilities and equipment	80,674	34,575	115,249
Telephone and utilities	47,267	20,256	67,523
Training and education	5,462	-	5,462
Indirect costs	-	3,902	3,902
Insurance	17,240	5,746	22,986
Depreciation	30,273	10,091	40,364
Travel	10,663	965	11,628
Other costs	47,960	-	47,960
Total operating expense	\$ 1,993,124	\$ 589,462	\$ 2,582,586

See Notes to Financial Statements

FIRST CHOICE SERVICES, INC.**STATEMENTS OF CASH FLOWS**
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 190,442	\$ 106,960
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	33,136	40,364
(Increase) decrease in assets:		
Grants receivable	(34,392)	-
Other receivables	(419,702)	233,616
Prepaid assets	(11,545)	(4,380)
Increase (decrease) in liabilities:		
Deferred revenue	17,578	-
Accounts payable	98,640	(37,402)
Accrued salaries and benefits	60,235	(46,712)
	<u>(65,608)</u>	<u>292,446</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of furniture and equipment	<u>(17,919)</u>	<u>(31,311)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on note payable, related party	455,110	-
Payments on note payable, related party	<u>-</u>	<u>(128,263)</u>
	<u>455,110</u>	<u>(128,263)</u>
Net cash provided by (used in) financing activities		
	<u>371,583</u>	<u>132,872</u>
Net increase in cash		
Cash:		
Beginning	<u>153,898</u>	<u>21,026</u>
Ending	<u>\$ 525,481</u>	<u>\$ 153,898</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 2,022</u>	<u>\$ -</u>

See Notes to Financial Statements

FIRST CHOICE SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

First Choice Services, Inc., (Organization) is a nonprofit corporation under the laws of the State of West Virginia. The Organization assists multiple states in various ongoing projects related to mental health and addiction services, including numerous helpline services for those struggling with a multitude of addiction related issues or needing suicide prevention intervention. The Organization is located in Charleston, West Virginia.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenue are recognized when earned, rather than when received, and expenses are recognized when incurred, rather than when paid.

Management's 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 and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and deposit risk: In the normal course of business, the Organization may have deposits with local financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses in such accounts.

Grants receivable: Grants receivable represents amounts billed to federal and state agencies, but not paid as of the fiscal year end. Certain grants which allow the Organization to draw down at any time would be included as a receivable and net assets with donor restrictions if the award has been made but the amount has not been drawn down by the Organization.

Other receivables: Other receivables represent amounts owed the Organization by various contracts related to counseling services provided.

Furniture and equipment: Furniture and equipment are stated at cost for purchased items and fair value for contributed items. Assets whose expected useful lives are in excess of one year and cost (or fair value) is above a threshold established by the Board of Directors are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Amortization expense on assets acquired under capital lease would be included with depreciation expense. Normal repairs and maintenance are expensed as incurred.

Upon sale or retirement of depreciable assets, costs and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss on the sale is included in operations.

Compensated absences: A liability for compensated absences earned, but not paid as of June 30, 2019 and 2018, has been recognized and is included in accrued salaries and benefits on of the statements of financial position. As of June 30, 2019 and 2018, \$66,641 and \$35,290 remain unpaid, respectively.

Economic dependency: The Organization receives a significant portion of its support from state government grants and contracts. A material reduction in the level of support or nonpayment of fees generated would have a significant impact on the Organization's programs and activities and its ability to continue as a going concern. Grant and contract revenue is provided primarily to residents of West Virginia, Pennsylvania, and Virginia. General economic conditions in these areas significantly influence the Organization's ability to collect fees for services rendered.

FIRST CHOICE SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Net assets: Net assets, revenue, gains, and losses are classified based on donor-imposed stipulations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor or grantor restrictions. All revenue not restricted by donors or grantors and donor restricted contributions whose restrictions are satisfied in the same period in which they are received are accounted for as net assets without donor restrictions.

Net assets with donor restrictions result from contributions, grants, or other inflows of assets whose use by the Organization is limited by donor or grantor imposed stipulations. Those restrictions can be removed by the passage of time, by actions of the Organization pursuant to those stipulations, or from other asset enhancements and diminishments subject to the same kinds of stipulations. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any net assets with donor restrictions as of June 30, 2019 or 2018.

Change in net assets: The statements of activities and changes in net assets report the change in net assets as the performance indicator as there are no transactions that would be considered peripheral or incidental to the operation of the Organization. Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and support. Peripheral or incidental transactions would be reported as other income. Other changes in net assets would include, consistent with industry practice, grant funds received with restrictions, which would be excluded from the change in net assets without donor restrictions.

Functional expense allocation: The program activities of the Organization and the administrative and general costs have been summarized on a functional basis on the statements of functional expenses for the years ended June 30, 2019 and 2018. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated between program activities and administrative and general costs.

Income taxes: The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is recognized as tax exempt under 501(a) of the Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an entity that is not a private foundation under 509(a)(1). The Organization had no unrelated business income during the years ended June 30, 2019 and 2018. Accordingly, no provision for income taxes has been provided.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken by the Organization and recognize a tax liability or asset if the Organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). The Organization has concluded that as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements.

Generally, tax returns for years ended June 30, 2016, and thereafter remain subject to examination by federal and state tax authorities.

Advertising: Advertising costs are expensed as incurred. Total advertising costs for the years ended June 30, 2019 and 2018 are separately stated on the statements of activities and changes in net assets.

Reclassifications: Certain minor reclassifications have been made to the 2018 financial statements to conform to the presentation used in 2019.

Subsequent events: In preparing these financial statements, the Organization evaluated events that occurred through February 14, 2020, the date the financial statements were available to be issued, for potential recognition or disclosure.

FIRST CHOICE SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Recent Accounting Pronouncements

Revenue recognition: In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. This ASU attempts to remove inconsistencies and weaknesses in the current revenue recognition requirements, provides a more robust framework for addressing issues, improves comparability across entities and industries, provides more useful information to the users of the financial statements, and simplifies the preparation of financial statements by consolidating the number of requirements required to be referenced. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. The Organization will adopt this guidance for the year ending June 30, 2020. The Organization has evaluated the adoption of the guidance and does not currently believe it will have a material impact on its financial statements.

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. This ASU requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. In addition, the updated guidance requires that lessors separate lease and non-lease components in a contract in accordance with ASU 2014-09. Transition guidance is provided within the ASU and generally requires a retrospective approach. The Organization is currently evaluating the impact, if any, that adoption will have on its June 30, 2022 financial statements.

Not-for-Profit entities: In August 2016, the FASB issued ASU 2016-14, (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments of this ASU change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendments include qualitative and quantitative requirements in the financial statement presentation and disclosures regarding net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The Organization adopted this guidance during the year ended June 30, 2019. The Organization applied the ASU retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources as permitted by ASU 2016-14. Adoption of this guidance did not have a material effect on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFPs) and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. The new ASU does not apply to transfers of assets from governments to businesses. The Organization is currently evaluating the impact, if any, that adoption will have on its June 30, 2020 financial statements.

Note 2. Line of Credit

The Organization has a line of credit with WesBanco Bank, Inc. in the amount of \$500,000, with interest payable at 5.50%. The Organization did not have an outstanding balance under this line of credit as of June 30, 2019 or 2018. This line is secured by all assets of the Organization.

FIRST CHOICE SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note 3. Related Party Transactions

The Organization has borrowed funds from First Choice Health Systems, Inc. (Company), (a for profit company) for startup and operating capital. The amounts outstanding are reported on the statements of financial position as note payable, related party. The Company is related to First Choice Services, Inc. through common board members. The loan is a demand note with no interest being charged on the loan. The balance on the loan was \$784,503 and \$329,393 as of June 30, 2019, and 2018, respectfully.

Note 4. Retirement

The Organization has established a 401(k) deferred compensation plan (Plan) for the benefit of eligible employees to defer a portion of their annual compensation. All employees are eligible to participate if they meet certain criteria. As of June 30, 2019 and 2018, there was no outstanding balance for retirement plan liability. The Organization paid \$38,256 and \$23,926 for retirement plan costs for the years ended June 30, 2019 and 2018, respectively.

Note 5. Operating Leases

The Organization leases office space and parking under various operating lease agreements. Office lease costs are \$7,775 per month ending May 31, 2020. This office space has not been extended at this time. The parking lease was \$650 for the first nine months of the year, but increased to \$1,500 in April 2019. Rent expense for the year also includes small amounts for storage buildings and other minor items.

Note 6. Liquidity and Availability

As of June 30, 2019, the Organization has working capital of approximately \$356,000. Financial assets available for general expenditure within one year of the statement of financial position consist of the following as of June 30, 2019:

Cash	\$	525,481
Grants receivable		406,073
Other receivables		584,476
		<hr/>
	\$	<u>1,516,030</u>

The Organization has a goal to maintain financial assets, which consist of cash on hand, to meet 60 days of normal operating expenses, which are, on average, approximately \$650,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 7. Commitments and Contingencies

Laws and regulations: The not-for-profit industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, grant program participation requirements, reimbursement for services, and fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations. Violations of these laws and regulations could result in expulsion from government programs together with the imposition of significant fines and penalties, as well as significant repayments for services and costs previously billed.

FIRST CHOICE SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Management believes that the Organization is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

FIRST CHOICE SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Federal Grantor / Pass-Through Grantor / Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Cooperative Agreement to Support Navigators in Federally-Facilitated Exchanges	93.332		<u>\$ 154,873</u>
Passed through Pennsylvania Department of Drug and Alcohol Programs:			
Opioid STR	93.788		<u>940,829</u>
Passed through West Virginia Department of Health and Human Resources:			
Block Grants for Community Mental Health Services	93.958	G180584	26,928
Block Grants for Community Mental Health Services	93.958	G190502	<u>114,622</u>
Total passed through West Virginia of Health and Human Resources			<u>141,550</u>
Total expenditures of federal awards			<u><u>\$ 1,237,252</u></u>

*See Notes to Schedule of Expenditure of Federal Awards
See Independent Auditor's Report*

FIRST CHOICE SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the First Choice Services, Inc. (Organization) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. Additionally, due to the different reporting requirements of the financial statements from those of the above Schedule, some amounts presented may differ from amounts presented in, or used in, the preparation of the financial statements.

Note 2. 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 3. Indirect Costs

The Organization has negotiated indirect cost rates on some of its grants and awards and also has filed an indirect cost rate proposal for other awards.

Note 4. Sub-recipients

The Organization does not pass federal awards to sub-recipients.

FIRST CHOICE SERVICES, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2019

State Grantor / Program	Grant Number	Grant Award	Grant Receipts	Grant Expenditures	Receivable (Deferred)
West Virginia Department of Health and Human Resources:					
Governor's Advisory Council on Substance Abuse	G180547	\$ 210,000	\$ 46,304	\$ 46,304	\$ -
	G190539	210,000	140,700	129,000	(11,700)
		<u>420,000</u>	<u>187,004</u>	<u>175,304</u>	<u>(11,700)</u>
Adult Mental Health Programs	G190282	<u>550,000</u>	<u>480,436</u>	<u>550,000</u>	<u>69,564</u>
Total expenditures of state awards		<u>\$ 970,000</u>	<u>\$ 667,440</u>	<u>\$ 725,304</u>	<u>\$ 57,864</u>

*See Notes to Schedule of Expenditure of State Awards
See Independent Auditor's Report*

FIRST CHOICE SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state awards (Schedule) includes the state award activity of First Choice Services, Inc. (Organization) under programs of the state government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the State of West Virginia. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization. Additionally, due to the different reporting requirements of the financial statements from those of the above Schedule, some amounts presented may differ from amounts presented in, or used in, the preparation of the financial statements.

Note 2. 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 and the State of West Virginia, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Costs

The Organization has negotiated indirect cost rates on some of its grants and awards and also has filed an indirect cost rate proposal for other awards.

Note 4. Sub-recipients

The Organization does not pass state awards to sub-recipients.



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

Board of Directors
First Choice Services, Inc.
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of First Choice Services, Inc. (Organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered First Choice Services, Inc.'s internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of First Choice Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether First Choice Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

First Choice Services, Inc.'s Response to Findings

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and is addressed in a separate letter of response. The Organization's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
February 14, 2020

DHHR - Finance

MAR 12 2020

Date Received



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

Board of Directors
First Choice Services, Inc.
Charleston, West Virginia

Report on Compliance for the Major Federal Program

We have audited First Choice Services, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on First Choice Services, Inc.'s major federal program for the year ended June 30, 2019. First Choice Services, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for First Choice Services, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about First Choice Services, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of First Choice Services, Inc.'s compliance with those requirements.

Opinion on Major Federal Program

In our opinion, First Choice Services, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of First Choice Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered First Choice Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of First Choice Services, Inc.'s 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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
February 14, 2020

DHHR - Finance

MAR 12 2020

Date Received
DHHR - Finance

MAR 12 2020

Date Received
Arnett
Carbis
Toothman
CPAs & Advisors

FIRST CHOICE SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

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

Unmodified

Internal control over major program:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

93.788

Opioid STR

Dollar threshold used to distinguish between
type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

FIRST CHOICE SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant deficiencies in Internal Control over Financial Reporting

Finding 2019 – 001

Finding: Internal control over cash and credit card disbursements

Criteria: Internal controls related to cash and credit card expenditures is critical to ensuring that the Organization has the appropriate approval and support for an expenditure in addition to ensuring that the expense is captured and classified appropriately on the general ledger.

Condition: The Organization has policies and procedures in place to obtain approval for all expenditures prior to entry into its accounting system. However, proper approval was not always obtained from directors or management pursuant to the policy.

Cause: The Organization did not utilize its own policy of obtaining approval from a director or management for invoices or credit card charges prior to entry of the expenditure into the accounting system.

Effect: Many expenses did not have evidence of proper authorization of the expense, either from a director or from management.

Recommendation: The Organization should follow the established policy of obtaining proper authorization for expenditures from directors or management prior to entry and payment of invoices and credit card charges.

Questioned Costs: There were no questioned costs associated with this finding.

Views of Responsible Officials: Management agrees with the recommendation and will retrain both directors and those with duties of data entry in the accounting system to ensure all invoices and credit card expenditures are properly authorized.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

FIRST CHOICE SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019

None reported.