



UNITED SUMMIT CENTER, INC.

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

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Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
United Summit Center, Inc.
Clarksburg, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of United Summit Center, Inc. (a non-profit organization), which comprise the balance sheets as of December 31, 2019 and 2018 and the related statements of operations, changes in net assets 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 United Summit Center, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements for the years ended December 31, 2019 and 2018, United Summit Center, Inc. adopted new accounting guidance, FASB ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules, as listed in the index, 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 April 23, 2020, on our consideration of United Summit Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Summit Center, Inc.'s internal control over financial reporting and compliance.

Getrick + Barclay, PLLC

Fairmont, West Virginia
April 23, 2020

UNITED SUMMIT CENTER, INC.
BALANCE SHEETS
DECEMBER 31,

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,080,821	\$ 1,743,484
Patient accounts receivable, net of contractual allowances and allowance for doubtful collections of approximately \$1,310,584 in 2019 and \$1,611,691 in 2018	3,264,310	2,249,724
Other receivables	652,822	2,035,394
Due from affiliates	-	247,716
Deposits and prepaid expenses	11,429	8,427
Total current assets	<u>5,009,382</u>	<u>6,284,745</u>
Assets Whose Use is Limited		
Board-designated funds:		
Funded depreciation	5,140,983	4,409,502
Total assets whose use is limited	<u>5,140,983</u>	<u>4,409,502</u>
Long-Term Investments	<u>22,330</u>	<u>17,933</u>
Land, Property and Equipment (net)	<u>1,405,021</u>	<u>1,866,095</u>
Right-of-use operating lease assets	<u>1,910,115</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 13,487,831</u>	<u>\$ 12,578,275</u>

	2019	2018
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 686,179	\$ 611,639
Due to affiliates	2,228,551	1,465,744
Salaries and benefits payable	1,382,465	1,932,608
Current portion of operating lease liability	788,125	-
Total current liabilities	<u>5,085,320</u>	<u>4,009,991</u>
Operating lease liability, less current portion	<u>1,121,990</u>	<u>-</u>
Total Liabilities	<u>6,207,310</u>	<u>4,009,991</u>
Net Assets		
Without donor restrictions:		
Undesignated	2,139,538	4,158,782
Funded depreciation	<u>5,140,983</u>	<u>4,409,502</u>
Total net assets without donor restrictions	<u>7,280,521</u>	<u>8,568,284</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,487,831</u>	<u>\$ 12,578,275</u>

See accompanying notes and independent auditor's report.

**UNITED SUMMIT CENTER, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,**

	2019	2018
Changes in Net Assets without Donor Restrictions		
Unrestricted revenues and support		
Patient service revenues (net of contractual allowances and discounts)	\$ 16,295,418	\$ 17,103,960
Provision for bad debts	<u>(50,799)</u>	<u>(670,887)</u>
Net patient service revenues	16,244,619	16,433,073
Federal and state support	4,273,593	4,475,134
County support	-	70,741
Other income	<u>77,000</u>	<u>299,943</u>
Total unrestricted revenues and support	<u>20,595,212</u>	<u>21,278,891</u>
Expenses		
Salaries and wages	11,399,403	14,042,111
Contracted labor	528,045	594,874
Employee benefits	6,072,871	4,502,247
Purchased services and fees	1,352,344	1,076,810
Travel and registration fees	468,246	610,477
Occupancy	1,589,493	1,866,819
Supplies	580,585	677,880
Depreciation	510,609	517,759
Other expenses	<u>272,836</u>	<u>275,904</u>
Total expenses	<u>22,774,432</u>	<u>24,164,881</u>
Operating income (loss)	(2,179,220)	(2,885,990)
Other income		
Investment income (loss)	<u>758,082</u>	<u>(138,172)</u>
Change in net assets without donor restrictions	<u>\$ (1,421,138)</u>	<u>\$ (3,024,162)</u>

See accompanying notes and independent auditor's report.

UNITED SUMMIT CENTER, INC.
 STATEMENTS OF CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31,

	<u>Without Donor</u> <u>Restrictions</u>	<u>Total</u>
Net assets, January 1, 2018	\$ 11,592,446	\$ 11,592,446
Change in net assets without donor restrictions for the year ended December 31, 2018	<u>(3,024,162)</u>	<u>(3,024,162)</u>
Net assets, December 31, 2018	8,568,284	8,568,284
Change in net assets without donor restrictions for the year ended December 31, 2019	(1,421,138)	(1,421,138)
Transfers from affiliate	<u>133,375</u>	<u>133,375</u>
Net assets, December 31, 2019	<u>\$ 7,280,521</u>	<u>\$ 7,280,521</u>

See accompanying notes and independent auditor's report.

UNITED SUMMIT CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (1,421,138)	\$ (3,024,162)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	510,609	517,759
Net realized and unrealized losses (gains) on investments	(606,454)	306,353
(Gain) on sale of property and equipment	-	(12,147)
Provision for bad debts	50,799	670,887
(Increase) decrease in:		
Patient accounts receivable	(1,065,385)	38,686
Other receivables	1,382,572	(1,010,563)
Due from affiliates	247,716	(247,716)
Deposits and prepaid expenses	(3,002)	115,495
Increase (decrease) in:		
Accounts payable and accrued expenses	74,540	(780,495)
Salaries and benefits payable	(550,143)	(206,150)
Due to affiliates	762,807	1,465,744
Estimated medical malpractice claims liability	-	(491,284)
Net cash provided by (used in) operating activities	<u>(617,079)</u>	<u>(2,657,593)</u>
Cash Flows from Investing Activities		
Net (purchases) sales of assets whose use is limited:		
By Board for funded depreciation	(129,424)	(133,946)
By Board for self-funded malpractice insurance	-	826,611
Acquisition of property and equipment	(49,535)	(214,839)
Proceeds from sale of property and equipment	-	31,647
Net cash provided by (used in) investing activities	<u>(178,959)</u>	<u>509,473</u>
Cash Flows from Financing Activities		
Transfers from affiliate	133,375	-
Net cash provided by (used in) financing activities	<u>133,375</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(662,663)	(2,148,120)
Cash and cash equivalents - beginning	<u>1,743,484</u>	<u>3,891,604</u>
Cash and cash equivalents - ending	<u>\$ 1,080,821</u>	<u>\$ 1,743,484</u>

See accompanying notes and independent auditor's report.

UNITED SUMMIT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Organization

United Summit Center, Inc. (the Center) is a non-profit West Virginia corporation established for the purpose of providing quality behavioral health services to people who have acute and chronic psychiatric, developmental disabilities, substance abuse problems and to people who are in crisis in Barbour, Braxton, Gilmer, Harrison, Lewis, Marion, Monongalia, Preston, Taylor, and Upshur counties. Funding for operations is primarily from grant sources, purchased service contracts with the State of West Virginia, and fees for services provided.

On July 1, 2018, West Virginia United Hospitals, Inc. (WVUH) became the sole member of United Summit Center, Inc. Prior to July 1, 2018, United Hospital Center, Inc. (UHC) was the parent corporation to United Summit Center, Inc. WVUH approves the majority of Center's board appointments. The existence of this relationship could result in changes in net assets or financial position of United Summit Center, Inc. that are significantly different from those that would have been obtained if the organizations were autonomous.

Also, the Center's financial statements are included in the consolidated financial statements of West Virginia United Health System (WVUHS), the parent corporation of WVUH and UHC.

Basis of Accounting

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

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

Patient Accounts Receivable

Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payer classifications, and application of historical write-off percentages.

A significant concentration of net patient receivables at December 31, 2019 and 2018, includes amounts receivable for the Medicaid programs, 48% and 60%, respectively. Laws and regulations governing the Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Board of Directors (the Board) for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes. It also includes assets held by trustee for future self-funded malpractice insurance claims.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues (less than) in excess of expenses unless the income or loss is restricted by donor or law.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Land, Property and Equipment

Land, property and equipment acquired by the Center are considered to be owned by the Center. However, funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The funding sources have a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life greater than one year. Accordingly, the Center capitalizes all expenditures for fixed assets acquired with grant funds which have a cost of \$1,000 or more and an estimated useful life greater than one year. Computers, cell phones, tablets, and other hand-held electronic devices purchased with grant funds are capitalized regardless of cost as required by the granting agency.

The Center follows the practice of capitalizing, at cost, all expenditures for fixed assets acquired with Center funds in excess of \$2,000 for an individual item and \$5,000 for a group of like items with an individual cost of less than \$2,000 each. Depreciation is computed on a straight-line basis over the useful lives of the assets.

Leases

At lease inception, the Center determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities and noncurrent lease liabilities in the accompanying financial statements. Finance leases are included in property and equipment, current finance lease liabilities and long-term liabilities in the accompanying financial statements. ROU assets represent the Center's right to use leased assets over the term of the lease. Lease liabilities represent the Center's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Center uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Center uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs and any prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates and the presence of factors that would cause a significant economic penalty to the Center if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Center has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in lease expense in the accompanying statements of operations.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For finance leases, after lease commencement, the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term. The discount rate used by the Center for finance leases is generally the incremental borrowing rate, as most such leases do not provide a readily determinable implicit interest rate. To the extent a lease arrangement includes both lease and non-lease components, the components are not accounted for separately.

Net Patient Service Revenue

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted, as necessary, in future periods as tentative and final settlements are received. It is reasonably possible that the estimates used could change in the near term.

Charity Care

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenues.

The amount of estimated charity care costs for the years ended December 31, 2019 and 2018 were \$182,000 and \$808,000, respectively. The estimated costs were calculated based upon a ratio of cost to gross charges, and then multiplying that ratio by the provision for charity care (forgone charity care revenue).

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Income Taxes

The United Summit Center, Inc. is exempt from federal and state income taxes under section 501 (c)(3) of the Internal Revenue Code.

The Center accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2019 and 2018.

All required federal information returns for the Center have been filed up to, and including the tax year ended December 31, 2018. The Center's federal information returns for 2016, 2017 and 2018 remain subject to examination by the Internal Revenue Service.

New Accounting Pronouncements

Effective January 1, 2019, the Center adopted the requirements of ASU 2016-02, *Leases (Topic 842)*. The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance, (*Topic 840*), is the recognition of a right-of-use (“ROU”) asset and lease liability on the balance sheet. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Center was required to measure and recognize leases that existed at January 1, 2019 using a modified retrospective approach. For leases existing at the effective date, the Center elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification and did not reassess what qualifies as an initial direct cost. The adoption of *Topic 842* resulted in the recognition of operating ROU assets and lease liabilities of approximately \$2,747,000. The accounting for finance leases remained substantially unchanged with the adoption of *Topic 842*.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. Deposits

The Center's deposits are categorized to give an indication of the level of risk assumed by the Center at December 31, 2019 and 2018. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Center or its agent in the Center's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Center's name.

Category 3 - Uncollateralized.

	2019				
	<u>Bank</u>		<u>Category</u>		<u>Carrying</u>
	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>
Cash on hand	\$ -	\$ -	\$ -	\$ -	\$ -
Checking	<u>1,273,444</u>	<u>250,000</u>	<u>1,023,444</u>	<u>-</u>	<u>1,080,821</u>
Total cash	<u>\$ 1,273,444</u>	<u>\$ 250,000</u>	<u>\$ 1,023,444</u>	<u>\$ -</u>	<u>\$ 1,080,821</u>
	2018				
	<u>Bank</u>		<u>Category</u>		<u>Carrying</u>
	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>
Cash on hand	\$ -	\$ -	\$ -	\$ -	\$ 300
Checking	<u>2,252,266</u>	<u>250,000</u>	<u>2,002,266</u>	<u>-</u>	<u>1,743,184</u>
Total cash	<u>\$ 2,252,266</u>	<u>\$ 250,000</u>	<u>\$ 2,002,266</u>	<u>\$ -</u>	<u>\$ 1,743,484</u>

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Liquidity and Availability of Resources

The Center structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Center's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019 and 2018 are as follows:

	2019	2018
Cash and cash equivalents	\$ 1,080,821	\$ 1,743,484
Patient accounts receivable, net	3,264,310	2,249,724
Other receivables	652,822	2,035,394
Due from affiliates	-	247,716
Assets whose use is limited, Board designated funded depreciation	<u>4,112,786</u>	<u>3,527,602</u>
Total	<u>\$ 9,110,739</u>	<u>\$ 9,803,920</u>

The Center estimates that approximately 80% of the board designated funded depreciation is available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above.

4. Other Receivables

Other receivables consist of the following at December 31,:

	2019	2018
Grant receivable	\$ 551,519	\$ 1,128,405
Malpractice insurance receivable	-	894,320
Various	<u>101,303</u>	<u>12,669</u>
Total other receivables	<u>\$ 652,822</u>	<u>\$ 2,035,394</u>

See independent auditor's report.

**UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

5. Investments

Assets Whose Use is Limited

The composition of assets whose use is limited, stated at fair value, at December 31, 2019 and 2018, is set forth below.

	2019	2018
Board-designated funds:		
Funded depreciation		
Cash and cash equivalents	\$ 5,140,983	\$ 74,915
Mutual funds		
US fixed income	-	1,998,736
International fixed income	-	411,055
US large cap equity	-	1,103,970
US mid cap equity	-	202,581
International equity	-	618,245
	<u>5,140,983</u>	<u>4,409,502</u>
Total Board-designated funds	<u>5,140,983</u>	<u>4,409,502</u>
Total Assets Whose Use is Limited	<u>\$ 5,140,983</u>	<u>\$ 4,409,502</u>

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Long-Term Investments

The composition of long-term investments at December 31, 2019 and 2018 is set forth below.

	2019	2018
Equity Securities - Financial	<u>\$ 22,330</u>	<u>\$ 17,933</u>

Investment income and gains for assets whose use is limited, cash equivalents, and long-term investments are comprised of the following for the years ending December 31, 2019 and 2018:

	2019	2018
Income:		
Interest and dividend income	\$ 164,817	\$ 168,180
Investment fees	(13,189)	-
Realized (losses) gains	633,030	127,056
Unrealized (losses) gains	<u>(26,576)</u>	<u>(433,408)</u>
	<u>\$ 758,082</u>	<u>\$ (138,172)</u>

6. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2. Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Cash and cash equivalents: these investments are carried at cost which approximates fair value.

Equity securities: the fair value of these investments are based on quoted market prices

Mutual funds: Valued at the net asset value of shares held, which approximates fair value.

Exchange traded funds: Valued at the quoted net asset value of shares (basis for trade), which approximates fair value.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Fair value of assets and liabilities are measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	<u>Assets at Fair Values as of December 31, 2019</u>			
	Level 1	Level 2	Level 3	Total
Assets whose use is limited				
Cash and cash equivalents	\$ 5,140,983	\$ -	\$ -	\$ 5,140,983
Total assets whose use is limited	5,140,983	-	-	5,140,983
Long-term investments:				
Equity securities - financial	22,330	-	-	22,330
Total	<u>\$ 5,163,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,163,313</u>
	<u>Assets at Fair Values as of December 31, 2018</u>			
	Level 1	Level 2	Level 3	Total
Assets whose use is limited				
Cash and cash equivalents	\$ 74,915	\$ -	\$ -	\$ 74,915
Mutual funds:				
US fixed income	1,998,736	-	-	1,998,736
International fixed income	411,055	-	-	411,055
US large cap equity	1,103,970	-	-	1,103,970
US mid cap equity	202,581	-	-	202,581
International equity	618,245	-	-	618,245
Total assets whose use is limited	4,409,502	-	-	4,409,502
Long-term investments				
Equity securities - financial	17,933	-	-	17,933
Total	<u>\$ 4,427,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,427,435</u>

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

7. Land, Property and Equipment

The following is a summary of land, property and equipment at December 31,:

	2019	2018
Land improvements	\$ 62,328	\$ 85,096
Buildings	106,375	58,012
Leasehold improvements	2,719,125	2,869,050
Furniture and fixtures	106,691	846,177
Equipment	<u>3,931,242</u>	<u>3,849,918</u>
	6,925,761	7,708,253
Less: Accumulated depreciation	<u>(5,520,740)</u>	<u>(5,867,463)</u>
	1,405,021	1,840,790
Construction in progress	<u>-</u>	<u>25,305</u>
Total	<u>\$ 1,405,021</u>	<u>\$ 1,866,095</u>

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$510,609 and \$517,759, respectively.

8. Patient Service Revenues (Net of Contractual Allowances and Discounts)

The following is a summary of net patient service revenues for the years ended December 31,:

	2019	2018
General patient revenues	\$ 26,822,285	\$ 29,247,870
Less: Provision for charity care	<u>(214,811)</u>	<u>(978,259)</u>
Gross patient revenues	26,607,474	28,269,611
Less: Provision for contractual allowance	<u>(10,312,056)</u>	<u>(11,165,651)</u>
Patient service revenues (net of contractual allowances and discounts)	<u>\$ 16,295,418</u>	<u>\$ 17,103,960</u>

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

The Center has agreements with third-party payers that provide for payments to the Center at amounts different from its established rates. A significant portion of the Center's net patient service revenues is derived from these third-party payer programs. A summary of the principal payment arrangements with major third-party payers follows:

Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are paid on a published fee schedule.

Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Net patient service revenue from Medicaid programs accounted for approximately 85% and 85%, respectively, of the Center's net patient service revenue for 2019 and 2018. Laws and regulations governing the Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

9. Leases

Effective January 1, 2019, the Center adopted the requirements of ASU 2016-02, *Leases (Topic 842)*. The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance, (*Topic 840*), is the recognition of a right-of-use (“ROU”) asset and lease liability on the balance sheet. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Center was required to measure and recognize leases that existed at January 1, 2019 using a modified retrospective approach. For leases existing at the effective date, the Center elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification and did not reassess what qualifies as an initial direct cost. The adoption of *Topic 842* resulted in the recognition of United Summit Center operating ROU assets and lease liabilities of approximately \$2,747,000. The accounting for finance leases remained substantially unchanged with the adoption of *Topic 842*.

The Center leases certain equipment and office buildings under the terms of non-cancellable operating leases. For leases with terms greater than 12 months, the related right-of-use assets and right-of-use obligations are recorded at the present value of lease payments over the term. Many of the leases include rental escalation clauses and renewal options that are factored into the determination of lease payments when appropriate.

The components of lease expense (and related classification in the accompanying statements of operations) were as follows during 2019:

Operating lease cost (occupancy expense)	<u>\$ 1,241,355</u>
Total lease cost	<u>\$ 1,241,355</u>

Rental expense for all operating leases was \$1,105,218 in 2018.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Cash paid for amounts included in the measurement of lease liabilities for the year ended December 31, 2019 is as follows:

Operating cash flows from operating leases	<u>\$ 1,241,355</u>
Total	<u><u>\$ 1,241,355</u></u>

The following table presents lease-related assets and liabilities at December 31, 2019:

Operating leases:	
Right-of-use operating lease assets	\$ 1,910,115
Current operating lease liabilities	788,125
Noncurrent operating lease liabilities	<u>1,121,990</u>
Total operating lease liabilities	<u><u>\$ 1,910,115</u></u>

Other information:

Weighted-average remaining lease term - operating leases	3.4 years
Weighted-average remaining lease term - finance leases	N/A
Weighted-average discount rate - operating leases	5.11%
Weighted-average discount rate - finance leases	N/A

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

The following is a schedule of lease liability maturities related to leases with third-parties for the years ending:

	<u>Operating</u>
2020	\$ 563,284
2021	448,711
2022	293,522
2023	219,394
2024	177,024
Thereafter	<u>22,037</u>
Total	1,723,972
Less: interest	<u>(128,658)</u>
Lease liability	<u>\$ 1,595,314</u>

The following is a schedule of lease liability maturities related to leases classified as operating with affiliates for the years ending:

	<u>Operating</u>
2020	\$ 276,000
2021	46,000
2022	-
2023	-
2024	-
Thereafter	<u>-</u>
Total	322,000
Less: interest	<u>(7,199)</u>
Lease liability	<u>\$ 314,801</u>

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

10. Defined Contribution Plan

Prior to January 1, 2019, the Center sponsored a defined contribution plan which covered substantially all employees. The employees could make tax deferred contributions to the plan. Under the plan, the Center contributed 2% of base compensation that a participant contributed to the plan. Effective January 1, 2019, the Center joined the defined contribution plan sponsored by WVUH, which covers substantially all full-time employees. Employees are eligible to contribute, and the Center will match a percentage of their base compensation up to a limit depending on the employee's years of service. Both employee and employer contributions are 100% vested upon entry into the plan. Employer match pension expense for 2019 and 2018 was \$167,455 and \$228,100, respectively.

11. Related-Party Transactions

UHC acquired assets on behalf of the Center in November 1996 for \$323,505. Further equity contributions from UHC to the Center for the period November 1, 1996 to December 31, 1997, amounted to \$800,000.

UHC provides various legal and administrative support to the Center. Payments for these services were \$299,856 in 2019 and \$67,041 in 2018, and the associated expenses are included in salaries and wages and purchased services and fees in the statement of operations. UHC also leases facilities to the Center. The Center paid \$568,804 and \$479,856 in 2019 and 2018, respectively, pursuant to the lease agreements, and the associated expenses are included in occupancy in the statement of operations. The total amount payable to UHC for these services was \$307,126 at December 31, 2019 and \$339,692 at December 31, 2018.

WVUHS performs certain information technology and administrative support services on behalf of the Center. Payments for these services were \$1,648,932 in 2018 and \$1,041,776 in 2018, and the associated expenses are included in purchased services and fees in the statement of operations. The total amount payable to WVUHS for these services was \$132,502 at December 31, 2019 and \$161,926 at December 31, 2018.

The Center performed certain information technology and administrative support services on behalf of WVUHS in 2018. Payments for these services were \$689,386 in 2018. The total amount receivable from WVUHS for these services was \$-0- at December 31, 2019 and \$152,454 at December 31, 2018.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

12. Medical Malpractice Claims Coverage

Beginning on January 1, 2018, WVUHS formed a captive insurance company for its malpractice insurance. The Center is billed a premium from WVUHS and has no ownership in the captive insurance company. The Center accounts for its malpractice insurance on a premium basis. Prior to January 1, 2018, the Center participated in a self-insurance program for medical malpractice insurance and general liability insurance with UHC. The program required the Center to deposit funds held in trust, based upon actuarial calculations, sufficient to cover estimated claims.

The Center believes it has adequate insurance coverages and accruals for all asserted claims and it has no knowledge of unasserted claims which would exceed its insurance coverages and accruals.

13. Workers' Compensation Claims Coverage

The Center participates in the WVUHS pool for its workers compensation coverage. The WVUHS pool's workers' compensation policies provide statutory workers' compensation limits of liability to its participants. WVUHS was required to establish a loss fund with both insurers and to provide a letter of credit to secure the deductible obligation. The two letters of credit total \$5,485,000 and are automatically renewed by the bank every July 1st unless notified 90 days prior to the renewal date.

The loss fund is drawn on by the insurer and replenished by WVUHS on request by the insurer with a guideline that the fund shall have a balance of approximately 2 ½ months of average claims payments. The Center's estimated allocation of payments of workers' compensation claims liability, included in salaries and benefits payable on the balance sheet, was \$303,140 and \$338,428 at December 31, 2019 and 2018, respectively.

14. Health Insurance Benefits

Effective January 1, 2019, the Center participates in WVUHS's employee health insurance coverages. WVUHS self-funds its employee health insurance coverages and accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its individual and aggregate stop-loss insurance coverages, based upon data provided by the third-party administrators of the programs and its historical claims experience. WVUHS bills the Center for its reported claims and the Center accrues those claims.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Prior to January 1, 2019, the Center self-insured its employee health insurance coverage under an arrangement using contract administrators. The Center also participated in the WVUHS pool for its stop-loss insurance coverage. The Center paid premiums to the pool which was used to obtain external stop loss coverage and to pay individual claims incurred in excess of set amounts during a calendar year. The Center accrued the estimated costs of incurred and reported and incurred but not recorded claims, after consideration of its individual and aggregate stop-loss insurance coverage, based upon data provided by the third-party administrators of the programs and its historical claims experience.

The Center's estimated claims liability, included in salaries and benefits payable on the balance sheet, was \$114,533 and \$367,093 at December 31, 2019 and 2018, respectively.

15. Functional Expenses

The Center provides mental health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2019 and 2018 are as follows:

	<u>Mental health care</u>	2019	
	<u>services</u>	<u>General and</u>	<u>Total</u>
		<u>Administrative</u>	
Salaries and wages	\$ 11,070,663	\$ 328,740	\$ 11,399,403
Contracted labor	498,104	29,941	528,045
Employee benefits	5,938,694	134,177	6,072,871
Purchased services and fees	808	1,351,536	1,352,344
Travel and registration fees	464,715	3,531	468,246
Occupancy	1,536,220	53,273	1,589,493
Supplies	537,547	43,038	580,585
Depreciation	248,263	262,346	510,609
Other expenses	138,727	134,109	272,836
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 20,433,741</u>	<u>\$ 2,340,691</u>	<u>\$ 22,774,432</u>

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	<u>Mental health care services</u>	2018 <u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 13,147,249	\$ 894,862	\$ 14,042,111
Contracted labor	472,622	122,252	594,874
Employee benefits	4,289,020	213,227	4,502,247
Purchased services and fees	-	1,076,810	1,076,810
Travel and registration fees	599,980	10,497	610,477
Occupancy	1,125,894	740,925	1,866,819
Supplies	557,681	120,199	677,880
Depreciation	45,230	472,529	517,759
Other expenses	<u>52,886</u>	<u>223,018</u>	<u>275,904</u>
 Total	 <u>\$ 20,290,562</u>	 <u>\$ 3,874,319</u>	 <u>\$ 24,164,881</u>

The financial statements report certain expenses that are attributable to mental health care services and general and administrative support. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and other occupancy costs are allocated to a function based on a square footage basis.

16. Litigation

In 2017 Jane Does 1 through 6 (the Plaintiffs) filed claims against United Hospital Center, United Summit Center, and its (now former) Executive Director, alleging that he had sexually harassed them and/or created a hostile work environment. The matter has been settled. The Center's share of the deductible totaling \$500,000 was expensed in 2017. At December 31, 2018, the Center owed UHC \$894,320 towards the settlement and reported the liability in due to affiliates on the balance sheet. The receivable from the malpractice insurance company in the same amount is included in other receivables on the balance sheet.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

17. Financial Instruments

Concentration of Credit Risk Due to Patient Accounts Receivable

Financial instruments that potentially subject the Center to concentrations of credit risk consists principally patient accounts receivable.

The Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements, primarily with Medicare, Medicaid, and various commercial insurance companies. The Center maintains allowances for potential credit losses and such losses have historically been within management's expectations.

18. Loss Contingency

In 2013, the Center was notified by the West Virginia Department of Health and Human Resources that \$171,678 in reimbursed costs it received under the Medicaid Aged and Disabled Waiver program were disallowed and should be repaid. In accordance with ASC 450-20-30-1, when a loss is probable and reasonably estimable, it requires an accrual. Management has conservatively rounded the estimate of the liability up to \$175,000 to allow for any additional cost related to the dispute. In 2015, the Center received notification of an overpayment from the Department of Health and Human Resources of \$30,554. In 2018, the Center received notification that \$146,784 in reimbursed costs it received under the Intellectual/Developmental Disabilities Waiver program were for inappropriate billings and should be repaid. Management has conservatively rounded the estimate of the liability up to \$150,000. The total of the three is \$355,554 and is reported on the accompanying balance sheet in accounts payable and accrued expenses at December 31, 2018. The Center requested that the Bureau of Medical Services perform desk reviews of the assessments for the contended items. The desk reviews were completed in 2019 with the final disallowed portion of \$22,381 being repaid in 2019.

In 2019, the Center received notification that \$717,873 in reimbursed costs it received under the Intellectual/Developmental Disabilities Waiver program were for inappropriate billings and should be repaid. The Center has requested that the Bureau of Medical Services perform a desk review of the assessment for the contended items; however, management has not received any correspondence through the date of the financial statements regarding the requests. Given the results of prior desk reviews, management estimates the final disallowed portion will be \$447,158. The estimated liability is reported in the accompanying balance sheet in accounts payable and accrued expenses at December 31, 2019.

See independent auditor's report.

UNITED SUMMIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

19. Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through April 23, 2020, the date which the financial statements were available to be issued.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from international, federal, state and local authorities requiring forced closures of various schools, businesses and other facilities and organizations. These forced closures could negatively impact the Center's financial position. While the closures and limitations on movement are expected to be temporary, the duration of the disruption to activities, and related financial impact, cannot be estimated at this time. Should the closures continue for an extended period of time or should the effects of the coronavirus continue to spread, the impact could have a material adverse effect on the Center's financial position, results of operations and cash flows.

See independent auditor's report.

SUPPLEMENTARY SCHEDULES

**UNITED SUMMIT CENTER, INC.
CUMULATIVE SCHEDULE OF PROPERTY AND EQUIPMENT
PURCHASED WITH BHHF - ADMINISTERED FUNDING**

DECEMBER 31, 2019

<u>Description of Equipment</u>	<u>Vendor Name</u>	<u>Vendor Identification Number</u>	<u>Provider Identification Number</u>	<u>Date of Acquisition</u>	<u>Cost</u>	<u>State Account Number</u>
(2) Video Cameras & Tripods	Champion Industries	0046	97520	6/30/1997	1,477	8793-1997-2885-096-252 8793-1997-2886-096-252 8793-1997-2892-096-252 8793-1998-2892-096-252 8793-1999-2892-096-252-03087 8793-2005-2885-096-128-05287 8794-2005-2852-096-128-05286 0525-2006-2890-219-252/258 0525-2005-2890-219-252-06958 0525-2005-2890-219-252-06958 0525-2006-2890-219-252-06958 0525-2006-2890-219-252-06958 0525-2006-2890-219-252-06958 0525-2006-2890-219-252-06958 0525-2006-2890-219-252-06958 0525-2005-2890-219-252-06858 0525-2005-2890-219-252-06958 0525-2005-2890-219-252-06958 0525-2005-2890-219-252-06958 0525-2005-2890-219-252-06958 0525-2005-2890-219-252-06958 8794-2007-2852-096-128-12989 0525-2012-2890-219-252 0525-2012-2890-219-253 0525-2012-2890-219-254 2015-0525-0506-3115-21900-3206-3949-12426 2015-0506-2916-13000-3285-0000 8793-0000-2016-0506-2892-13000-3285-0000
1998 Ford Paratransit Shuttle Bus	WV Trans. Sales, Inc.	0411	97520	6/26/1998	41,638	
Storage Building	Timberline Construction	0438	97520	6/30/1999	8,500	
(3) Neiservers & accessories	Insight	0385	97520	6/30/2001	4,037	
	Insight	0385	97520	6/30/2001	4,038	
Building renovations	High Country Contractors	HCC	97520	5/1/2005	79,130	
Building renovations	High Country Contractors	HCC	97520	7/26/2005	37,015	
	High Country Contractors	HCC	97520	9/12/2005	6,942	
	High Country Contractors	HCC	97520	9/12/2005	11,461	
	High Country Contractors	HCC	97520	10/26/2005	8,592	
	High Country Contractors	HCC	97520	12/29/2005	16,329	
	High Country Contractors	HCC	97520	2/7/2006	13,972	
	Cullison Communications	Cul Com	97520	2/20/2006	7,434	
Master Key/Lock System	American Fence Company	AFC	97520	3/16/2006	5,485	
Building Renovations	Key Lock	KL	97520	3/18/2006	2,792	
Computers (3) and Accessories	High Country Contractors	HCC	97520	4/5/2006	8,037	
Building renovations	Insight	0385	97520	9/7/2007	3,093	
	WYK Associates	0286	97520	5/31/2012	28,100	
	OMNI Associates	0991	97520	6/29/2012	30,000	
Vehicle	United Hospital Center	UHC	97520	6/30/2012	300,000	
Computer Equipment	Harry Green Chevrolet, Inc.	HA1061	682	6/30/2015	25,000	
Computer & Audio/Visual Equipment	PC Connection	PC CON	683	9/1/2015	3,929	
	PC Connection	PC CON	684	9/30/2015	46,902	
	Sam's Club	SAM369				
	Sears	SEARS				
Computer Equipment	PC Connection	PC CON	689	11/2/2015	904	
Computer Equipment	PC Connection	PC CON	692	12/18/2015	3,183	
Building Renovations	CrossRoads Construction	803	699	5/31/2016	22,050	
Vehicle	Harry Green Chevrolet, Inc.	HA1061	700	5/25/2016	35,000	

**UNITED SUMMIT CENTER, INC.
CUMULATIVE SCHEDULE OF PROPERTY AND EQUIPMENT
PURCHASED WITH BHHF - ADMINISTERED FUNDING (CONT'D)**

DECEMBER 31, 2019

<u>Description of Equipment</u>	<u>Vendor Name</u>	<u>Vendor Identification Number</u>	<u>Provider Identification Number</u>	<u>Date of Acquisition</u>	<u>Cost</u>	<u>State Account Number</u>
Vehicle	Harry Green Chevrolet, Inc.	HA1061	709	7/26/2016	\$ 40,000	2016-0525-0506-2891-21900-3256-0000-13139
Furniture	Jack's Furniture	1134	714	6/29/2016	5,653	2016-5207-0506-2884-09900-3256-0000-JRIF_S_SR-EY2015
Computer Equipment	PC Connection	PC CON	715	9/2/2016	13,501	2016-0525-0506-2891-21900-3256-0000-13139
Washer & Dryer	Street's Store	STREET	716	9/28/2016	4,484	2016-0525-0506-2891-21900-3256-0000-13139
Refrigerators	Hart Office Solutions	HEA017	717	9/30/2016	2,095	2016-0525-0506-2891-21900-3256-0000-13139
Bed Frames & Dressers	This End Up	ENDUP1	718	9/30/2016	25,141	2014-0525-0506-2891-35400-3256-0000-13129
Mattresses	Mattress Warehouse	MATT	719	9/30/2016	49,631	2014-0525-0506-2891-35400-3256-0000-13129
Kitchen Equipment	Lowe's	LOW132	720	9/30/2016	4,278	2014-0525-0506-2891-35400-3256-0000-13129
Kitchen Equipment	Lowe's	LOW132	721	9/30/2016	3,637	2014-0525-0506-2891-35400-3256-0000-13129
Kitchen Equipment	Lowe's	LOW132	722	9/30/2016	748	2014-0525-0506-2891-35400-3256-0000-13129
Dining Room Furniture	Jack's Furniture	1134	723	9/30/2016	7,361	2014-0525-0506-2891-35400-3256-0000-13129
Living Room Furniture	Jack's Furniture	1134	724	9/30/2016	8,132	2014-0525-0506-2891-35400-3256-0000-13129
Living Room Furniture	Jack's Furniture	1134	725	9/30/2016	4,280	2014-0525-0506-2891-35400-3256-0000-13129
Television	Sam's Club	SAMCLB	726	9/30/2016	2,490	2014-0525-0506-2891-35400-3256-0000-13129
Living Room Furniture	Jack's Furniture	1134	727	9/30/2016	2,782	2014-0525-0506-2891-35400-3256-0000-13129
Living Room Furniture	Jack's Furniture	1134	728	9/30/2016	931	2014-0525-0506-2891-35400-3256-0000-13129
Living Room Furniture	Jack's Furniture	1134	729	9/30/2016	589	2014-0525-0506-2891-35400-3256-0000-13129
Mattresses	Mattress Warehouse	MATT	732	11/22/2016	43,427	2016-0525-0506-2916-21900-3256-0000-13112
Bed Frames & Dressers	This End Up	ENDUP1	742	12/9/2016	23,495	2016-0525-0506-2916-21900-3256-0000-13112
Living Room Furniture	Jack's Furniture	1134	746	12/30/2016	\$ 22,500	2016-0525-0506-2916-21900-3256-0000-13112
Washer & Dryer	Lowe's	LOW132	747	12/31/2016	1,795	2016-0525-0506-2916-21900-3256-0000-13112
Vehicle	Harry Green Chevrolet, Inc.	HA1061	770	5/31/2017	40,000	2016-0525-0506-2891-35400-3256-0000-13129
Living Room Furniture	Ashley Furniture	1295	790	9/20/2017	1,928	2017-0525-0506-2891-21900-326-0000-13139
Sporting & Recreation Equipment	Dick's Sporting Goods	0204	790	9/20/2017	<u>2,382</u>	2017-0525-0506-2891-21900-326-0000-13139

\$ 1,066,300

UNITED SUMMIT CENTER, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Identifying State Grant Information</u>	<u>Period of Time</u>	<u>Amount of Award</u>	<u>Receipt of Funds</u>	<u>Expenditure of Funds</u>
Grant #G180512	10/01/2017 - 09/30/2018	1,759,400	1,782	-
Grant #G190223	07/01/2018 - 06/30/2019	334,000	177,602	169,006
Grant #G190279	07/01/2018 - 06/30/2019	1,005,015	559,376	372,523
Grant #G190251	07/01/2018 - 06/30/2019	244,000	148,545	102,601
Grant #G190317	07/01/2018 - 06/30/2019	63,800	46,215	32,997
Grant #G190272	07/01/2018 - 12/31/2018	363,852	230,545	22,987
Grant #19-411	07/01/2018 - 06/30/2019	145,000	91,744	40,224
Grant #G190709	01/01/2019 - 06/30/2019	628,526	628,526	628,526
Grant #G190722	01/01/2019 - 06/30/2019	203,383	203,382	203,382
Grant #G190537	10/01/2018 - 09/30/2019	431,100	431,100	281,886
Grant #G190355	09/30/2018 - 09/29/2019	52,000	51,101	34,201
Grant #G190521	10/01/2018 - 09/30/2019	380,000	311,779	240,061
Grant #G190559	10/01/2018 - 09/30/2019	939,700	939,700	614,597
Grant #G200712	10/01/2019 - 06/30/2020	225,000	-	69,750
Grant #G200142	07/01/2019 - 06/30/2020	1,005,015	201,003	422,106
Grant #G200127	07/01/2019 - 06/30/2020	244,000	102,480	102,480
Grant #G200460	07/01/2019 - 06/30/2020	63,800	26,796	26,796
Grant #G200083	07/01/2019 - 06/30/2020	406,766	170,842	170,842
Grant #G200057	07/01/2019 - 06/30/2020	1,257,052	527,962	527,962
Grant #G200716	10/01/2019 - 09/30/2020	30,660	-	6,132
Grant #G200698	10/01/2019 - 09/30/2020	380,000	-	112,455
Grant #G200836	09/30/2019 - 09/29/2020	52,000	-	13,000
Grant #G200762	09/30/2019 - 09/29/2020	70,497	-	17,624
Grant #G200743	09/30/2019 - 09/29/2020	69,819	-	17,455
			<u>\$ 4,850,480</u>	<u>\$ 4,229,593</u>

Note A – Basis of Presentation

The Schedule of State Grant Receipts and Expenditures includes both the federal and state funding portions of the grants.

See accompanying notes and independent auditor's report.



Tetrick & Bartlett, PLLC

Certified Public Accountants
Consultants

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

To the Board of Directors and Management
United Summit Center, Inc.
Clarksburg, 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 United Summit Center, Inc. (a nonprofit organization), which comprise the balance sheet as of December 31, 2019, and the related statements of operations, 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 April 23, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 certain deficiency in internal control, described in the accompanying schedule of finding and response at item #2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

United Summit Center Inc.'s Response to Findings

United Summit Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of finding and response. United Summit Center, Inc.'s response was not subjected 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 Standard* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Setrick + Barlowe, PLLC

Fairmont, West Virginia
April 23, 2020

**UNITED SUMMIT CENTER, INC.
SCHEDULE OF FINDING AND RESPONSE
FOR THE YEAR ENDED DECEMBER 31, 2019**

#2019-001 - Significant Deficiency - Segregation of Duties

Criteria: Control systems should be implemented to assign different individuals the responsibility for approving, executing and recording transactions in order to properly detect and correct fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse having an effect of the financial statements.

Condition: Control systems have not been implemented to assign different individuals the responsibility for approving, executing and recording transactions.

Cause: Certain individuals have multiple responsibilities for approving, executing and recording the same transactions.

Effect: Because of the failure to segregate duties, the control system could fail to prevent, or detect and correct fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse having an effect on the financial statements.

Recommendation: Responsibilities of approval, executing, recording and custody associated with all financial transactions should be distributed among the accounting staff to the highest degree possible. We recommend that the Board of Directors should remain involved in the financial affairs of the Center to provide oversight and independent review functions.

View of Responsible Official and Planned Corrective Action: The size of the Center's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were larger. The Board believes that complete segregation of duties is not economically feasible; however, to mitigate the effects of this significant deficiency, management will continue to segregate duties to the extent possible.

Status: This condition was reported in the prior year's audit as finding #2018-001.